



**DEFENSE CONTRACT AUDIT AGENCY  
NORTHEASTERN REGION  
IRAQ BRANCH OFFICE BAGHDAD  
RM M208  
APO AE 09316**

September 16, 2004

**MEMORDANUM FOR DEFENSE CONTRACT AUDIT AGENCY  
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1201 NORTH WATSON ROAD, SUITE 174  
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**SUBJECT: Early Alert, KBR, LOGCAP III, Vehicle Utilization**

**ATTENTION: Mr. Bill Daneke, Branch Manager**

KBR does not have an adequate system for determining the utilization of vehicles procured under the LOGCAP III contract. The majority of the vehicles were procured under either task order 43 or 59 and include tractors and trailers used for the transportation of fuel and other goods throughout Kuwait and Iraq. The total value of the vehicles under both task orders is approximately \$300 million and includes both purchased and leased vehicles.

As part of an equipment operations audit, we attempted to analyze the utilization of the vehicles. KBR stated in correspondence dated September 2, 2004 that "KBR conducts daily assessments of assets to monitor utilization of existing assets...."

However, to analyze the utilization of the assets, we initially requested KBR mission control logs for 29 vehicles. The mission logs reflect when a vehicle leaves for a mission, the date of departure, point of origin/destination, cargo, VIN number and other identifying information. KBR stated that to compile the mission logs for the selected vehicles it would require 750 labor hours and would cost \$11,250, with two employees working for 5.2 weeks.

KBR also stated the vehicle dispatch records could be used to analyze the utilization of the vehicles. We then requested the dispatch records for the 29 vehicles. KBR only provided dispatch records for 22 of the 29 selected vehicles, and six of the records provided were maintenance logs, not dispatch logs, with no mileage or other utilization information. KBR stated that to obtain the remaining seven dispatch records would require a manual search for the information at several locations. In correspondence dated September 8, 2004 KBR stated, "As has previously been explained, a dispatch can be conducted at more than one location. Where those records are not in Kuwait, we will have to manually search for the records." The correspondence went on to say, "...we can manually research records, but it will take time...."

To review the overall utilization of all vehicles under both task orders, we also requested the contractually required vehicle situation reports (Sit Reps). The Sit Reps do not identify specific vehicles but rather the total number of vehicles by location available and currently being used on any given day. When we indicated to KBR that the Sit Reps appeared to indicate low utilization of vehicles, they responded by stating:

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*The intent of the SitReps was and continues to be to use these documents for general planning purposes for the USG...the SitRep, which is a document that is changed frequently to simply reflect a current Situational Report is a fluid document that was never created for audit purposes, but rather, it is a document for general planning purposes."*

In summary, KBR has indicated that they analyze the utilization of vehicles, but that either the analysis will cost additional money, the documents necessary to perform the analysis will have to be manually researched and compiled from several locations, or the documents are not auditable and are only for planning purposes for the government.

The failure to properly analyze the utilization of existing vehicles makes it impossible to accurately estimate the number of vehicles needed for the contract, resulting in increased costs to the government as KBR procures and retains excess vehicles. The operations audit is ongoing and we will attempt to quantify a cost avoidance and provide you a report detailing the results.

Please direct any inquiries to Harry Arnold, Supervisory Auditor, 1-703-343-8375 ([arnoldh@orha.centcom.mil](mailto:arnoldh@orha.centcom.mil)), or Jim Carrera, Branch Manager, 011-965-372-5500, Room 545 ([jcarrera@dcaa.mil](mailto:jcarrera@dcaa.mil))

/s/

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