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DEFENSE LOGISTICS

High-Level DOD Coordination Is Needed to Further Improve the Management of the Army's LOGCAP Contract



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Highlights of [GAO-05-328](#), a report to the Secretary of Defense

DEFENSE LOGISTICS

High-Level DOD Coordination Is Needed to Further Improve the Management of the Army's LOGCAP Contract

Why GAO Did This Study

The Logistics Civil Augmentation Program (LOGCAP) is an Army program that plans for the use of a private-sector contractor to support worldwide contingency operations. Examples of the types of support available include laundry and bath, food service, sanitation, billeting, maintenance, and power generation. LOGCAP has been used extensively to support U.S. forces in recent operations in southwest Asia, with more than \$15 billion in estimated work as of January 2005. While we issued two reports on LOGCAP since 1997 that made recommendations to improve the Army's management of the contract, broader issues on coordination of LOGCAP's contract functions were beyond the scope of our earlier work. This report assesses the extent to which the Army is taking action to improve the management and oversight of LOGCAP and whether further opportunities for using this contract effectively exist.

What GAO Recommends

GAO is recommending that the Secretary of Defense designate a LOGCAP coordinator who would be responsible for ensuring that the contract is being used as effectively as possible. This coordinator would advise the Secretary of unresolved differences on the use of the contract. DOD reviewed a draft of this report and agreed with its recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-05-328.

To view the full product, including the scope and methodology, click on the link above. For more information, contact William M. Solis at (202) 512-8365 or solisw@gao.gov.

What GAO Found

The Army has taken or is in the process of taking actions to improve the management and oversight of LOGCAP on the basis of our earlier reporting. The actions that the Army has completed or has underway include (1) rewriting its guidance, including its field manual for using contractors on the battlefield and its primary regulation for obtaining contractor support in wartime operations; (2) implementing near- and longer-term training for commanders and logisticians in using the contract; (3) developing a deployable unit to assist commands using LOGCAP; (4) restructuring the LOGCAP contracting office to provide additional personnel resources in key areas; and (5) taking steps to eliminate the backlog of contract task orders awaiting definitization—that is, coming to agreement on the terms, specifications, and price of the task orders—and conducting award fee boards.

While improvements have been made, GAO believes that the Department of Defense (DOD) and the Army need to take additional action in two areas. First, although DOD continues to agree with our July 2004 recommendation to create teams of subject matter experts to review contract activities for economy and efficiency, it has not done so yet because the need to respond to statutory requirements took precedence. Prior GAO reviews have shown that when commanders look for savings in contract activities, they generally find them, as illustrated in the table.

Savings Reported Through DOD's Review of Contract Activities

Contract	Percent savings	Comments
Balkans Support Contract	10	Savings of \$200 million by reducing services that were no longer needed
LOGCAP (Djibouti)	18	Savings of \$8.6 million by reducing services

Sources: DOD (data); GAO (analysis).

The second area needing attention is the coordination of contract activities between DOD components involved with using LOGCAP. While the Army Materiel Command (AMC) is the executive agent for LOGCAP, other DOD components also play important LOGCAP roles, including the combatant commander, individual deployed units, and the Defense Contract Management Agency. The effective and efficient use of the contract depends on the coordinated activities of each of these agencies. However, at the DOD level, no one is responsible for overall leadership in using the contract and, while AMC has sought to influence the way in which the other components carry out their roles, it does not have command authority over the other components and thus its influence is limited. For example, AMC knew that planning for the use of LOGCAP for Operation Iraqi Freedom was not comprehensive but lacked the command authority to direct better planning. AMC officials believe that training will resolve these problems over time. However, given the importance of LOGCAP to supporting military operations and the billions of dollars being spent on LOGCAP activities, we believe that more immediate and direct oversight is needed.

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Abbreviations

AFSC	Army Field Support Command
AMC	Army Materiel Command
DCAA	Defense Contract Audit Agency
DCMA	Defense Contract Management Agency
DFARS	Defense Federal Acquisition Regulation Supplement
DOD	Department of Defense
LOGCAP	Logistics Civil Augmentation Program

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United States Government Accountability Office
Washington, D.C. 20548

March 21, 2005

The Honorable Donald H. Rumsfeld
The Secretary of Defense

Dear Mr. Secretary:

As you know, the U.S. military has long relied on contractors to provide supplies and services to deployed U.S. forces, and its reliance on contractors has been growing in recent military operations. Much of this support has come from logistics support contracts, particularly the Army's Logistics Civil Augmentation Program (LOGCAP) contract. LOGCAP provides a wide array of support for U.S. military personnel throughout southwest and central Asia, including food service and housing. While this contract provides vital services, it is expensive. The estimated value of work under the current LOGCAP contract is more than \$15 billion as of early January 2005, including \$6.8 billion that the Army budgeted for LOGCAP activities in fiscal year 2005.¹ Given the importance of LOGCAP to supporting military operations and the billions of dollars being spent on LOGCAP, effective use of the LOGCAP contract is critical.

The Army's use of its LOGCAP contract has not been without problems. Since 1997 we have issued two reports on the U.S. Army's use of the LOGCAP contract to provide supplies and services for deployed U.S. forces that highlight both the growing importance of this contract to military operations and the difficulties the Army has experienced in managing and overseeing it and controlling costs. In 1997 we reviewed the Army's use of its LOGCAP contract to support U.S. forces deployed for the peacekeeping mission in Bosnia;² and in 2004 we reviewed several logistics support contracts, including the Army's LOGCAP contract, to support military operations around the world.³

¹ The estimated \$15 billion value of work under the current LOGCAP contract is the contractor's rough order of magnitude estimate.

² GAO, *Contingency Operations: Opportunities to Improve the Logistics Civil Augmentation Program*, [GAO/NSIAD-97-63](#) (Washington, D.C.: Feb. 11, 1997).

³ GAO, *Military Operations: DOD's Extensive Use of Logistics Support Contracts Requires Strengthened Oversight*, [GAO-04-854](#) (Washington, D.C.: July 19, 2004).

In 2000 we also reviewed the Army's use of the Balkans Support Contract to support the expanded Balkans Peacekeeping Mission.⁴ The Balkans Support Contract is similar to the LOGCAP contract and was established in 1997. Finally, in 2004 we issued a report on contracting procedures in Iraq⁵ and testified on logistics support contracts and contracting in Iraq before the House Committee on Government Reform.⁶ Our reports identified difficulties the Army has experienced in planning for the use of the LOGCAP contract, controlling costs, and effectively managing and overseeing contract activities, and each made a number of recommendations intended to improve the Army's use and management of the contract.

We initiated this report because LOGCAP continues to be an important support mechanism for the Army and, as previously noted, the Army plans to spend approximately \$6.8 billion on LOGCAP contract activities in fiscal year 2005 and to address broader issues involving the coordination of contract functions that are the responsibility of different elements within the Department of Defense (DOD), such as the contract administrator and commanders on the ground, that were beyond the scope of our prior reports. The objectives of this report are to (1) examine the extent to which the Army is taking action to improve the management and oversight of LOGCAP and (2) identify further opportunities for using the LOGCAP contract effectively.

To examine actions to improve the management and oversight of LOGCAP, we examined a wide range of contracting guidance and met with officials from the LOGCAP Program Management Office, the LOGCAP Support Unit, and the LOGCAP Contracting Office to gain a comprehensive understanding of the status of efforts regarding the LOGCAP contract, the contract management process, and issues related to using LOGCAP. To identify further opportunities for using these contracts effectively, we undertook a number of actions. We drew upon our prior work, including our visits to U.S. military sites using the LOGCAP contract in Kuwait and

⁴ GAO, *Contingency Operations: Army Should Do More to Control Contract Costs in the Balkans*, [GAO/NSIAD-00-225](#) (Washington, D.C.: Sept. 29, 2000).

⁵ GAO, *Rebuilding Iraq: Fiscal Year 2003 Contract Award Procedures and Management Challenges*, [GAO-04-605](#) (Washington, D.C.: June 1, 2004).

⁶ GAO, *Contract Management: Contracting for Iraq Reconstruction and for Global Logistics Support*, [GAO-04-869T](#) (Washington, D.C.: June 15, 2004).

units that had returned from Iraq, but we did not visit sites in Iraq. To obtain more current information about the use of LOGCAP in Iraq, we (1) interviewed personnel who were responsible for contract management at the Army Materiel Command (AMC); the Army Central Command in Ft. McPherson, Georgia; and the former Deputy Commanding General for Logistics in Iraq, (2) reviewed Defense Contract Management Agency (DCMA) situation reports written by contracting officers in Iraq; (3) reviewed Defense Contract Audit Agency (DCAA) reports; and (4) met with representatives of the 1st Armored Division shortly after their return from Iraq to discuss their experiences with the LOGCAP contract. We determined that the information and data discussed in this report were reliable for the purposes of the report. We conducted our review from October 2004 through January 2005 in accordance with generally accepted government auditing standards. We discuss our scope and methodology in more detail in appendix I.

Results in Brief

The Army has taken or is in the process of taking actions to improve the management and oversight of the LOGCAP contract on the basis of our earlier reporting, and it continues to proactively look for additional areas for improvement. Some of the initiatives that the Army has completed or has under way that we believe will contribute to stronger management of LOGCAP include (1) rewriting its guidance, including its field manual for using contractors on the battlefield and its primary regulation for obtaining contractor support in wartime operations; (2) implementing near- and longer-term training for commanders and logisticians; (3) developing a deployable unit to assist commands using LOGCAP; (4) restructuring the LOGCAP contracting office to provide additional personnel resources in key areas; and (5) taking steps to eliminate the backlog of contract task orders requiring “definitization”—that is, coming to agreement on the terms, specifications, and price of the task orders— and conducting award fee boards in order to improve the financial oversight and control of LOGCAP. These steps should help to improve LOGCAP program management.

While improvements have been made in the areas discussed above, we believe DOD needs to take additional action in two areas:

- First, although DOD continues to agree with our July 2004 recommendation to implement a formal process for regularly reviewing contract activities for economy and efficiency, DOD's point of contact on our LOGCAP work, who is in the Office of the Deputy Under Secretary of Defense for Logistics and Materiel Readiness, told us that the need to address statutory requirements has taken precedence over implementing our recommendation.⁷ Our prior reviews have shown that when commanders look for savings in contract activities, they generally find them. For example, in our 2004 report on logistics support contracts, we reported that U.S. Army Europe's reviews of contract services provided under the Balkans Support Contract resulted in approximately \$200 million in savings, or 10 percent of estimated project costs, by reducing services that were no longer needed and labor costs.
- The second area needing attention is the coordination of contract activities. While AMC is the executive agent for LOGCAP, a number of other DOD components also have important LOGCAP responsibilities, including the combatant commander, individual deployed units, DCMA, and DCAA. The effective and efficient use of the LOGCAP contract depends on the coordinated activities of each of these entities. However, our reports have shown a lack of coordination between the various components, including inadequate planning for the use of the contract, the last-minute renewal of contract task orders, and the absence of customer involvement in monitoring the contractor's performance. This lack of coordination stems from the fact that each DOD component is independent of the others. While AMC has sought to influence the way in which the other components carry out their roles, it does not have command authority over the other components and thus its influence is limited. For example, decisions on the level and frequency of services provided under the contract are the combatant commander's; decisions on the level of staffing and resources allocated to contract monitoring

⁷ DOD is required to issue defense guidance and make a report to the Senate and House Armed Services Committees regarding contractors in Iraq no later than 180 days after the enactment of the National Defense Authorization Act for Fiscal Year 2005. Pub. L. No. 108-375, §§1205 and 1206 (2004).

are DCMA's; and decisions regarding the composition of task orders are the ground commander's.

DOD's ability to coordinate the activities of each component involved in LOGCAP could facilitate finding economies and efficiencies as discussed above, however, no one at DOD has been assigned responsibility for overall leadership in using the contract. Given the billions of additional dollars the Army plans to spend on LOGCAP contract activities, the importance of the contract to the success of current military operations, and the existing command authorities, we believe that high-level oversight and coordination are needed to resolve the coordination issues that we previously cited and to ensure that the contract is being used as efficiently and effectively as possible.

We are recommending that the Secretary of Defense designate a LOGCAP coordinator who would be responsible for ensuring that the contract is being used both effectively and efficiently. We are not suggesting a change in command and control relationships or contractual authority.

In written comments on a draft of this report, DOD stated that it concurred with the report and its recommendations. DOD stated that a recently issued instruction creates the position of Defense Logistics Executive who will be responsible for DOD logistics and global supply chain management, including oversight of logistics support contracts such as the Army's LOGCAP contract. DOD also stated that this executive would advise the Secretary of unresolved differences among the DOD components on how best to use LOGCAP.

Background

Established in 1985, LOGCAP is an Army program that preplans for the use of global corporate resources to support worldwide contingency operations. In the event that U.S. forces deploy, contractor support is then available to a commander as an option. Examples of the types of support available include supply operations, laundry and bath, food service, sanitation, billeting, personnel support, maintenance, transportation, engineering and construction, and power generation and distribution. LOGCAP has been used to support U.S. forces in operations in Somalia, Haiti, and Bosnia and is currently being used to support operations in Afghanistan, Iraq, Kuwait, and Uzbekistan, as well as in other countries. The use of LOGCAP to support U.S. troops in Iraq is the largest effort in the history of LOGCAP.

The LOGCAP contract comprises a series of task orders that commit both the contractor to provide services and the government to pay for those services. Some of the task orders are considered undefinitized contracting actions because the terms, specifications, and price of the task orders are not agreed upon before performance begins. Undefinitized contract actions are used when (1) government interests demand that the contractor be given a binding commitment so that work can begin immediately and (2) negotiating a definitive contract is not possible in sufficient time to meet the requirement. The Defense Federal Acquisition Regulation Supplement (DFARS) requires that undefinitized contract actions must include a not-to-exceed cost and a definitization schedule. DFARS also requires that the contract be definitized within 180 days or before 50 percent of the work to be performed is completed, whichever occurs first. The head of an agency may waive the requirement.

Both LOGCAP and the Balkans Support Contract are cost-plus-award-fee contracts. Cost-plus-award-fee contracts entitle the contractor to be reimbursed for reasonable, allowable, and allocable costs incurred to the extent prescribed in the contract. The advantage of cost-plus-award-fee contracts is that they provide financial incentives based on contractor's performance and criteria stated in the contract. These contracts enable the government to evaluate a contractor's performance according to specified criteria and to grant an award amount within designated parameters. Thus, award fees can serve as a valuable tool to help control program risk and encourage excellence in contract performance. But to reap the advantages that cost-plus-award-fee contracts offer, the government must implement an effective award fee process.

Responsibility for the LOGCAP contract is divided among multiple DOD and service components. AMC is the Army executive agent for LOGCAP, and it has organized the program under its Army Field Support Command (AFSC). According to Army regulation, as the executive agent, AMC is responsible for coordinating LOGCAP requirements (and the requirements of any other AMC umbrella support contracts) with the unified commands, other services, and Army-supported combatant commanders for AMC contractor support. AMC has assigned responsibility for LOGCAP to the commander of AFSC, who has task-organized LOGCAP under three separate offices, all of which report directly to him. These three offices are (1) the LOGCAP Program Manager, (2) the LOGCAP Contracting Office, and (3) the LOGCAP Support Unit. The key contract management roles and responsibilities for these three offices are detailed in table 1, along with the management roles and responsibilities of LOGCAP customers.

Table 1: Key Contract Management Roles and Responsibilities

Customers	LOGCAP Contracting Officer
<ul style="list-style-type: none"> • Develop requirements. • Write statements of work. • Obtain funding. • Monitor contract performance. • Evaluate technical performance. • Provide the award fee board with input. 	<ul style="list-style-type: none"> • Interprets the contract. • Obligates the government for work under the contract. • Delegates contract administration procedures to administrative contracting officers. • Provides the award fee board with input. • Definitizes the task orders.
LOGCAP Support Unit	LOGCAP Program Manager
<ul style="list-style-type: none"> • Serves as the Army interface between the customer and the LOGCAP contractor. • Advises customer of LOGCAP capabilities. • Serves as on-site contracting officer representative as needed. • Deploys worldwide in support of any contingency using LOGCAP. 	<ul style="list-style-type: none"> • Provides LOGCAP central management. • Provides education and training. • Provides plan and budget for program resources. • Prioritizes planning requirements. • Partners with contractor to ensure responsive and flexible support. • Identifies emerging requirements. • Ensures statement of work's execution.

Sources: DOD (data); GAO (analysis).

DCMA also plays a role in overseeing contract activities. When requested by the procuring contracting officer, DCMA monitors a contractor's performance and management systems to ensure that the cost, product performance, and delivery schedules comply with the terms and conditions of the contract. As of November 2004, DCMA had 46 employees in Iraq monitoring multiple DOD contracts, including the LOGCAP contract.

DCAA performs contract audits of the LOGCAP contract and provides accounting and financial advisory services regarding contracts and subcontracts for AFSC. These services are provided in connection with the negotiation, administration, and settlement of contracts and subcontracts.

The Army Has Taken Steps to Improve LOGCAP Management and Oversight

Overall, the Army has taken numerous actions, or is in the process of taking actions to improve the management and oversight of LOGCAP as well as related contracts, based on our earlier reporting. Some of the initiatives the Army has completed or has under way that should contribute to stronger management of LOGCAP include (1) rewriting its guidance, including its field manual for the use of contractors on the battlefield, and its primary regulation for obtaining contractor support in wartime operations; (2) implementing near- and longer-term training for commanders and logisticians; (3) developing a deployable unit to provide training and assistance for commands using LOGCAP; (4) restructuring the LOGCAP

contracting office to provide additional personnel resources in key areas; and (5) eliminating the backlog of contract task orders requiring definitization and conducting award fee boards in order to improve the financial oversight and control of LOGCAP.

Guidance Has Been Rewritten

The absence of guidance on how to effectively use LOGCAP was cited in our 1997 report as an area that needed improvement, and since that time the Army has rewritten two key documents that provide guidance on using LOGCAP. In January 2003, the Army reissued Field Manual 3-100.21, *Contractors on the Battlefield*, and it is currently rewriting Army Regulation 715-9, *Contractors Accompanying the Force*. These documents should significantly improve the supported forces' understanding of the Army policies, responsibilities, and procedures for using contractors effectively on the battlefield. The Army's rewritten field manual provides guidance for commanders and their staff at all levels in the planning, management, and use of contractors in each area of operations, as well as guidance describing the relationship between contractors and both the combatant commanders and the Army's service component commanders. The manual addresses supported forces' roles and responsibilities in planning contractor support; deploying and redeploying contractor personnel and equipment; and managing, supporting, and protecting contractors. It also addresses the planning process and relates the planning for contractor support to the military decision-making process.

The Army's regulation for contractors accompanying the force is still in draft; however, when completed, we believe it will establish Army policy for planning and managing contracted support. According to an information paper on the draft regulation, it proposes significant changes in three areas. The most significant policy change in terms of contract management and oversight is the recommendation that the supported unit (that is, the customer) be responsible for providing day-to-day control of contractors' activities. Contract managers will continue to be responsible for the business aspects of managing the contractor workforce. The other two changes deal with (1) the accountability and support of contractor employees and (2) the medical screening, training, and equipping of contractor employees prior to deployment. An Army official working on the draft regulation said that once the regulation is finalized, the field manual will be revised to incorporate the changes.

Training and Assistance Programs Are Being Developed

Training and assistance programs have been or are being developed to improve the understanding of the contract and how it is managed and controlled. A 1999 initiative was the creation of a deployable unit, known as the LOGCAP Support Unit, to assist commanders in planning for and using the contract effectively. The unit consists of 66 Army Reserve soldiers with specialties in logistics, engineering, quartermaster duties, transportation, and ordinance. Because customers often have little knowledge of contract processes, the unit has developed training materials that address the issues of planning, operational impacts, execution responsibilities, and keys to success. This training addresses preparing statements of work, independent government cost estimates, and the contractor's cost estimates and technical plans and has been presented at the Quartermaster School, the Battle Command Training Program, and DCMA's predeployment training. The LOGCAP Support Unit has also taken steps to increase the size of the unit and improve its training. As we reported in July 2004, the unit was deployed in the early stages of Operation Iraqi Freedom, and when the original members returned home, replacement teams were created and staffed with individuals who had no prior LOGCAP or contracting experience. Since then, the unit has developed a program of instruction to enhance LOGCAP Support Unit members' skills in key areas. As of November 2004, two sessions of the training have been conducted for all members of the unit who are not deployed. The LOGCAP Support Unit has also worked with the LOGCAP Program Manager's office and DCMA to ensure the consistency of information being provided in each office's training.

The LOGCAP Program Manager's office, in conjunction with the LOGCAP Support Unit, has also made efforts to educate the users of LOGCAP services about their responsibilities. When the office has become aware of units preparing for deployment, it has dispatched teams tasked with briefing commanders on the contract and their responsibilities. LOGCAP training has also been presented at senior-level symposiums and made a part of several warfighter exercises.

We did not follow up on DOD's efforts to integrate LOGCAP into professional military education because DOD is in the process of developing a training module that could be utilized by each of the mid- and senior-level service schools.

AFSC Has Restructured the LOGCAP Contracting Office to Provide Additional Personnel Resources in Key Areas

Recently, AFSC restructured the LOGCAP Contracting Office to provide additional resources in key areas. This includes dividing procuring contracting officer functions and contracting branch chief functions as well as establishing definitization and award fee board coordinators. The command also established a Deputy Division Chief position. To assist in the timely resolution of issues in the theater, the command deployed contracting officers to Kuwait and Iraq to establish closer working relationships with commanders and DCMA personnel located there.

AFSC is also in the process of reorganizing its contracting office. In response to an August 2004 memorandum from the Deputy Assistant Secretary of the Army for Policy and Procurement to AMC's Director of Contracting stating that it seemed appropriate to have a member of the Senior Executive Service manage LOGCAP, given its high dollar value, AFSC is in the process of establishing a senior executive position to oversee the AFSC Acquisition Center. A key function of this executive is to provide the AFSC commander with additional leadership and expertise in the LOGCAP arena. The command also established a sustainment branch to develop and implement an acquisition strategy for the follow-on to the LOGCAP contract. This branch will also lead the command's efforts to transition existing LOGCAP work to sustainment contracts.

Improvements Have Been Made in Definitizing Contracts and Conducting Award Fee Boards

In our February 1997 report and again in our July 2004 report, we noted that the Army had not definitized LOGCAP task orders within the time frames prescribed in DFARS. Definitization is the process by which the government and the customer come to agreement or a determination is made on the terms, specifications, and price of the task orders. DFARS requires that undefinitized contract actions be definitized within 180 days or before 50 percent of the work to be performed is completed, whichever occurs first. Definitization is important because until the estimate is formalized, the contractor has no real incentive to control costs, as increased project costs potentially mean a higher project estimate, potentially resulting in a higher award fee. Definitization is also a necessary first step before the Army can conduct award fee boards that evaluate the contractor's performance. In our 2004 report on contracting procedures in Iraq, we recommended that the Army definitize outstanding contracts and task orders as soon as possible.

Progress is being made in definitizing task orders. When we issued our report in July 2004 on the Army's use of LOGCAP to support ongoing

military operations, the Army had definitized only 13 of 54 task orders that required definitization. As of March 2005, the Army had initiated 11 additional task orders (bringing the total to 65 task orders that require definitization) and has completed the definitization on 31 additional task orders (bringing the total to 44). The Army also reports that it will complete definitization of the remaining 21 by March 31, 2005. To help with definitizing the two largest task orders—task order 59, which provides base camp services, accommodations, and life support services at various locations in Iraq, and task order 43, the theater transportation mission—the Army established two special cost analysis teams. These teams are led by senior officials with extensive contracting and negotiating background, augmented by a contractor. In addition, three more teams have been assembled to help definitize the remaining backlogged task orders as well as all newly issued, undefinitized contract actions.

Progress has also been made in conducting award fee boards since our July 2004 report noted that the Army had not yet conducted an award fee board for any of the LOGCAP task orders even though the contract requires an award fee board to be held every 6 months. Award fee boards are a mechanism for the government to evaluate the contractor's overall performance and can serve as a valuable tool to control program risk and encourage the contractor's performance. According to AFSC, 41 undefinitized task orders require award fee boards, and as of mid-March 2005, the Army had conducted award fee boards for 22 of the 41 task orders. It should be noted, however, that the Army converted 12 task orders and plans to convert an additional 3 that required definitization to fixed fee contracts, thereby negating the need to hold award fee boards for these task orders. According to an AFSC contracting official, the decision to convert these task orders was based on a number of factors, including the small size of the task order, the cost to the government to conduct the boards, the Army's ability to acquire meaningful customer participation, and whether performance is complete on the contract. We stated in our July 2004 report that the government may find it difficult to conduct a board that comprehensively evaluates contractor performance because customers have not been documenting their LOGCAP experience.

Enhanced Management and Oversight of LOGCAP Contract Activities Are Needed in Two Areas

While improvements have been made in a number of areas, there are two areas where management and oversight are lacking. First, there is no formal process for seeking economy and efficiency in the use of LOGCAP. In our July 2004 report, we recommended that teams of subject matter experts be created to travel to locations where contractor services are being provided to evaluate the support. DOD concurred with our recommendation. However, as of February 2005, teams had not been created or deployed to review contract activities. Second, there is a lack of coordination of contract activities between all of the LOGCAP parties. AMC is the executive agent for LOGCAP, but several other DOD components also have important LOGCAP responsibilities, and these components must work in coordination with AMC to ensure the contract's effective and efficient use. However, AMC does not have command authority over the other components and, while it has sought to influence how the other components carry out their roles, its influence is limited outside the command. We believe that this dispersed responsibility has led to numerous instances of inadequate coordination, which we have cited in our earlier reports.

Steps Needed to Ensure That Contractors Provide Services in an Economical and Efficient Manner Have Not Been Taken at All Task Order Locations

Our previous work has shown that when government officials (including customers) review a contractor's work for economy and efficiency, savings are generated. For example, U.S. Army Europe's reviews of contract activities under the Balkans Support Contract resulted in approximately \$200 million in savings, or 10 percent of estimated project costs, by reducing services and labor costs and by closing or downsizing camps that were no longer needed. U.S. Army Europe officials told us that our 2000 report on the management of the Balkans Support Contract was a "wake up call" to them to be more engaged in managing the contract. Also, when Marine Corps forces replaced Army forces in Djibouti in December 2002, they took over the responsibility for funding LOGCAP services there. Marine commanders immediately undertook a complete review of the statement of work and were able to reduce the \$48 million task order by an estimated \$8.6 million, or 18 percent. In Iraq, the coalition forces military command reviewed task order 59, change 7 (the task order for life support services in Iraq) and was able to reduce the estimated cost of the task order by over \$108 million by eliminating services and an extra dining and laundry facility. Regularly scheduled reviews of all task orders, however, were not taking place in Kuwait or Iraq, and we recommended that teams of subject matter experts be created to travel to locations where contractor services are being provided to evaluate the support and make

recommendations on (1) the appropriateness of the services being provided, (2) the level of services being provided, and (3) the economy and efficiency with which the services are being provided.

In response to our recommendation, DOD stated that it would issue a policy memorandum that would identify the need to have teams of subject matter experts make periodic visits to evaluate and make recommendations on the logistics support contracts. However, as of February 2005 no policy memorandum has been issued and no teams of subject matter experts have been established or deployed to review contract activities. While DOD continues to agree with our recommendation, its point of contact on our LOGCAP work, in the Office of the Undersecretary of Defense for Logistics and Materiel Readiness, told us that the need to address statutory requirements has taken precedence.⁸ However, some individual efforts have been undertaken to reduce costs but not as part of a formal review process. For example, requests for services costing more than \$50,000 now require a review by a general officer. Also, in December 2004 the commanding general of military forces in Iraq requested that the Army Audit Agency evaluate LOGCAP throughout Iraq to identify fiscal and managerial efficiencies; the effectiveness of contract administration and its impact on cost controls; areas vulnerable to fraud, waste, and abuse; systemic processes and procedures that inherently result in increased costs; and methods for improving the timeliness and accuracy of information presented to assist senior leaders in making timely decisions. He also asked that the Army Audit Agency assess the adequacy of internal controls.

The Coordination of Contract Activities Needs Additional Management Attention

The effective use of the LOGCAP contract largely depends on the combined efforts of a number of separate DOD components, including AMC, the combatant commander, deployed units, DCMA, and DCAA. For example, an AMC pamphlet that provides users with a basic understanding of LOGCAP identifies the responsibility to monitor contractor performance as one that is shared by AMC, DCMA, and the customer.⁹ Altogether, the

⁸ DOD is required to issue defense guidance and make a report to the Senate and House Armed Services Committees regarding contractors in Iraq no later than 180 days after the enactment of the National Defense Authorization Act for Fiscal Year 2005. Pub. L. No. 108-375, §§1205 and 1206 (2004).

⁹ U.S. Army Materiel Command, *AMC Pamphlet 700-30, Logistics Civil Augmentation Program* (January 2002).

pamphlet identifies 22 LOGCAP responsibilities, of which 16 are shared by two or more components. Only six responsibilities are the sole responsibility of one component. As the executive agent for LOGCAP, AMC is responsible for directing the worldwide, regional, and country-specific planning, development, and execution of a LOGCAP contract. However, while AMC has sought to influence the manner in which the other components carry out their roles, AMC does not have command authority over the components, and thus its influence is limited. We believe that this limitation contributes to an overall lack of coordination across the various DOD components that are involved with LOGCAP, and consequently less effective utilization of the LOGCAP contract. For example, we identified the following coordination problems in our previous reports and current work:

- The Army Central Command—the Army command responsible for LOGCAP planning in Iraq and Kuwait—did not follow the planning process described in Army regulations and guidance as it prepared for operations in southwest Asia. While AMC was aware that the Army Central Command’s plan for the use of the contract was not comprehensive, it lacked the authority to direct better planning.
- An acquisition review board in Kuwait was presented with several large preexisting task orders that were to expire within a few weeks, giving the board little time to consider alternatives to LOGCAP or review the requirements to ensure that they did not provide an excessive level of service. Again, AMC was aware that the planning was inadequate but lacked the authority to direct better planning.
- Effective oversight processes were not established by customers at several locations. A senior Army division-level logistician who returned from Iraq in late 2004 told us that there was nothing in the division’s operations orders that identified its responsibilities in managing or overseeing LOGCAP contract activities. Furthermore, the logistician had not seen the contract statement of work that described the division’s requirements nor had he seen the contractor’s technical execution plan that described how the contractor planned to meet the division’s requirements. He also said that the division had not prepared any formal assessment of the contractor’s performance that could be used at award fee boards. AMC has no authority to direct contract oversight by LOGCAP customers.

-
- In our July 2004 report, we discussed a disagreement between the LOGCAP contractor and DCAA involving at least \$88 million in food service charges to feed soldiers in Iraq. This occurred because the Army had defined a population for each base camp in the statement of work and had directed the contractor to feed that number. The actual number of soldiers served, however, was lower than the number specified in the contract for most locations. The contractor requested payment based on the base camp numbers in the contract but DCAA believes that the contractor should have been paid on the basis of the actual number of meals served. These differing views created a billing disagreement. According to the 101st Airborne Division official responsible for coordinating LOGCAP activities in the division's sector in Iraq, the division was not aware of the cost implications of the disparity. He also said that the next higher headquarters for the 101st was not interested in the number of people who were using the dining facility, unless the number exceeded the number contracted for in the statement of work.
 - Information for award fee boards was not systematically collected from some customers, making it difficult to hold a board that could comprehensively evaluate the contractor's performance. Award fee boards can serve as a valuable tool to control program risk and encourage contractors' performance. AFSC recently told us that it had to convert some LOGCAP task orders to cost-plus-fixed-fee task orders partly because it lacked the information to hold an award fee board.

AMC is aware of these problems and has attempted to influence how the other DOD components carry out their roles by deploying personnel to assist the customer in using the LOGCAP contract effectively. However, while AMC can ask the DOD components to carry out their responsibilities, it cannot direct their activities. This affects the extent to which it can control how effectively the contract is utilized. For example, in response to a series of questions we posed to AFSC regarding managing LOGCAP, an AFSC official provided the following examples where it has no ability, or limited ability, to influence contract activities:

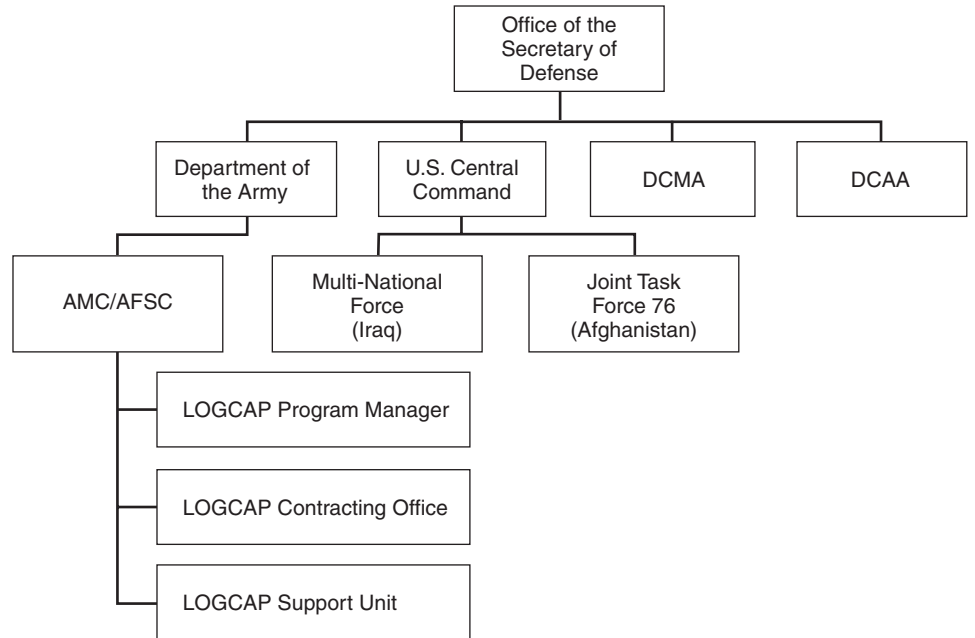
- Decisions on the level and frequency of services provided under the contract are the combatant commanders', based on operational requirements.
- Commanders on the ground ultimately make decisions regarding the composition of task orders and required services based on their operational needs. While AFSC provides input to the planning process,

once the commander on the ground makes a decision, AFSC's mission is to execute that action within established legal, regulatory, and contractual parameters. As an example, an AFSC official said that the command aggressively pursued the reduction of the major task order for services in Iraq (Task Order 59) with the customer. However, the customer's decision was to maintain the task order in its current form with a planned increase in scope for the follow-on effort. Consequently, AFSC will execute the customer's requirement.

- AFSC's procuring contracting officer has the primary responsibility for monitoring the contractor's performance, and DCMA serves as the contracting officer's agent in theater to monitor the performance of the contractor. However, DCMA makes an independent assessment regarding the level of staffing and resources allocated to perform its mission.

AMC's command relationship to the other DOD components is shown in figure 1. As shown, the DOD components with LOGCAP responsibilities have separate chains of command leading to the Secretary of Defense and only the Office of the Secretary of Defense is in a position to exercise overall coordination of the four components.

Figure 1: Organizational Structure for Management of the LOGCAP Contract in Iraq and Afghanistan



Source: DOD.

To address coordination issues between the components, AFSC has focused on training commanders in using the LOGCAP contract effectively and deploying personnel to work with commanders to improve their understanding of contract oversight practices. However, AFSC officials acknowledge that change will be slow because of the turnover of units and personnel in southwest Asia. Given the \$6.8 billion that the Army plans to spend on LOGCAP contract activities in fiscal year 2005, the importance of the contract to the success of current military operations, and the existing command authorities, we believe that more direct oversight and coordination is needed. This oversight would need to be at a level sufficiently high enough to ensure participation in deliberations and vested in an individual with sufficient stature to effectively advocate for the most efficient use of the contract. We are not suggesting a change in command and control relationships or contractual authority. The view that high level oversight and coordination are needed is also shared by the former Deputy Commanding General for Logistics in Iraq, who told us that he believes someone was needed to provide overall coordination for the program and

by a senior AFSC official who told us that there was confusion over program leadership and that there would be value in having someone of general officer stature that could interact with all the DOD components having LOGCAP responsibility to advocate for the most effective use of the contract. In commenting on a draft of this report, the LOGCAP Support Unit commander similarly said that better coordination between the DOD components would improve contract oversight. The commander added that doctrine development and training are a critical part of the solution and that in AMC's current LOGCAP doctrine, there is no "user guide" that addresses user responsibilities in using the LOGCAP contract. Our February 1997 report identified the need for better guidance, and earlier in this report we discussed the Army's ongoing efforts to improve its guidance.

Conclusions

In response to our prior reports, the Army has taken or is in the process of taking steps designed to improve the management and oversight of LOGCAP as well as related contracts and it continues to proactively look for additional areas for improvement. This proactive work includes the recent establishment of a Senior Executive Service position to manage LOGCAP within AFSC. However, many other DOD components have responsibilities under LOGCAP. At the DOD level, no one is in a position to coordinate these components in using the contract. This lack of coordination has resulted in problems in the use of the contract. While we are not suggesting a change in command and control relationships or contractual authority, we believe that establishing a LOGCAP coordinator within DOD with responsibility for coordinating the use of LOGCAP and with the authority to participate in deliberations and advocate for its most effective use has the potential to improve the manner in which LOGCAP is used and managed.

Our July 2004 report recommended that teams of subject matter experts be created to travel to locations where contractor services are being provided to evaluate the support of and make recommendations on the appropriateness of the services being provided, the level of services being provided, and the economy and efficiency with which the services are being provided. We continue to believe that this recommendation has merit and would generate savings.

Recommendation for Executive Action

To make more effective use of LOGCAP we recommend that the Secretary of Defense take the following actions:

- Designate a LOGCAP coordinator with the authority to participate in deliberations and advocate for the most effective and efficient use of the LOGCAP contract. Areas where we believe this coordinator should provide oversight include (1) reviewing planning for the use of LOGCAP to ensure it is in accordance with Army doctrine and guidance; (2) evaluating the types and frequency of services to be provided; and (3) evaluating the extent to which the contract is being used economically and efficiently.
- Direct the coordinator to advise the Secretary of unresolved differences among the DOD components on how best to use LOGCAP, and to report to the Secretary periodically regarding how effectively LOGCAP is being used.

As you know, 31 U.S.C. § 720 requires the head of a federal agency to submit a written statement on the actions taken on our recommendations to the Senate Committee on Government Affairs and House Committee on Government Reform not later than 60 days after the date of this report. A written statement must also be sent to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of this report.

Agency Comments and our Evaluation

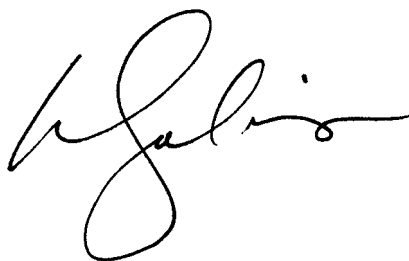
DOD provided written comments on a draft of this report, which were signed by the Acting Deputy Under Secretary of Defense for Logistics and Materiel Readiness. They are included in appendix II. DOD concurred with the report and its recommendations, and described the steps it plans to take to implement our recommendations. Regarding our recommendation that the Secretary of Defense designate a LOGCAP coordinator with the authority to participate in deliberations and advocate for the most effective and efficient use of the contract, DOD stated that it recently issued a new DOD instruction entitled "The Defense Logistics and Global Supply Chain Management System," which identifies the Under Secretary of Defense for Acquisition, Technology, and Logistics as the Defense Logistics Executive; establishes a Defense Logistics Board; and defines the department's logistics and global supply chain management system as including all DOD activities that provide the combatant commanders with materiel support. According to DOD, oversight of logistics support contracts such as the

Army's LOGCAP contract is within the authority and responsibility of the Defense Logistics Executive, and the Defense Logistics Board will include logistics support contracts as part of its mandate to “advise the Defense Logistics Executive on oversight of the Defense logistics and global supply chain management system.” Regarding our recommendation that the coordinator be directed to advise the Secretary of unresolved differences among the DOD components on how best to use LOGCAP, DOD stated that the Defense Logistics Executive, with the advice and assistance of the Defense Logistics Board, would do so.

We are sending copies of this report to the Chairman and Ranking Minority Members, House and Senate Committees on Armed Services; the Chairman and Ranking Minority Members, Subcommittees on Defense, House and Senate Committees on Appropriations; Chairman and Ranking Minority Member, House Committee on Government Reform; and other interested congressional committees. We are also sending a copy to the Director, Office of Management and Budget, and we will make copies available to others upon request. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staff have any questions, please contact me on (202) 512-8365 or by e-mail at solisw@gao.gov. Major contributors to this report are included in appendix III.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'W. Solis', with a large, stylized flourish at the end.

William M. Solis
Director, Defense Capabilities and Management

Scope and Methodology

To determine the actions the Army has taken for improving the management and oversight of the Logistics Civil Augmentation Program (LOGCAP), we met with representatives of the Army Field Support Command's (AFSC) LOGCAP Program Manager, LOGCAP Contracting Office, and LOGCAP Support Unit to gain a comprehensive understanding of the status of efforts regarding the LOGCAP contract, the contract management process, and issues related to using the contract effectively. We drew upon our prior work, including visits to U.S. military sites using the LOGCAP contract in Kuwait and units that had returned from Iraq. Among the units that had returned from Iraq, we met with representatives of the 101st Airborne Division and the 1st Armored Division. We also met with customers who used the LOGCAP contract, including logistics planners from the Army Central Command, who were responsible for planning for the use of LOGCAP in Operations Enduring Freedom and Iraqi Freedom, to discuss their experiences, and with contracting officials within the same command who played a role in contract management and oversight. To identify further opportunities to use the contract effectively, we undertook a number of actions. We interviewed the former Deputy Commanding General for Logistics in Iraq to discuss his experiences in using LOGCAP. We also met with senior logistics officials from U.S. Army Europe who were responsible for the Balkans Support Contract. As we stated earlier in this report, the Balkans Support Contract is similar to the LOGCAP contract and was established in 1997 when there was a change in LOGCAP contractors. The purpose of our visit was to discuss their lessons learned in controlling the Balkans Support Contract and the actions they had taken to improve the overall management of that contract.

We visited or spoke with individuals at the following locations during our review:

Department of the Army:

- Office of the Deputy Chief of Staff-Logistics, Pentagon
- U.S. Army Europe, Heidelberg, Germany
- U.S. Army Central Command (Rear), Fort McPherson, Ga.
- U.S. Army Corps of Engineers—Trans Atlantic Program Center, Winchester, Va.
- 1st Armored Division, Wiesbaden Army Airfield, Wiesbaden, Germany

- U.S. Army Materiel Command, Fort Belvoir, Va.
 - U.S. Army Field Support Command, LOGCAP Contracting Office, Rock Island, Ill.
 - U.S. Army Field Support Command, LOGCAP Program Office, Fort Belvoir, Va.
 - U.S. Army Field Support Command, LOGCAP Support Unit, Fort Belvoir, Va.

We conducted our review from October 2004 through January 2005 in accordance with generally accepted government auditing standards.

Comments from the Department of Defense



DEPUTY UNDER SECRETARY OF DEFENSE FOR
LOGISTICS AND MATERIEL READINESS
3500 DEFENSE PENTAGON
WASHINGTON, DC 20301-3500

MAR 10 2005

Mr. William Solis
Director, Defense Capabilities
and Management
U.S. Government Accountability Office
Washington, D.C. 20548

Dear Mr. Solis:

This is the Department of Defense (DoD) response to the GAO draft report GAO-05-328, "DEFENSE LOGISTICS: High Level DoD Coordination is Needed to Further Improve Management of the Army's LOGCAP Contract," dated February 22, 2005 (GAO Code 350603).

The DoD concurs with the report and the recommendations. Detailed comments on the GAO recommendations are provided in the attachment. The DoD appreciates the opportunity to comment on the draft report.

Sincerely,

A handwritten signature in black ink that reads "Brad Berkson".

Brad Berkson
Acting

Attachment



GAO DRAFT REPORT - DATED February 22, 2005
GAO CODE 350603/GAO-05-328

"DEFENSE LOGISTICS: High Level DOD Coordination is Needed to Further Improve
Management of the Army's LOGCAP Contract"

DEPARTMENT OF DEFENSE COMMENTS
TO THE RECOMMENDATIONS

RECOMMENDATION 1: The GAO recommended that the Secretary of Defense designate a LOGCAP coordinator with the authority to participate in deliberations and advocate for the most effective and efficient use of the LOGCAP contract. Areas where GAO believes this coordinator should provide oversight include: (1) reviewing of plans for the use of LOGCAP to ensure it is in accordance with Army doctrine and guidance; (2) evaluating the types and frequency of services to be provided; and (3) evaluating the extent to which the contract is being used economically and efficiently. (Page 25/GAO Draft Report)

DOD RESPONSE: Concur. The Acting Under Secretary of Defense for Acquisition, Technology and Logistics (USD(AT&L)) signed a new DoD Instruction (DoDI), "The Defense Logistics and Global Supply Chain Management System (DLGSCMS)," on January 19, 2005. This DoDI identifies the USD(AT&L) as the Defense Logistics Executive, establishes the Defense Logistics Board, and defines the DLGSCMS as including all DoD activities that provide materiel support to the combatant commanders. Oversight of logistics support contracts such as Army's LOGCAP contract is therefore within the authority and responsibility of the Defense Logistics Executive. The Defense Logistics Board will include logistics support contracts as part of its mandate to "advise the DLE on oversight of the DLGSCMS and make recommendations for its improvement and maintenance."

RECOMMENDATION 2: The GAO recommended that the coordinator, designated by the DOD, be directed to advise the Secretary of unresolved differences among the DOD components on how best to use LOGCAP, and to report to the Secretary periodically regarding how effectively LOGCAP is being used. (Page 25/GAO Draft Report)

DOD RESPONSE: Concur. The Defense Logistics Executive, with the advice and assistance of the Defense Logistics Board, will do so.

Note: Page numbers in the draft report may differ from those in this report.

GAO Contact and Staff Acknowledgments

GAO Contact

Steve Sternlieb (202) 512-4534

Acknowledgments

In addition to the person named above, Glenn Furbish, Kenneth Patton, Jennifer Thomas, and Earl Williams made key contributions to this report.

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