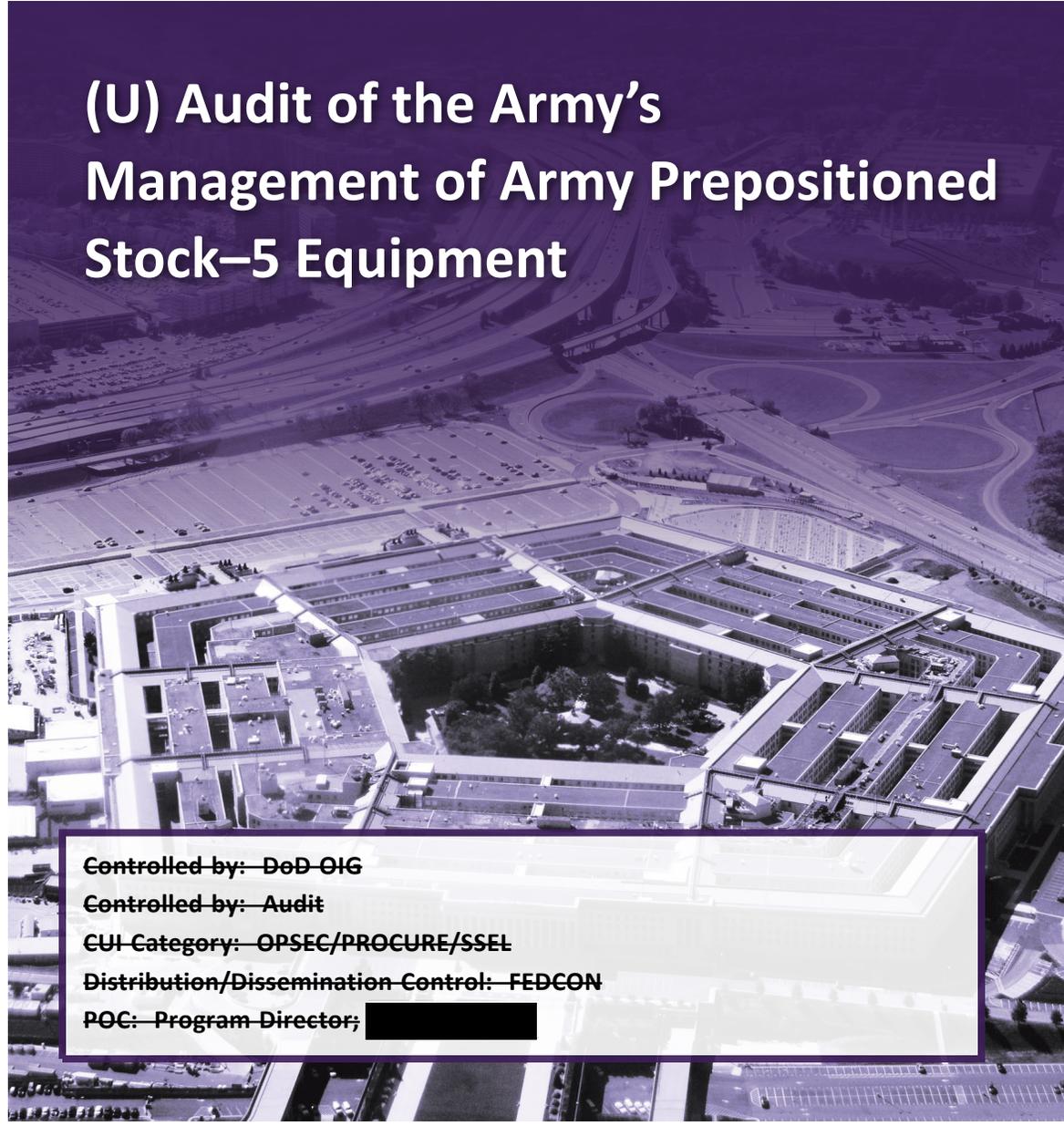


CUI

INSPECTOR GENERAL

U.S. Department of Defense

MAY 24, 2024



(U) Audit of the Army's Management of Army Prepositioned Stock-5 Equipment

Controlled by: DoD-OIG

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POC: Program Director; [REDACTED]

INDEPENDENCE ★ INTEGRITY ★ EXCELLENCE ★ TRANSPARENCY

CUI





(U) Results in Brief

(U) Audit of the Army's Management of APS-5 Equipment

May 24, 2024

(U) Objective

(U) The objective of this audit was to determine whether the Army effectively managed contractor execution of storage, maintenance, and accountability requirements for Army Prepositioned Stock-5 (APS-5) equipment in accordance with Federal and DoD regulations and whether Army contracting officials reviewed and approved invoices to verify contractor-reported costs before payment.

(U) Background

(U) The APS program strategically positions sets of equipment around the world to reduce deployment response times. The Army prescribes procedures for storing and preserving APS equipment. To ensure APS-5 equipment in Kuwait is stored and accounted for in accordance with Army procedures and to provide maintenance, supply, and transportation services for the equipment, the Army awarded a contract that was valued at \$1 billion as of November 17, 2023.

(U) Findings

(U) The Army did not effectively manage contractor execution of the storage, maintenance, and accountability of APS-5 equipment. Specifically, the APS-5 contractor did not:

- (U) protect 5,885 pieces of equipment from environmental conditions as required;
- (U) perform required maintenance on 25 of the 57 pieces of equipment and weapons we inspected;

(U) Findings (cont'd)

- (U) create or ensure over 15,570 pieces of equipment had valid preventative maintenance service plans in the property accountability system;
- (U) account for 51 weapons and sensitive items in monthly inventories between November 2021 and January 2023; or
- (U) accurately determine operational readiness rates for APS-5 equipment.

(U) This occurred because Army officials did not consistently follow quality control procedures to enforce contract requirements, validate and ensure correction of maintenance deficiencies, or validate the accuracy of weapons and sensitive item inventories. In addition, when Army officials identified that the contractor failed to meet contract requirements, the contracting officer did not hold the contractor accountable.

(U) As a result, 25 of the 57 pieces of equipment we inspected had at least one maintenance deficiency that resulted in non-mission capable equipment. Furthermore, the lack of accountability resulted in the Army losing one sensitive item. The Army also overstated the operational readiness rates for APS-5 equipment.

(U) In addition, Army officials did not review invoices before payment to verify contractor-reported costs because the officials misinterpreted invoice review requirements and only reviewed the APS-5 contractor's purchase requests. Additionally, the contracting officer never verified that invoice reviews occurred. As a result, the Army does not have assurance that the \$133.4 million paid to the APS-5 contractor resulted in receipt of contracted services.

(U) Recommendations

(U) We made 15 recommendations to address the Army's lack of oversight of the storage, maintenance, and accountability of APS-5 equipment, including recommending that the Army update its standard operating procedures to require additional oversight of contractor-completed maintenance work.



(U) Results in Brief

(U) Audit of the Army's Management of APS-5 Equipment

(U) Recommendations (cont'd)

(U) Furthermore, we recommend that the Army review the actions of the contracting officer for the APS-5 maintenance contract and take administrative action to hold them accountable for failing to oversee the APS-5 contract and enforce contract terms. The Army should also request the Defense Contract Audit Agency perform a review of the 50 invoices totaling \$133,401,705.89 to verify whether contractor-reported direct and indirect costs were allowable, allocable, and reasonable.

(U) Management Comments and Our Response

(U) This report contains 11 recommendations to the Commander, Army Materiel Command; Commander, U.S. Army Sustainment Command; Commanding General, Army Contracting Command; Commander, Area Support Group–Kuwait; Commander, 401st Army Field Support Brigade; and the Executive Director, Army Contracting Command–Rock Island that are considered resolved. We will close the recommendations once we verify that management has implemented corrective actions.

(U) The Executive Director, Army Contracting Command–Rock Island responses did not address the specifics of four recommendations; therefore, we consider those recommendations unresolved. We request that Army Contracting Command–Rock Island officials provide comments to address these four recommendations within 30 days. Please see the Recommendations Table on the next page for the status of recommendations.

(U) Recommendations Table

(U) Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
Commander, Army Materiel Command		A.5	
Commander, Army Sustainment Command		A.1	
Commanding General, Army Contracting Command		B.1	
Commander, Area Support Group–Kuwait		A.3	
Commander, 401st Army Field Support Brigade		A.4.a, A.4.b, A.4.c	
Executive Director, Army Contracting Command–Rock Island	A.2.c, A.2.e, A.2.f, A.2.g	A.2.a, A.2.b, A.2.d, B.2	(U)

(U) Please provide Management Comments by June 24, 2024.

(U) Note: The following categories are used to describe agency management’s comments to individual recommendations.

- **(U) Unresolved** – Management has not agreed to implement the recommendation or has not proposed actions that will address the recommendation.
- **(U) Resolved** – Management agreed to implement the recommendation or has proposed actions that will address the underlying finding that generated the recommendation.
- **(U) Closed** – The DoD OIG verified that the agreed upon corrective actions were implemented.





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

May 24, 2024

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION
AND SUSTAINMENT
COMMANDER, U.S. CENTRAL COMMAND
COMMANDER, ARMY MATERIEL COMMAND
COMMANDER, ARMY CONTRACTING COMMAND
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: (U) Audit of the Army's Management of APS-5 Equipment
(Report No. DODIG-2024-083)

(U) This final report provides the results of the DoD Office of Inspector General's audit. We previously provided copies of the draft report and requested written comments on the recommendations. We considered management's comments on the draft report when preparing the final report. These comments are included in the report. During the audit, we identified \$134.4 million in questioned costs because the Army Contracting Command–Rock Island procuring contracting officer had the authority to reduce fees from the Army Prepositioned Stock–5 contractor due to deficient performance but did not exercise this authority. In addition, the 408th Contracting Support Brigade administrative contracting officers and 401st Army Field Support Battalion–Kuwait contracting officer's representatives did not review Army Prepositioned Stock–5 invoices in accordance with Federal and DoD guidance.

(U) Of 15 total recommendations, this report contains 4 recommendations to the Executive Director, Army Contracting Command–Rock Island that are considered unresolved because the comments from the Executive Director did not agree with or fully address the recommendations presented in the report. These unresolved recommendations will remain open until management has agreed to take actions that we determine to be sufficient to meet the intent of the recommendations and management officials submit adequate documentation showing that all agreed-upon actions are completed.

(U) Of 15 total recommendations, this report contains 11 recommendations to the Commander, Army Materiel Command; Commander, Army Sustainment Command; Commanding General, Army Contracting Command; Commander, Area Support Group–Kuwait; Commander, 401st Army Field Support Brigade; and the Executive Director, Army Contracting Command–Rock Island that are considered resolved. We will close these resolved recommendations when they provide us documentation showing that all agreed-upon actions to implement the recommendations are completed.

(U) DoD Instruction 7650.03 requires that recommendations be resolved promptly. For unresolved recommendations, within 30 days please provide us your response concerning specific actions in process or alternative corrective actions proposed on the recommendations. Send your response to either audrgo@dodig.mil if unclassified or rfunet@dodig.smil.mil if classified SECRET. For the resolved recommendations, please provide us documentation showing you have completed the agreed-upon actions. Please send your documentation for the resolved recommendations as a PDF to followup@dodig.mil.

(U) We appreciate the cooperation and assistance received during this audit. If you have any questions, please contact me at [REDACTED].

FOR THE INSPECTOR GENERAL:



Richard B. Vasquez
Assistant Inspector General for Audit
Readiness and Global Operations

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(U) Introduction

(U) Objective

(U) The objective of this audit was to determine whether the Army adequately maintained and accurately accounted for Army Prepositioned Stock-5 (APS-5) equipment in accordance with Federal and DoD regulations.¹ However, because the Army stores, maintains, and accounts for APS-5 equipment through contracted services, we revised our objective to focus on whether the Army effectively managed contractor execution of storage, maintenance, and accountability requirements for APS-5 equipment in accordance with Federal and DoD regulations. During the course of the audit, we also expanded our objective to determine whether Army contracting officials reviewed and approved invoices to verify contractor-reported costs before payment.

(U) Background

(U) The Army Prepositioned Stock (APS) program strategically positions sets of equipment, such as rolling stock and weapons systems, to reduce deployment response times.² There are seven APS locations, including APS-5 (Southwest Asia). Military units use APS-5 equipment to support operations throughout the Middle East, including Operation Inherent Resolve and Operation Spartan Shield.

(U) APS-5 Contract

(U) On August 31, 2016, Army Contracting Command-Rock Island (ACC-RI) awarded a contract to provide maintenance, supply, and transportation services for APS-5 equipment in Kuwait, valued at \$23.8 million.³ In addition to maintaining APS-5 equipment, the contractor is required to store all APS-5 equipment in accordance with Care of Supplies in Storage (COSIS) standards outlined in Army Technical Manual (TM) 38-470 and maintain accountability of all APS-5 equipment in the Global Combat Support System-Army (GCSS-Army).⁴ Through a series of contract modifications and extensions, the contract value increased to \$1 billion as of November 17, 2023.

¹ (U) This report contains information that has been redacted because it was identified by the Department of Defense as Controlled Unclassified Information (CUI) that is not releasable to the public. CUI is Government-created or owned unclassified information that allows for, or requires, safeguarding and dissemination controls in accordance with laws, regulations, or Government-wide policies.

² (U) Rolling stock refers to transit vehicles such as High Mobility Multipurpose Wheeled Vehicles and Mine Resistant Ambush Protected vehicles, commonly known as Humvees and MRAPs, respectively.

³ (U) Contract Number W52P1J-12-G-0028, Task Order 0003.

⁴ (U) U.S. Army TM 38-470, "Storage and Maintenance of Army Prepositioned Stock Materiel," January 28, 2022.

(U) GCSS-Army is the Army's inventory system of record.

(U) The APS-5 contract performance work statement (PWS) states that failure to meet the contract requirements may result in a nonconformance report (NCR), loss of fee, or partial or complete contract termination.

(U) The contracted COSIS services used to support the APS program will become a task order under the Army's Logistics Civil Augmentation Program contract. The Army intends to award four APS COSIS task orders under the contract, with the ACC-RI conducting the task order competition and award. The Army anticipates awarding the task orders by April 2024.

(U) Care of Supplies in Storage Program

(U) The Army's COSIS program is designed to ensure the readiness of the Army's stored equipment by identifying and mitigating exposure to temperature, humidity, and other environmental factors. The COSIS program includes inspecting, testing, and packing preservation methods. COSIS establishes controls to ensure equipment is maintained in the most efficient and cost effective manner to help the Army avoid wasteful replacement costs and prevent the Army from issuing non-mission capable equipment. The Army is required to ensure contractors responsible for APS equipment implement COSIS requirements and manage COSIS maintenance cycles in accordance with Army TM 38-470. Army TM 38-470 prescribes procedures for the storage and preservation required to support equipment designated for the APS program.

(U) Army TM 38-470 establishes COSIS maintenance cycles for equipment stored in both non-controlled and controlled humidity facilities. Equipment stored outside, or in non-controlled humidity facilities, requires preventative maintenance every 2 years. Equipment stored in controlled humidity facilities requires preventative maintenance every 4 years. Army TM 38-470 defines a controlled humidity facility as an area where the humidity level is between 30- and 50-percent relative humidity. Controlled humidity facilities reduce the Army's cost to maintain equipment by minimizing equipment failure and reducing the frequency of scheduled maintenance. In addition to storing equipment outside, the 401st Army Field Support Battalion-Kuwait (401st AFSBn-Kuwait) stores APS-5 equipment in 29 controlled humidity facilities, consisting of 17 controlled humidity warehouses and 12 controlled humidity weapons vaults and arms rooms.

(U) Global Combat Support System-Army

(U) GCSS-Army serves as the system of record for accountability and maintenance information for all APS equipment. GCSS-Army tracks equipment readiness, manages all levels of maintenance; and is used to receive, store, and issue APS equipment. As of September 2023, there were 15,573 pieces of APS-5 equipment

(U) in GCSS-Army that required a maintenance plan. The APS-5 contractor is required to use GCSS-Army to document maintenance performed and report the operational status of APS-5 equipment.

(U) APS-5 Roles and Responsibilities

(U) The APS-5 program involves coordination between the Office of the Deputy Chief of Staff of the Army G-4 (Logistics); Army Materiel Command (AMC); Army Sustainment Command (ASC); ACC-RI; 401st Army Field Support Brigade (401st AFSB); 401st AFSBn-Kuwait; and 408th Contracting Support Brigade (408th CSB). While each organization has a different role, all share a responsibility in the maintenance and accountability of APS-5 equipment.

(U) APS Program Management

(U) The Army G-4, Operations Directorate provides guidance on developing the APS program and ensuring materiel readiness and sustainability of the Army. The Army G-4 is also responsible for keeping prepositioned materials at authorized levels to adequately fill unit sets, providing resources to conduct the APS program, and approving the APS program equipment list.

(U) The AMC is required to develop APS program funding requirements, maintain accountability of APS equipment, issue execution orders to release APS equipment for operations, and ensure the operational readiness of APS equipment. The ASC, a subordinate command to the AMC, is the executing arm of the AMC's APS program and is responsible for storing, maintaining, issuing, and accounting for APS equipment across the Army.⁵

(U) The 401st AFSB, a subordinate command to the ASC and the parent brigade to the 401st AFSBn-Kuwait, is located at Camp Arifjan, Kuwait, and provides mission command of the assigned Army field support battalions and coordinates support for APS-5. The 401st AFSBn-Kuwait, headquartered at Camp Arifjan, Kuwait, is responsible for receiving, maintaining, issuing, and accounting for APS-5 equipment to support the missions of all combatant commanders during contingency operations, major exercises, and humanitarian missions. The 401st AFSBn-Kuwait contracting officer's representatives (CORs) are responsible for overseeing the APS-5 contractor's compliance with contract requirements for storage, maintenance, and accountability of APS-5 equipment. The CORs work directly with the 408th CSB administrative contracting officer (ACO) and Defense Contract Management Agency Quality Assurance personnel to oversee the APS-5 contractor. CORs are required to conduct surveillance on the activities of the APS-5 contractor

⁵ (U) U.S. Army Medical Materiel Agency provides all management for Supply Class VIII (medical).

(U) in accordance with the contract's Quality Assurance Surveillance Plan (QASP).⁶ CORs are required to submit monthly reports on the results of their surveillance to the ACO.

(U) The 401st AFSBn-Kuwait CORs' designation letters and the Purchasing and Invoicing Guide for the APS-5 contract require the CORs to review invoices submitted by the APS-5 contractor.⁷ The COR designation letter requires that the CORs ensure the hours worked by the contractor are the hours billed in the contractor's invoice. In addition, the Purchasing and Invoice Guide requires the 401st AFSBn-Kuwait CORs to review all invoices submitted by the APS-5 contractor within 5 days of receiving the invoice to ensure the Government received the services and supplies included on the invoice. If the 401st AFSBn-Kuwait CORs do not review the invoice within 5 days, the APS-5 contractor is authorized to submit the invoice in Wide Area Work Flow for payment, stating that the CORs' review time expired.

(U) Army Contracting Command–Rock Island

(U) The ACC-RI procuring contracting officers (PCOs) are responsible for awarding and administering the APS-5 contract, ensuring contractor compliance with the terms of the contract, and safeguarding the DoD's interest in the contractual relationship with the APS-5 contractor. For the APS-5 contract, the PCO delegated contract administration duties to the ACOs. The PCO retained responsibility for completing the annual Contractor Performance Assessment Reporting System (CPARS) report, which assesses the contractor's performance for each period of performance in the contract. The Federal Acquisition Regulation (FAR) states that the CPARS is the official source of past performance information for contractors and should be used to record information on the contractor's performance on an annual basis.⁸

(U) 408th Contracting Support Brigade

(U) The 408th CSB reports to the ACC Commander and provides ACOs to oversee the APS-5 contractor. The ACO is responsible for working directly with 401st AFSBn-Kuwait CORs and the APS-5 contractor to ensure the contractor meets all requirements of the contract. The ACO is responsible for training

⁶ (U) Federal Acquisition Regulation Part 46, "Quality Assurance," Subpart 46.6, "Government Contract Quality Assurance," Section 46.401, "General," defines a QASP as a document that should specify all contract requirements requiring Government surveillance and the methods Government officials should use for surveillance to determine whether the services the contractor provides conform to contract requirements.

⁷ (U) "Enhanced Acquisition Global Logistics Enterprise (EAGLE) Kuwait/Qatar APS-5 Task Order (W52P1J-12-G-0028/0003) Guide for Government Approval & Oversight of Contractor Purchasing & Invoicing," September 7, 2017.

⁸ (U) FAR Part 42, "Contract Administration and Audit Services," Subpart 42.15, "Contractor Performance Information," Section 42.1501(b), "General," and Section 42.1502(a), "Policy."

(U) and appointing 401st AFSBn-Kuwait CORs and ensuring that the CORs are adequately overseeing the APS-5 contract. If the contractor does not comply with the terms of the contract, the ACO is responsible for issuing NCRs to correct the deficiency. Furthermore, the APS-5 contract's Purchasing and Invoicing Guide requires the ACO to coordinate with the CORs to confirm receipt of services and supplies included in an invoice.⁹

(U) Army Property Accountability Requirements

(U) Army Regulation 735-5 requires all persons entrusted with Government property to ensure proper use, care, custody, safekeeping, and disposition.¹⁰ Army Regulation 735-5 also requires officials to record all serial numbers for the equipment on hand in the property book and on all property book supporting documents.¹¹ In addition, Army Regulation 710-2 states that each brigade will appoint a property book officer (PBO).¹² For APS-5, the 401st AFSBn-Kuwait Commander is responsible for appointing a PBO.

(U) Once appointed by the commander, Army Regulation 710-2 requires the incoming 401st AFSBn-Kuwait PBO to complete an inventory of all property on hand with the outgoing PBO.¹³ The incoming PBO is then required to sign a memorandum stating that the PBO assumes accountability for the property in the quantity shown on each record of the property book and assumes direct responsibility for property.

(U) Army Regulation 710-2 requires the 401st AFSBn-Kuwait PBO to conduct monthly inventories of weapons by serial number and quarterly inventories of all other sensitive items. In addition, the Army regulation requires the PBO to conduct annual inventories, over a 12-month period, on all other property on hand. The APS-5 contract requires the APS-5 contractor to perform a monthly inventory of weapons and sensitive items on the APS-5 property book. Furthermore, the APS-5 contractor is required to comply with all requirements of Army Regulation 710-2, including performing a 100-percent annual inventory of APS-5 equipment.

⁹ (U) Throughout this report we use the term "invoice" to refer to the contractor-submitted vouchers on cost reimbursement contracts.

¹⁰ (U) U.S. Army Regulation 735-5, "Property Accountability Policies," November 9, 2016.

¹¹ (U) A property book is a formally designated set of records maintained to account for an organization's and installation's property. The APS-5 property book is maintained in GCSS-Army.

¹² (U) U.S. Army Regulation 710-2, "Supply Policy Below the National Level," March 28, 2008.

¹³ (U) A hand receipt is a signed document acknowledging acceptance of and responsibility for the items of property listed on the document that are issued for use and are to be returned.

(U) APS-5 Equipment Fleet

(U) As of August 2022, the 401st AFSBn-Kuwait reported 53,424 pieces of equipment in the APS-5 inventory and listed 52,209 of the 53,424 pieces of APS-5 equipment as fully mission capable. The 401st AFSBn-Kuwait, through the contractor, stored APS-5 equipment between one outside storage yard and 29 controlled humidity facilities. We nonstatistically selected 57 of the 52,209 pieces of equipment to determine whether the Army adequately maintained APS-5 equipment. Our nonstatistical selection included 32 pieces of rolling stock and 25 weapons. In addition, 15,573 pieces of APS-5 equipment required maintenance plans in GCSS-Army. We obtained GCSS-Army data to determine whether the Army established maintenance plans for APS-5 equipment that required plans. Furthermore, we reviewed whether the Army properly stored and safeguarded 5,885 pieces of APS-5 equipment from environmental conditions. We also reviewed 12 of the 29 controlled humidity facilities to determine whether the Army maintained APS-5 equipment within 30- and 50-percent relative humidity levels.¹⁴ Finally, the 53,424 pieces of equipment in the APS-5 inventory included 23,629 sensitive items, which required 100-percent accountability. We reviewed the Army's management and contractor's processes to determine whether the Army maintained 100-percent accountability of the sensitive items. See Appendix A for the scope and methodology.

(U) Previously Issued Management Advisories

(U) During the course of this audit, the DoD OIG issued two management advisories related to APS-5 equipment designated for Ukraine and shortages of Basic Issue Items (BII) and Components of End Items (COEI) for APS-5 equipment.¹⁵ Report No. DODIG-2023-076, dated May 23, 2023, identified issues that resulted in unanticipated maintenance, repairs, and extended leadtimes to ensure the readiness of the military equipment selected to support the Ukrainian Armed Forces. The DoD OIG determined that the 401st AFSBn-Kuwait did not adequately oversee the maintenance of M1167 High Mobility Multipurpose Wheeled Vehicles (HMMWVs) and M777 howitzers in the APS-5 inventory. This advisory made two recommendations to the Army to improve the level of maintenance and leadtime for APS-5 equipment designated for Ukraine. Both recommendations are closed.

¹⁴ (U) Controlled humidity facilities are warehouses where the relative humidity is controlled and maintained using parameters specific to equipment stored within to mitigate equipment degradation. Controlled humidity facilities store APS-5 equipment and weapons.

¹⁵ (U) Report No. DODIG-2023-076, "Management Advisory: Maintenance Concerns for the APS-5 Equipment Designated for Ukraine," May 23, 2023.

(U) Report No. DODIG-2023-087, "Management Advisory: BII and COEI Shortages in the APS-5 Program," June 15, 2023.

(~~CUI~~) Report No. DODIG-2023-087, issued June 15, 2023, presented a shortage of [REDACTED] of BII and COEI identified by 401st AFSBn-Kuwait officials. These pieces of BII and COEI are required to make APS-5 equipment fully mission capable. The shortage of [REDACTED] of BII and COEI, [REDACTED] puts the Army at risk of not being ready to execute required missions. This advisory made four recommendations to the Army to improve accountability of BII and COEI and develop a funding plan to fulfill the shortage of BII and COEI for APS-5 equipment. As of January 2, 2024, two recommendations are closed and two recommendations remain open.

(U) Finding A

(U) The Army Should Improve Oversight of the Storage, Maintenance, and Accountability of APS-5 Equipment

(U) The ASC and the 401st AFSBn-Kuwait did not effectively manage the contractor's execution of the storage, maintenance, and accountability of APS-5 equipment. Specifically, the APS-5 contractor did not:

- (U) protect 5,885 pieces of equipment from environmental conditions as required by COSIS requirements in Army TM 38-470 and the terms of the contract;
- (U) perform maintenance, in accordance with the terms of the contract, on 25 of the 57 pieces of equipment and weapons we inspected;
- (U) create or ensure over 15,570 pieces of equipment had valid preventative maintenance service plans in GCSS-Army;
- (U) account for 51 weapons and sensitive items in monthly inventories between November 2021 and January 2023; or
- (U) accurately determine operational readiness rates for APS-5 equipment.

(U) The APS-5 contractor did not properly store, maintain, and account for APS-5 equipment because the 401st AFSBn-Kuwait CORs and PBOs, ACO, and PCO did not provide consistent oversight to ensure the APS-5 contractor complied with contract requirements. Specifically, 401st AFSBn-Kuwait CORs did not consistently follow QASP procedures to:

- (U) enforce contract requirements for COSIS storage, maintenance service plan creation and validation, or operational readiness reporting;
- (U) validate and ensure correction of all contractor-identified maintenance deficiencies; or
- (U) validate the accuracy of the contractor's weapons and sensitive item inventories.

~~(CUI)~~ In addition, when the CORs' surveillance identified that the contractor failed to meet contract requirements, the PCO did not hold the contractor accountable. Despite the CORs providing support for the ACO to issue 157 nonconformance reports between January 3, 2017, and January 2, 2023, the PCO continuously rated the contractor as performing [REDACTED] on annual CPARS ratings and did not take any action to reduce the fixed fee paid to the contractor.

(U) As a result, 25 of the 57 pieces of equipment we inspected had at least one maintenance deficiency that resulted in non-mission capable equipment.¹⁶ In addition, 401st AFSBn-Kuwait officials issued non-mission capable equipment designated for Ukraine and military units in Syria. For example, the 401st AFSBn-Kuwait issued two non-operational Reverse Osmosis Water Purification Units (ROWPU) and 22 Force Provider modules that included inoperable generators and unusable tents to military units in Syria. Additionally, the lack of accountability resulted in the 401st AFSBn-Kuwait losing one sensitive item and placing 53,424 items on the APS-5 property book at an increased risk of loss, theft, or being unaccounted for without detection. Furthermore, the Army's failure to consider BII and COEI shortages when determining the operational readiness of APS-5 equipment resulted in the 401st AFSBn-Kuwait overstating the operational readiness rates of APS-5 equipment.

(U) The APS-5 Contractor Did Not Store Equipment in Accordance with COSIS and Contract Requirements

(U) The APS-5 contractor did not store 5,885 pieces of APS-5 equipment in accordance with COSIS requirements prescribed in Army TM 38-470 and the terms of the contract. Specifically, the APS-5 contractor did not comply with COSIS preventative measures outlined in Army TM 38-470 or consistently record and report humidity levels as required by the contract when storing APS-5 equipment.

(U) The APS-5 Contractor Did Not Protect Equipment from Environmental Conditions

(U) The APS-5 contractor did not protect 5,885 pieces of APS-5 equipment from environmental conditions or prevent corrosion and degradation, as required by Army TM 38-470. To prevent deterioration

of equipment while in long-term storage, Army TM 38-470 requires applying protective measures to equipment before storage.¹⁷ From August 22, 2022, through September 8, 2022, we reviewed 32 pieces of APS-5 equipment and found that

(U) The APS-5 contractor did not protect 5,885 pieces of APS-5 equipment from environmental conditions or prevent corrosion and degradation.

17 pieces of equipment were not protected in accordance with Army TM 38-470.

In addition to the 32 items we reviewed, the APS-5 contractor did not:

- (U) cover tires and windows on any of the 5,885 pieces of APS-5 equipment; or

¹⁶ (U) The 25 pieces of equipment included 24 vehicles and 1 weapon.

¹⁷ (U) Protective measures apply to equipment stored in both controlled humidity and non-controlled humidity facilities.

- (U) disconnect batteries on equipment not connected to trickle chargers.¹⁸

(U) Army TM 38-470 states that equipment placed in open storage must be protected from environmental elements, such as wind and sand, using plastic tarps, plastic sheeting, or any other barrier material. Furthermore, the APS-5 contract requires the contractor to use barrier material to cover windows, placing the material between windshield wipers and the glass, to prevent the wipers from sticking to the window seal and protecting the equipment from ultraviolet rays. However, we observed that none of the APS-5 equipment stored outside, such as HMMWVs and M1000 semitrailers, had the tires or windows covered to protect the equipment from environmental conditions. APS-5 contractor officials acknowledged that none of the 5,885 pieces of APS-5 rolling stock were stored in accordance with Army TM 38-470 or the APS-5 contract specific preventative measures since 2017. The 401st AFSBn-Kuwait COR stated that they were aware that the APS-5 contractor was not complying with all COSIS requirements; however, 401st AFSBn-Kuwait did not enforce the requirements because it believed it would be too expensive.¹⁹ The 401st AFSBn-Kuwait did not have an approved waiver for deviation from the COSIS requirements. Figure 1 shows APS-5 equipment stored outside without covered tires or windows to protect equipment from the environmental conditions, such as extreme heat and dust.



¹⁸ (U) Trickle chargers charge the battery at a low and slow rate in order to replenish and prevent the natural depletion of the battery.

¹⁹ (U) The APS-5 contract is a cost-plus-fixed-fee contract where the Government is required to reimburse the contractor for all allowable and allocable cost incurred while executing the services of the contract.

(U) In addition, the APS-5 contractor did not adequately maintain batteries stored in APS-5 equipment. The APS-5 contract requires the APS-5 contractor to disconnect batteries from vehicles without long-term charging capabilities when placing the vehicle into storage. However, we reviewed 14 vehicles not connected to trickle chargers and found that all 14 vehicles had their batteries connected, which resulted in 7 vehicles not starting. The 401st AFSBn-Kuwait Commander acknowledged that batteries for equipment stored outside was a challenge and that the APS-5 contractor was not complying with the requirement to disconnect the batteries before placing vehicles into storage.

(U) The APS-5 Contractor Did Not Consistently Record or Report Out of Range Relative Humidity Levels in Controlled Humidity Facilities

(U) The APS-5 contractor did not consistently record and report out of range humidity levels for the 12 controlled humidity facilities we reviewed, where at least 1,887 pieces of APS-5 equipment and 1,571 weapons were stored at Camp Arifjan, Kuwait. Army TM 38-470 states that care must be taken to prevent the relative humidity from dropping below 30-percent or rising above 50-percent during storage. In addition, the APS-5 contract states that for each controlled humidity facility, the APS-5 contractor must record the relative humidity levels daily and make the humidity levels readily available to the 401st AFSBn-Kuwait COR. Furthermore, the APS-5 contract requires the APS-5 contractor to correct or immediately report to the 401st AFSBn-Kuwait COR any condition that indicates undesirable trends in humidity levels. When relative humidity is not compliant with Army TM 38-470, the APS-5 contract requires the APS-5 contractor to submit a work order to the Area Support Group-Kuwait (ASG-Kuwait) Directorate of Public Works (DPW) to fix any deficiencies that the APS-5 contractor could not correct. However, for the 12 APS-5 controlled humidity facilities we reviewed, the APS-5 contractor did not record the relative humidity levels each day and did not submit work orders when humidity levels were outside the authorized levels prescribed in Army TM 38-470.

(U) We reviewed the daily reports for 12 of 29 controlled humidity facilities from August 14, 2021, through August 27, 2022 (379 days), and found that the APS-5 contractor did not record relative humidity levels in all 12 controlled humidity facilities for over 60 days. In addition, we found that from August 14, 2021, through August 27, 2022, 12 of the 29 controlled humidity facilities we reviewed were not within the required relative humidity range for at least 89 of the 379 days. For example, the APS-5 contractor reported that relative humidity at an APS-5 controlled humidity facility that stored Mine Resistant Ambush Protected vehicles, or MRAPS, was not within 30- and 50-percent relative humidity for 36 consecutive days

(U) from June 16, 2022, through July 21, 2022. In addition, the APS-5 contractor had not recorded levels or recorded relative humidity levels that were out of range for 284 of the 379 days we reviewed.

(U) Furthermore, the APS-5 contractor did not submit work orders to the ASG-Kuwait DPW to fix controlled humidity facilities that were out of range. Our review of the APS-5 contractor's work order registry indicated that despite relative humidity levels being out of range for over 120 days, the APS-5 contractor did not submit work orders to ASG-Kuwait DPW to repair controlled humidity systems at three APS-5 controlled humidity facilities storing weapons.

(U) The APS-5 Contractor Did Not Adequately Perform Maintenance of APS-5 Equipment

(U) The APS-5 contractor did not properly perform maintenance, in accordance with the terms of the contract and the equipment-specific technical manuals, on 25 of 57 pieces of APS-5 equipment and weapons we inspected.²⁰ The APS-5 contract states that the APS-5 contractor must perform maintenance on APS-5 equipment in accordance with Army Regulation 750-1 and equipment-specific technical manuals to maintain APS-5 equipment to fully mission capable standards.²¹ We reviewed 57 pieces of APS-5 equipment with maintenance completed by the APS-5 contractor from October 23, 2021, through June 17, 2022, and found that 24 pieces of rolling stock and 1 weapon had deficiencies that, according to the equipment-specific technical manuals, would cause the equipment to be non-mission capable.²²

(U) For example, the APS-5 contractor did not adequately maintain five M119A3 howitzers in accordance with the equipment-specific technical manual.²³ From May 6, 2022, through June 27, 2022, the APS-5 contractor documented completing the annual maintenance on the five M119A3 howitzers, during which the contractor reported servicing the howitzer recuperators and repairing all deficiencies to bring the howitzers to a fully mission capable status.²⁴ However, on September 6, 2022, we found that the recuperator cap safety wires had not been removed, which is necessary to service the recuperator and bring the equipment to a fully mission

²⁰ (U) Equipment-specific technical manuals are publications that provide detailed instructions for fully maintaining a piece of equipment.

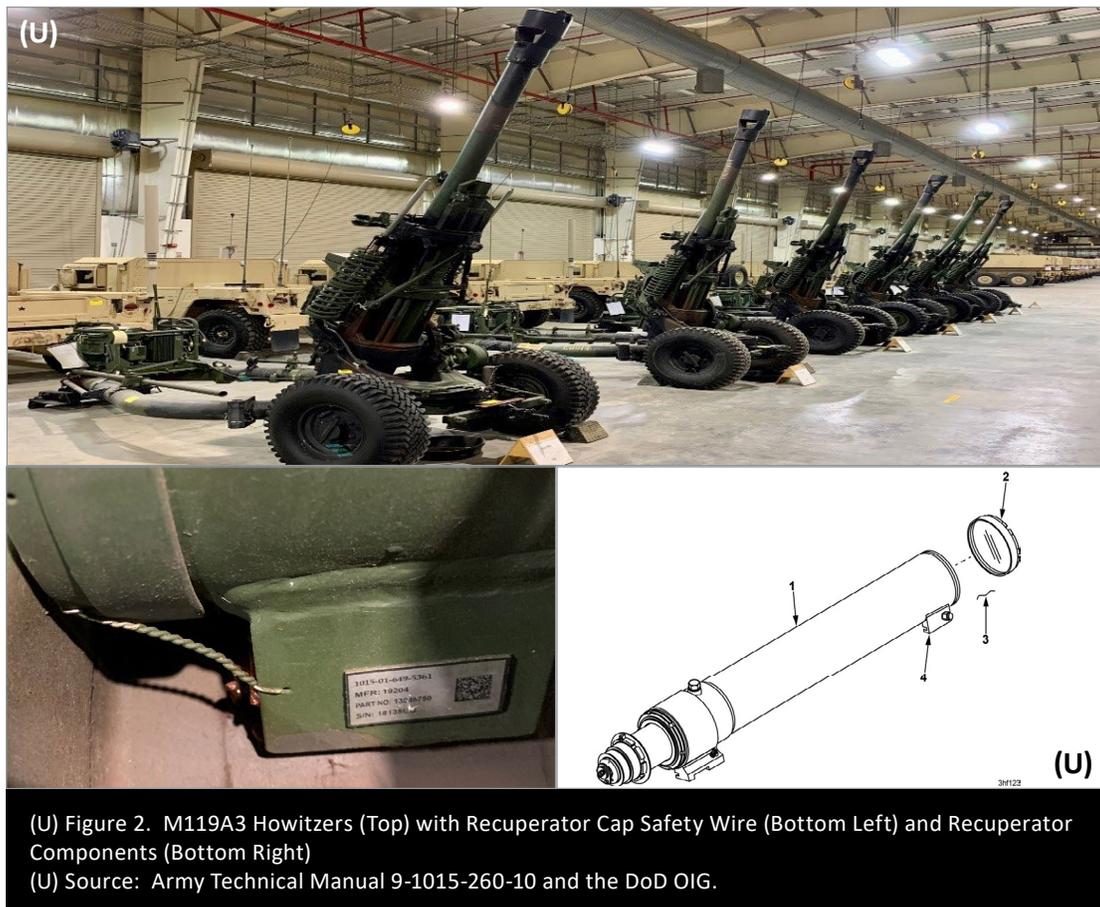
²¹ (U) Army Regulation 750-1, "Army Materiel Maintenance Policy," February 2, 2023.

²² (U) To determine if the APS-5 contractor complied with terms of the contract, we selected 57 pieces of APS-5 equipment that the APS-5 contractor reported as fully mission capable and had maintenance work orders closed from October 23, 2021, through June 17, 2022.

²³ (U) The M119A3 is the Army's Howitzer Light Towed.

²⁴ (U) The recuperator is a vital piece of the M119A3 howitzer recoil system, which is used to absorb the force from firing and allows the howitzer to return to a ready to fire position.

(U) capable status. We observed, with a Howitzer Specialist from the U.S. Army Tank-Automotive and Armaments Command, that the safety wires had chipped paint and other indicators of wear, indicating that the APS-5 contractor did not cut the safety wire to service the howitzer, and then insert a new safety wire. The howitzer equipment-specific technical manual states that not performing maintenance to the recuperator results in the howitzer being non-mission capable. See Figure 2 for a picture of the M119A3 howitzers and recuperator cap safety wire at Camp Arifjan, Kuwait, and a graphic of the recuperator (1), recuperator cap (2), safety wire (3), and recuperator mounting bracket (4).



(U) In addition, a March 25, 2022 M1000 semitrailer maintenance record stated that the APS-5 contractor replaced both spare tires with newly ordered tires because the tires were damaged by dry rot. However, during our inspection on September 2, 2022, we found that the APS-5 contractor did not replace the spare tires and that both spare tires were damaged by dry rot. Officials from the 401st AFSB and 401st AFSBn-Kuwait agreed that if the APS-5 contractor had replaced both tires as the maintenance records stated, the tires would not have visible dry rot within 6 months. Therefore, the APS-5 contractor could not have

(U) replaced both spare tires. The 401st AFSBn-Kuwait maintenance officer acknowledged that the APS-5 contractor did not replace the spare tires as stated in the maintenance record and could not explain why the 401st AFSBn-Kuwait COR signed off that the work was completed. Figure 3 shows the dry rot on the M1000 semitrailer spare tire at Camp Arifjan, Kuwait.



(U) The APS-5 Contractor Did Not Create or Validate Maintenance Service Plans for APS-5 Equipment in GCSS-Army

(U) The APS-5 contractor did not create or validate that over 15,570 pieces of APS-5 equipment had valid preventative maintenance service plans in GCSS-Army, as required by Army TM 38-470 and the terms of the APS-5 contract. To ensure equipment receives preventative maintenance in accordance with the Army TM 38-470 maintenance cycle requirements and equipment-specific technical manuals, the APS-5 contract requires the contractor to create maintenance service plans in GCSS-Army and validate that all maintenance service plans are on the correct maintenance cycle.²⁵

²⁵ (U) GCSS-Army is the system of record used to receive, store, issue, and manage all levels of maintenance for APS-5 equipment.

(~~CUI~~) The APS-5 contractor also did not create or validate existing maintenance service plans for [REDACTED] in the APS-5 equipment inventory that required maintenance at different intervals.²⁶ [REDACTED] require two maintenance service plans in GCSS-Army—a 6-month service plan for the launcher loader modular and either a 2- or 4-year maintenance service plan for the vehicle, depending on where the [REDACTED] is stored. However, the APS-5 contractor only created a 90-day general visual maintenance walkthrough in GCSS-Army and not the 6-month complete preventative maintenance service plan for the launcher or the 2- or 4-year complete preventative maintenance service plan for the vehicle, increasing the risk that [REDACTED] will not receive required maintenance and therefore become non-mission capable. The 401st AFSBn-Kuwait maintenance officer acknowledged that the CORs did not verify whether the APS-5 contractor created maintenance service plans or if the maintenance service plans in GCSS-Army were for the appropriate 2- or 4-year maintenance cycle.

(U) The APS-5 Contractor Did Not Accurately Account for All APS-5 Equipment

(U) The APS-5 contractor did not accurately account for 51 weapons and sensitive items in accordance with the terms of the contract, which requires the contractor to follow Army Regulation 710-2 and account for 100 percent of equipment. Specifically, Army Regulation 710-2 requires the APS-5 contractor to conduct monthly inventories of weapons and quarterly inventories of sensitive items. However, the APS-5 contractor failed to comply with the inventory requirements, resulting in the: (1) overstatement of the APS-5 property book by 24 sensitive items, (2) understatement of the APS-5 property book by 22 weapons and 4 sensitive items; and (3) loss of one sensitive item.

(U) In particular, for more than 8 months the APS-5 contractor overstated the APS-5 property book by incorrectly accounting for 24 sensitive items on the APS-5 property book although none of the items were physically located at Camp Arifjan.²⁷ Specifically, in November 2021, the 401st AFSBn-Kuwait shipped 19 PSN-13 Defense Advanced Global Positioning System Receivers (DAGR) and 1 PED-1 Lightweight Laser Designator Rangefinder (LLDR) to a Defense Logistics Agency Distribution Center in Tobyhanna, Pennsylvania. However, during monthly sensitive item inventories from December 2021 through July 2022, the APS-5 contractor erroneously recorded the 19 PSN-13 DAGRs and 1 PED-1 LLDR as physically

²⁶ (~~CUI~~) The [REDACTED] are currently the only APS-5 equipment that have multiple system components that require different maintenance service intervals. Of the [REDACTED] in the APS-5 inventory, [REDACTED] are included in the audit team's nonstatistical sample.

²⁷ (U) The 24 sensitive items were 19 PSN-13 DAGRs, 4 PAS-13 thermal weapon sights, and 1 PED-1 LLDR.

(U) located and accounted for on Camp Arifjan, overstating the APS-5 property book.²⁸ Similarly, in July 2022, despite four PAS-13 thermal weapons sights being physically located with an Army unit at Fort Cavazos, Texas, and never shipped to APS-5, the APS-5 contractor reported the equipment as physically present and accounted for at Camp Arifjan for more than 7 months.

(U) In addition to overstating the APS-5 property book, the APS-5 contractor understated the property book for approximately 2 years by not accounting for 22 weapons and 4 sensitive items in the APS-5 contractor's possession.²⁹

Specifically, in January 2023, the 401st AFSBn-Kuwait PBO identified nine weapons stored in the APS-5 arms room that the APS-5 contractor had not recorded on the

(U) The APS-5 contractor understated the property book by not accounting for 22 weapons and 4 sensitive items in the APS-5 contractor's possession.

APS-5 property book. Subsequently, the Army initiated a formal investigation in accordance with Army Regulation 15-6 and found an additional 13 weapons, for a total of 22 weapons that were not recorded on the APS-5 property book.³⁰ The investigation report found that the 401st AFSBn-Kuwait

likely received the weapons as early as May 2020. The APS-5 contractor did not initially record the 22 weapons on the APS-5 property book due to not receiving the proper shipping paperwork and did not take action to account for the weapons until the 401st AFSBn-Kuwait PBO discovered the unaccounted for weapons. The Army investigation was unable to determine how long the APS-5 contractor had possession and did not record the four sensitive items on the property book.

(U) In addition to the inaccurate inventories, the APS-5 contractor failed to maintain physical possession of one PSN-13 DAGR. On October 19, 2022, the APS-5 contractor reported to the 401st AFSBn-Kuwait Commander that one PSN-13 DAGR was lost. A February 2023 Financial Liability Investigation of Property Loss report found that the APS-5 contractor was contractually responsible for the PSN-13 DAGR and that its inadequate access controls to storage facilities was likely the cause of the contractor's loss of the item. The Financial Liability Investigation of Property Loss report found that the APS-5 contractor was negligent in its actions to secure the sensitive item, but the PCO determined that the APS-5 contractor did not demonstrate willful misconduct or lack of good faith. Therefore, despite the

²⁸ (U) Despite Army Regulation 710-2 requiring monthly inventories of weapons and quarterly inventories of sensitive items, the APS-5 contractor performed monthly inventories of both weapons and sensitive items.

²⁹ (U) An Army investigator estimated the 22 weapons arrived at Camp Arifjan in May 2020, but the investigator was unable to determine an exact date. The 26 items consisted of 22 weapons and 4 sensitive items. The 22 weapons consisted of 14 .50 caliber machine guns and 8 60mm mortar tubes. The four sensitive items consisted of one 1523-F radio and three PED-1 LLDR range finders.

³⁰ (U) Army Regulation 15-6, "Procedures for Administrative Investigations and Boards of Officers," April 1, 2016.

(U) contractor being found contractually responsible and negligent, the PCO did not hold the APS-5 contractor financially liable for the loss of the PSN-13 DAGR with a replacement cost of \$2,608.

(U) The APS-5 Contractor Did Not Accurately Report Operational Readiness Rates for APS-5 Equipment

(U) The APS-5 contractor did not accurately report operational readiness rates for APS-5 equipment, as required by the terms of the contract. The APS-5 contract defines the operational readiness of equipment as equipment that meets the Army's -10/-20 maintenance standard and includes all BII and COEI.³¹ The APS-5 contract requires the contractor to maintain APS-5 equipment at an operational readiness rate of 90 percent.

~~(CUI)~~ However, the APS-5 contractor did not consider BII and COEI shortages when it calculated the operational readiness rate for the APS-5 equipment. In June 2023, the DoD OIG issued a management advisory that identified as of January 19, 2023, that the 401st AFSBn-Kuwait could not account for [REDACTED] of BII and COEI associated with [REDACTED] of APS-5 equipment.³² Because the [REDACTED] of equipment did not have all the associated BII and COEI, the APS-5 contractor should not have listed the equipment as operationally ready and meeting the technical manual -10/-20 standard in GCSS-Army. As a result, the APS-5 contractor overstated the operational readiness rate of APS-5 equipment by as much as 22.1 percent.

(U) As identified in the June 2023 DoD OIG management advisory, the Army risks not being ready to execute missions and issuing equipment without all of the BII and COEI, which could endanger the life and safety of personnel operating the equipment. For example, the 401st AFSBn-Kuwait reported not having an inertial navigation unit, which is COEI for an M150 mortar fire control system that crews use to fire the M120 towed mortar system. When crews use the M150 mortar fire control system with all of its COEI, crews can fire the M120 towed mortar system in less than a minute, improving crew survivability. Without the M150 mortar fire control system, crews require an additional 7 to 11 minutes to fire the M120 towed mortar system, increasing the time that crews are exposed to enemy fire.

³¹ (U) The Army has one maintenance standard, known as the technical manual 10 series and technical manual 20 series. The equipment must meet eight requirements to meet the technical manual -10/-20 standard, to include the equipment being fully mission capable and having completed all repairs, services, and other related work that will correct field-level equipment and materiel faults for which the required parts and supplies are available.

³² (U) Report No. DODIG-2023-087, "Management Advisory: BII and COEI Shortages in the APS-5 Program," June 15, 2023.

(U) Army Officials Did Not Provide Consistent Oversight of the Storage, Maintenance, or Accountability of APS-5 Equipment

(U) The APS-5 contractor did not properly execute contract requirements for storage, maintenance, or accountability because the 401st AFSBn-Kuwait CORs and PBOs, ACO, and PCO did not provide effective oversight of the APS-5 contractor. DoD policies require contracting officers and CORs to complete DoD level training before being designated to their respective positions.³³ While we found that the PCO, ACOs, and CORs were properly designated, attesting to their completion of required training, they did not always execute their oversight responsibilities. Specifically, 401st AFSBn-Kuwait CORs did not consistently follow QASP procedures to:

- (U) enforce contract requirements for COSIS storage, maintenance service plan creation and validation, or operational readiness reporting;
- (U) validate and ensure correction of all APS-5 contractor-identified maintenance deficiencies; or
- (U) validate the accuracy of the contractor's weapons and sensitive item inventories.

(U) In addition, although the 401st AFSBn-Kuwait CORs and ACO identified that the contractor failed to meet storage, maintenance, and accountability contract requirements, the PCO did not use provisions in the contract to hold the contractor accountable for deficient performance or appropriately consider the amount and severity of performance deficiencies in the contractor's annual performance rating.

(U) COSIS Requirements Not Enforced

(U) Despite attesting to receiving training that included review of their quality assurance responsibilities, 401st AFSBn-Kuwait CORs did not ensure the APS-5 contractor complied with all COSIS requirements in the Army TM 38-470 and APS-5 contract. The APS-5 contract's QASP required the 401st AFSBn-Kuwait CORs to validate:

- (U) daily that the APS-5 contractor stored equipment in compliance with Army TM 38-470 and the terms of the contract, including bimonthly verification that controlled humidity facilities containing APS-5 equipment maintained acceptable humidity levels; and

³³ (U) DoD Instruction 5000.66, "Defense Acquisition Workforce Education, Training, Experience, and Career Development Program," March 25, 2022.

(U) DoD Instruction 5000.72, "DoD Standard for Contracting Officer's Representative (COR) Certification," August 31, 2018 (Incorporating Change 2, November 6, 2020).

- (U) monthly that the APS-5 contractor developed and implemented a COSIS Plan that complied with Army regulations.

(U) However, the 401st AFSBn-Kuwait COR overseeing APS-5 contractor COSIS implementation stated that they did not check whether the APS-5 contractor properly recorded humidity readings or complete monthly reports on whether the contractor’s performance adhered to COSIS requirements when storing APS-5 equipment. In addition, the COR overseeing the APS-5 contractor’s humidity reading process stated that they did not monitor the contractor’s humidity readings in APS-5 controlled humidity facilities, and they were not aware the contractor had to develop a COSIS plan. While the COR reported completing required quality assurance oversight training, the COR stated that they relied on APS-5 contractor personnel to tell them what to look for when surveilling the contractor’s COSIS work, rather than developing and implementing oversight of the COSIS plan in accordance with the contract’s QASP. The APS-5 contractor confirmed that the APS-5 equipment had not been stored in compliance with COSIS requirements since 2017.

(U) Officials from the 401st AFSBn-Kuwait stated that they did not enforce COSIS requirements or follow QASP surveillance requirements because having the APS-5 contractor follow COSIS requirements would require the 401st AFSBn-Kuwait to provide the contractor additional resources. In addition, ASC officials stated that COSIS requirements were unrealistic for modern Army equipment.

~~(U)~~ The ASC Materiel Readiness Support Division Support Officer also stated that the humidity settings within the controlled humidity facilities storing APS-5 equipment were outside of the 401st AFSBn-Kuwait’s and APS-5 contractor’s control. The ASC Special Program Officer in Charge assigned to the 401st AFSBn-Kuwait stated that the ASC would have to provide additional funding to enable the 401st AFSBn-Kuwait to store the equipment in accordance with Army TM 38-470 COSIS requirements. For example, [REDACTED]
[REDACTED]
[REDACTED].

(U) In addition to monetary concerns, the ASC Materiel Readiness Support Division Support Officer stated that the Army TM 38-470 COSIS requirements were not related to objective maintenance standards and did not reflect modern maintenance needs. The Support Officer stated that as a result, some of the requirements in Army TM 38-470 were out of date and did not consider the capabilities of modern equipment. For example, the Support Officer stated that modern tires do not blow out if they have dry rot, and oil does not need to be drained from stored vehicles because modern oil preserves engines.

(U) Furthermore, environmental conditions may impact each APS site differently. COSIS requirements, such as maintenance cycle intervals for equipment stored in controlled humidity facilities, should be consistent across sites and could aid in controlling maintenance costs for APS equipment. Therefore, the Commander of the U.S. Army Sustainment Command should revalidate the COSIS requirements in Army TM 38-470 to determine whether the requirements are operationally realistic and cost effective for APS and revise Army TM 38-470, as appropriate.

(U) Additionally, the ACC-RI Executive Director should direct the PCO for the APS-5 contract to take action to enforce or relieve the APS-5 contractor of COSIS requirements based on guidance from the Commander of the ASC's implementation of Recommendation A.1 to revalidate Army TM 38-470 requirements.

(U) APS-5 contractor personnel stated that the ASG-Kuwait DPW controls humidity settings in all facilities storing APS-5 equipment, and ASC officials stated that the ASG-Kuwait DPW contractor sets the humidity levels within the APS-5 controlled humidity facilities between 20- and 60-percent relative humidity in accordance with their contractual requirements. However, humidity level settings between 20- and 60-percent do not comply with the requirements in Army TM 38-470, which requires controlled humidity facilities to be between 30- to 50-percent relative humidity. 401st AFSB officials submitted a request to the PCO responsible for the ASG-Kuwait DPW contract to correct the relative humidity settings for 17 of the 29 APS-5 controlled humidity facilities so that all settings comply with Army TM 38-470 requirements.³⁴ However, on September 30, 2022, the Director of the ASG-Kuwait DPW stated that ASG-Kuwait did not have the funding for a contract modification that would allow the system settings on the controlled humidity systems to be set in compliance with Army TM 38-470.

(U) When we asked on May 2, 2023, after 18 months of putting critical APS-5 equipment at an increased risk of degradation, the PCO for the ASG-Kuwait DPW contract stated that they were unaware that the system settings on the controlled humidity systems were not in compliance with Army regulations. The PCO further stated that there have not been any discussions regarding bringing the 17 controlled humidity facilities into compliance with Army TM 38-470. Therefore, even if the CORs had enforced the APS-5 contract requirement and validated that the contractor had submitted work orders to ASG-Kuwait to correct the relative humidity levels, the ASG-Kuwait DPW contract that managed the settings for all the APS-5 controlled humidity facilities would not have corrected the relative humidity setting to comply with Army TM 38-470. Accordingly, the ASG-Kuwait Commander should coordinate with the ACC-RI Executive Director to modify

³⁴ (U) The ASG-Kuwait DPW controls the relative humidity settings in 9 of the 12 controlled humidity facilities we reviewed.

(U) the ASG-Kuwait DPW contract to ensure that all APS-5 controlled humidity facilities are compliant with Army TM 38-470, including managing the humidity settings to be within 30- to 50-percent relative humidity.

(U) Maintenance Service Plan Requirements Not Enforced

(U) The 401st AFSBn-Kuwait CORs did not ensure that the APS-5 contractor created or included the correct maintenance service plans for 15,573 pieces of APS-5 equipment in GCSS-Army. The QASP required CORs to conduct daily surveillance to ensure the contractor's compliance with requirements to create and maintain maintenance service plans for APS-5 equipment. However, despite known issues with maintenance service plans due to the transition of APS-5 equipment records to GCSS-Army, the 401st AFSBn-Kuwait CORs did not conduct surveillance on the APS-5 contractor's requirement to create and maintain maintenance service plans for APS-5 equipment. Specifically, the 401st AFSBn-Kuwait maintenance officer stated that the CORs assigned to monitor maintenance service plan requirements did not verify whether a maintenance service plan existed and was accurate for APS-5 equipment in GCSS-Army and did not surveil the contractor's efforts to fix the lack of maintenance service plans due to known system migration issues.

(U) In December 2021, the Commanders of the 401st AFSB and the 401st AFSBn-Kuwait acknowledged that all maintenance data records from a previous system of record were converted, migrated, and validated to be accurate and correctly configured in GCSS-Army. However, the 401st AFSBn-Kuwait maintenance officer in charge stated that the transition from the previous system to GCSS-Army happened so fast that the APS-5 contractor could not properly transfer all the maintenance service plans for APS-5 equipment to GCSS-Army. To solve the issue of missing maintenance service plans, on January 31, 2023, AFSBn-Kuwait tasked the APS-5 contractor to validate, remove duplicates, and create maintenance service plans in GCSS-Army for 100 percent of equipment assigned to APS-5 in GCSS-Army. On September 19, 2023, 401st AFSB officials stated that the APS-5 contractor completed 98 percent of the tasker and estimated that the contractor would complete the remaining 2 percent of the tasker by November 17, 2023. APS-5 equipment that did not have a maintenance service plan before the APS-5 contractor undertook this tasker may not have been on the correct maintenance cycle from December 2021 to September 2023, and thus may have missed needed repairs. Therefore, after the APS-5 contractor completes creating maintenance service plans for all pieces of APS-5 equipment, the 401st AFSB Commander should ensure that the 401st AFSBn-Kuwait Commander determines whether any APS-5 equipment missed

(U) scheduled maintenance as a result of missing or incorrect maintenance service plan in GCSS-Army, and operationally prioritize the maintenance of the equipment that missed scheduled maintenance.

(U) A 401st AFSBn-Kuwait official stated that it would be very time consuming to determine whether all APS-5 equipment was on a maintenance service plan and that doing so would require the CORs to manually review data records for each piece of equipment. Without accurate maintenance service plans in the system of record (GCSS-Army), APS-5 equipment is at an increased risk of missing regularly scheduled maintenance, which could negatively impact APS-5 operational readiness. Therefore, the ACC-RI Executive Director should direct the PCO for the APS-5 contract to coordinate with the APS-5 ACO and CORs to update surveillance procedures to require CORs to conduct periodic checks of GCSS-Army to provide reasonable assurance that all pieces of APS-5 equipment have a correct maintenance service plan listed in the system.

(U) Key Aspects of Equipment Readiness Reporting Overlooked

(U) CORs from the 401st AFSBn-Kuwait did not verify that the contractor considered all aspects of the operational readiness of APS-5 equipment when the contractor reported the APS-5 operational readiness rates. The QASP required the CORs to surveil the operational readiness of APS-5 equipment on a monthly basis. While the 401st AFSBn-Kuwait CORs reviewed the monthly contractor-reported operational readiness rate, the CORs did not perform any surveillance procedures to ensure the APS-5 contractor considered the availability of BII and COEI when calculating the operational readiness rate.

~~(CUI)~~ Officials from the 401st AFSBn-Kuwait could not explain why the CORs did not perform surveillance during maintenance to ensure the APS-5 contractor determined whether all required BII and COEI were on hand when reporting the operational readiness of the equipment after completing maintenance. Because the 401st AFSBn-Kuwait CORs did not enforce contract requirements for calculating operational readiness rates and [REDACTED] of equipment do not have all the associated BII and COEI, the APS-5 operational readiness rate is inaccurate and misleading to decision makers and military planners. Specifically, with [REDACTED] of 52,209 pieces of APS-5 equipment missing required BII and COEI, the APS-5 operational readiness rate could be overstated by as much as 22.1 percent. Therefore, the ACC-RI Executive Director should direct the PCO for the APS-5 contract to coordinate with the APS-5 contract ACO and CORs to develop and implement surveillance plans that include CORs verifying that the APS-5 contractor determined whether all required BII and COEI are on hand for each piece of APS-5 equipment being repaired before allowing the contractor to declare the equipment fully mission capable.

(U) Inspections of Contractor Completed Maintenance Not Conducted

(U) CORs from the 401st AFSBn-Kuwait did not follow procedures in the QASP to validate and ensure correction of all contractor-identified maintenance deficiencies. The QASP required CORs to surveil the contractor’s maintenance activities on a daily basis to ensure the contractor was performing maintenance in accordance with Army maintenance regulations and manuals. The QASP also required CORs to periodically surveil the contractor to validate that the contractor correctly repaired all deficiencies that would cause equipment to be deemed non-mission capable or result in a safety concern. However, despite 401st AFSBn-Kuwait CORs signing off on maintenance records verifying that the contractor successfully completed repairs on APS-5 equipment, we found that not all repairs were actually completed.

(U) Despite 401st AFSBn-Kuwait CORs signing off on maintenance records, we found that not all repairs were actually completed.

(U) In one instance in June 2022, the 401st AFSBn-Kuwait CORs signed a work order acknowledging that the APS-5 contractor had repaired a M119A3 howitzer to fully mission capable status, including removing the recuperator caps to check the nitrogen pressure. However, we observed that the lacing from the howitzers’ recuperator caps had not been recently removed and replaced, indicating that the APS-5 contractor could not have removed the cap to check the nitrogen pressure. The equipment-specific technical manual states the howitzer is non-mission capable if the nitrogen pressure is not checked.

(U) In another instance in July 2022, the 401st AFSBn-Kuwait COR signed a work order acknowledging that the APS-5 contractor had completed all repairs on a HMMWV, including replacing three seatbelts. According to the HMMWV technical manual, nonfunctioning seatbelts deem the equipment non-mission capable. During our review, we found that the rear passenger seatbelt, one of the three seatbelts that that APS-5 contractor said it repaired, did not function, rendering the HMMWV non-mission capable.

(U) If 401st AFSBn-Kuwait CORs continue to falsely affirm that the contractor completed repairs, the readiness of the APS-5 fleet will continue to be undermined, its operational readiness level overstated, and the Government will continue to pay the APS-5 contractor for work that was never performed. Therefore, the 401st AFSB Commander should ensure that the 401st AFSBn-Kuwait Commander revises the 401st AFSBn-Kuwait Maintenance standard operating procedure to require additional oversight and checks of 401st AFSBn-Kuwait CORs’ approval

(U) of contractor-completed maintenance work. If the Commander finds that the CORs have falsely approved contractor-completed maintenance work, the Commander should take action to hold the CORs accountable.

(U) Validation of Contractor Completed Inventories Not Performed

(U) The 401st AFSBn-Kuwait PBOs and CORs did not execute their responsibilities outlined in Army Regulation 740-26 and the APS-5 QASP to oversee the APS-5 contractor's inventories of APS-5 equipment.³⁵ Army Regulation 740-26 requires storage activities to establish quality control checks when conducting physical inventories. The regulation states, that at a minimum, Army personnel will use a statistical sample of items to validate the accuracy of physical inventory counts and this validation must be done immediately after a physical inventory count. Despite being responsible for the equipment on the APS-5 property book, the 401st AFSBn-Kuwait PBOs stated that they relied on the CORs to ensure the accuracy of inventories and that the PBOs did not inventory any of the APS-5 equipment because it would be too time consuming.

(U) While the PBOs relied on the CORs to ensure accurate inventories, the 401st AFSBn-Kuwait CORs did not execute their responsibilities outlined in the APS-5 QASP to ensure the APS-5 contractor was reporting accurate inventories. The QASP required CORs to oversee the contractor's completion of the 100-percent APS-5 equipment inventory on a monthly basis. To execute this, the QASP required the CORs to select a random sample of inventory items and verify that the items were on hand and accurately recorded in the APS-5 property book. However, 401st AFSBn-Kuwait CORs' monthly surveillance reports indicated that the CORs reviewed the contractor's documentation, which identified that the contractor completed the required inventories, but the CORs did not report performing any random sample spot checks to validate that the contractor-documented inventories were accurate. One 401st AFSBn-Kuwait PBO stated that CORs implemented random sampling spot checks in August 2022 but could not provide documentation to support that the CORs performed spot checks.

(U) On December 8, 2022, during the course of our audit, the 401st AFSBn-Kuwait Commander signed a memorandum directing 401st AFSBn-Kuwait officials with the rank of staff sergeant or above to conduct 100-percent inventory of selected sensitive items each month. Once the 100-percent inventories were completed, 401st AFSBn-Kuwait officials were required to provide the results of the inventory and any discrepancies to the 401st AFSBn-Kuwait PBOs. However, the 401st AFSBn-Kuwait officials did not comply with the commander's memorandum.

³⁵ (U) Army Regulation 740-26, "Physical Inventory Control," March 23, 2017.

(U) On March 6, 2023, 401st AFSBn-Kuwait PBOs stated that due to staffing shortages the 401st AFSBn-Kuwait conducted a 2-percent spot check of the contractor’s sensitive item inventory, in contrast to the 100-percent inventory required by the commander’s memorandum. In addition, the PBOs stated that they did not keep any documentation to show that the 401st AFSBn-Kuwait officials performed the 2-percent inventory spot check.

(U) The importance of validating the contractor-reported inventories is apparent through the examples provided in this report of the APS-5 contractor erroneously accounting for 51 weapons and sensitive items for an extended time. Therefore, the 401st AFSB Commander should ensure that the 401st AFSBn-Kuwait Commander formalizes the requirement to perform inventory checks into 401st AFSBn-Kuwait Standard Operating Procedures, enforces the requirement that 401st AFSBn-Kuwait officials conduct 100-percent inventories of selected sensitive items each month, and requires 401st AFSBn-Kuwait PBOs to retain documentation of the inventories.

(U) On February 17, 2023, the Army’s investigation into the potential overage of sensitive conventional arms or sensitive items concluded that the inventory of the AFSBn-Kuwait arms room indicated that the 401st AFSB-Kuwait has custody of sensitive items in excess of the documented sensitive items on the 401st AFSBn-Kuwait Property Book. The Army’s investigation report recommended 100-percent floor-to-book inventory of sensitive items in which contractor personnel inventory and report each individual, serialized piece of equipment and verify proper documentation in the 401st AFSBn-Kuwait Property Book.

(U) Additionally, we found that the 401st AFSBn-Kuwait and Army G-4 did not correct issues identified in a 2018 DoD OIG report.³⁶ In both the 2018 DoD OIG report and this audit, the DoD OIG found that 401st AFSBn-Kuwait PBOs were not conducting 100-percent inventories of APS equipment during transitions and that the PBOs were not signing memorandums accepting responsibility for losses, shortages, or inaccurate inventories of APS-5 equipment. As of June 2023, a 2018 DoD OIG recommendation to the Army G-4 to address these issues remains open because the Army G-4 has not issued updated Army Regulations 710-1, 725-50, 740-26, and 735-5 to ensure 100-percent accountability of

(U) In both the 2018 DoD OIG report and this audit, 401st AFSBn-Kuwait PBOs were not conducting 100-percent inventories of APS equipment during transitions.

³⁶ (U) Report No. DODIG-2018-132, “Management of Army Equipment in Kuwait and Qatar,” June 29, 2018.

(U) Army Prepositioned Stock equipment.³⁷ On December 26, 2023, the Army G-4 issued Army Regulation 710-4, which requires PBOs to conduct 100-percent inventory of APS equipment during transitions and sign memorandums accepting responsibility for losses, shortages, or inaccurate inventories of APS-5 equipment.³⁸ Therefore, we are not making a recommendation to the Army G-4 to issue additional policy.

(U) As identified in this report and in the 2018 DoD OIG report, the 401st AFSBn-Kuwait has had significant challenges with ensuring the accuracy of the APS-5 inventory. The Army established the Command Supply Discipline Program, which, among other responsibilities, requires commanders at all levels to account for all Army property and ensure accounting of Army property is complete and accurate by conducting supervisory evaluations. The Commanders of the AMC, ASC, 401st AFSB, and 401st AFSBn-Kuwait all share responsibility for maintaining accurate and complete inventories of APS-5 equipment. Therefore, the AMC Commander should conduct a review of Command Supply Discipline Programs for subordinate commands to determine whether commands have been executing the necessary supervisory review of the APS-5 property book, and if necessary, update Command Supply Discipline Programs to ensure that the Government personnel have adequately validated the inventories performed by the APS-5 contractor and accurately recorded them in GCSS-Army.

(U) The PCO Did Not Hold the APS-5 Contractor Accountable for Poor Performance

(U) The PCO did not hold the APS-5 contractor accountable for poor performance. Specifically, when the 401st AFSBn-Kuwait CORs and the ACO identified that the contractor failed to meet storage, maintenance, or accountability contract requirements, the PCO did not:

- (U) use provisions in the contract to reduce the contractor's fixed fee, or
- (U) appropriately consider the amount and severity of performance deficiencies when completing the contractor's annual rating.

³⁷ (U) Army Regulation 710-1, "Centralized Inventory Management of Army Supply System," November 28, 2016.

(U) Army Regulation 725-50, "Requisitioning, Receipt, and Issue System," November 15, 1995.

(U) Army Regulation 735-5, "Property Accountability Policies," November 9, 2016.

³⁸ (U) Army Regulation 710-4, "Property Accountability," December 26, 2023.

(U) The PCO Did Not Reduce Fees from the APS-5 Contractor Despite Consistent and Repeated Poor Performance

(U) The PCO never reduced the contractor's fixed fee, despite the ACO issuing 157 NCRs over 6 years. The APS-5 contract states that the PCO can reduce the contractor's fixed fee as a method to hold the contractor accountable for deficient performance. Specifically, the contract allows the PCO to reduce the fixed fee:

- (U) 10 percent or more for each month during which the PCO determined that a critical nonconformance occurred,
- (U) between 7 and 10 percent of the daily fee for unresolved major nonconformances, and
- (U) between 5 and 7 percent of the daily fee for unresolved minor nonconformances.³⁹

(U) From January 3, 2017 through January 2, 2023, the 401st AFSBn-Kuwait CORs gathered evidence that provided the basis for the ACO to issue 157 NCRs detailing deficient performance by the APS-5 contractor. Of the 157 NCRs, 99 cited major contract nonconformances and one cited a critical contract nonconformance. As of February 4, 2023, the APS-5 contractor addressed all 157 NCRs and the issues in the NCRs were resolved.

³⁹ (U) The APS-5 contract defines the daily fee as the contractor's total fee for the period of performance in which the nonconformance occurred divided by 12 and then further divided by 30.

(U) Table 1 lists the number and severity level of NCRs the ACO issued in regards to the APS-5 contractor's performance from January 3, 2017 through January 2, 2023.

(U) Table 1. NCRs Issued Documenting Deficient APS-5 Contractor Performance

(U) Period of Performance	Level I Nonconformance Reports (Minor)	Level II Nonconformance Reports (Major)	Level III Nonconformance Reports (Critical)
January 3, 2017– January 2, 2018	4	25	0
January 3, 2018– January 2, 2019	21	31	1
January 3, 2019– January 2, 2020	13	18	0
January 3, 2020– July 2, 2021	6	1	0
July 3, 2021– July 2, 2022	8	15	0
July 3, 2022– January 2, 2023	4	9	0
Subtotal	56	99	1
Total	157*		

(U) * On October 14, 2021, the ACO issued an NCR stating that the APS-5 contractor did not put the correct locations for 17 vehicles into the system of record. The records that the 401st AFSBn-Kuwait provided us for this NCR did not indicate its severity level. We therefore added the NCR to the overall total of NCRs issued, but we did not add the NCR to one of the three severity level columns in this table.

(U) Source: The DoD OIG.

(U) Of these 157 NCRs, there were 52 documented instances where the APS-5 contractor did not comply with storage, maintenance, or accountability contract requirements. Within the 52 NCRs, the ACO documented 64 individual citations of the APS-5 contractor's noncompliance with the contract's storage, maintenance, and accountability requirements.

(U) Table 2 displays the number of citations of deficient performance in APS-5 equipment storage, maintenance, and accountability by performance work statement (PWS) line.

(U) Table 2. NCRs Issued to APS-5 Contractor for Noncompliance with Storage, Maintenance, and Accountability PWS Lines

(U) PWS Line and Description	Number of Citations on NCRs Between January 3, 2017, and January 2, 2023
6.1 Materiel Maintenance-General	12
6.2 Materiel Maintenance-Support	6
6.3 Materiel Maintenance-Programs and Efforts	5
6.4 Arms and Sensitive Item Requirements ¹	5
6.13 Supply and Services-General ¹	19
6.14 Care of Supplies in Storage	12
3.7 Government-Furnished Equipment ²	5
Total	64

(U)

¹ (U) PWS lines 6.4 and 6.13 included requirements for the accountability of APS-5 equipment.

² (U) PWS line 3.7 included requirements for proper humidity levels in APS-5 warehouses and humidity level measurement and reporting.

(U) Source: The DoD OIG.

(U) Despite the issuance of 157 NCRs, including 1 critical, 99 major, and 64 citations of repeated performance deficiencies in storage, maintenance, and accountability requirements, the PCO never exercised their authority to reduce the contractor’s fixed fee. Although the PCO received DoD-level training that included review of the fundamental responsibilities of a contracting officer, the PCO stated that they were unaware of the APS-5 contract’s clause allowing them to reduce the fixed fee for critical, major, and unresolved NCRs or repeat poor performance.

(U) Based on the terms of the contract, the PCO could have reduced the APS-5 contractor’s fixed fee by at least \$971,537.52 and up to \$1,387,767.29 as a result of critical and major NCRs issued between July 3, 2021, through July 2, 2022. Because the PCO did not take any action to assess whether they could have reduced funds from the APS-5 contractor’s fixed fee due to critical, major, and repeat poor performance, the expenditure of funds by at least \$971,537.52 and up to \$1,387,767.29 of the \$4,518,779.17 fixed fee paid to the APS-5 contractor for work performed from July 3, 2021, through July 2, 2022, might have been wasteful.⁴⁰

⁴⁰ (U) The Government Accountability Office defines waste in Government programs as the act of using or expending resources carelessly, extravagantly, or to no purpose as the result of mismanagement, inappropriate actions, and inadequate oversight. See Government Accountability Office Report No. GAO-21-368G, “Government Auditing Standards, 2018 Revision,” Part 6.21, April 14, 2021.

(U) See Appendix B for details on the potential monetary benefit. Through lack of awareness and failure to enforce contract terms, the PCO failed to safeguard the DoD's interest in the contractual relationship with the APS-5 contractor. Therefore, the ACC-RI Executive Director should review NCRs issued to the APS-5 contractor from July 3, 2021, through July 2, 2022, to determine whether the ACC-RI should reduce the contractor's fixed fee by at least \$971,537.52 for nonconformance identified during the APS-5 contract's Option Year 5. The ACC-RI Executive Director should also review all other NCRs issued to the APS-5 contractor from January 3, 2017, through January 2, 2023, to determine whether the ACC-RI should further reduce any amount of the contractor's fixed fee in accordance with the APS-5 contract. The ACC-RI Executive Director should also implement standard operating procedures that direct the APS-5 PCO to consider and execute fee reductions from the APS-5 contractor in the future. The guidance should include clear standards and criteria PCOs can use to determine when fee reductions should be implemented. Furthermore, the ACC-RI Executive Director should review the actions of the APS-5 PCO and take administrative action, such as recommending additional training or documenting poor performance in annual performance reviews, as appropriate, to hold the PCO accountable for failing to oversee the APS-5 contract and enforce the contract terms.

(U) CPARS Ratings Were Not Consistent with the APS-5 Contractor's Performance or Federal Requirements

~~(CUI)~~ The PCO provided CPARS ratings for the APS-5 contractor that were inconsistent with documented contractor performance information, as well as Federal regulatory requirements for assigning CPARS ratings. In CPARS rating documents, the PCO mentioned NCRs issued to the contractor, including major or critical NCRs, yet still rated the contractor [REDACTED] in quality work in four consecutive annual CPARS ratings and [REDACTED] in management in three of four annual CPARS ratings. Such ratings would indicate that no serious performance issues occurred or were detrimental to contract delivery, even when multiple major NCRs were issued to the APS-5 contractor for [REDACTED] performance. For example, the PCO stated in a CPARS rating document that the ACO issued only three NCRs, [REDACTED] to the APS-5 contractor in Option Year 4 (January 3, 2021, through July 2, 2021). However, one of these NCRs was a Level II (major) NCR, which contradicts the PCO's statement that the NCRs were [REDACTED]. Additionally, in the CPARS rating narrative for Option Year 2 (January 3, 2019, through January 2, 2020), the PCO stated [REDACTED]; however, the ACO issued 18 Level II (major) NCRs during the rating period, which contradicts the PCO's statement.

(~~CUI~~) Furthermore, the ACO issued a Level III (critical) NCR to the APS-5 contractor on March 28, 2018, which remained open until November 16, 2018 (over 7 months). The PCO rated the contractor’s quality as [REDACTED]. However, the PCO’s CPARS narrative did not consider that the ACO issued a Level III (critical) NCR to the APS-5 contractor, which was open for over 7 months of the rating period. The critical NCR stated that the APS-5 contractor did not have an adequate system to manage quality execution of their contractual obligations. The critical NCR cited 49 separate NCRs issued to the APS-5 contractor over the past year, including repeat NCRs in the areas of COSIS requirements, safety requirements, supply and services, and equipment maintenance, as evidence that the APS-5 contractor did not have a system to manage the quality of its work. The ACO stated that the lack of quality management leading to the Level III NCR could lead to critical mission failure.

(~~CUI~~) Table 3 displays the available CPARS ratings in the areas of quality and management and the corresponding numbers and severity levels of NCRs issued by the ACO during the same periods of performance. As demonstrated in Table 3, the PCO rated the contractor as performing at a [REDACTED], yet the ACO issued an average of 17 major NCRs to the APS-5 contractor during the six rating periods.

(U) Table 3. CPARS Ratings and Numbers and Severity Levels of NCRs by Period of Performance

(CUI) Period of Performance	Quality Rating	Management Rating	Number of Level I (minor) NCRs	Number of Level II (major) NCRs	Number of Level III (critical) NCRs
January 3, 2017– January 2, 2018	[REDACTED]	[REDACTED]	4	25	0
January 3, 2018– January 2, 2019	[REDACTED]	[REDACTED]	21	31	1
January 3, 2019– January 2, 2020	[REDACTED]	[REDACTED]	13	18	0
January 3, 2020– July 2, 2021	[REDACTED]	[REDACTED]	6	1	0
July 3, 2021– July 2, 2022	N/A*	N/A*	8	15	0
July 3, 2022– January 2, 2023	N/A*	N/A*	4	9	(CUI)

(U) * As of July 2023, the APS-5 PCO stated that they had not completed CPARS ratings for Option Years 5 or 6.

(U) Source: The DoD OIG.

(U) The FAR states that the PCO is required to consider the contractor's performance using input from quality assurance personnel and end users and evaluate the contractor in several areas, including quality and management, when completing the CPARS ratings.⁴¹ In each area evaluated, the PCO can rate the contractor as exceptional, very good, satisfactory, marginal, or unsatisfactory. The FAR states that PCOs can rate very good and exceptional only when there were minor problems with the contractor's performance and no significant performance weaknesses. The FAR further states that a rating of satisfactory is possible when there were minor problems with the contractor's performance, or major problems from which the contractor recovered without impacting the delivery of services.

(U) When we asked the PCO why they rated the contractor above marginal on CPARS elements despite knowledge of multiple major-level NCRs issued, the PCO stated that if the contractor provided a good response to an NCR in the corrective action plan, then the PCO would not take action against the contractor. However, the PCO can only rate the contractor at satisfactory or above on CPARS if there are no major issues that negatively affected contractor performance. Such ratings could be inconsistent with federally required rating levels given the APS-5 contractor's performance, as reported to the PCO by the ACO through the issuance of NCRs. Federal CPARS guidance states that one best practice for completing CPARS ratings is for Government organizations to establish processes to monitor the integrity and quality of the CPARS report from PCOs. Therefore, the ACC-RI Executive Director should establish and implement a quality review process to monitor the integrity of CPARS reports. The quality review process should define major problems, minor problems, and significant weaknesses in relation to contractor performance information to ensure that contracting officers are appropriately considering deficient contractor performance in CPARS ratings.

(U) Military Units Received Inoperable Equipment

(U) The lack of adequate storage and maintenance of APS-5 equipment led to military units in Syria and the U.S. European Command (USEUCOM) receiving mission-critical equipment that was not fully mission capable. The APS-5 contractor is required to protect equipment from environmental conditions and maintain equipment, as required by Army TM 38-470 and the terms of the contract. However, because the 401st AFSBn-Kuwait CORs did not ensure that the APS-5 contractor complied with COSIS and operational readiness reporting requirements, military units received inoperable equipment.

⁴¹ (U) FAR Part 42, "Contract Administration and Audit Services," Subpart 42.15, "Contractor Performance Information," Section 42.1503, "Procedures."

(U) For example, in December 2021, the APS-5 contractor reported two Reverse Osmosis Water Purification Units (ROWPU) as fully mission capable, to include containing all the required BII for mission operations. When properly configured, a ROWPU can provide military units potable water from any water source. However, upon receipt of the ROWPUs in Syria, the gaining military unit reported that the ROWPUs would not pump water and did not contain all BII and COEI required to execute the mission. This resulted in the military unit in Syria sending the ROWPUs back to a military base in Kuwait for repairs, delaying the unit's ability to produce potable water.

(U) In another instance, military units in Syria reported receiving 22 Force Provider modules with ripped tents and inoperable generators, showers, and laundry equipment. Not only did military units in Syria receive inoperable equipment, military units in USEUCOM received driver vision enhancers that were incompatible with their Bradley Fighting Vehicles because the APS-5 contractor failed to update the system version before issuing the equipment, endangering the mission and the Bradley operators.

(U) Military units in USEUCOM also received APS-5 equipment designated for Ukraine that was non-mission capable. A 2023 DoD OIG management advisory identified that the lack of oversight by the 401st AFSBn-Kuwait resulted in the delayed delivery of 29 HMMWVs and 6 M777 howitzers because the equipment was non-mission capable and required extensive maintenance before the 401st AFSBn-Kuwait shipped the equipment to the Ukrainian Armed Forces.⁴² The maintenance issues identified in the advisory, if not corrected, could have endangered DoD military, civilian, and contractor personnel transferring the military equipment to USEUCOM. Despite the extensive maintenance before shipping the equipment, USEUCOM personnel found the 401st AFSBn-Kuwait shipped HMMWV's and M777 howitzers that were non-mission capable. If USEUCOM personnel had not inspected and addressed the equipment issues before delivering the equipment to Ukrainian Armed Forces, the equipment could have endangered Ukraine Armed Forces personnel or failed during battle.

(U) APS-5 Equipment Is at Increased Risk of Loss or Theft

(U) As result of the Army and the APS-5 contractor's lack of accountability of APS-5 equipment, one sensitive item was lost and 50 weapons and sensitive items were at increased risk of loss or theft. Army Regulation 870-20 states that small

⁴² (U) Report No. DODIG-2023-076, "Management Advisory: Maintenance Concerns for the APS-5 Equipment Designated for Ukraine," May 23, 2023.

(U) arms, including .50 caliber machine guns and mortar tubes, have potential use in civil disturbances and are vulnerable to theft.⁴³ The lack of controls over APS-5 inventory allowed for 22 weapons, including 14 .50 caliber machine guns and 8 60-mm mortar tubes, to be unaccounted for on the APS-5 property book for approximately 2 years, increasing the risk that the weapons could have been stolen.

(U) In addition, the Army did not have assurance that the 401st AFSBn-Kuwait accurately accounted for the entire APS-5 property book, totaling 53,424 pieces of equipment. The purpose of conducting physical inventories is to enable the PBO to verify the quantity and condition of equipment on hand and to identify items in need of repair or excess items for disposition. Furthermore, incorrect inventories can lead to unnecessary expenditures if inventory quantities are understated. Without accurate inventories, the Army does not know the quantities and condition of the equipment on the APS-5 property book or what additional equipment it should procure to support the APS-5 mission. As described in this report, 401st AFSBn-Kuwait personnel did not oversee the APS-5 contractor inventory process to ensure that the APS-5 property book was accurate. A 2018 DoD OIG report identified similar weaknesses with the Army's accountability of APS-5 equipment. The continued lack of accountability of APS-5 equipment places the equipment at greater risk of theft and misuse.

(U) Inadequate controls over the accountability of APS-5 equipment also resulted in the 401st AFSBn-Kuwait issuing APS-5 equipment without required BII and COEI and the APS-5 contractor overstating the APS-5 operational readiness rate. Officials from the 401st AFSBn-Kuwait stated that due to a shortage of BII and COEI, when issuing equipment they either took BII and COEI from other equipment to make complete sets or issued the equipment without all the required BII and COEI. Until the 401st AFSBn-Kuwait accounts for and considers the shortages of BII and COEI in the APS-5 operational readiness rate, the Army is at risk of not being ready to execute missions or executing missions without essential BII and COEI, which could endanger the life and safety of personnel operating the equipment.

(U) Management Comments on the Finding and Our Response

(U) Although not required to comment, the Director of the Army G-4 3/5/7 Operations Directorate provided comments on the Finding. For the full text of the Directors comments, see the Management Comments section of the report.

⁴³ (U) Army Regulation 870-20, "Army Museum Enterprise and Army Artifact Collection," June 27, 2022.

(U) Director of the Army G-4 3/5/7 Operations Directorate Comments

(U) The Director of the Army G-4 3/5/7 Operations Directorate stated that they do not agree with the DoD OIG's description of the roles and responsibilities aligned to the Army G-4 outlined in the report. The Director stated that the Army G-4 is responsible for program resources to conduct the APS program, and the Army G-3/5/7 is the Army's proponent and strategic lead for all aspects of APS and APS readiness. The Director further stated that in accordance with Army Regulation 710-1, AMC is responsible for all maintenance functions for the APS program.

(U) Our Response

(U) We acknowledge the Director of the Army G-4 3/5/7 Operations Directorate's understanding of the Army G-4's roles and responsibilities as they relate to the APS program. However, Army Technical Publication 3-35.1 states that the Department of the Army Assistant Chief of Staff G-4 "provides guidance on developing the APS program and ensures materiel is configured for combat and combat ready for deploying units in accordance with Army serviceability standards."⁴⁴ Therefore, we disagree with the Director's assertion that we have misaligned APS-5 roles and responsibilities in this report.

(U) Recommendations, Management Comments, and Our Response

(U) Recommendation A.1

(U) We recommend that the Commander of the U.S. Army Sustainment Command revalidate the Care of Supplies in Storage requirements in Army Technical Manual 38-470 to determine whether the requirements are operationally realistic and cost effective for Army Prepositioned Stock and revise Army Technical Manual 38-470, as appropriate.

(U) U.S. Army Sustainment Command Comments

(U) The ASC Deputy to the Commander, responding for the ASC Commander, agreed with the recommendation and stated that the ASC initiated coordination with the Army proponent of Army TM 38-470 to schedule review and revision of Army TM 38-470. The Deputy to the Commander estimated that the Army proponent will publish all the revisions to Army TM 38-470 by March 2025.

⁴⁴ (U) Army Technical Publication 3-35.1, "Army Pre-Positioned Operations," April 2022.

(U) Headquarters, Department of the Army Deputy Chief of Staff, G-3/5/7 Comments

(U) Although not required to comment, the Army War Plans Division Chief, responding for the Army Office of the Deputy Chief of Staff (ODCS), G-3/5/7 agreed with the recommendation and explained that the Army ODCS, G-3/5/7 is not opposed to the revision of Army TM 38-470; however, the revision will be done in coordination with the Army G-4 and the Army G-3/5/7. In addition, the Army War Plans Divisions Chief stated that APS is unlikely to ever be able to afford the same frequency of in-depth maintenance that is achievable by active duty Army units and that Army TM 38-470 is the Army's answer to balancing the cost and resource constraints of maintaining APS equipment.

(U) Our Response

(U) The comments from the ASC Deputy to the Commander and the Army War Plans Division Chief addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close this recommendation once we receive documentation to verify that the Army revalidated the COSIS requirements in Army TM 38-470.

(U) Recommendation A.2

(U) We recommend that the Executive Director for the Army Contracting Command–Rock Island:

- a. **(U) Direct the Procuring Contracting Officer for the Army Prepositioned Stock–5 contract to take action to enforce or relieve the Army Prepositioned Stock–5 contractor of Care of Supplies in Storage requirements based on guidance from the Commander of the Army Sustainment Command's implementation of Recommendation A.1 to revalidate Army Technical Manual 38-470 requirements.**

(U) Executive Director of the Army Contracting Command–Rock Island Comments

(U) The ACC-RI Executive Director agreed with the recommendation and stated that, by the end of February 2025, they would begin to formally modify the APS-5 contract to incorporate revised Army Technical Manual 38-470 requirements, as determined by the Commander of the ACC.

(U) Commanding General of the Army Contracting Command Comments

(U) Although not required to comment, the Commander of the ACC stated that they agreed with the comments provided by the ACC-RI Executive Director.

(U) Our Response

(U) Comments from the ACC-RI Executive Director addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close this recommendation once we receive documentation to verify that the ACC-RI Executive Director updated the APS-5 contract to incorporate revised Army Technical Manual 38-470 requirements, as determined by the Commander of the ASC.

- b. (U) Direct the Procuring Contracting Officer for the Army Positioned Stock-5 contract to coordinate with the Army Positioned Stock-5 Administrative Contracting Officer and Contracting Officer's Representatives to update surveillance procedures to require Contracting Officer's Representatives to conduct periodic checks of the Global Combat Support System-Army to provide reasonable assurance that all pieces of Army Positioned Stock-5 equipment have a correct maintenance service plan listed in the system.**

(U) Executive Director of the Army Contracting Command-Rock Island Comments

(U) The ACC-RI Executive Director agreed with the recommendation and stated that, by the end of February 2025, the PCO will collaborate with the Contract Administration Training Center to facilitate updates by ASC to the surveillance procedures necessary to ensure maintenance service plans are recorded in GCSS-Army.

(U) Commanding General of the Army Contracting Command Comments

(U) Although not required to comment, the Commander of the ACC stated that they agreed with the comments provided by the ACC-RI Executive Director.

(U) Our Response

(U) Comments from the ACC-RI Executive Director addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close this recommendation once we receive documentation to verify that COR surveillance procedures include periodic checks of GCSS-Army to provide reasonable assurance that all pieces of APS-5 equipment have a correct maintenance service plan listed in the system.

- c. **(U) Direct the Procuring Contracting Officer for the Army Prepositioned Stock-5 contract to coordinate with the Army Prepositioned Stock-5 Administrative Contracting Officer and Contracting Officer's Representatives to develop and implement surveillance plans to include Contracting Officer's Representatives verifying that the Army Prepositioned Stock-5 contractor determined whether all required Basic Issue Items and Components of End Items are on hand for each piece of Army Prepositioned Stock-5 equipment being repaired before allowing the contractor to declare the equipment fully mission capable.**

(U) Executive Director of the Army Contracting Command-Rock Island Comments

(U) The ACC-RI Executive Director agreed and stated that, by the end of February 2025, the PCO will confirm, in conjunction with the delegated ACO, that Army Sustainment Command is conducting surveillance in accordance with the APS-5 contract's quality assurance surveillance plan to ensure maintenance service plans are recorded in GCSS-Army.

(U) Commanding General of the Army Contracting Command Comments

(U) Although not required to comment, the Commander of the ACC stated that they agreed with the comments provided by the ACC-RI Executive Director.

(U) Our Response

(U) Comments from the ACC-RI Executive Director did not address the specifics of the recommendation; therefore, the recommendation is unresolved. The Executive Director provided comments to Recommendation A.2.b twice. Therefore, we request the ACC-RI Executive Director provide additional comments to address recommendation A.2.c within 30 days of the final report.

- d. (U) Review nonconformance reports issued to the Army Prepositioned Stock-5 contractor from July 3, 2021, through July 2, 2022, to determine whether the Army Contracting Command-Rock Island should reduce the contractor's fixed fee by at least \$971,537.52 for nonconformance identified during the Army Prepositioned Stock-5 contract's Option Year 5. The Executive Director for the Army Contracting Command-Rock Island should also review all other nonconformance reports issued to the Army Prepositioned Stock-5 contractor from January 3, 2017, through January 2, 2023, to determine whether the Army Contracting Command-Rock Island should further reduce any amount of the contractor's fixed fee in accordance with the Army Prepositioned Stock-5 contract.

(U) Executive Director of the Army Contracting Command-Rock Island Comments

(U) The ACC-RI Executive Director agreed with the recommendation and stated that in accordance with the audit team's recommendation, by the end of February 2025, the ACC-RI will review all nonconformance reports issued to the APS-5 contractor from January 3, 2017, through January 2, 2023. The Executive Director stated that the ACC-RI will use its established business practices to ensure that all performance failures are identified in a timely manner, and that consideration owed to the Government is assessed fairly and in accordance with the terms of the contract.

(U) The Executive Director further commented that the APS-5 PCO directed the APS-5 contractor to reimburse the Government \$114,087 for costs associated with maintenance on M777 howitzers. Additionally, the PCO had discussions with the APS-5 contractor regarding reimbursement for training on the M119A3 howitzer. The Executive Director stated that while the FAR does allow the PCO to decrement fees due to poor performance, it also affords the PCO wide latitude and discretion in how the decrement is assessed and applied. The Executive Director stated that while the DoD OIG recommendation is valid, the implementation of any hard and fast rules on unilateral fee reduction is unrealistic and unduly restrictive to the PCO authority.

(U) Commanding General of the Army Contracting Command Comments

(U) Although not required to comment, the Commander of the ACC stated that they agreed with the comments provided by the ACC-RI Executive Director.

(U) Our Response

(U) Comments from the ACC-RI Executive Director addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close this recommendation once we receive documentation to verify that the Executive Director has performed a review of NCRs issued to the APS-5 contractor from January 3, 2017, through January 2, 2023, and determined whether the PCO should reduce any amount of the contractor's fixed fee in accordance with the APS-5 contract. We consider the commitment to review the NCRs identified in this report and consideration of reducing the contractor's fixed fee as concurrence with the \$971,537.52 in potential monetary benefits. However, the actual realized amount of potential monetary benefits is subject to the Executive Director's review and determination on the amount of the APS-5 contractor's fixed fee.

(U) We acknowledge that the APS-5 contractor reimbursed the Government \$114,087. However, as discussed in Report No. DODIG-2023-076, the reimbursement was to recoup the labor and travel costs of deploying an Anniston Army Depot Mobile Repair Team to Camp Arifjan, Kuwait, to correct and complete the APS-5 contractor's deficient annual and quarterly maintenance on six M777 howitzers. The Executive Director's characterization of this reimbursement is misleading and does not amount to the PCO performing their duty to uphold the fee decrement clause of the APS-5 contract. Therefore, the Executive Director should not conflate requesting the APS-5 contractor reimburse the Government to cover the cost of work that was already legally required under the terms of the contract with the PCO taking action to hold the contractor accountable through fixed fee reductions for poor performance, as our recommendation intended.

(U) Furthermore, we acknowledge the Executive Director's comments that the PCO has wide latitude and discretion in how they assess and apply fee decrements. However, as pointed out in the report, the APS-5 contract established clear, measurable terms that the PCO can use to reduce the contractor's fixed fee as a method to hold the contractor accountable for poor performance. Even with these clear, measurable terms established in the contract, the PCO did not take any action to determine whether the U.S. Government could decrement the contractor's fixed fee for numerous and repeated maintenance deficiencies formally documented in NCRs. Therefore, the PCO's review of NCRs and determination of whether the contractor's fee should be reduced does not unduly restrict the PCO's ability to hold the contractor accountable for poor performance, as suggested by the Executive Director. Instead, such reviews and determinations are tools that the PCO should use to ensure that the U.S. Government is getting all the services for which it paid.

- e. **(U) Implement standard operating procedures that direct the Procuring Contracting Officer for Army Prepositioned Stock-5, to consider and execute fee reductions from the Army Prepositioned Stock-5 contractor in the future. The guidance should include clear standards and criteria Procuring Contracting Officers can use to determine when they should implement fee reductions.**

(U) Executive Director of the Army Contracting Command–Rock Island Comments

(U) The ACC-RI Executive Director disagreed with the recommendation and stated that the contract included two opportunities for the PCO to pursue consideration from the APS-5 contractor, which included FAR 52.246-5 and the APS-5 contract business rules.⁴⁵ The Executive Director stated that FAR 52.246-5 uses the term “may” throughout, to include a statement when the defects in services cannot be corrected by reperformance, the Government may reduce any fee payable under the contract to reflect the reduced value of the contract. By using the term “may,” the FAR is affording the PCO latitude in the application of the FAR clause. The Executive Director stated that establishing any standard operating procedures which further restrict this language would be a gross overreach by the agency and would limit the PCO authority in a manner that could apply undue risk to the mission and its industry partners. In addition, the Executive Director stated that during the APS-5 contract’s period of performance, all NCRs were reviewed and resolved in totality; therefore, guidelines for decrementing the contractor’s fixed fee do not apply to every situation that arises during performance.

(U) Deputy Assistant Secretary of the Army (Procurement)

(U) The Deputy Assistant Secretary of the Army (Procurement) stated that the Army disagreed with recommendation A.2.e.

(U) Commanding General of the Army Contracting Command Comments

(U) Although not required to comment, the Commander of the ACC stated they agreed with the comments provided by the ACC-RI Executive Director.

(U) Our Response

(U) Comments from the ACC-RI Executive Director did not address the specifics of recommendation; therefore, the recommendation is unresolved. While we agree that the FAR and the APS-5 contract give the PCO latitude on when to implement

⁴⁵ (U) FAR Part 52, “Solicitation Provisions and Contract Clauses,” Subpart 52.2 “Text of Provisions and Clauses,” section 52.246 “Reserved,” subsection 52.246-5 “Inspection of Services-Cost Reimbursement.”

(U) the fee reduction, the Executive Director's comments do not address the undue risk to the DoD caused by the PCO's failure to execute the fee reduction and hold the APS-5 contractor accountable for poor performance. As pointed out in the report, the ACO issued 157 NCRs over 6 years without the PCO once taking action to reduce the contractor's fee due to poor performance. Furthermore, until we brought it to their attention during this audit, the APS-5 PCO stated that they were unaware of the contract clause allowing them to reduce the fixed fee for critical, major, unresolved, or repeat poor performance. Additionally, while all NCRs were resolved during the performance period from January 3, 2017, through January 2, 2023, such resolution does not prevent the PCO from reducing the contractor's fee for the days between issuance of the NCR and its resolution, as depicted in Appendix B of this report. Resolving the NCRs did not prevent the contractor from repeated poor performance over the life of the contract, which warranted additional NCRs. For example, the APS-5 contractor was issued an average of 17 Level II (major) NCRs during all six periods of contract performance we reviewed during the audit and 64 repeat citations of performance problems with storage, maintenance, and accountability activities. Even with documented evidence of major and repeat NCRs, the PCO still did not execute their responsibility to hold the contractor accountable for failing to meet the requirements of the contract. Therefore, it is evident that a systematic approach to fee reductions is needed to ensure that PCOs are aware of all tools available to them and that they know how and when to execute the APS-5 business rules for reducing the contractor's fee. We disagree that establishing a standard operating procedure creates undue risk to the ACC-RI mission and its industry partners but instead is intended to safeguard the DoD's interest in the contractual relationship with the APS-5 contractor. We request the Executive Director of the ACC-RI reconsider their position and provide a response to the final report within 30 days that addresses implementing a standard operating procedure that provides clear standards and criteria PCOs can use to determine when they should execute fee reductions.

- f. **(U) Review the actions of the Procuring Contracting Officer for the Army Prepositioned Stock-5 contract and take administrative action, such as recommending additional training or documenting poor performance in annual performance reviews, as appropriate, to hold the Procuring Contracting Officer accountable for failing to oversee the Army Prepositioned Stock-5 contract and enforce contract terms.**

(U) Executive Director of the Army Contracting Command–Rock Island Comments

(U) The ACC-RI Executive Director disagreed with the recommendation and stated that they assessed the PCO's performance in accordance with policies and procedures established in the applicable Defense Performance Management and Appraisal Program. The approved Defense Performance Management and Appraisal Program performance plan includes assessment of PCO continued training and proper oversight of the assigned missions and contract actions.

(U) Deputy Assistant Secretary of the Army (Procurement)

(U) The Deputy Assistant Secretary of the Army (Procurement) stated that the Army disagreed with recommendation A.2.f.

(U) Commanding General of the Army Contracting Command Comments

(U) Although not required to comment, the Commander of the ACC stated that they agreed with the comments provided by the ACC-RI Executive Director.

(U) Our Response

(U) Comments from the ACC-RI Executive Director did not address the specifics of the recommendation; therefore, the recommendation is unresolved. DoD Instruction 1400.25 states that the Defense Performance Management and Appraisal Program provides a framework for supervisors and managers to communicate expectations and link an employee's job performance with the organizational goals and mission.⁴⁶ The DoD Instruction requires that under the Defense Performance Management and Appraisal Program, employees are assessed based on the work performed from April 1 through March 31 of each calendar year.

(U) While we recognize the Executive Director's comments that the PCO is assessed through the Defense Performance Management and Appraisal Program, based on the number of issues identified in this report, these annual reviews do not appear to have been effective. Furthermore, recommendation A.2.f requests that the Executive Director review the PCO's action over the entire course of the APS-5 contract, not over 1 calendar year as required by the Defense Performance Management and Appraisal Program. This level of review will determine if the PCO's actions over the course of the APS-5 contract align with the performance requirements of the job, the fundamental responsibilities of a contracting

⁴⁶ (U) DoD Instruction 1400.25, Volume 431, "DoD Civilian Performance Management System: Performance Management and Appraisal Program," February 4, 2016 (Change 3, January 10, 2022).

(U) officer, and the ACC-RI mission. In addition, this level of review will provide ACC-RI leadership with the necessary information to determine the appropriate administrative action to improve the PCO's management of the APS-5 contract. During the course of our audit, the PCO admitted to not knowing key terms of the APS-5 contract—specifically, the ability to reduce the APS-5 contractor's fixed fee as a tool to hold the contractor accountable for poor performance amid numerous and repeat NCRs. A performance review in line with this recommendation would consider whether to take administrative action against the PCO for not knowing basic terms of the contract they oversee. Therefore, we request the ACC-RI Executive Director reconsider their position and provide a response to the final report within 30 days that meets the intent of our recommendation to review the PCO's performance over the entire period of performance for the APS-5 contract and to hold the PCO accountable for their failure to oversee and fully enforce the APS-5 contract.

- g. (U) Establish and implement a quality review process to monitor the integrity of Contractor Performance Assessment Reporting System reports. The quality review process should define major problems, minor problems, and significant weaknesses in relation to contract performance information to ensure that contracting officers are appropriately considering deficient contract performance in Contractor Performance Assessment Report System ratings.**

(U) Executive Director of the Army Contracting Command–Rock Island Comments

(U) The ACC-RI Executive Director agreed with the recommendation and stated that the ACC-RI adheres to several best practices when developing CPARS reports. Before CPARS reports are finalized, the PCO requests input from the CORs and ACOs and reviews performance management, monthly surveillance, and electronic subcontractor reports. The Executive Director stated that those actions encompass all aspects of recommendation A.2.g.

(U) The Executive Director further stated that the PCO provides the contractor an opportunity to review the assigned ratings and narrative in CPARS reports and include an official response back to the PCO. When the contractor requests modification to a CPARS report, the report is then elevated within the ACC-RI to one level above the PCO for review and finalization. If no modification is requested by the contractor, then the PCO enters the report into CPARS.

(U) Commanding General of the Army Contracting Command Comments

(U) Although not required to comment, the Commander of the ACC stated that they agreed with the comments provided by the ACC-RI Executive Director.

(U) Our Response

(U) Comments from the ACC-RI Executive Director did not address the specifics of recommendation; therefore, the recommendation is unresolved. The intent of our recommendation is for the Executive Director to establish and implement a quality review process to monitor the integrity of CPARS reports as it relates to contractor performance. However, the Executive Director's response only discussed the current ACC-RI process for reviewing CPARS reports. Furthermore, the Executive Director's response revealed that no one is reviewing the PCO's CPARS inputs outside of the contractor unless the contractor disagrees with the content of the report, which is not indicative of a quality review process.

~~(CUI)~~ We found that the PCO provided CPARS ratings for the APS-5 contractor that were inconsistent with documented contractor performance information, as well as Federal regulatory requirements for assigning CPARS ratings. For example, even with a Level III (critical) NCR open for over 7 months of rating period 2, [REDACTED]. A quality review of the NCRs compared to the PCO's CPARS rating for the period could have caught this. A formal, documented quality review process is needed to ensure PCOs are not overlooking negative performance information and are holding contractors accountable for deficient performance with appropriate Government documentation that aligns with Federal requirements for CPARS ratings throughout the rating process. In addition, Federal CPARS guidance states that one best practice for completing CPARS ratings is for Government organizations to establish processes to monitor the integrity and quality of the CPARS report from PCOs. Therefore, we request the ACC-RI Executive Director reconsider their position and provide a response to the final report within 30 days that addresses establishing and implementing a quality review process to monitor the integrity of CPARS reports.

(U) Recommendation A.3

(U) We recommend that the Area Support Group–Kuwait Commander coordinate with the Executive Director of the Army Contracting Command–Rock Island to modify the Area Support Group–Kuwait Directorate of Public Works contract to ensure that all Army Prepositioned Stock–5 controlled humidity facilities are in compliance with Army Technical Manual 38-470, including managing the humidity settings to be within 30- to 50-percent relative humidity.

(U) Commanding General of the Area Support Group–Kuwait Comments

(U) The ASG-Kuwait Commander agreed with Recommendation A.3 and stated that they will coordinate with the ACC-RI Executive Director to execute a modification to the ASG-Kuwait DPW contract to ensure all APS-5 controlled humidity facilities comply with Army TM 38-470. The ASG-Kuwait Commander stated that the modification will ensure that the humidity settings in APS-5 controlled humidity facilities will be set within 30- to 50-percent relative humidity. The ASG-Kuwait stated they will implement the changes by July 31, 2024.

(U) U.S. Army Central G45 Plans and Exercises Division Comments

(U) Although not required to comment, the U.S. Army Central G45 Plans and Exercises Division Chief agreed with the recommendation and stated that U.S. Army Central G45 will coordinate with U.S. Army Central and ASG-Kuwait to modify the DPW contract to meet the authorized relative humidity levels prescribed in Army TM 38-470.

(U) Our Response

(U) Although action from U.S. Army Central is needed to modify the DPW contract, comments from the U.S. Army Central G45 Plans and Exercises Division Chief and the ASG-Kuwait Commander addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once the ASG-Kuwait provides documentation that the ASG-Kuwait DPW contract was modified, and the APS-5 controlled humidity facilities are compliant with Army TM 38-470.

(U) Recommendation A.4

(U) We recommend that the 401st Army Field Support Brigade Commander direct the 401st Army Field Support Battalion–Kuwait Commander to:

- a. **(U) Determine whether any Army Prepositioned Stock–5 equipment missed scheduled maintenance as a result of missing or incorrect maintenance service plans in the Global Combat Support System–Army, and operationally prioritize the maintenance of the equipment that missed scheduled maintenance.**

(U) U.S. Army Sustainment Command Comments

(U) The ASC Deputy to the Commander, responding for the ASC Commander, partially agreed with the recommendation. The ASC Deputy to the Commander stated that because of funding shortages, there are overdue maintenance services. However, the 401st AFSBn-Kuwait Commander must maintain the ability to prioritize maintenance of equipment that missed scheduled services based on missions and operational requirements. The ASC Deputy to the Commander further stated that the 401st AFSBn-Kuwait evaluated whether all APS-5 equipment had maintenance plans in GCSS-Army, and on February 5, 2024, the 401st AFSB validated that all APS-5 equipment had maintenance service plans. In addition, the ASC Deputy to the Commander stated that the 401st AFSBn-Kuwait created quarterly maintenance service plan verification checks. The Deputy to the Commander stated that the 401st AFSB and the 401st AFSBn-Kuwait will develop a maintenance and new equipment receipt standard operating procedure to ensure the correct processes and procedures are in place to properly capture scheduled maintenance. The ASC plans to implement the changes to the standard operating procedures by October 1, 2024.

(U) Our Response

(U) Although the ASC Deputy to the Commander partially agreed, the comments provided addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We agree that the 401st AFSBn-Kuwait Commander must maintain the ability to prioritize maintenance of equipment based on mission and operational requirements. We will close the recommendation after we receive documentation to verify that the 401st AFSBn-Kuwait has operationally prioritized the maintenance of APS-5 equipment with overdue services and receive the 401st AFSBn-Kuwait maintenance and new equipment receipt standard operating procedure.

- b. (U) Revise the 401st Army Field Support Battalion–Kuwait Maintenance standard operating procedure to require additional oversight and spot checks of 401st Army Field Support Battalion–Kuwait Contracting Officer’s Representatives’ approval of contractor-completed maintenance work. If Contracting Officer’s Representatives approve contractor-completed maintenance work that was not correctly completed, the Commander should take action to hold the Contracting Officer’s Representatives accountable.**

(U) U.S. Army Sustainment Command Comments

(U) The ASC Deputy to the Commander, responding for the ASC Commander, partially agreed with the recommendation. The Deputy to the Commander stated that the 401st AFSB directed the 401st AFSBn-Kuwait to evaluate and revise the maintenance standard operating procedures to include risk-based surveillance of contractor-completed work but found that the requirements to validate completed work were not in line with industry standards and not achievable given the number of assigned staff to the Battalion. The Deputy to the Commander further stated that the 401st AFSBn-Kuwait Commander should take action to hold the CORs accountable for approved contractor-completed maintenance work that was not correctly completed by the contractor; however, requirements should not exceed the capability or industry standards for contract oversight and surveillance sampling requirements. The Deputy to the Commander stated that the 401st AFSB and the 401st AFSBn-Kuwait are developing a new process that will include sampling contractor-completed maintenance based on risk. Additionally, Maintenance Quality Assurance personnel will perform spot checks of inspections to identify maintenance weaknesses and make corrections. The ASC plans to implement the revisions to the standard operating procedures and associated documents by October 1, 2024.

(U) Our Response

(U) Although the ASC Deputy to the Commander partially agreed, the comments addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation after we receive the updated standard operating procedures to verify that it includes sampling of contractor-completed maintenance and documentation to verify that the CORs and Maintenance Quality Assurance personnel have implemented the updated sampling procedures.

- c. **(U) Formalize the requirement to perform inventory spot checks into 401st Army Field Support Battalion–Kuwait Standard Operating Procedures, enforce the requirement that 401st Army Field Support Battalion–Kuwait officials conduct 100-percent inventories of selected sensitive items each month, and require 401st Army Field Support Battalion–Kuwait Property Book Officers to retain inventory documentation.**

(U) U.S. Army Sustainment Command Comments

(U) The ASC Deputy to the Commander, responding for the ASC Commander, agreed with the recommendation and stated that the 401st AFSB directed the 401st AFSBn-Kuwait to evaluate and revise the standard operating procedures to include risk-based surveillance of the APS-5 contractor's inventory of selected sensitive items. The Deputy to the Commander stated that the updated process will include sampling criteria to validate the APS-5 contractor's reported inventory each month and that the verification must be documented on a controlled surveillance document. The Deputy to the Commander stated that the standard operating procedure would be updated no later than October 1, 2024.

(U) Our Response

(U) Comments from the ASC Deputy to the Commander addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we receive a copy of the updated standard operating procedures that includes the new risk-based surveillance methods and documentation to support that the CORs implemented the increased surveillance of the APS-5 contractor's monthly sensitive item inventories.

(U) Recommendation A.5

(U) We recommend that the Commander of the Army Materiel Command conduct a review of Command Supply Discipline Programs for subordinate commands and determine whether commands have been executing the necessary supervisory review of the Army Prepositioned Stock-5 property book. If necessary, update Command Supply Discipline Programs to ensure that Government personnel have adequately validated the inventories performed by the Army Prepositioned Stock-5 contractor and accurately recorded inventory validation in the Global Combat Supply System–Army.

(U) Deputy Chief of Staff G-4 of the U.S. Army Materiel Command Comments

(U) The AMC Deputy Chief of Staff G-4, responding for the AMC Commander, agreed with the recommendation and stated that the AMC will implement changes by September 30, 2024. The Deputy Chief of Staff G-4 explained that the AMC will take appropriate action to update AMC Regulation 710-13, "Command Supply Discipline Program" with detailed Command Supply Discipline Program requirements for the responsible major subordinate commands to validate the proper recording and inventory processes at APS-5. The Deputy Chief of Staff G-4 further stated that the AMC will coordinate with the ASC to validate that APS Command Supply Discipline Program checklists used by major subordinate commands and Army forward support battalions include the necessary information to validate the supply processes performed by the responsible APS contractors.

(U) Our Response

(U) Comments from the AMC Deputy Chief of Staff G-4 addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we receive a copy of the updated AMC Regulation 710-13, "Command Supply Discipline Program," to verify updates and receive documentation to support that the updated inventory recording and validation processes are being executed at APS-5.

(U) Finding B

(U) Army Contracting Officials Did Not Review Invoices

(U) Neither the ACOs nor the 401st AFSBn-Kuwait CORs reviewed invoices before payment to verify contractor-reported costs. This occurred because the ACOs and CORs misinterpreted invoice review requirements specific to the APS-5 contract and only reviewed the APS-5 contractor's purchase requests. Additionally, the PCO never verified that the ACOs and CORs performed delegated invoice review responsibilities. Instead, upon receipt of an invoice from the contractor, the PCO only verified that adequate funding was available to pay the contractor's reported costs. As a result of the PCO's failure to verify that the ACOs and CORs performed their delegated invoice review responsibilities in conjunction with the ACOs' and CORs' inconsistent oversight as discussed in Finding A, the Army does not have assurance that the \$133.4 million paid to the APS-5 contractor resulted in receipt of contractually compliant storage, maintenance, and accountability services.

(U) Neither the Administrative Contracting Officers nor Contracting Officer's Representatives Reviewed Invoices Before Paying the APS-5 Contractor

(U) The ACOs and 401st AFSBn-Kuwait CORs assigned to the APS-5 contract did not review the contractor's invoices to verify contractor-reported costs and accept the contractor's work before payment, despite the fact that Federal, DoD, and ACC-RI guidance required them to do so. The FAR states that contract administration functions include determining the allowability of cost and explains that a cost is allowable only when it complies with reasonableness, allocability, relevant accounting standards, and contract terms, among other requirements.⁴⁷ The PCO assigned primary responsibility for determining the allowability of contractor-reported cost to the ACOs.

(U) Furthermore, the DoD COR Guidebook states that the ACO is responsible for monitoring invoice payments according to the requirements of the contract and has sole authority for approving final payment requests on cost-reimbursable contracts.⁴⁸ The Guidebook allows CORs to conduct detailed invoice reviews under cost-reimbursable contracts and provides a template for reviewing costs, such as travel costs to ensure the travel was necessary and actually occurred and labor costs to ensure labor hours charged were commensurate with the level of

⁴⁷ (U) FAR Part 31, "Contract Cost Principles and Procedures," Subpart 31.2, "Contracts with Commercial Organizations," Section 31.201, "General," Subsection 31.201-2, "Determining Allowability."

⁴⁸ (U) "DoD Contracting Officer's Representative Guidebook," May 2021.

(U) observed contractor performance. The APS-5 Purchasing and Invoicing Guide requires the COR, in coordination with the ACO, to confirm contractor receipt of services and supplies for all items included in an invoice. The Purchasing and Invoicing Guide requires the COR to validate the APS-5 contractor's invoices within 5 business days of receipt and if the contractor does not receive a response after the 5 business days, the contractor is authorized to submit invoices for payment, stating expiration of COR review time.

(U) The PCO appointed three ACOs whose responsibilities included invoice review and approval from June 1, 2022, through May 31, 2023. The three ACOs appointed 13 CORs to monitor contractor performance and perform invoice reviews for the APS-5 contract. We reviewed 50 invoices submitted by the APS-5 contractor from June 1, 2022, through May 31, 2023, valued at \$133.4 million and determined that none of the three assigned ACOs and none of the 13 appointed CORs reviewed the 50 invoices to verify contractor-reported costs totaling \$133.4 million before payment. Table 4 shows a summary of the invoices the Army paid to the APS-5 contractor. See Appendix B for details on potential monetary benefits and a detailed listing of invoices.

(U) Table 4. Invoices Paid to the APS-5 Contractor

(U) Calendar Year	Number of Invoices Paid	Amount Paid
2022	20	\$52,627,527.78
2023	30	80,774,178.11
Total	50	\$133,401,705.89

(U)

(U) Source: The DoD OIG.

(U) Army Contracting Officials Were Unaware of Invoice Review Responsibilities

(U) Army contracting officials were unaware of invoice review responsibilities despite acknowledging completion of DoD-required training that included review of the contract payment process. Specifically, the APS-5 contract ACOs and CORs did not review contractor-submitted invoices due to misinterpretation of invoice reviews requirements, and the PCO was not aware of any formal procedures that direct PCOs to review the actions of the ACO and CORs with respect to invoice reviews.

(U) 408th CSB and 401st AFSBn-Kuwait Did Not Understand Invoice Review Responsibility

(U) The ACOs and the 401st AFSBn-Kuwait CORs did not fully understand invoice review responsibility for the APS-5 contract despite attesting to completion of training. In particular, DoD policy requires contracting officers and CORs to complete DoD-level training before being designated to their respective positions. The contracting officer training includes an overview of the roles and responsibilities related to the contract payment process.⁴⁹ Furthermore, DoD policy states that upon completion of training, CORs are expected to be able to review and validate that contractor payment requests are commensurate with performance.⁵⁰ However, according to the APS-5 contract ACO, even though the ACOs and CORs attested to receiving training on their invoice review and approval responsibilities, the ACOs and CORs did not review contractor-submitted invoices due to misinterpretation of requirements in the Purchasing and Invoicing Guide for the APS-5 contract. Specifically, the APS-5 contract ACO stated that the ACOs and CORs interpreted the requirement to perform invoice reviews as review only of the APS-5 contractor’s purchase requests. As a result of this audit, on June 13, 2023, the PCO resubmitted a copy of the Purchasing and Invoicing Guide to the APS-5 ACO and requested that the ACO implement the invoice review procedures with the CORs.

(U) ACOs and CORs did not review contractor-submitted invoices due to misinterpretation of requirements.

(U) On July 30, 2023, the ACO stated that the 408th CSB and 401st AFSBn-Kuwait will take actions to ensure ACO and COR compliance with the invoice review process. Specifically, the ACO stated that the CORs will review invoices to ensure the completion of work being invoiced, and the ACO will review invoices to ensure appropriateness and availability of funding. In addition, the ACO will confirm to the PCO completion of ACO and COR invoice review and acceptance of the APS-5 contractor’s work through email. Lastly, the ACO stated that the 408th CSB, in coordination with the APS-5 PCO, will develop and implement an internal invoice review and approval standard operating procedure which details ACO and COR invoice review procedures. To ensure the 408th CSB and 401st AFSBn-Kuwait invoice review procedures are formalized and implemented, the Commanding General of the Army Contracting Command should direct the ACC-RI Executive Director and the Commander of the 408th CSB to coordinate

⁴⁹ (U) Defense Acquisition University, “Contract Post-award.”

⁵⁰ (U) DoD Instruction 5000.72, “DoD Standard for COR Certification,” August 31, 2018.

(U) on the development and implementation of the invoice review and approval procedures and retrain contracting officials as necessary to ensure compliance with Federal and DoD invoice review procedures.

(U) PCO Did Not Verify Performance of Invoice Review Responsibilities

(U) The PCO did not verify that assigned ACOs and CORs completed review of APS-5 contractor-submitted invoices. According to the FAR, the PCO is responsible for ensuring performance of all necessary actions for effective contracting. The PCO's responsibilities includes overseeing the actions of contracting officials, such as the ACOs and CORs.⁵¹ However, the APS-5 PCO stated that they were not aware of any formal process that directs PCOs to periodically review ACO and COR actions; therefore, the PCO did not verify whether ACOs and CORs completed invoice reviews. Instead, the PCO stated that the contracting office tracked funding to verify the availability of funds with the Defense Finance and Accounting Service to ensure payment of the APS-5 contractor's invoices. The PCO stated that they were aware of the ability to review APS-5 invoices in the DoD invoicing system and acknowledged they did not determine whether the ACOs or CORs completed invoice reviews in the system.

(U) The PCO stated that they were coordinating with the ACO to develop a standard operating procedure for internal invoice review and approval to ensure that the APS-5 contractor's invoices are reviewed and approved in accordance with the Purchasing and Invoicing Guide. However, because of the lack of oversight by the PCO and the inconsistent COR oversight identified in Finding A, we recommend that the ACC-RI Executive Director improve PCO oversight in recommendation A.2.g. Implementation of recommendation A.2.g will address the lack of PCO oversight of the invoice review process.

(U) In addition, the FAR states that the contracting office can request the Defense Contract Audit Agency (DCAA) perform an audit of contractor-submitted invoices to determine the allowability, allocability, and reasonableness of reported costs.⁵² Because the ACOs and CORs did not review any of the 50 APS-5 invoices, the ACC-RI Executive Director should request that the DCAA perform a review of the 50 invoices, totaling \$133.4 million, to verify whether contractor-reported direct and indirect costs were allowable, allocable, and reasonable.

⁵¹ (U) FAR Part 1, "Federal Acquisition Regulation System," Subpart 1.6, "Career Development, Contracting Authority, and Responsibilities," Section 1.602, "Contracting Officers," Subsection 1.602-2 "Responsibilities."

⁵² (U) FAR Part 42, "Contract Administration and Audit Services," Subpart 42.1 "Contract Audit Services," Section 42.102 "Assignment of Contract Audit Services."

(U) The DCAA provides audit and financial advisory services to DoD and other Federal entities responsible for acquisition and contract administration. The DCAA operates under the authority, direction, and control of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, and provides contract audit services to determine whether contract costs are allowable, allocable, and reasonable.

(U) The Army Does Not Have Assurance That the APS-5 Contractor Performed Contractually Compliant Services

(U) As a result of the failure by Army officials to review invoices and contractor costs before payment, the Army does not have assurance that the \$133.4 million paid to the APS-5 contractor is allowable, allocable, and reasonable. In addition, because the ACO and CORs did not perform adequate contract oversight as discussed in Finding A, the lack of invoice reviews also leaves the Army without assurance that the \$133.4 million spent is a result of satisfactory contractor performance and contractually compliant storage, maintenance, and accountability services.

(U) Recommendations, Management Comments, and Our Response

(U) Recommendation B.1

(U) We recommend that the Commanding General of the Army Contracting Command direct the Executive Director of the Army Contracting Command–Rock Island and the Commander of the 408th Contracting Support Brigade to coordinate on the development and implementation of the invoice review and approval procedures and retrain contracting officials as necessary to ensure compliance with Federal and DoD invoice review procedures.

(U) Commanding General of the Army Contracting Command Comments

(U) The Commanding General of ACC agreed with the recommendation and stated that by February 28, 2025, the ACC-RI and 408th CSB will review their procedures to ensure contracting officers and the supported requiring activities comply with Federal and DoD invoice review procedures.

(U) The Commanding General further commented that they believe the DoD OIG audit team incorrectly identified the differences between regulatory requirements and procedures for invoices and cost vouchers because the 50 invoices cited in Appendix C are interim cost vouchers. The Commanding General stated that the 50 invoices identified in this report were correctly processed in accordance with Defense Federal Acquisition Regulation Supplement (DFARS) 242.803(b) and the requirements for interim vouchers from chapter 6 of the DCAA Contract Audit Manual.⁵³ The Commanding General stated that the CORs

⁵³ (U) DFARS Part 242, "Contract Administration," Subpart 242.803, "Disallowing Costs After Incurrence," Section 242.803(b), "Auditor Receipt of Voucher."

(U) DCAA Manual 7640.1, "DCAA Contract Audit Manual."

(U) and ACO did not review the vouchers because the DCAA contract auditor is the authorized representative of the PCO to review and approve interim vouchers. The Commanding General stated that interim voucher review and approval is the regulatory authority and requirement of the DCAA because neither the ACO nor requiring activities' CORs possess the skills and knowledge necessary for such reviews.

(U) Executive Director of the Army Contracting Command–Rock Island Comments

(U) Although not required to comment, the ACC-RI Executive Director stated that the ACC-RI has started, and will continue to work with, the 408th CSB to establish standard invoice and voucher review and approval procedures for the implementation of the APS-5 contract Purchasing and Invoicing Guide. The Executive Director stated that they will implement this recommendation before the end of February 2025.

(U) Our Response

(U) Comments from the Commanding General of ACC addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close this recommendation once we receive documentation to verify that the ACC-RI and the 408th CSB have reviewed, updated, and implemented their invoice review procedures to ensure ACO and COR compliance with Federal and DoD requirements.

(U) In addition, we acknowledge that the 50 invoices cited in this report are interim cost vouchers and we have added a footnote to page 5 for additional clarity. However, we disagree with the Commanding General's assertion that DCAA was solely responsible to review the 50 invoices identified in this report before payment. Specifically, the DoD COR Guidebook, the APS-5 contract Pricing and Invoicing Guide, and the DCAA Interim Voucher Process all state that the ACOs and CORs are responsible for reviewing invoices. The DoD COR Guidebook states that the ACO is responsible for monitoring invoice payments according to the requirements of the contract and has sole authority for approving final payment requests on cost-reimbursable contracts. The Guidebook states that CORs can assist the contracting office by conducting detailed invoice reviews for cost-reimbursable contracts and provides a template for reviewing costs such as travel costs, to ensure the travel was necessary and actually occurred, and labor costs, to ensure labor hours charged were commensurate with the level of observed contractor performance. The Guidebook further states that CORs should review billing statements thoroughly and on time, monitor contractor

(U) performance, make onsite visits, and perform surveillance to ensure that the Government receives the services for which it paid. Furthermore, an April 30, 2019 memorandum from the Office of the Under Secretary of Defense (Acquisition and Sustainment) states that contracting activities should perform thorough reviews of invoices before invoice approval in order to highlight questionable, potentially unallowable costs.⁵⁴ The memorandum states that in contingency environments, in-country oversight personnel are in the best position to conduct prepayment invoice reviews and contracting officers should reinforce this vital role. The memorandum highlights that COR best practices include ensuring that costs on the invoices are consistent with the COR's records of monitoring contract performance and that hours worked equal hours invoiced. Therefore, the Commanding General's statement that ACOs and CORs did not review invoices because the DCAA is the authorized representative of the contracting officer to review and approve interim invoices is in direct contradiction with DoD policies that explicitly call for the cognizant ACOs and CORs to conduct such interim reviews.

(U) Finally, as explained in this report, contracting officers and CORs are required to complete DoD-level training before appointment to their respective positions. The contracting officer training includes an overview of the roles and responsibilities related to the contract payment process, and DoD policy states that upon completion of training, CORs are expected to be able to review and validate that contractor payment requests are commensurate with performance.⁵⁵ Therefore, the Commanding General's comment that neither the ACOs nor CORs possess the skills and knowledge necessary for invoice reviews is misleading and allows ACOs and CORs to remain unaccountable for their failure to perform invoice review and approval, which is an imperative contracting office function vital to ensuring DCAA auditors are only approving payments for actual work in accordance with the terms and conditions of the contract.

(U) Recommendation B.2

(U) We recommend that the Executive Director of the Army Contracting Command–Rock Island request the Defense Contract Audit Agency perform a review of the 50 invoices totaling \$133,401,705.89 to verify whether contractor-reported direct and indirect costs were allowable, allocable, and reasonable.

⁵⁴ (U) Office of the Under Secretary of Defense (Acquisition and Sustainment), "Improvement to Voucher/Invoice Reviews in Contingency Operations," April 30, 2019.

⁵⁵ (U) Defense Acquisition University, "Contract Post-Award," and DoD Instruction 5000.72, "DoD Standard for COR Certification," August 31, 2018.

(U) Executive Director of the Army Contracting Command–Rock Island Comments

(U) The ACC-RI Executive Director agreed with the recommendation and stated that before the end of February 2025, ACC-RI personnel will coordinate with the DCAA to review the 50 invoices identified in this report to verify whether the costs were allowable, allocable, and reasonable.

(U) Commanding General of the Army Contracting Command Comments

(U) Although not required, the Commander of the ACC agreed with the comments provided by the ACC-RI Executive Director.

(U) Our Response

(U) Comments from the ACC-RI Executive Director addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close this recommendation once we receive the results of the DCAA's review of the 50 invoices to verify whether the APS-5 contractor's direct and indirect costs were allowable, allocable, and reasonable. We consider the commitment to request that the DCAA review the 50 invoices identified in this report as acknowledgement of the lack of proper review of the costs incurred on the invoices, and thus, concurrence with the \$133.4 million in potential monetary benefits identified in this report. However, the actual realized amount of potential monetary benefits is subject to the DCAA's review of the paid invoices under the APS-5 contract.

(U) Appendix A

(U) Scope and Methodology

(U) We conducted this performance audit from August 2022 through October 2023 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

(U) We reviewed Federal, DoD, and Army criteria to determine whether the Army properly stored, adequately maintained, and accurately accounted for APS-5 equipment, including the following.

- (U) FAR Volume 1, Parts 1-51, updated September 2022
- (U) Army Regulation 710-1, "Centralized Inventory Management of Army Supply System," November 28, 2016
- (U) Army Regulation 710-2, "Supply Policy Below the National Level," March 28, 2008
- (U) Army Regulation 735-5, "Property Accountability Policies," November 9, 2016
- (U) Army Regulation 740-26, "Physical Inventory Control," March 23, 2017
- (U) Army Regulation 750-1, "Army Materiel Maintenance Policy," October 28, 2019
- (U) Army Technical Manual 38-470, "Storage and Maintenance of Army Prepositioned Stock Materiel," January 28, 2022
- (U) "DoD Contracting Officer's Representatives Guidebook," May 2021

(U) In addition, we reviewed the APS-5 contract and performance work statement to determine the contractor's requirements for storing, maintaining, and accounting for equipment. We also reviewed the APS-5 QASP and Purchasing and Invoicing Guide to determine ACO and COR oversight responsibilities.

(U) We conducted two site visits to Camp Arifjan, Kuwait from August through September 2022 and from February through March 2023 to interview Army officials responsible for the management and oversight of APS-5 and to observe the:

- (U) conditions of APS-5 equipment,
- (U) execution of APS-5 equipment storage and maintenance, and
- (U) procedures for accounting for APS-5 equipment.

(U) During our site visits, we met with officials from the 401st AFSB, the 401st AFSBn-Kuwait, the 408th CSB, the 1st Theater Sustainment Command, and the APS-5 contractor to obtain information concerning the storage, maintenance, and accountability of APS-5 equipment. With the help of maintenance technical experts from the 1st Theater Sustainment Command and U.S. Army Tank-Automotive and Armaments Command, we examined APS-5 equipment stored at Camp Arifjan to determine its operational readiness and whether the equipment had maintenance deficiencies. We visited areas of Camp Arifjan where APS-5 equipment was stored, such as controlled humidity facilities and arms rooms. We conducted walkthroughs of the controlled humidity facilities and met with officials to determine how relative humidity levels were recorded and reported. In addition, we reviewed Army TM 38-470 relative humidity requirements and compared the APS-5 relative humidity reports for 12 of 29 controlled humidity facilities to determine if the 12 controlled humidity facilities were compliant.

(U) We nonstatistically selected a sample of 57 pieces of rolling stock and weapons to review from the universe of 52,209 pieces of APS-5 equipment that appeared in GCSS-Army as fully mission capable. We physically inspected the 57 pieces of equipment at Camp Arifjan. We then reviewed the completed maintenance documentation for the 57 pieces to determine if the APS-5 contractor listed maintenance deficiencies as repaired and if 401st AFSBn-Kuwait CORs signed off on completed repairs. We compared the maintenance documentation to our on-the-ground inspection to determine if the contractor and CORs signed off on repair work that was not actually completed. In addition, the audit team reviewed maintenance service plans in GCSS-Army for the 57 pieces of equipment to determine whether the equipment was on the correct maintenance service plan, and if the APS-5 contractor created, tracked, and updated APS-5 equipment maintenance service plans in accordance with Army regulations and the terms of the APS-5 contract.

(U) In addition, to determine whether the contractor incorporated BII and COEI inventory into operational readiness rate reporting, we interviewed 401st AFSBn-Kuwait supply officers and APS-5 contractor personnel involved in the maintenance of APS-5 equipment and the storage of BII and COEI. We also visited a warehouse at Camp Arifjan where the APS-5 contractor processed BII and COEI in order to examine the BII and COEI inventory process. Furthermore, we held meetings with Headquarters, Department of the Army G-4, ASC, 401st AFSBn-Kuwait officials and APS-5 contractors to discuss the policies, regulations, and procedures for accountability and inventory of APS-5 equipment. We further reviewed documentation related to the Command Supply Discipline Program and reports of unaccounted for, lost, or unrecorded APS-5 sensitive items.

(U) Lastly, to assess the quality of contract oversight, the audit team analyzed relevant interviews, emails, and documentation concerning the oversight practices employed by the ACOs and 401st AFSBn-Kuwait CORs. In addition, we conducted a site visit to Rock Island Arsenal, Rock Island, Illinois, where we met with ASC and ACC-RI officials to discuss oversight of the APS-5 contract and challenges with the APS-5 program. We reviewed tools the ACO and the PCO used to oversee the APS-5 contractor and hold them accountable for poor performance. We examined the processes for obtaining negative performance information concerning the APS-5 contractor, as well as processes for issuing NCRs, creating CPARS ratings, and reducing fees from the APS-5 contractor. We obtained documentation and a list of NCRs from the 401st AFSBn-Kuwait and analyzed and calculated the number and type of NCRs issued to the APS-5 contractor from calendar years 2017 through 2023. We interviewed the PCO and ACOs to determine what information the PCO uses to complete the CPARS rating for the APS-5 contractor. We analyzed and documented the CPARS ratings for each period of performance of the APS-5 contract from calendar years 2017 through 2023. We then compared the CPARS ratings to the number and type of NCRs issued during each contractual period of performance, noting instances where the ratings were not aligned with guidance for CPARS ratings found in the FAR.

(U) To provide examples of the APS-5 contractor's fixed fee the PCO could have reduced, we analyzed and totaled the fixed fee amounts on APS-5 contractor invoices for APS-5 contract Option Period 5 (July 3, 2021, through July 2, 2022) and the NCRs issued to the APS-5 contractor during Option Period 5 to determine how long each NCR remained open before resolution. We compared the fixed fee amount to the number of days each NCR remained open and calculated, using the terms of the APS-5 contract, the fixed fee that could have been reduced from the APS-5 contractor while each NCR remained open. We also obtained and reviewed contractor-submitted invoices between June 1, 2022, through May 31, 2023, and examined the invoices to determine whether the ACOs or 401st AFSBn-Kuwait CORs reviewed the contractor charges on the invoices. We calculated the total amount of all invoices that were not reviewed from June 1, 2022, through May 31, 2023. We additionally obtained certificates of appointment and designation letters for the ACOs and 401st AFSBn-Kuwait CORs assigned to perform contract administration and oversight of the APS-5 contract from June 1, 2022, through May 31, 2023, to determine whether each official was properly appointed or designated.

(U) The APS-5 contractor was provided the opportunity to review and comment on relevant portions of this audit's draft report. The audit team received comments from the APS-5 contractor and considered them when preparing the final report.

(U) This report was reviewed by the DoD Components associated with this oversight project to identify whether any of their reported information, including legacy FOUO information, should be safeguarded and marked in accordance with the DoD CUI Program. In preparing and marking this report, we considered any comments submitted by the DoD Components about the CUI treatment of their information. If the DoD Components failed to provide any or sufficient comments about the CUI treatment of their information, we marked the report based on our assessment of the available information.

(U) Internal Control Assessment and Compliance

(U) We assessed internal controls and compliance with laws and regulations necessary to satisfy the audit objective. In particular, we assessed:

(U) **Control environment (exercising oversight responsibility).** We evaluated whether the APS-5 PCO performed oversight of ACOs' and 401st AFSBn-Kuwait CORs' invoice reviews. We also evaluated whether the Commander of the 401st AFSBn-Kuwait held CORs accountable for falsely affirming repairs to APS-5 equipment.

(U) **Control activities (implement control activities).** We evaluated whether the APS-5 PCO used provisions in the contract to hold the contractor accountable for poor performance. We also evaluated whether the APS-5 PCO's assessments of contractor performance were consistent with contractor performance information that the ACOs communicated to the PCO through NCRs. We further evaluated whether the 401st AFSBn-Kuwait CORs followed procedures in the APS-5 QASP to enforce contract requirements for the storage of APS-5 equipment, validate and ensure correction of all contractor-identified maintenance deficiencies, and validate the accuracy of the contractor's APS-5 equipment inventories.

(U) **Information and communication (using quality information).** We evaluated whether the 401st AFSBn-Kuwait CORs ensured that the APS-5 contractor took into account the inventory of BII and COEI for pieces of APS-5 equipment being repaired when reporting the equipment's operational readiness status as part of the APS-5 fleet's operational readiness rate.

(U) **Monitoring (remediate deficiencies).** We identified whether the Army G-4 Operations Directorate issued policies in response to internal control deficiencies with APS-5 equipment accountability identified in a 2018 DoD OIG report. These policies, if issued, should include clear instructions on PBO procedures to attain 100-percent accountability of APS equipment upon PBO accession, to include methods to conduct or validate a 100-percent inventory of APS equipment on hand.

(U) However, because our review was limited to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

(U) Use of Computer-Processed Data

(U) We used computer-processed data from GCSS-Army to perform the audit. Specifically, we used records from GCSS-Army provided by the ASC to find and select our judgmental sample of APS-5 equipment to inspect during our site visit to Camp Arifjan. These computer-processed data impacted our findings to the extent that the data represented a complete inventory of all APS-5 equipment from which we could select our sample. We performed book-to-floor testing of 52 equipment records listed in GCSS-Army, and floor-to-book testing of 50 judgmentally selected pieces of equipment located in APS-5 storage areas at Camp Arifjan. We found that the records in GCSS-Army matched the on-the-ground equipment inventory, and vice-versa, at a 100-percent rate. The book-to-floor and floor-to-book testing results provide reasonable assurance GCSS-Army data are an accurate representation of the on-the-ground inventory of APS-5 equipment at the time of our August and September 2022 site visit. Therefore, we concluded that the data we used was sufficient and appropriate to support the audit findings and conclusions.

(U) Use of Technical Assistance

(U) We obtained technical assistance from the DoD OIG Evaluations component for our physical inspection of APS-5 equipment. Specifically, an engineer from the DoD OIG Evaluations component provided mechanical engineering expertise and assisted the audit team with the physical inspection of 57 pieces of APS-5 equipment at Camp Arifjan. We also received assistance from engineering subject matter experts from the 1st Theater Sustainment Command and the U.S. Army Tank-Automotive and Armaments Command during our physical inspection.

(U) Prior Coverage

(U) From June 2018 to June 2023, the DoD OIG and the Army Audit Agency issued eight reports discussing Army Prepositioned Stock storage, accountability, and maintenance. Unrestricted DoD OIG reports can be accessed at <http://www.dodig.mil/reports.html/>. Unrestricted Army Audit Agency reports can be accessed from .mil and gao.gov domains at <https://www.army.mil/aaa>.

(U) DoD OIG

(U) Report No. DODIG-2023-087, "Management Advisory: Basic Issue Items and Components of End Items Shortages in the Army's Prepositioned Stock-5 Program," June 15, 2023

~~(CUI)~~ The DoD OIG presented BII and COEI shortages identified by 401st AFSBn-Kuwait officials. These BII and COEI are required to make fully mission capable APS-5 equipment stored at Camp Arifjan. The shortage of [REDACTED] BII and COEI identified from Army APS-5 equipment, [REDACTED] puts the Army at risk of not being ready to execute required missions.

(U) Report No. DODIG-2023-076, "Management Advisory: Maintenance Concerns for the Army's Prepositioned Stock-5 Equipment Designated for Ukraine," May 23, 2023

(U) The DoD OIG identified issues that resulted in unanticipated maintenance, repairs, and extended lead-times to ensure the readiness of the military equipment selected to support the Ukrainian Armed Forces. The DoD OIG determined that the 401st AFSBn-Kuwait did not adequately oversee the maintenance of M1167 HMMWVs and M777 howitzers in the APS-5 inventory.

(U) Report No. DODIG-2023-053 "Evaluation of Army Pre-Positioned Equipment Issued in Response to Ukraine and the North Atlantic Treaty Organization Defense Forces," February 27, 2023

(U) The DoD OIG found that the 405th Army Field Support Battalion (405th ASFB) issued some APS-2 equipment to the 1st Armored Brigade Combat Team that was not fully mission capable, and the 405th ASFB can improve its equipment maintenance and coordination processes. The DoD OIG found that maintenance and coordination shortfalls occurred because:

- (U) the maintenance requirements for APS equipment during storage did not meet the Army maintenance standard,
- (U) the 405th ASFB could not meet the equipment exercise requirements for maintenance of APS equipment during storage,
- (U) the 405th ASFB and 1st Armored Brigade Combat Team prepared for the deployment without coordinated procedures and timelines to prepare and issue equipment from APS-2 locations, and
- (U) the 405th ASFB lacked clearly defined and consistent procedures during the APS-2 equipment issuance at the equipment configuration and handover area.

(U) Report No. DODIG-2018-152, "Management of Army and Marine Corps Prepositioned Stocks in U.S. European Command," September 17, 2018

(U) The DoD OIG found that Army and Marine Corps officials did not effectively manage storage and maintenance of prepositioned stocks in the U.S. European Command area of responsibility. Specifically, the DoD OIG found that Army officials at the Leghorn Army Depot in Livorno, Italy and U.S. Marine Corps Logistics Command's Blount Island Command officials at the Bjugn, Frigaard, and Tromsdal caves in Norway, did not:

- (U) manage the humidity levels in equipment storage areas in accordance with the Army requirements,
- (U) know if the 48-month maintenance cycle used for 65 weapons was the correct maintenance schedule, and
- (U) ensure required maintenance was performed on 21 of 63 sampled Army vehicles or 124 of 165 sampled Navy vehicles.

(U) The DoD OIG found that these issues occurred because the AMC and U.S. Marine Corps officials did not include clear requirements for responsibility for humidity levels or inspections or weapon maintenance timeframes in TM 38-470, did not develop maintenance requirements for weapons stored in Level A packaging, did not develop standard operating procedures for entering data on weapons into systems of record, did not monitor the completion of required equipment maintenance, and because officials did not plan for or consider the need for additional maintenance to support unscheduled missions.

(U) Report No. DODIG-2018-132, "Management of Army Equipment in Kuwait and Qatar," June 29, 2018

(U) The DoD OIG found that the Army did not ensure that the APS-5 contractor properly maintained the prescribed cyclic maintenance schedules for APS-5 vehicles and weapon systems stored in Kuwait and Qatar because 401st AFSB CORs relied on the contractor to maintain prescribed maintenance schedules and did not verify that maintenance schedules complied with Army TM 38-470 and contract requirements. Additionally, the DoD OIG found that the Army did not establish policy to define when cyclic maintenance schedules need to be changed after a vehicle is moved to or from a controlled humidity environment to or from a non-controlled humidity environment to ensure the appropriate maintenance schedule was being used. Furthermore, the DoD OIG found that accountability officers at the 401st AFSB did not consistently account for APS-5

(U) equipment because they did not conduct a 100-percent inventory and stated they would not assume full responsibility for losses, shortages, and inaccurate inventories during transition between accountability officers.

(U) Army

(U) Report A-2023-0030-AXZ, "Followup Audit of Army Prepositioned Stocks-5 Issue and Return," March 21, 2023

(U) The Army Audit Agency found that the ODCS, G-3/5/7 and the U.S. Army Materiel Command implemented Recommendations 1 and 5 from Report A-2020-0087-AXZ. The two organizations reconciled APS-5 equipment issued to units in support of operational needs statements with equipment approved for issue, provided documentation to support the approval of the additional equipment provided to units, and properly accounted for equipment in the Army's system of record. While U.S. Army Central did not implement Recommendation 6, which required the command to conduct annual revalidation reviews in FYs 21 and 22, this issue was overcome by events and no further actions were necessary. Lastly, the ODCS, G-3/5/7 only partially implemented Recommendation 2. The office did not include metrics for all subprocesses involved with ONS validations and approvals in updates to Army policy, which would help improve the processing and delivery time of equipment to units.

(~~CUI~~) Report A-2022-0071-AXZ, "Contractor Maintenance of Army Prepositioned Stocks-2," July 28, 2022

(~~CUI~~) [Redacted text block]

- (~~CUI~~) [Redacted text]
- (~~CUI~~) [Redacted text] and [Redacted text]
- (~~CUI~~) [Redacted text]

(U) Report A-2020-0087-AXZ, "Army Prepositioned Stocks-5 Issue and Return,"
September 28, 2020

(U) The Army Audit Agency found that the issue and return of APS-5 equipment to support ONSs did not meet mission needs. Based on the Army Audit Agency's review of 37 statements in which the Army issued 2,350 APS-5 equipment items, valued at about \$300.3 million, the Army:

- (U) issued 1,378 of 2,350 additional APS-5 equipment items, valued at about \$61.6 million, that were not validated and approved for release by the Army;
- (U) issued 1,638 of 2,153 APS-5 equipment items later than the requested and approved delivery date established by Army units, and the Army Audit Agency could not determine the required delivery date for items in two ONSs (197 equipment items) of the 37 in the Agency's sample because either the date was not indicated on the statement or documentation was not readily available; and
- (U) did not ensure that units returned any previously issued equipment back to the APS-5 fleet.

(U) Appendix B

(U) Potential Monetary Benefits

(U) We identified \$134,373,243.41 in potential monetary benefits (questioned costs) as a result of the audit work in this report. The DoD Audit Manual states that money identified during audits constitutes questioned costs, a category of potential monetary benefits, if the money is associated with an alleged violation of a provision of a contract or other agreement or document governing the expenditure of funds; or, if the expenditure of the costs in question is unnecessary or unreasonable.⁵⁶ We identified at least \$971,537.52 in questioned costs because the PCO had the authority to reduce fees from the APS-5 contractor due to deficient performance but did not exercise this authority. Separately, we identified \$133,401,705.89 in questioned costs because the 401st AFSBn-Kuwait CORs and ACOs did not review APS-5 invoices in accordance with Federal and DoD guidance. In both instances, the actual amount of potential monetary benefits is subject to the results of ACC-RI and DCAA review of NCRs and paid invoices, respectively.

(U) *Table 5. Potential Monetary Benefit Due to Recoupment of Contractor's Fixed Fee and Lack of Invoice Reviews*

(U) Recommendation	Benefit Type	Benefit Amount	Account
A.2.d	Questioned Costs	\$971,537.52	APS-5 contract services provided at Camp Arifjan, Kuwait
B.2	Questioned Costs	\$133,401,705.89	APS-5 contract services provided at Camp Arifjan, Kuwait

(U) Source: The DoD OIG.

⁵⁶ (U) DoD Manual 7600.07, "DoD Audit Manual," August 3, 2015.

(U) Potential Fee Reductions from APS-5 Contractor for July 3, 2021, Through July 2, 2022

(U) To illustrate the potential for the PCO to hold the APS-5 contractor accountable by reducing the contractor's fees for poor performance, we cross-referenced the fees on invoices for the APS-5 contract's Option Period 5 (July 3, 2021, through July 2, 2022) with the dates the ACO issued Level I and Level II NCRs and subsequently closed Level II NCRs during that option period.⁵⁷ Because the PCO could have reduced the APS-5 contractor's fixed fee by at least \$971,537.52 due to nonconforming rendered services, the expenditure of funds to pay that portion of the APS-5 contractor's fee that could have been reduced was unnecessary. The PCO could take action to reduce unnecessary payments of fixed fees to the APS-5 contractor by reducing funds due to NCRs already issued, as well as future NCRs. Table 6 details each NCR and the amount of the contractor's fee that the PCO could have reduced for the time period during which the NCR was open. However, the actual amount of the potential monetary benefit is subject to the results of ACC-RI's review of all NCRs issued to the APS-5 contractor from January 3, 2017, through January 2, 2023, to determine if the ACC-RI should reduce any amount of the contractor's fixed fee in accordance with the APS-5 contract.

⁵⁷ (U) Level I NCRs do not require resolution or closure; therefore, we counted 1 day for each Level I NCR to signify the day the NCR was issued.

(U) Table 6. Potential Fee Reduction Amounts Due to NCRs Issued in Option Period 5 of the APS-5 Contract

(U) NCR	Date of NCR Issuance	Date Corrective Action Plan Accepted or Date NCR Closed	Days Between NCR Issuance and Corrective Action Plan Acceptance or NCR Closure ¹	Lower-Bound Possible Fee Reduction ¹	Upper-Bound Possible Fee Reduction ¹
APS_21_13068_K1_L2_Ammo	7/9/2021	7/30/2021	22	\$19,330.33	\$27,614.76
AP5_21_14075_K1_L1_Guiding Regulations	8/22/2021	8/22/2021	1	627.61	878.65
AP5_21_13106_K1_L2_Service Check	7/13/2021	7/30/2021	18	15,815.73	22,593.90
AP5_21_13079_K1_L2_Equipment Accountability	7/8/2021	7/8/2021	1	878.6	1,255.22
AP5_21_13104_K1_L1_Container Accountability	7/8/2021	7/8/2021	1	627.61	878.65
AP5_21_15239_K1_L2_Quality Management	9/28/2021	2/15/2022	141	123,889.86	176,985.52
AP5_21_15189_K1-L1_KUWH 509	9/16/2021	9/16/2021	1	627.61	878.65
APS_21_16303_K1_L2_Ammo_M119A3	10/12/2021	4/13/2022	184	161,671.88	230,959.82
AP5_21_19658_K1_L2_Borescope	11/12/2021	4/13/2022	153	134,433.68	192,048.11
AP5_21_24967_K2_L1_Disposition	1/4/2022	1/4/2022	1	627.61	878.65
AP5_22_27453_K1_L1_Improper Reporting	1/31/2022	1/31/2022	1	627.61	878.65
AP5_22_28177_K1_L2_RO WPU NMC	3/2/2022	7/2/2022 ²	123	108,074.14	154,391.62
AP5_22_27876_K1_L1_Late Incident Report	2/13/2022	2/13/2022	1	627.61	878.65
AP5_22_28179_K1_L2_Damaged GFE	2/14/2022	6/17/2022	124	108,952.79	155,646.84
AP5_22_28260_K1_L2_Service Date Pass Due	6/30/2022	7/2/2022 ²	3	2,635.95	3,765.65
AP5_22_28476_K1_L2_TMDE Items	2/18/2022	3/22/2022	33	28,995.50	41,422.14
AP5_21_0028_K1_L1_Warehouse Maint	7/9/2021	7/9/2021	1	627.61	878.65
AP5_22_29347_K1_L2_CDV	3/1/2022	6/9/2022	101	88,743.80	126,776.86

(U)

(U) Table 6. Potential Fee Reduction Amounts Due to NCRs Issued in Option Period 5 of the APS-5 Contract (cont'd)

(U) NCR	Date of NCR Issuance	Date Corrective Action Plan Accepted or Date NCR Closed	Days Between NCR Issuance and Corrective Action Plan Acceptance or NCR Closure ¹	Lower-Bound Possible Fee Reduction ¹	Upper-Bound Possible Fee Reduction ¹
AP5_22_30028_K1_L2_MK19 Missing MWO	3/10/2022	6/9/2022	92	80,835.94	115,479.91
AP5_22_30044_K1_L1_Duplicate Reporting	4/4/2022	4/4/2022	1	627.61	878.65
AP5_22_34809_K1_L2_Load Test Weights Cal	5/12/2022	7/2/2022 ²	52	45,689.88	65,271.25
AP5_22_3525_K1_L2_Water Cooler	5/18/2022	6/23/2022	37	32,510.11	46,443.01
AP5_22_37140_K1_L2_Space Heaters	6/12/2022	6/27/2022	16	14,058.42	20,083.46
Total				\$971,537.52	\$1,387,767.29 (U)

¹ (U) The APS-5 contractor’s total fixed fee during Option Year 5 was \$4,518,779.17. According to the process in the APS-5 contract, the daily fixed fee amount for the purposes of calculating fee reductions was \$12,552.16 (total fixed fee amount, divided by 12, and further divided by 30). In calculating the lower-bound fee reduction amounts, we added 5 percent of the daily fixed fee (\$627.61) for the day on which the ACO issued each Level I NCR. In calculating the lower-bound fee reduction amounts, we added 7 percent of the daily fixed fee (\$878.65) for each day each Level II NCR remained open. In calculating the upper-bound fee reduction amounts, we added 7 percent of the daily fixed fee (\$878.65) for all Level I NCRs, and 10 percent of the daily fixed fee (\$1,255.22) for each day each Level II NCR remained open.

² (U) The NCRs in this table note were open at the conclusion of Option Period 5. Therefore, we used the final date of the Option Period—July 2, 2022—as the ending date for the purposes of calculating fee reductions for these NCRs.

(U) Source: The DoD OIG.

(U) Value of Invoices Not Reviewed By ACO or 401st AFSBn-Kuwait CORs

(U) The APS-5 contract ACOs and CORs did not perform invoice reviews in accordance with Federal and DoD regulations. Therefore, the Army does not have assurance that the \$133,401,705.89 in payments to the contractor were allocable, allowable, and reasonable. The actual amount of the potential monetary benefit is subject to the results of the DCAA’s review of the \$133,401,705.89 in payments made to the contractor for services performed on the APS-5 contract. Table 7 provides details on the 50 APS-5 invoices that the Army paid without verifying contractor-reported costs before payment.

Table 7. Invoices Paid to the APS-5 Contractor

(U) Invoice Number	Invoice Date	Service Start Date	Service End Date	Amount Paid	Date Paid
1	June 7, 2022	May 18, 2022	June 6, 2022	\$8,276,695.41	August 12, 2022
2	June 15, 2022	January 3, 2021	July 2, 2021	67,768.47	September 23, 2022
3	June 30, 2022	June 7, 2022	June 24, 2022	5,392,449.15	September 1, 2022
4	July 18, 2022	June 25, 2022	July 2, 2022	5,823,086.11	August 27, 2022
5	July 20, 2022	January 3, 2021	July 2, 2021	38,086.58	September 1, 2022
6	July 28, 2022	July 1, 2022	July 2, 2022	1,357,727.81	August 18, 2022
7	August 3, 2022	July 1, 2022	July 2, 2022	468,854.78	September 9, 2022
8	August 24, 2022	October 2, 2021	July 2, 2022	297,805.10	September 11, 2022
9	August 30, 2022	July 1, 2022	July 2, 2022	233,432.17	September 21, 2022
10	December 7, 2022	July 3, 2022	December 7, 2022	166,303.27	February 13, 2023
11	February 15, 2022	October 2, 2021	July 2, 2022	6,274.53	March 23, 2023
12	March 13, 2023	December 8, 2022	January 20, 2023	61,006.07	March 29, 2023
13	April 5, 2023	July 1, 2022	April 4, 2023	145,848.13	April 21, 2023
14	April 18, 2023	July 1, 2022	July 2, 2022	165.41	May 5, 2023
15	August 1, 2022	July 3, 2022	July 22, 2022	4,061,614.03	August 27, 2022
16	August 10, 2022	July 23, 2022	August 9, 2022	5,996,954.65	September 3, 2022
17	August 23, 2022	August 10, 2022	August 19, 2022	2,681,434.37	September 11, 2022
18	September 7, 2022	August 20, 2022	September 7, 2022	5,928,544.36	September 16, 2022
19	September 13, 2022	September 8, 2022	September 13, 2022	1,560,890.17	September 23, 2022
20	September 20, 2022	September 14, 2022	September 20, 2022	1,199,131.37	October 8, 2022
21	September 27, 2022	September 21, 2022	September 27, 2022	1,561,684.72	October 8, 2022
22	October 11, 2022	September 28, 2022	October 4, 2022	1,583,201.27	October 28, 2022
23	October 25, 2022	October 5, 2022	October 14, 2022	4,381,927.87	November 13, 2022

(U)

Table 7. Invoices Paid to the APS-5 Contractor (cont'd)

(U) Invoice Number	Invoice Date	Service Start Date	Service End Date	Amount Paid	Date Paid
24	November 4, 2022	October 1, 2022	October 14, 2022	1,660,654.95	December 15, 2022
25	November 9, 2022	October 15, 2022	October 28, 2022	3,274,278.63	January 10, 2023
26	November 26, 2022	October 29, 2022	November 11, 2022	5,816,165.26	January 28, 2023
27	December 6, 2022	November 12, 2022	November 25, 2022	3,179,353.47	February 11, 2023
28	December 16, 2022	November 22, 2022	December 9, 2022	6,234,739.71	February 11, 2023
29	December 29, 2022	December 10, 2022	December 23, 2022	3,582,440.35	January 31, 2023
30	January 31, 2023	January 1, 2023	January 2, 2023	4,724,983.04	February 13, 2023
31	February 13, 2023	July 3, 2022	January 2, 2023	640,625.43	March 3, 2023
32	February 15, 2023	July 3, 2022	November 2, 2022	2,054.84	March 24, 2023
33	March 16, 2023	July 3, 2022	January 2, 2023	248,240.50	March 29, 2023
34	March 23, 2023	November 12, 2022	March 17, 2023	4,691.65	April 14, 2023
35	May 10, 2023	January 1, 2023	January 2, 2023	112,621.82	May 26, 2023
36	May 24, 2023	January 1, 2023	January 2, 2023	89,089.31	August 4, 2023
37	January 26, 2023	January 3, 2023	January 20, 2023	3,329,458.10	March 23, 2023
38	February 10, 2023	January 21, 2023	February 3, 2023	5,655,749.11	March 23, 2023
39	February 24, 2023	February 4, 2023	February 17, 2023	3,001,088.89	March 23, 2023
40	March 9, 2023	February 18, 2023	March 3, 2023	3,565,657.97	March 29, 2023
41	March 15, 2023	March 4, 2023	March 10, 2023	4,578,702.96	March 30, 2023
42	March 29, 2023	March 11, 2023	March 24, 2023	2,989,398.10	April 22, 2023
43	April 12, 2023	March 25, 2023	April 7, 2023	6,713,472.18	April 22, 2023
44	April 26, 2023	April 8, 2023	April 24, 2023	3,404,689.81	May 19, 2023
45	May 12, 2023	April 25, 2023	May 10, 2023	7,106,773.09	May 26, 2023

(U)

Table 7. Invoices Paid to the APS-5 Contractor (cont'd)

(U) Invoice Number	Invoice Date	Service Start Date	Service End Date	Amount Paid	Date Paid
46	May 17, 2023	May 11, 2023	May 12, 2023	1,506,372.91	June 14, 2023
47	May 31, 2023	May 13, 2023	May 26, 2023	4,749,168.71	August 4, 2023
48	December 20, 2022	July 3, 2021	August 30, 2022	1,433,967.86	March 23, 2023
49	August 26, 2022	January 2, 2020	July 2, 2021	55,584.44	September 13, 2022
50	January 10, 2023	December 24, 2022	December 31, 2022	4,450,797.00	February 11, 2023
Total				\$133,401,705.89	(U)

(U) Source: The DoD OIG.

(U) Management Comments

(U) Army Materiel Command



DEPARTMENT OF THE ARMY HEADQUARTERS, U.S.
ARMY MATERIEL COMMAND 4400 MARTIN ROAD
REDSTONE ARSENAL, AL 35898-500

AMIR

MAR 12 2024

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

SUBJECT: Command Comments to Department of Defense Inspector General Draft
Report: Audit of the Army's Management of APS-5 Equipment, Project: D2022-D000RJ-
0163.000

1. The U.S. Army Materiel Command (AMC) has reviewed and endorses the subject draft report and the responses from AMC G4, U.S. Army Contracting Command and U.S. Army Sustainment Command. Our specific comments are included at the enclosure.

2. The U.S. Army Materiel Command point of contact is [REDACTED]
[REDACTED] or email: [REDACTED]

Encl

Handwritten signature of Walter M. Duzzny in black ink.
WALTER M. DUZZNY
Major General, USA
Chief of Staff

(U) Army Materiel Command (cont'd)



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

AMIL

01 FEBRUARY 2024

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

FOR Department of Defense Inspector General, Program Director for Audit Readiness
and Global Operations, 4800 Mark Center Drive, Alexandria, VA 22350-1500

SUBJECT: Command Response, DoDIG Draft Report: Audit of the Army's Management
of Army Prepositioned Stock-5 Equipment (D2022-D000RJ-0163.000)

1. Headquarters, U.S. Army Materiel Command G-4 has reviewed the DoDIG's results and concurs with the recommendation. AMC's response is included in enclosure.
2. The point of contact for this action is [REDACTED], AMC G-4, Business and Logistics Division, [REDACTED]

Encl

EXSUM


RENEE W. MOSHER
Deputy Chief of Staff G-4

(U) Army Materiel Command (cont'd)

Audit of the Army's Management of Army
Prepositioned Stock-5 Equipment
(D2022-D000RJ-0163.000)

EXECUTIVE SUMMARY

Purpose: To provide a response in reference to Recommendation A5 from the DoDIG Draft Report: Audit of the Army's Management of Army Prepositioned Stock-5 Equipment (D2022-D000RJ-0163.000).

Recommendation A5: DoDIG recommends that the Commander of the Army Materiel Command conduct a review of Command Supply Discipline Program (CSDP) for subordinate commands and determine whether commands have been executing the necessary supervisory review of the Army Prepositioned Stock-5 property book. If necessary, update Command Supply Discipline Programs to ensure that Government personnel have adequately validated the inventories performed by the Army Prepositioned Stock-5 contractor and accurately recorded inventory validation in the Global Combat Supply System-Army.

AMC Response: HQ AMC G-4 concurs with DoDIG Recommendation A5 in the DoDIG Draft Report: Audit of the Army's Management of Army Prepositioned Stock-5 Equipment (D2022-D000RJ-0163.000).

Corrective Actions: AMC G-4 will take appropriate action to update the current AMC-R 710-13 CSDP regulation with detailed CSDP requirements for responsible Major Subordinate Commands (MSC) to validate the proper recording and inventories processes at APS-5.

Will coordinate with Army Sustainment Command to validate Major Subordinate Command and/or Army Forward Support Battalion APS CSDP checklists to include the necessary checks to validate required supply processes performed by the responsible APS contractors.

AMC G4 anticipates the recommendation to be fully implemented by 30 September 2024.

Action Officer is [REDACTED], AMC G-4, Business and Logistics Division,
[REDACTED]

(U) Army Sustainment Command



UNCLASSIFIED
DEPARTMENT OF THE ARMY
HEADQUARTERS US ARMY SUSTAINMENT COMMAND
1 ROCK ISLAND ARSENAL
ROCK ISLAND IL 61299-6500

FEB 15 2024

AMAS-DC

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

SUBJECT: DoDIG Draft Report: Audit of the Army's Management of Army Prepositioned Stock-5 (APS-5) Equipment (Project No. D2022-D000RJ-0163.000)

1. Thank you for the opportunity to review and comment on the draft report. Our comments are enclosed.
2. DoDIG Draft Report: Audit of the Army's Management of APS-5 Equipment (Project No. D2022-D000RJ-0163.000) 31 January 2024, issued four recommendations to Army Sustainment Command (ASC).
3. We acknowledge the report's findings and concur with recommendations A.1, A.4.c. and partially concur with, recommendations A.4.a, A.4.b.
4. The point of contact for this action is [REDACTED] Senior Auditor, AMAS-IR, COMM [REDACTED] E-mail [REDACTED]

Encl
ASC Command Comments


DAN J. REILLY
Deputy to the Commander

UNCLASSIFIED

(U) Army Sustainment Command (cont'd)

**DoD Office of Inspector General Draft Report
Audit of the Army's Management of Army Prepositioned Stock-5 Equipment
Project D2022-D000RJ-0163.000**

General Comments:

ASC acknowledges the DoDIG findings and concurs with recommendation A.1, A.4.c. and partially concurs with, A.4.a, A.4.b. We have provided specific responses to Recommendations A.1, A.4.a through A.4.c below.

Recommendation A.1:

We recommend that the Commander of the U.S. Army Sustainment Command revalidate the Care of Supplies in Storage requirements in Army Technical Manual 38-470 to determine whether the requirements are operationally realistic and cost effective for Army Prepositioned Stock and revise Army Technical Manual 38-470, as appropriate.

Command Comments: Concur

Action to be Taken: On 07 FEB, ASC HQs initiated coordination with the Army proponent of TM 38-470 to schedule the review and revision. The completion timeline is dependent if the review results in either Major or Minor revisions. Neither the proponent nor ASC has control over the speed Army Publishing Directorate publishes changes once packages are submitted.

Estimated Completion Date for Actions:

Minor Revisions: ASC will provide a request for interim minor changes. ASC has no control over the publication timeline but estimates that the Army Proponent will have minor revisions complete by 29 JUL 2024.

Major Revisions: ASC will provide a request for interim major changes. ASC has no control over the publication timeline. Estimated publication timeline of major revisions is FEB/MAR 2025.

Recommendations A.4:

We recommend that the 401st Army Field Support Brigade Commander direct the 401st Army Field Support Battalion–Kuwait Commander to:

Recommendation A.4.a

Determine whether any Army Prepositioned Stock–5 equipment missed scheduled maintenance as a result of missing or incorrect maintenance service plans in the Global Combat Support System–Army, and operationally prioritize the maintenance of the equipment that missed scheduled maintenance.

(U) Army Sustainment Command (cont'd)

Command Comments: Partially Concur

Action taken to remedy the issue: The 401st AFSB directed 401st AFSBn-KU to evaluate all equipment assigned to APS-5 to ensure all Maintenance Significant Items (MSI) have maintenance plans built in Global Combat Support System (GCSS)-Army. The 401st AFSBn-KU completed this task on 01DEC23 and the 401st AFSB SPO Maintenance validated that all required plans were created on 05FEB24. The 401st AFSBn-KU added the creation of maintenance plans to the induction process of new equipment, and the 401st AFSB SPO Maintenance added a quarterly APS MSI service plan verification check. Currently, there are overdue services as a result of CLIX funding shortages. The 401st AFSBn-KU Commander based on roles and authority must maintain the ability to operationally prioritize maintenance of equipment that missed scheduled services based on other missions and operational requirements.

Action to be Taken: The 401st AFSB and the 401st AFSBn-KU will develop a maintenance and new equipment receipt Standard Operating Procedure (SOP) to ensure the corrected process and procedures in place are properly captured.

Estimated Completion Date for Actions: SOP NLT 01 OCT 24.

Recommendation A.4.b:

Revise the 401st Army Field Support Battalion–Kuwait Maintenance standard operating procedure to require additional oversight and spot checks of 401st Army Field Support Battalion–Kuwait Contracting Officer's Representatives' approval of contractor-completed maintenance work. If Contracting Officer's Representatives approve contractor-completed maintenance work that was not correctly completed, the Commander should take action to hold the Contracting Officer's Representatives accountable.

Command Comments: Partially concur

Action taken to remedy the issue: The 401st AFSB directed the 401st AFSBn-KU to evaluate and revise the Maintenance Standard Operating Procedure and associated documents to include risk-based surveillance of the contractor completed work. It was found that the requirements to validate completed work were not in line with industry standards and not achievable given number of assigned staff to the Battalion. The 401st AFSB partially concurs. While we agreed that the Commander should take action to hold the COR accountable if maintenance works are not correctly completed, requirements should not exceed capability or industry standards for contract oversight and surveillance sampling requirements.

Action to be Taken: The 401st AFSB and the 401st AFSBn-KU are developing a new process that will include sampling criteria of contractor completed maintenance work based on risk. The verification shall be documented on a controlled surveillance

(U) Army Sustainment Command (cont'd)

document. The Maintenance Officer in Charge/Maintenance Quality Assurance (QA) Non-Commissioned Officer shall perform spot checks of Maintenance QA inspections/processes to identify maintenance weaknesses and make corrections through the section leaders as appropriate.

Estimated Completion Date for Actions: NLT 01 OCT 24.

Recommendation A.4.c:

Formalize the requirement to perform inventory spot checks into 401st Army Field Support Battalion–Kuwait Standard Operating Procedures, enforce the requirement that 401st Army Field Support Battalion–Kuwait officials conduct 100-percent inventories of selected sensitive items each month, and require 401st Army Field Support Battalion–Kuwait Property Book Officers to retain inventory documentation.

Command Comments: Concur

Action to be Taken: The 401st AFSB directed the 401st AFSBn-KU to evaluate and revise standard operating procedures and associated documents to include risk-based surveillance of the contractor inventory of selected sensitive items for that given inventory requirement. The process will include sampling criteria to verify/validate the contractor reported inventory each month. The verification/validation shall be documented on a developed and controlled surveillance document.

Estimated Completion Date for Actions: SOP and associated document estimated completion date is NLT 01 OCT 24.

(U) Army Contracting Command



DEPARTMENT OF THE ARMY
U.S. ARMY CONTRACTING COMMAND
4505 MARTIN ROAD
REDSTONE ARSENAL, AL 35898-5000

AMCC-IR (RN 11-7a)

05 MAR 2024

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

SUBJECT: U.S. Department of Defense Inspector General (DoDIG) Audit Draft Report Project No. D2022-D000RJ-0163.000 (CUI) Army's Management of Army Prepositioned Stock (APS)-5 Equipment

1. Reference. DoDIG Audit Draft Report (CUI) "Army's Management of APS-5 Equipment" (Project Number D2022-D000RJ-0163.000)
2. The Commanding General, U.S. Army Contracting Command (ACC) has reviewed and endorses the subject draft report and responses provided by the Executive Director ACC-Rock Island (RI). Detailed comments are enclosed. (Recommendations A2a-A2g and B2)
3. The Commanding General, ACC concurs with comments to recommendation B1. By 28 February 2025, ACC-RI and the 408th Contract Support Brigade (CSB) will review their procedures to ensure both contracting offices and their supported requiring activities comply with Federal and DoD invoice review procedures. However, the DoDIG incorrectly identifies the differences between regulatory requirements and procedures for invoices and cost vouchers. The 50 "invoices" cited in appendix C constituting the \$133,401,705.89 in questioned costs are interim vouchers not invoices. They were correctly processed IAW DFARS 242.803(b) and the Defense Contract Audit Agency (DCAA) Contract Audit Manual, Chapter 6. The Army Field Support Brigade Contracting Officer's Representative (CORs) and CSB Administrative Contracting Officer (ACOs) did not review the vouchers because the contract auditor is the authorized representative of the contracting officer to review and approve interim vouchers, not the ACO or COR. Furthermore, cost reimbursement on interim vouchers are a provisional payment and subject to adjustments from the audit of the completion voucher. Interim voucher review and approval is the regulatory authority and requirement of the DCAA specifically because neither the contracting offices nor requiring activities' CORs possess the skills and knowledge necessary for such reviews.
4. The ACC point of contact for this memorandum is [REDACTED], Internal Review Audit and Compliance Office, at [REDACTED]

Encl

A blue ink signature of Christine A. Beeler, written in a cursive style.

CHRISTINE A. BEELER
Brigadier General, USA
Commanding

(U) Army Contracting Command (cont'd)

Project Number: D2022-D000RJ-0163.000

Audit Location: Army Contracting Command

Objective Title: Army's Management of APS-5 Equipment

Objective: To determine whether the Army effectively managed contractor execution of storage, maintenance, and accountability requirements for Army Prepositioned Stock-5 (APS-5) in accordance with Federal and DoD regulations and whether Army contracting officials reviewed and approved invoices to verify contractor-reported costs before payment.

Conclusion: The Army did not effectively manage contractor execution of the storage, maintenance, and accountability of APS-5 equipment. Specifically, the APS-5 contractor did not:

- protect 5,885 pieces of equipment from environmental conditions as required;
- perform required maintenance on 25 of the 57 pieces of equipment and weapons we inspected;
- create or ensure over 15,570 pieces of equipment had valid preventative maintenance service plans in the property accountability system;
- account for 51 weapons and sensitive items in monthly inventories between November 2021 and January 2023; or
- determine operational readiness rates for APS-5 equipment.

This occurred because Army officials did not consistently follow quality control procedures to enforce contract requirements, validate and ensure correction of maintenance deficiencies, or validate the accuracy of weapons and sensitive item inventories. In addition, when Army officials identified that the contractor failed to meet contract requirements, the contracting officer did not hold the contractor accountable.

As a result, 25 of the 57 pieces of equipment we inspected had at least one maintenance deficiency that resulted in non-mission capable equipment. Furthermore, the lack of accountability resulted in the Army losing one sensitive item. The Army also overstated the operational readiness rates for APS-5 equipment.

In addition, Army officials did not review invoices before payment to verify contractor-reported costs because the officials misinterpreted invoice review requirements and only reviewed the APS-5 contractor's purchase requests. Additionally, the contracting officer never verified that invoice reviews occurred. As a result, the Army does not have assurance that the \$133.4 million paid to the APS-5 contractor resulted in receipt of contracted services.

Recommendations:

Recommendation B1: We recommend that the Commanding General of the Army Contracting Command direct the Executive Director of the Army Contracting Command—Rock Island and the

(U) Army Contracting Command (cont'd)

Commander of the 408th Contracting Support Brigade to coordinate on the development and implementation of the invoice review and approval procedures and retrain contracting officials as necessary to ensure compliance with Federal and DoD invoice review procedures.

Action taken or planned: Concur with comments.

By 28 February 2025, ACC-RI and the 408th Contract Support Brigade (CSB) will review their procedures to ensure both contracting offices and their supported requiring activities comply with Federal and DoD invoice review procedures. However, the DoDIG incorrectly identifies the differences between regulatory requirements and procedures for invoices and cost vouchers. The 50 "invoices" cited in appendix C constituting the \$133,401,705.89 in questioned costs are interim vouchers not invoices. They were correctly processed IAW DFARS 242.803(b) and the Defense Contract Audit Agency (DCAA) Contract Audit Manual, Chapter 6. The Army Field Support Brigade Contracting Officer's Representative (CORs) and CSB Administrative Contracting Officer (ACOs) did not review the vouchers because the contract auditor is the authorized representative of the contracting officer to review and approve interim vouchers, not the ACO or COR. Furthermore, cost reimbursement on interim vouchers are a provisional payment and subject to adjustments from the audit of the completion voucher. Interim voucher review and approval is the regulatory authority and requirement of the DCAA specifically because neither the contracting offices nor requiring activities' CORs possess the skills and knowledge necessary for such reviews.

(U) Army Area Support Group–Kuwait



CUI
 DEPARTMENT OF THE ARMY
 AREA SUPPORT GROUP-KUWAIT
 CAMP ARIFJAN, KUWAIT
 APO AE 09366

6 March 2024

MEMORANDUM FOR Department of Defense Office of Inspector General – Audit, Readiness and Global Operations Directorate, Mark Center Drive Alexandria Va

SUBJECT: Response to DoDIG Audit of the Army's Management of APS-5 Equipment (Project No. D2022-D000RJ-0163.000)

1. The purpose of this memorandum is to outline the intended actions taken by Area Support Group – Kuwait to comply with the recommendation from the report.
2. (CUI) Recommendation A.3: The Area Support Group–Kuwait Commander coordinate with the Executive Director of the Army Contracting Command–Rock Island to modify the Area Support Group–Kuwait Directorate of Public Works contract to ensure that all Army Prepositioned Stock–5 controlled humidity facilities are in compliance with Army Technical Manual 38-470, including managing the humidity settings to be within 30- to 50-percent relative humidity.
3. (CUI) Area Support Group–Kuwait Commander's Response: Concur. In response to DoD Inspector General (IG) Draft Report, Audit of the Army's Management of APS-5 Equipment, Project Number D2022-D000RJ-0163.000; a coordination with the Executive Director of the Army Contracting Command–Rock Island will be done to execute a modification to the Area Support Group–Kuwait Directorate of Public Works currently in place at ASG-Kuwait (Contract No. W52P1J-19-F-0400) to ensure all Army Prepositioned Stock–5 controlled humidity facilities are in compliance with Army Technical Manual 38-470, including managing the humidity settings to be within 30- to 50-percent relative humidity. Estimated date of recommendation closure: 31 July 2024
4. The point of contact for this memorandum is the Operational Contract Support Chief, [REDACTED] at DSN: [REDACTED]

ENSLÉN.DANIEL.CA [REDACTED]

DANIEL C. ENSLEN
 COL, AR
 Commanding

CUI

(U) Army Contracting Command–Rock Island



DEPARTMENT OF THE ARMY
ARMY CONTRACTING COMMAND – ROCK ISLAND
3055 RODMAN AVENUE
ROCK ISLAND, IL 61299-8000

CCRI (RN: 715G)

February 13, 2024

MEMORANDUM FOR RECORD

Subject: Response to Department of Defense – Inspector General (DODIG) Draft Report of the Army Prepositioned Stocks – Kuwait (APS-5) Contract

1. Reference Discussion Draft DODIG Report on APS-5 - Audit of the Army's Management of Army Prepositioned Stock-5 Equipment; Project No. D2022-D000RJ-0163.000 (Password Protected)
2. The Draft DODIG Report cited nine (9) recommendations for the Army Contracting Command – Rock Island (ACC-RI) Executive Director. The requested response was to indicate agreement or disagreement, along with intended actions, and target dates for completion of those actions. Herein serves as our response.
3. Recommendations and response:
 - a. **Recommendation A.2.a:** Direct the Procuring Contracting Officer for the Army Prepositioned Stock–5 contract to take action to enforce or relieve the Army Prepositioned Stock–5 contractor of Care of Supplies in Storage requirements based on guidance from the Commander of the Army Sustainment Command's implementation of Recommendation A.1 to revalidate Army Technical Manual 38-470 requirements.

Response: Agree ACC-RI will take action to formally modify the APS-5 contract to incorporate revised Army Technical Manual 38-470 requirements, as determined by the Army Sustainment Command. This action will be taken in accordance with the Federal Acquisition Regulation and supplements thereto, as well as in accordance with ACC Agency policies as applicable.
 - b. **Recommendation A.2.b:** Direct the Procuring Contracting Officer for the Army Prepositioned Stock–5 contract to coordinate with the Army Prepositioned Stock–5 Administrative Contracting Officer and Contracting Officer's Representatives to update surveillance procedures to require Contracting Officer's Representatives to conduct periodic checks of the Global Combat Support System–Army to provide reasonable assurance that all pieces of Army Prepositioned Stock–5 equipment have a correct maintenance service plan listed in the system.

Response: Agree ACC-RI Procuring Contracting Officer (PCO) will collaborate with the Contract Administration Training Center (CATC) to facilitate updates by Army Sustainment Command to the surveillance procedures necessary to ensure

(U) Army Contracting Command–Rock Island (cont'd)

UNCLASSIFIED

CCRI (RN: 715G)

Subject: Response to Department of Defense – Inspector General (DODIG) Draft Report of the Army Prepositioned Stocks – Kuwait (APS-5) Contract

maintenance service plans are recorded in GCSS-A as recommended, and IAW AR 70-13, 2-2a.

c. **Recommendation A.2.c:** Direct the Procuring Contracting Officer for the Army Prepositioned Stock-5 contract to update the Contracting Officer's Representative surveillance procedures to require Contracting Officer's Representatives to conduct periodic checks of Global Combat Support System-Army to provide reasonable assurance that all pieces of Army Prepositioned Stock-5 equipment have a maintenance service plan listed in the system and it is correct.

Response: Agree ACC-RI PCO will confirm, in conjunction with the delegated ACO, that Army Sustainment Command is conducting surveillance IAW their QASP to ensure maintenance service plans are recorded in GCSS-A as recommended and IAW AR 70-13, 2-2a.

d. **Recommendation A.2.d:** Review nonconformance reports issued to the Army Prepositioned Stock-5 contractor from July 3, 2021, through July 2, 2022, to determine whether the Army Contracting Command–Rock Island should reduce the contractor's fixed fee by at least \$924,717.95 for nonconformance identified during the Army Prepositioned Stock-5 contract's Option Year 5. The Executive Director for the Army Contracting Command–Rock Island should also review all other nonconformance reports issued to the Army Prepositioned Stock-5 contractor from January 3, 2017, through January 2, 2023, to determine whether the Army Contracting Command–Rock Island should further reduce any amount of the contractor's fixed fee in accordance with the Army Prepositioned Stock-5 contract.

Response: Agree During the period of performance cited, the PCO directed the contractor to reimburse the U.S. Government \$114,087 for costs associated with the Howitzer M777 rework necessary. Additionally, reimbursement for the M119A3 60MM Howitzers system training for Amentum was discussed. While the Federal Acquisition Regulation does allow the PCO to decrement fee due to poor performance, it also affords the PCO wide latitude and discretion in how the decrement is assessed and applied. Therefore, while this recommendation is valid, the implementation of any hard/fast rules on unilateral fee decrementing is unrealistic and unduly restrictive to the PCO authority. In accordance with the recommendation, the Executive Director for ACC-RI will review all other nonconformance reports issued to the Army Prepositioned Stock-5 contractor from January 3, 2017 through January 2, 2023.

The ACC-RI will continuously utilize its established business practices, which implement the Federal Acquisition Regulation, and supplements thereto, to ensure that all performance failures are identified timely, and that consideration owed to the USG is assessed fairly and in accordance with contract clause(s).

e. **Recommendation A.2.e:** Implement standard operating procedures that direct the Procuring Contracting Officer for Army Prepositioned Stock-5, to consider and execute fee reductions from the Army Prepositioned Stock-5 contractor in the future.

(U) Army Contracting Command–Rock Island (cont'd)

UNCLASSIFIED

CCRI (RN: 715G)

Subject: Response to Department of Defense – Inspector General (DODIG) Draft Report of the Army Prepositioned Stocks – Kuwait (APS-5) Contract

The guidance should include clear standards and criteria Procuring Contracting Officers can use to determine when they should implement fee reductions.

Response: Disagree The contract includes two opportunities for a PCO to pursue consideration from the Contractor. These options are: FAR 52.246-5 – Inspection of Services – Cost Reimbursement, as well as EAGLE Business Rules.

The FAR clause is included by reference, and requires inspection of services, and specifically states:

(d) If any of the services performed do not conform with contract requirements, the Government **may** require the Contractor to perform the services again in conformity with contract requirements, for no additional fee. When the defects in services cannot be corrected by reperformance, the Government **may-**

(1) Require the Contractor to take necessary action to ensure that future performance conforms to contract requirements; and

(2) Reduce any fee payable under the contract to reflect the reduced value of the services performed.

(e) If the Contractor fails to promptly perform the services again or take the action necessary to ensure future performance in conformity with contract requirements, the Government **may-**

(1) By contract or otherwise, perform the services and reduce any fee payable by an amount that is equitable under the circumstances; or

(2) Terminate the contract for default.

This clause clearly utilizes the term “may” throughout, as it is intended to afford the PCO latitude in application. By establishing any standard operating procedures which further restrict this language, would be a gross overreach by the agency, and would limit the PCO Authority in a manner that could apply undue risk to the mission, and its industry partners.

Further more, the EAGLE Business Rules that are applicable to this contract, and are referred to in this report are only applicable as follows:

(c) Contractor's Fixed Fee will be assessed for validated negative PMRs, unresolved CDRs or as determined by the PCO IAW FAR 52.246-5 using the following schedule:

As such, the FAR Clause drives the overarching authority, and the business rules provide implementation guidance in accordance with that clause. Additionally, the

(U) Army Contracting Command–Rock Island (cont'd)

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Subject: Response to Department of Defense – Inspector General (DODIG) Draft Report of the Army Prepositioned Stocks – Kuwait (APS-5) Contract

business rules are specific to only negative PMRs, and unresolved CDRs. However during the Period of Performance reviewed, all CDRs/NCRs were reviewed, and resolved in totality. Therefore the guidelines for decrementing fee do not apply in totality to every situation that arises during performance.

f. **Recommendation A.2.f:** Review the actions of the Procuring Contracting Officer for the Army Prepositioned Stock–5 contract and take administrative action, such as recommending additional training or documenting poor performance in annual performance reviews, as appropriate, to hold the Procuring Contracting Officer accountable for failing to oversee the Army Prepositioned Stock–5 contract and enforce contract terms.

Response: Disagree The ACC-RI assessed the PCO performance in accordance with policies and procedures established within the applicable Defense Performance Management and Appraisal Program (DPMAP). The approved DPMAP Performance Plan includes assessment of continued training, and proper oversight of the assigned missions/contract actions.

g. **Recommendation A.2.g:** Establish and implement a quality review process to monitor the integrity of Contractor Performance Assessment Reporting System reports. The quality review process should define major problems, minor problems, and significant weaknesses in relation to contract performance information to ensure that contracting officers are appropriately considering deficient contract performance in Contractor Performance Assessment Report System ratings.

Response: Agree ACC-RI adheres to several best practices as they pertain to the Contractor Performance Assessment and Reporting System (CPARS). Prior to a CPARS record being published the following actions occur; Request for Input from COR(s), and Administrative Contracting Officer(s) (ACO(s)), Review of Performance Management Reviews (PMRs), Monthly Surveillance Reports, as well as Electronic Subcontracting Reports (eSRS). This input encompasses all components of this recommendation. The input is compiled together to provide a holistic view of the contractors performance during the specified period of time. The Assessing Official (typically the PCO) enters narratives in the CPARS record, and transmits it to the Contractor Representative for review. The Contractor Representative is afforded a period of time to review the assigned ratings, and narratives and respond formally to the Assessing Official. Once the Contractor Representative responds (or the allocated time as passed – which ever occurs first), the Assessing Official reviews any feedback and recommends either validating/closing as-is, or modifying assigned ratings and narratives. If modifications are recommended, the record is elevated to the Rating Official (typically one level above the PCO) for finalization.

h. **Recommendation B.1:** We recommend that the Commanding General of the Army Contracting Command direct the Executive Director of the Army Contracting Command–Rock Island and the Commander of the 408th Contracting Support Brigade to coordinate on the development and implementation of the invoice review

(U) Army Contracting Command–Rock Island (cont'd)

UNCLASSIFIED

CCRI (RN: 715G)

Subject: Response to Department of Defense – Inspector General (DODIG) Draft Report of the Army Prepositioned Stocks – Kuwait (APS-5) Contract

and approval procedures and retrain contracting officials as necessary to ensure compliance with Federal and DoD invoice review procedures.

Response: Agree Supplemental response in addition to the response provided by the Commanding General – Army Contracting Command; ACC-RI has begun and will continue working with the 408th Contracting Support Brigade to establish standard invoice/voucher review and approval procedures for implementation of the Purchase and Invoicing Guide, Attachment 0004 of the contract.

i. **Recommendation B.2:** We recommend that the Executive Director of the Army Contracting Command–Rock Island request the Defense Contract Audit Agency perform a review of the 50 invoices totaling \$133,401,705.89 to verify whether contract or reported direct and indirect costs were allowable, allocable, and reasonable.

Response: Agree ACC-RI will coordinate with the Defense Contract Audit Agency to perform a review of the 50 invoices in question to verify whether contract or reported direct and indirect costs were allowable, allocable, and reasonable.

4. The implementation of the above recommendations will occur on or before the end of February 2025. This timeframe will afford ACC-RI, and its counterparts to design, and execute a plan that meets all expectations as set forth in this response. The ACC-RI POC for this Memorandum is: [REDACTED]

ARMER.LYNDA.R [REDACTED]

LYNDA R. ARMER
Executive Director

(U) Deputy Assistant Secretary of the Army (Procurement)



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

SAAL-ZP

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

SUBJECT: DoDIG Draft Report: Audit of the Army's Management of APS-5 Equipment

1. In accordance with Army Regulation 36-2, Audit Services in the Department of the Army, Section II, paragraphs 1-9 (f), I am providing the Official Army Position for recommendations A.2.a-g, A.3, B.1, and B.2. Please note the Army non-concurs with recommendations A.2.e. and A.2.f. as detailed in the enclosure.

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

DAKE,MEGAN,R. [REDACTED]

Encl

Megan R. Dake
Deputy Assistant Secretary
of the Army (Procurement)

Controlled by: Army/Controlled by: ASA(ALT)
CUI Category: General Procurement and Acquisition
Distribution/Limited Dissemination Control: FEDCON
[REDACTED]

(U) Department of the Army G-4 3/5/7



DEPARTMENT OF THE ARMY
OFFICE OF THE DEPUTY CHIEF OF STAFF, G-4
500 ARMY PENTAGON
WASHINGTON, DC 20310-0500

DALO-OP

19 March 2024

MEMORANDUM FOR THE DEPARTMENT OF DEFENSE INSPECTOR GENERAL,
Program Director for Audit Readiness and Global Operations, 4800 Mark Center Drive,
Alexandria, VA 22350-1500

SUBJECT: Official Army Position to the DoDIG Draft Report Audit of the Army's
Management of Army's Prepositioned Stock-5 Equipment, Project No. D2022-
D000RJ0163.000

1. (U) References DoDIG Draft Report: Audit of the Army's Management of Army's Prepositioned Stock-5 Equipment, Project No. D2022-D000RJ-0163.000.
2. (CUI) DoDIG audited maintenance, accountability, and contractor performance in APS-5 located in Kuwait between August 2022 and October 2023. The findings noted deficiencies in all areas, including equipment stored outside unprotected, lack of service plans, inadequate inventories and poor performance of contracting officer and contracted representatives.
3. (CUI) We do not concur with the APS-5 Roles and Responsibilities aligned to the Army G-4. The G-3/5/7 is the Army's proponent and strategic lead for all aspects of APS and APS readiness. The Army G-4 is responsible for programming resources to conduct the APS program. IAW AR 710-1 Chapter 6 para 2.b, Army Materiel Command is responsible for all maintenance functions for the APS program.
4. (CUI) HQDA G-4 concurs without comment to the referenced DoDIG audit recommendations A1, A.4.c, A5, and actions proposed by the US Army Materiel Command. We concur with US Army Materiel Command's endorsed partial concur comments and the actions to be taken to resolve deficiencies found in Recommendations A.4.a, and A.4.b.
5. (U) The Headquarters, Department of the Army point of contact is [REDACTED] or email [REDACTED]

SMITH.JAMES.M [REDACTED]

JAMES M. SMITH
Major General, US Army
Director, G-43/5/7

(U) Department of the Army G-3/5/7



DEPARTMENT OF THE ARMY
OFFICE OF THE DEPUTY CHIEF OF STAFF, G-3/5/7
500 ARMY PENTAGON
WASHINGTON, DC 20310-0500

DAMO-SSW

27 February 2024

MEMORANDUM FOR Headquarters, Department of the Army (HQDA), Deputy Chief of Staff, G3/5/7 500 Army Pentagon, Washington, DC 20310-0500

SUBJECT: HQDA, G-3/5/7 Response to DoDIG Draft Report Audit of the Army's Management of Army's Prepositioned Stock-5 Equipment, Project No. D2022-D000RJ-0163.000

1. (U) Reference DoDIG Draft Report Audit of the Army's Management of Army's Prepositioned Stock-5 Equipment, Project No. D2022-D000RJ-0163.000.
2. (CUI) DoDIG audited maintenance, accountability, and contractor performance in APS-5 located in Kuwait between August 2022 and October 2023. The findings noted deficiencies in all areas, including equipment stored outside unprotected, lack of service plans, inadequate inventories and poor performance of contracting officer and contracted representatives. DAMO-SS concurs without comment to all recommendations except A.1 which recommends a revision of TM 38-470 (Storage and Maintenance of Army Prepositioned Stock Materiel) by Army Sustainment Command.
3. (U) HQDA, Deputy Chief of Staff (DCS) G-3/5/7 DAMO-SSW concurs with recommendation A.1 with the following comment. HQDA G-3/5/7 is not opposed to revision of TM 38-470, however it is not the responsibility of Army Sustainment Command alone. The revision of TM 38-470 will be done in ICW the Army G-4 and G-3/5/7. The validation of what standard is most cost effective for the Army and APS will be reserved for HQDA. When maintenance and services are conducted on APS equipment it will be done to the standards established in AR 750-1 Army Materiel Maintenance Policy. Due to constraints on resources and personnel, APS will never be able to establish a ratio of personnel to equipment in APS that is equivalent to an active-duty unit. As such, APS is unlikely to ever be able to afford the same frequency of in-depth maintenance that is achievable by active-duty Army units. TM 38-470 is the Army's answer to balancing the cost constraints and effectiveness of maintaining prepositioned equipment.
4. (U) HQDA, G-3/5/7, DAMO-SS has concerns regarding process by which DoDIG conducted the audit APS-5 without including G-3/5/7 input in the execution of the audit. The G-3/5/7 is the Army's proponent and strategic lead for all aspects of APS and APS readiness. In the future, the G-3/5/7 requests that DAMO-SS be included in all entrance conferences conducted for APS audits.

(U) Department of the Army G-3/5/7 (cont'd)

DAMO-SSW

SUBJECT: HQDA, G-3/5/7 Response to DoDIG Draft Report Audit of the Army's Management of Army's Prepositioned Stock-5 Equipment, Project No. D2022-D000RJ-0163.000

5. (U)The point of contact for this memorandum is [REDACTED]

MARCHETTI.CH
RISTOPHER.DE

CHRISTOPHER D. MARCHETTI
COL, Army
War Plans Division Chief

(U) Army Central



ACLG-P

7 February 2024

DEPARTMENT OF THE ARMY
UNITED STATES ARMY CENTRAL
1 GABRESKI DRIVE
SHAW AIR FORCE BASE, SUMTER, SC 29152

MEMORANDUM FOR RECORD

SUBJECT: Comments Required, DoDIG Draft Report: (CUI) Army's Management of APS-5 Equipment (D2022RJ-0163).

1. USARCENT G45 Plans and Exercises Division received and reviewed the draft DoDIG audit of the Army's Management of Army Prepositioned Stocks-5 (APS-5) Equipment. The objective of the audit was to determine whether the Army effectively managed contractor execution of storage, maintenance, and accountability requirements for APS-5 in accordance with Federal and DoD regulations and whether Army contracting officials reviewed and approved invoices to verify contractor-reported costs before payment.
2. In the DoDIGs findings, the APS-5 contractor did not consistently record or report out of range relative humidity levels in controlled humidity facilities from dropping below the required 30 percent or rising above 50 percent during storage, nor did the contractor submit work order to Department of Public Works when humidity level were outside the authorized levels IAW guidance in Army TM 38-470. ASG-Kuwait and USARCENT received one recommendation that the ASG-Kuwait Commander coordinate with the ACC-Rock Island Executive Director to modify the ASG-Kuwait DPW contract to ensure that all APS-5 controlled humidity facilities are compliant with Army TM 38-470, including managing the humidity settings to be within 30- to 50-percent relative humidity.
3. USARCENT G45 concurs with the DoDIG findings and recommendation and will coordinate with the USARCENT and ASG-Kuwait staffs to comply with the recommendation to modify the DPW contract to meet authorized levels prescribed in Army TM 38-470.
4. Point of contact is [REDACTED]

PORTER, JOSHUA DAVI [REDACTED]

JOSHUA R. PORTER
COL, LG
Chief, G45 Plans and Exercises Division

(U) Acronyms and Abbreviations

- (U) **ACC-RI** Army Contracting Command–Rock Island
- (U) **ACO** Administrative Contracting Officer
- (U) **AFSB** Army Field Support Brigade
- (U) **AFSBn** Army Field Support Battalion
- (U) **AMC** Army Materiel Command
- (U) **APS** Army Prepositioned Stock
- (U) **ASC** Army Sustainment Command
- (U) **ASG** Area Support Group
- (U) **BII** Basic Issue Items
- (U) **COEI** Components of End Items
- (U) **COR** Contracting Officer’s Representative
- (U) **COSIS** Care of Supplies in Storage
- (U) **CPARS** Contractor Performance Assessment Rating System
- (U) **CSB** Contracting Support Brigade
- (U) **DAGR** Defense Advanced Global Positioning System Receiver
- (U) **DCAA** Defense Contract Audit Agency
- (U) **DPW** Directorate of Public Works
- (U) **FAR** Federal Acquisition Regulation
- (U) **GCSS** Global Combat Support System
- (U) **HIMARS** High Mobility Artillery Rocket System
- (U) **HMMWV** High Mobility Multipurpose Wheeled Vehicle
- (U) **LLDR** Lightweight Laser Designator Rangefinder
- (U) **NCR** Nonconformance Report
- (U) **ODCS** Office of the Deputy Chief of Staff
- (U) **PBO** Property Book Officer
- (U) **PCO** Procuring Contracting Officer
- (U) **PWS** Performance Work Statement
- (U) **QASP** Quality Assurance Surveillance Plan
- (U) **ROWPU** Reverse Osmosis Water Purification Unit
- (U) **TM** Technical Manual
- (U) **USEUCOM** United States European Command

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U.S. DEPARTMENT OF DEFENSE

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