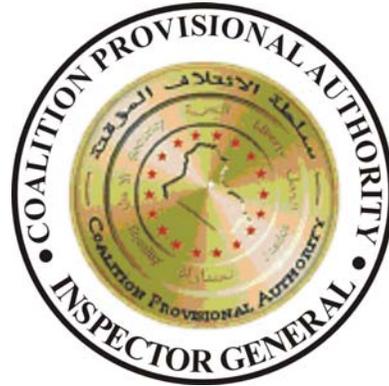


Audit Report



**Federal Deployment Center
Forward Operations at the Kuwait Hilton**

Report Number 04-003

June 25, 2004

**Office of the Inspector General
Coalition Provisional Authority**

Acronyms

AAFES	Army Air Force Exchange Service
ACO	Administration Contract Officer
CONUS	Continental United States
CPA	Coalition Provisional Authority
CRC	CONUS Relocation Center
DA	Department of the Army
DoD	Department of Defense
EXORD	Execution Order
FDC	Federal Deployment Center
FDC-Forward	Federal Deployment Center at the Kuwait Hilton
IDIQ	Indefinite Delivery, Indefinite Quantity
ITO	Iraq Theater of Operation
KBR	Kellogg Brown & Root, Inc.
LOGCAP	Logistics Civil Augmentation Program
RCO	Requirements Control Office
RSO&I	Reception, Staging, Onward-Movement, and Integration



COALITION PROVISIONAL AUTHORITY
OFFICE OF THE INSPECTOR GENERAL

June 25, 2004

MEMORANDUM FOR ADMINISTRATOR, COALITION PROVISIONAL AUTHORITY

SUBJECT: Report on Federal Deployment Center Forward Operations at the Kuwait Hilton
(Report No.04-003)

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

Comments on the draft of this report were responsive to our recommendations and left no unresolved issues. Therefore, no additional comments are required. However, we will follow-up to ensure corrective actions are fully implemented by management.

We appreciate the assistance extended to the staff. Questions should be directed to Mr. Brian Flynn, (703) 343-8953 or Mr. William Whitehead, (703) 343-8954. Management may request a formal briefing on the results of this audit.

Stuart W. Bowen, Jr.
Inspector General
Coalition Provisional Authority

**Office of the Inspector General
Coalition Provisional Authority**

Report Number 04-003

June 25, 2004

(Project No. D2004-DCPAAO-0024)

Federal Deployment Center Forward Operations at the Kuwait Hilton

Executive Summary

Introduction: The Inspector General accomplished this review at the request of the Coalition Provisional Authority (CPA) Deputy Chief of Staff who had concerns about unauthorized personnel using the facility. The Federal Deployment Center (FDC) at the Kuwait Hilton (FDC-Forward) provides a location for reception, any further deployment training, and re-deployment of executive personnel. Total annual cost for this operation is over \$11 million. The Department of the Army (DA) established FDC-Forward at the Kuwait Hilton as the reception location for, "...executive personnel deploying in support of operations in Iraq."

The Department of the Army issued an indefinite delivery, indefinite quantity cost plus award fee contract (DAAA09-02-D-0007), Logistics Civil Augmentation Program (LOGCAP), was issued to Brown & Root Service, a Division of Kellogg Brown & Root, Inc. to provide civil augmentation for base operations and support to the DA throughout the world. The DA issued Task Order 0063, on August 27, 2003, to provide deployment processing for federal executives deploying to the Iraq Theater of Operations.

Objective: The objectives of this review were to determine whether the CPA efficiently and effectively operated FDC-Forward. Specifically, objectives were to determine whether FDC-Forward (1) met the purpose for which it was established by Department of Army Execution Order and (2) established policy to limit the use of FDC-Forward facility to authorized personnel.

Conclusion: The FDC-Forward operation met the purpose established in the Department of Army Execution Order; however no CPA policy existed for usage, which led to inefficient use of CPA resources. Specifically, the CPA did not:

- Provide adequate oversight of the operation to ensure CPA costs were limited to those for authorized users.
- Have a defined policy identifying those persons eligible to use the FDC-Forward Kuwait Hilton facility. Without established policy, contractor employees allowed unauthorized persons to use the Kuwait Hilton at the expense of the CPA.

Recommendations: We made eight recommendations to the CPA Chief of Staff to improve the effectiveness of FDC-Forward operations.

Managements Actions: During the review period, the CPA Chief of Staff concurred with all recommendations and fully implemented seven of the eight recommendations. The Chief of Staff is in the process of implementing the remaining recommendation. Implementing the eight approved recommendations will result in a minimum annual potential monetary benefit of \$3.6 million (32 percent of current annual cost).

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Background

The Inspector General accomplished this review at the request of the Coalition Provisional Authority (CPA) Deputy Chief of Staff who had concerns about unauthorized personnel using the facility. The Federal Deployment Center (FDC) at the Kuwait Hilton (FDC-Forward) provides a location for reception, any further deployment training, and re-deployment of executive personnel. Total annual cost for this operation is over \$11 million. The Department of the Army (DA) established FDC-Forward as the reception location for, "...executive personnel deploying in support of operations in Iraq."

The Department of the Army issued an indefinite delivery, indefinite quantity (IDIQ) cost plus award fee contract (DAAA09-02-D-0007), Logistics Civil Augmentation Program (LOGCAP), was issued to Brown & Root Service, a Division of Kellogg Brown & Root, Inc. (KBR) to provide civil augmentation for base operations and support to the DA throughout the world. This is The DA issued Task Order 0063, on August 27, 2003, to provide deployment processing for federal executives deploying to the Iraq Theater of Operations (ITO).

The Coalition Provisional Authority (CPA) established the FDC-Forward to provide support and meet requirements outlined in the DA Execution Order (EXORD) for training, equipping, and processing of non-unit related personnel reporting individually for deployment to the ITO. Other deployment centers were established at Fort Belvoir and Fort Bliss. The EXORD for Deployment Centers specifically addresses employees such as U.S. military forces, federal civilian employees, contractors supporting the Department of the Army, Red Cross employees, Army Air Force Exchange Service (AAFES) employees, Department of Defense (DoD) civilian employees, and senior executive service employees. Each deployment center's required functions included: providing pre-deployment and post-deployment medical screening of health records and blood samples; reviewing inoculation records and providing any needed inoculations; issuing and accounting for personal protection equipment; briefing on security and local threat conditions; transport to and from the ITO; and providing other logistics for ITO transitioning.

The DA implementing EXORD directed certain categories of personnel (i.e., U.S. military, contractors supporting the DA, Red Cross employees, and AAFES employees) to process through the continental United States (CONUS) Relocation Center (CRC) at Fort Bliss, Texas and senior executives to process through the Federal Deployment Center (FDC) at Fort Belvoir, Virginia. Personnel supporting the CPA who processed through the FDC-Fort Belvoir are transitioned through Kuwait and lodged at the FDC-Forward. In Kuwait, personnel receive required briefings and await transportation to the ITO. The FDC-Forward (through the Contractor) presently leases office space and personal room space from the Kuwait Hilton.

Objective

The objective of this review was to determine whether the CPA efficiently and effectively operated FDC-Forward. Specifically to determine whether FDC-Forward met the purpose for which it was established by DA Execution Order and established policy to limit the use of FDC-Forward facility to authorized personnel.

Finding A. Operations of the Federal Deployment Center at the Kuwait Hilton

The CPA did not provide clear guidance on who is eligible to use of FDC-Forward. As a result, the contractor allowed all requestors supporting CPA's mission to billet and mess there, charging the cost to the CPA. Additionally, in the absence of adequate CPA oversight and guidance, the contractor procured billeting and office space beyond CPA requirements. Allowing unauthorized persons to use the FDC-Forward facility meant that the available bed space was limited and the contractor turned away authorized personnel. Also because available space was limited, the FDC-Forward medical, administrative, briefing, and equipment issue functions were performed in more expensive office locations in the main hotel. The resulting additional costs incurred under the task order amounted to \$3.64 million annually. Specifically, the:

- Director for Reception, Staging, Onward-Movement, and Integration (RSO&I) leased an individual room in the main hotel costing over \$101,000 annually and maintained an office in the main hotel costing more than \$152,000 for the year. The RSO&I operation costs more than \$253,000 annually.
- Medical and equipment issue functions were located in the main hotel costing CPA \$171,000 annually. CPA also rented an office to conduct local threat briefings at a cost of \$85,428 annually and an office for KBR to use for Material Control also costing \$85,428 annually. These four offices cost over \$342,000 annually.
- Contractor employees were lodged in the main hotel costing \$2.85 million annually.
- Government is projected to reimburse the hotel \$191,000 annually for laundry service in place of providing a washer and dryer in each villa.

The contract administration staff of the Defense Contract Management Agency did ensure that the contractor provided all services required under the terms of the task order. Contract administration staff saw to it that the contractor:

- Provided credentialed medical staffing to conduct medical screening for persons deploying to the ITO, as well as post-deployment processing, to include inoculations, and blood sampling;
- Issued and accounted for personal protection equipment such as protective vests, helmets, gas masks, canteens, desert camouflage uniforms, and boots;
- Conducted training briefings for security, local threat conditions, and personal protection (chemical environment, unexploded ordinance, etc.); and,
- Provided transportation (or assisted with arrangements) to and from the military air transportation location and the civilian airport.

However, the statement of work for the task order was written in generic terms and, in the absence of specified task order provisions, the CPA did not apply adequate oversight to ensure that operating costs were minimized; review and analyze the details of the cost reports provided from the contractor to identify opportunities to minimize costs; or establish clear limitations on the costs that the contractor could incur under the task order.

As a result of the limited task order oversight, additional costs incurred under the task order amounted to \$3.64 million annually. Additionally, the contractor billeting records were insufficient to determine the appropriateness of some costs related to unauthorized individuals who were billeted at FDC-Forward. Without sufficient records, accurate costs for the inappropriate use could not be determined and refunds from unauthorized users could not be pursued.

Recommendations and Management Actions

A. We recommend that the CPA Deputy Chief of Staff:

1. Require the Administration Contract Officer (ACO) to conduct a detailed review of contractor cost reports.

Management action. The Deputy Chief of Staff concurred with the recommendation and implemented corrective action. The Requirements Control Office (RCO) of the CPA now receives weekly billeting reports to review for authorized use. In addition, the CPA RCO directed the ACO to review detail level costs to determine whether costs are appropriate.

2. Relocate living quarters for the Director, RSO&I from an individual room in the main hotel to a room in a villa, saving \$101,000 annually.

Management action. The Deputy Chief of Staff concurred with the recommendation and implemented corrective action. The Director of RSO&I has relocated to living quarters in a villa.

3. Relocate the medical and equipment issue functions from the office locations in the main hotel to a room in a villa saving \$171,000 annually.

Management action. The Deputy Chief of Staff concurred with the recommendation and implemented corrective action. The Director of RSO&I coordinated with the contractor to relocate the medical and equipment issue functions to a villa.

4. Relocate Contractor employees supporting the CPA from individual rooms in the main hotel to rooms in a villa saving over \$2,853,000 annually.

Management action. The Deputy Chief of Staff concurred with the recommendation and implemented corrective action. The Director of RSO&I

coordinated with the contractor to relocate 28 contractor employees from individual rooms in the main hotel to rooms in a villa.

5. Relocate the FDC briefings, administrative office of the Director RSO&I, and the contractor's Material Control office from the main hotel to a room in a villa saving, at least, \$323,000 annually.

Management action. The Deputy Chief of Staff concurred with the recommendation and implemented corrective action. The Director of RSO&I coordinated with the contractor to identify a villa location for the briefings. The Director also coordinated with contractor representatives to relocate the Equipment Issue function and the Director's administrative office from the main hotel to a villa

6. Install a washer and dryer in each CPA rented villa and discontinue government reimbursement of over \$191,000 projected annually for Kuwait Hilton laundry service.

Management action. The Deputy Chief of Staff concurred with the recommendation and implemented corrective action. The Director of RSO&I coordinated with the contractor to procure additional washer and dryer machines already available under the Logistics Civil Augmentation Program contract to supply one pair each per villa and directed the use of the hotel's laundry service be discontinued.

Audit Response

The Deputy Chief of Staff's actions are fully responsive. We commend the Deputy Chief of Staff for prompt and aggressive action to establish management controls and reduce task order costs. However, because the Director, Reception, Staging, Onward-Movement, and Integration could not provide a date by which all corrective action would be implemented, we will follow-up to ensure that the corrective actions proposed in response to Recommendations A.3., A.4., A.5., and A.6. are fully implemented.

Finding B. Eligibility for Use of the Federal Deployment Center in Kuwait

The CPA did not have a defined written policy identifying those persons eligible to use the FDC-Forward. Specifically, the statement of work for the task order indicated that, “senior level personnel” were authorized to use FDC-Forward. However, the statement of work did not define senior level personnel. Also, the DA EXORD stated that, “executive personnel” would process through the FDC-Forward, again without defining executive personnel. Finally, CPA implementing guidance did not define what personnel categories (non-U.S. military, Department of State, other contractors) were to be supported by the contractor. Therefore, the contractor interpreted who was eligible to use FDC-Forward. Generally, the contractor allowed any person supporting the CPA to stay at the FDC-Forward facility and charged the cost to the CPA.

The initial Director for RSO&I gave the contractor representative verbal guidance that the FDC-Forward facility could be used by all categories of personnel for any purpose. However, the Director of RSO&I did not discuss this issue with the ACO to determine, based on the contract, what was allowed. As a result:

- U.S. appropriated funds were used for unauthorized guests;
- CPA inappropriately paid for contractor employee’s use of the FDC-Forward facility for their rest and recuperation; and,
- CPA was not reimbursed for non-CPA personnel billeted at the FDC-Forward facility.

Without established written policy, CPA paid for unauthorized and unnecessary expenditures.

Recommendations and Management Actions

B. We recommend that the CPA Deputy Chief of Staff:

1. Establish and provide contractor representatives written policy defining who is eligible and the process for using the FDC-Forward facility.

Management action. The Deputy Chief of Staff concurred with the recommendation and implemented corrective action. CPA Policy was issued on April 8, 2004, defining the reservation and use process. The policy clearly defined the category of users eligible to use the facility. The CPA Deputy Chief of Staff coordinated the policy with the ACO to ensure any action or changes to cost estimates for the contractor would be approved. Further, the CPA provided specific guidance to the Director for RSO&I identifying responsibilities and authority, as well as, instruction to address any unclear issues to the Director, RCO of the CPA for resolution.

2. Require the ACO to periodically monitor contractor performance, as well as, FDC-Forward requirements to ensure issues are interpreted using the contract or amending the contract as necessary.

Management action. The Deputy Chief of Staff concurred with the recommendation and implemented corrective action by requiring the contractor to provide the RCO of the CPA with a copy of all contract issues and concerns raised to the Director of RSO&I. The RCO has been made responsible for reviewing and forwarding these issues and concerns to the ACO. Additionally, the CPA Deputy Chief of Staff required the ACO to periodically visit the site for personal observation of contract performance. The first such visit was made on May 10, 2002.

Audit Response

The Deputy Chief of Staff's actions are fully responsive. We commend the Deputy Chief of Staff for prompt and aggressive action to establish management controls and reduce task order costs.

Appendix A: Scope and Methodology

Audit Scope. The CPA Deputy Chief of Staff requested this review. Although we used audit techniques to review the objectives, only limited guidance existed to provide standards. When a standard did not exist, we applied best business practices as determined by the review team based on experience and comparable operations. We maintained close liaison with the CPA to provide immediate feedback on conditions and recommendations for possible management action.

Audit Coverage

- During the period from March 31 to April 4, 2004, with follow-up from April 17 to April 19, 2004, we conducted personal interviews with personnel at the FDC-Forward facility. Personnel interviewed included the contractor's Lead FDC Operations, Billeting Supervisor, Project Control Officer, and LOGCAP III Government Compliance Manager. We also interviewed the Government's Director RSO&I, CPA-RCO and the ACO for LOGCAP III, Task Orders 0044 and 0063 to obtain operational and cost information. We reviewed the contractor's billeting records to determine who and why persons billeted at the FDC-Forward, we then tested this through personal observation at airport arrival and hotel arrival. We used cost information from the January 2004 billing from the contractor based on Hilton Hotel billing to the contractor to determine operational costs.
- The audit reviewed the LOGCAP III, Task Order 0044 and 0063 FDC operations at the FDC-Forward location. The audit scope was limited to the FDC operations, more specifically, to the hotel, meals, and laundry costs associated with these Task Orders.
- The audit was conducted from March 31 through April 19, 2004.
- The only source document we relied on for specific information was the January 2004 contractor billing to the Government. The contractor Project Control Officer provided this document and stated to the best of her knowledge the information was clearly and accurately presented. The contractor Billeting Supervisor provided registration forms for the period of December 2003 and a recently created EXCEL spreadsheet for registrations from November 2003 through February 2004; however, most of these forms and registration entries were incomplete and lacked sufficient information. As a result, we could only draw general conclusions from this information.
- We provided the CPA Director, RCO a copy of the draft report on May 11, 2004.
- We evaluated general internal controls to determine whether only authorized users received the benefit of this operation. Specifically, we interviewed the KBR

Billeting Supervisor to determine rules and policy for room assignment, meal card provisions, and the registration process.

Sampling Methodology. We did not use statistical or judgmental samples or computer assisted auditing tools and techniques to analyze data or project results in this audit. While reviewing the registration forms, we included information from only those forms we found legible, complete, and understandable. Selection was not based on sampling, rather meeting the above criteria.

Data Reliability. We did not rely on computer-generated data to support our conclusions.

Auditing Standards. We conducted the audit in accordance with generally accepted government auditing standards.

Discussion with Responsible Officials. On April 6, 2004, we provided an out brief of our review to the CPA Deputy Chief of Staff, CPA Director RCO, and the ACO for LOGCAP III Task Orders 0044 0063. At that time the CPA Deputy Chief of Staff concurred with the audit conclusions and recommendations. Subsequent to the April 17 to 19, 2004 follow-up review, we provided a Memorandum for Record reiterating our conclusions along with completed management actions to the CPA Director of RCO.

Prior Audit Coverage. We did not find evidence of any prior audit coverage in this area.

Appendix B: Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller)/Chief Financial Officer
Director, Defense Procurement and Acquisition

Department of the Army

Assistant Secretary of the Army, Acquisition, Logistics & Technology
Auditor General, Department of the Army

Other Defense Organizations

Administrator, Coalition Provisional Authority
Director, Coalition Provisional Authority Program Management Office
Department of Defense Inspector General
Director, Defense Contract Audit Agency

Non-Defense Federal Organization

Office of Management and Budget
General Accounting Office
Department of State
U.S. Agency for International Development
Department of Health and Human Services Inspector General
Department of Commerce Inspector General

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

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

Appendix C: Audit Team Members

The Financial Management Division, Office of the Assistant Inspector General for Auditing, Coalition Provisional Authority, prepared this report.

John Betar
Brian Flynn
William Whitehead
Edward M. Terek