OFFICE OF THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

IRAQ SECURITY FORCES FUND: WEAK CONTRACT OVERSIGHT ALLOWED POTENTIAL OVERCHARGES BY AECOM TO GO UNDETECTED

SIGIR 10-005
OCTOBER 30, 2009

SIGIR

Special Inspector General for IRAQ Reconstruction

Summary of Report: SIGIR 10-005

Why SIGIR Did this Study

SIGIR conducted this study as part of its efforts to meet a congressional mandate to forensically audit U.S. funds spent on Iraq reconstruction activities. This report examines expenditures on the Global Maintenance and Supply Services (GMASS) contract. This contract supports a Multi-National Security Transition Command-Iraq program to assist the Iraqi Army in developing a self-sufficient logistics capability. This is one of the largest contracts funded by the Iraq Security Forces Fund.

As of September 2009, the U.S. government had obligated more than $683 million and disbursed over $567 million on the GMASS contract. In a prior audit of this contract, SIGIR could not find support in contract documents or other records for all costs charged by the contractor, AECOM Government Services (AECOM). In particular, SIGIR could not reconcile Army and AECOM financial data on repair parts purchases.

SIGIR's reporting objective was to determine whether potential overcharges may have occurred for selected GMASS contract invoices.

What SIGIR Recommends

SIGIR recommends that the Executive Director, U.S. Army Contracting Command direct the GMASS Contracting Officer to:

1. Determine whether the billings and costs questioned by SIGIR should be disallowed and recovered.
2. Initiate an audit of the costs billed under the contract to determine whether additional amounts should be recovered from AECOM for overbillings and unsupported costs on the GMASS contract.

Management Comments

We did not receive comments from the Army Materiel Command in time to include in this report. However, a Command official stated that it intended to provide them soon. Once we receive the comments, we will incorporate them into the final report posted on the SIGIR website.

For more information, contact SIGIR Public Affairs at (703) 428-1100 or PublicAffairs@sigir.mil

IRAQ SECURITY FORCES FUND: WEAK CONTRACT OVERSIGHT ALLOWED POTENTIAL OVERCHARGES BY AECOM TO GO UNDETECTED

What SIGIR Found

The U.S. Army Contracting Command had a process for reviewing invoices for the GMASS contract, and that process improved over time. Nonetheless the Contracting Office lacked sufficient experienced personnel to review invoices thoroughly, leaving the U.S. government vulnerable to undetected overcharges. In particular, invoices reviewed earlier in the contract received less scrutiny than those reviewed later. Once the invoice process was improved, the Contracting Office denied payment of as much as 33% from invoices, compared to only 0.1% from invoices prior to that time.

Moreover, DoD Contracting Office officials stated they did not review AECOM's invoices for the types of potential overbillings SIGIR identified, either before or after they improved their review process. Given the billing issues identified during SIGIR's limited review, the weaknesses in invoice review procedures and the size of the GMASS contract, the U.S. government was highly vulnerable to having paid other questionable costs.

SIGIR's analysis of selected GMASS contract invoices showed AECOM potentially overbilled or cannot support over $4.2 million in costs, or 14% of the $30.6 million examined. Between July 2005 and September 2009, AECOM submitted 139 invoices for payment totaling $567 million. SIGIR examined purchases of vehicle parts totaling $29.9 million on four of these invoices and identified about $4 million in potential overbillings. For example, although the price of a package of 10 common hardware washers was $1.22 after the allowable markup, the contractor charged $196.50 for each package. Other potential overbillings included about $2.1 million for prices above the contractor's cost plus allowable markup, more than $0.3 million for prices above contractually agreed amounts, about $1.4 million for prices above market value, and about $0.2 million in duplicate and triplicate work orders. In addition, AECOM, while providing cost support for 267 transactions, did not provide supporting documentation for 3 requested transactions totaling about $0.2 million.

In commenting on a draft of this report, AECOM provided data showing it had reimbursed the government for about $4 million; however, we were only able to identify $2.4 million of this credit that related to the potential overbillings discussed in this report. Moreover, AECOM's data raised additional questions about its charges. For example, AECOMs invoice that included these credits also contained problems similar to those identified in our review. Regardless of these differences, the absence of a thorough review by the Army Contracting Command and the continuing questions about some costs clearly warrants a comprehensive review of the invoices submitted in support of the GMASS contract.

SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

October 30, 2009

MEMORANDUM FOR COMMANDING GENERAL, MULTI-NATIONAL FORCE-IRAQ
COMMANDING GENERAL, MULTI-NATIONAL SECURITY TRANSITION COMMAND-IRAQ
COMMANDING GENERAL, U.S. ARMY MATERIEL COMMAND
EXECUTIVE DIRECTOR, U.S. ARMY CONTRACTING COMMAND

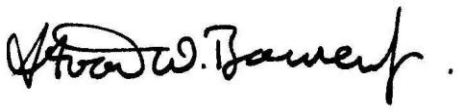
SUBJECT: Iraq Security Forces Fund: Weak Contract Oversight Allowed Potential Overcharges by AECOM to Go Undetected (SIGIR 10-005)

We are providing this report for your information and use. The report discusses contract oversight as well as questionable costs billed by AECOM Government Services. The questionable costs relate to invoices submitted on one of the larger Iraq Security Forces Fund contracts, a Department of Defense contract to provide maintenance and supply services to the Iraqi Army. We performed this audit in accordance with our statutory responsibilities contained in Public Law 108-106, as amended, which incorporates the duties and responsibilities of inspectors general under the Inspector General Act of 1978. This law provides for independent and objective audits of programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Iraq, and for recommendations on related policies designed to promote economy, efficiency and effectiveness and to prevent and detect waste, fraud, and abuse. This audit was conducted as SIGIR project 9022.

We did not receive comments from the Army Materiel Command in time to include in this report. However, a Command official stated that it intended to provide them soon. Once we receive the comments, we will incorporate them into the final report posted on the SIGIR website.

We considered comments from the Chief Operating Officer of AECOM. Those comments are addressed in the report where applicable and that letter is also included in Appendix D. CENTCOM elected not to provide comments on this report. The Multi-National Security Transition Command – Iraq also did not provide comments.

We appreciate the courtesies extended to the SIGIR staff. For additional information on the draft report, please contact Furbish, Principal Deputy Assistant Inspector General for Audits, (703) 604- 1388/ glenn.furbish@sigir.mil or Nancee Needham, Deputy Assistant Inspector General for Audits (Baghdad), (240)-553-0581 Ext. 3793/ nancee.needham@iraq.centcom.mil.



Stuart W. Bowen, Jr.
Inspector General

cc: U.S. Secretary of State
U.S. Ambassador to Iraq
U.S. Secretary of Defense
Commanding General, U.S. Central Command
AECOM Government Services

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Iraq Security Forces Fund: Weak Contract Oversight Allowed Potential Overcharges by AECOM to Go Undetected

SIGIR 10-005 **October 30, 2009**

Introduction

As of September 2009, the Army Materiel Command has obligated over $683 million on the Global Maintenance and Supply Services (GMASS) contract for activities in Iraq. This contract supports Department of Defense maintenance activities for the U.S. Army, Iraqi Army and Afghan Army. The Multi-National Security Transition Command-Iraq (MNSTC-I), using the Iraq Security Forces Fund, issued task orders for a program to assist the Iraqi Army in developing a self-sufficient logistics capability. In the course of prior reporting on the GMASS contract, SIGIR could not find support in contract documents and other records for some of the costs charged by the contractor, AECOM Government Services (AECOM).[1] In particular, SIGIR reviewed financial data on repair part purchases from the Army and AECOM but could not reconcile the data. SIGIR initiated this review to determine whether adequate support existed for amounts billed by AECOM for some of those repair parts.

Background

The GMASS contract is a cost plus fixed fee contract[2] that was awarded to AECOM in October 2004 by the Army Field Support Command's Rock Island Contracting Center.[3] The contract has six task orders to provide support to the U.S. Army, Iraqi Army, and Afghan Army. This report addresses the three task orders that support MNSTC-I's efforts to develop an independent logistics and maintenance capability in the Iraqi Army—Task Orders 3, 5, and 6. Work began on Task Order 3 in May 2005. According to Army Contracting Command records, as of September 2009, $567 million had been disbursed to AECOM for Iraq-related GMASS task orders. See table 1 for a description of GMASS Iraq-related task order activities, obligations and disbursements.

[1] *Security Forces Logistics Contract Experienced Certain Cost, Outcome, and Oversight Problems* (SIGIR 09-014) April 26, 2009

[2] While task orders three, five and six are cost plus fixed fee, individual contract line items have differing cost types including cost plus fixed fee, cost reimbursement, and cost only. Repair part line items in particular are cost reimbursement, where their markup is included in its proposal and incorporated into the contract, according to the contractor.

[3] The Rock Island Contracting Center is now part of the Army Contracting Command under the Army Materiel Command.

Table 1—Total GMASS Contract Obligations and Disbursements for Work in Iraq ($ Millions)

Task Order	Required Work	Start/End Date	Obligations	Disbursements
3	• Establish 10 maintenance facilities • Provide maintenance training for Iraqi Army • Develop a repair parts supply system • Repair and maintain Iraqi military vehicles	May 2005 – June 2007	$354	$353
5	• Continue requirements from task order 3	June 1, 2007 – Nov 30, 2009 (scheduled)	213	174
6	• Refurbish 8,500 High Mobility Multipurpose Wheeled Vehicles	Jan 7, 2008 – Oct 8, 2009	116	40
	Total		**$683**	**$567**

Source: Contracting Office at Rock Island Contracting Command, as of September 25, 2009

While preparing the winning proposal, AECOM partnered with Anham, LLC (Anham), its first tier subcontractor. According to contracting and MNSTC-I officials, Anham had the capability to obtain foreign military vehicle parts needed to repair and maintain Iraq's military vehicles, as well as the capability to recruit experienced Iraqi mechanics. SIGIR reviewed four AECOM invoices that cover March, April and September 2006 as well as April 2008. Over 93% of the costs billed on those invoices was for work performed by Anham.

In this report, SIGIR identifies instances where the contractor potentially overbilled or could not support certain costs under the GMASS contract. Only the Contracting Officer has the authority to recover any improper payments.

Objective

SIGIR's prior work on the GMASS contract raised concerns about the support for costs charged by the contractor. SIGIR's reporting objective was to determine whether potential overcharges may have occurred for selected GMASS contract invoices.

For a discussion of the audit scope and methodology and a summary of prior coverage, see Appendix A. For a list of acronyms used, see Appendix B. For the audit team members, see Appendix C. For AECOM's comments, see Appendix D. For the SIGIR mission and contact information, see Appendix F.

Weak Contract Oversight Allowed Certain Questionable Costs to Be Paid

SIGIR's review of a selected number of AECOM invoices raises questions about the appropriateness of about $4.2 million in costs paid under the GMASS contract, or 14% of the $30.6 million examined.[4] The U.S. Army Contracting Command had a process for reviewing GMASS invoices, and that process improved over time. However, the Contracting Office lacked sufficient experienced personnel to review invoices thoroughly, leaving the U.S. government vulnerable to being overcharged. In particular, invoices reviewed earlier in the contract received less scrutiny than those reviewed later. Between July 2005 and September 2009, the GMASS contractor submitted 139 invoices for payment totaling $567 million. SIGIR examined part purchases on four of those invoices valued at $29.9 million and identified what appears to be about $4 million in potential overbillings. Separate from the potential overbillings, AECOM, while providing SIGIR most requested support, did not provide cost documentation for three transactions totaling about $0.2 million.

Contracting Office Performed Inadequate Review of Invoices

According to officials at the Army Contracting Command, throughout the AECOM contract only one staff position was allocated to reviewing AECOM's invoices. According to Contracting Office officials, this was too much work for one person given the size and complexity of the contractor's invoices. For example, one invoice was about $24 million and contained over 11,000 line items for parts alone. Other cost categories the Contracting Office had to verify included labor, transportation, facility upgrades, hazardous waste disposal, and freight, all of which was reviewed monthly. In addition, Contract Specialists changed over time, and each person devised his or her own review process.

The Contract Specialist reviewing invoices from May 2005 to February 2008 had little experience and had to learn the review process on the job. Consequently, while the Contracting Office reviewed every GMASS invoice prior to approval, review quality was initially poor, according to Contracting Office officials. This was particularly true for invoices 1 to 18 of Task Order 3. Starting with invoice 19 in September 2006, the Contracting Office intensified its review process. At that point, the office also conducted a second review on invoices 1 to 18 to catch any errors missed the first time. However, based on the Command's results from the two reviews and SIGIR's analysis, it does not appear the level of review was as thorough for invoices 1 through 18 as it was for the later invoices. As shown in Table 2, the Contracting Office denied payment of as much as 33% from invoices submitted after the improved review process, compared to only 0.1% from invoices prior to that time. Prior to the second review of the earlier invoices, no invoice cost had been questioned.

[4] Actual total of questioned costs is $4,281,924.66.

Table 2—Invoice Reductions Before and After Contracting Office Intensified Review Process ($ Millions)

Invoice Review	Invoice	Initial Invoice Amount	Amount Decreased Upon Review	Percent Decreased
Less Thorough[a]	1-18	$192	$0.27	**0.1**[b]
More Thorough	19	$29.5	$6.4	**22**
	20	$7.5	$2.5	**33**
	23	$6.7	$0.7	**10**

[a] The Contracting Office's Contract Specialist conducted a second review of invoices 1 to 18. The second review resulted in $261,384.07 being denied for payment from those invoices.
[b] AECOM officials stated that they credited to the U.S. government an additional $3.7 million for erroneous billings that Anham later identified. According to AECOM, some of these credits involved invoices 1-18.

Source: SIGIR Analysis of Contracting Office data, and interviews with Contracting Personnel, as of September 2009

DoD Contracting Office officials stated they did not review AECOM's invoices for the types of overbillings SIGIR identified, either before or after they improved their review process.

SIGIR Identified $4 Million in Potential Overbillings

SIGIR analyzed part purchases on invoices 9, 10, and 19 from Task Order 3, and invoice 37 from Task Order 5, valued at approximately $29.9 million. To maximize coverage and to review a cross-section of goods and services provided by AECOM, we selected the three largest invoices from task order 3 and the largest from task order 5. SIGIR's analysis of these four invoices identified what appeared to be about $4 million in potential overbillings, including about

- $2.1 million for prices above the contractor's cost plus allowable markup,
- $0.3 million for prices above contractually agreed prices,
- $1.4 million for prices above market value,
- $0.2 million in duplicate and triplicate work orders.

In addition to the potential overbillings, AECOM was unable to provide SIGIR with cost documentation for three transactions totaling about $0.2 million.

AECOM's response to a draft of this report questioned the accuracy of our analysis and stated that the company had reimbursed the government for the overbillings we are questioning. AECOM provided an invoice showing about $4 million in credits for a variety of parts; however, we were only able to identify $2.4 million of this credit that related to items discussed in our review. At the same time, AECOM's invoice that included these credits also contained many of the same problems identified in this report, including potential overbillings and duplicate charges. Regardless of these differences, the absence of a thorough review by the Army Contracting Command and the continuing questions about some costs clearly illustrate the need for a thorough review of the invoices submitted in support of the GMASS contract.

Billing Above Cost Plus Allowable Markup

On the four invoices examined, SIGIR identified about $2.1 million that AECOM billed above its cost plus allowable markup.[5] AECOM's subcontractor, Anham, purchased spare parts to repair Iraqi Army vehicles and to stock the Iraqis' parts warehouse. According to AECOM officials, at varying points in the contract Anham was contractually allowed to charge between 18.27% and 22.3% above its cost for each part it purchased. However, during our review, we identified 17 items for which Anham charged prices above the cost plus allowable markup.[6] AECOM then passed these charges on to the U.S. government. For example, AECOM billed the U.S. government $25.00 for a liter of coolant that cost the contractor $2.16, and thus should have been billed at $2.64 after the allowable maximum markup.[7] This resulted in $1.7 million in potentially overbilled coolant costs for the four invoices. As another example, AECOM billed the U.S. government between $102 and $190 per tire for tires that should have been billed at $85.61 after the allowable markup. As a result, the U.S. government was potentially overbilled $101,834 for the four invoices. As another example, although the price of a package of 10 common 7/16" hardware washers was $1.22 after the allowable markup, the contractor charged $196.50 for each package, or $19,650 for 100 packages. Table 3 shows the potential overcharges SIGIR identified. Based on the results of our review and Contracting Office officials' statements that their voucher reviews did not analyze whether AECOM charged above allowable rates for parts, other overbillings would not have been detected.

Figure 1—7/16" Flat Hardware Washer Billed at $196.50 for Package of 10

Source: Washer specifications, descriptions and unit of measure provided by AECOM officials. Photograph of like-kind washer provided by SIGIR.

[5] For a detailed Scope and Methodology, see Appendix A.
[6] Our dataset for this analysis was selected transactions for which we requested third-party invoices, but for which AECOM had not submitted a price in one of their proposals.
[7] The contractor's price came from AECOM's third-party invoices; $2.64 is the price the contractor paid to its supplier plus a 22.3% allowable markup.

Table 3—AECOM Billing Above Cost Plus Allowable Markup

Item	Unit of Measure	Unit Cost Plus Allowable Markup[a]	Unit Price Billed by AECOM[b]	Percent Over Allowable Price[c]	Total Potential Overbilling[d]
Coolant/anti-freeze	Liter	$2.64	$25.00	846	$1,727,712.45
Engine Oil, 20W-50	Liter	1.64	3.00	83	137,427.46
Tire, 225 / 75R -16	Each	85.61	102.00 - 190.00	19 – 122	101,834.12
Measuring Gauge	Set	1.22	118.50	9,589	29,319.25
Flat Washer 7/16"	Package of 10	1.22	196.50	15,967	19,527.70
Side Rod Assembly	Each	61.15	405.00	562	17,192.50
Side Mirror	Each	14.68	237.00	1,514	11,116.20
Fuse	Each	0.45	10.00	2,080	8,997.52
Head Lamp, Left Hand	Each	68.49	187.50	174	7,259.73
Engine IVECO	Each	7,949.50	9,750.00	23	7,202.00
Oil Filter	Each	4.89	4.95 - 18.00	1 – 268	4,546.55
Truck Air compressor	Each	794.95	838.50	5	4,137.25
Tire, 14.00 -20 12-Ply	Each	642.08	677.25	5	3,025.05
Steering Gear Assembly	Each	703.23	862.50	23	2,229.85
Engine	Each	8,316.40	10,200.00	23	1,883.60
Fuel Pump	Each	849.01	890.00	5	1,680.73
Alternator	Each	694.05	702.57 - 732.08	1 – 5	1,265.90
Total					**$2,086,357.86**

[a] According to AECOM officials, the contractor's allowable markup was between 18.27 % and 22.30 % above cost on each part purchased. These figures represent Anham's cost, plus a 22.3 % markup.
[b] Reflects the amount billed by the contractor.
[c] Reflects the percentage over the allowable cost that AECOM billed.
[d] Totals represent the difference between AECOM's allowable cost, and the price billed by the contractor multiplied by the units delivered for the invoices SIGIR analyzed.

Source: SIGIR Analysis of four AECOM and Anham invoices, as of October 2009

Billing Above Contractually Agreed Upon Prices

On the four invoices examined, SIGIR identified more than $332,000 AECOM billed that appeared to exceed contractually agreed upon prices, as identified by the contractor.[8] During the contract bidding process, AECOM submitted proposals stating how and at what price it intended to perform specific tasks. According to the contractor, these proposals and prices were included as a part of the contract. Two such proposals provided to SIGIR by the contractor included prices for certain vehicle parts. SIGIR identified instances where AECOM billed above these agreed prices. For example, AECOM billed $29.60 each for oil filters that had an agreed price of $14.80 each—100% over the allowable rate. When multiplied by the total units purchased on the four invoices, that one item resulted in over $43,000 in potential overbillings. Moreover, due to a lack of detailed invoice and proposal data, SIGIR could not match some invoice billings to the contractually agreed-to rates. This situation creates further concern about the extent to which billing amounts potentially exceeded agreed-to prices. Table 4 lists 11 of the highest dollar examples SIGIR uncovered.

[8] For a detailed Scope and Methodology, see Appendix A.

Table 4—AECOM Billing Above Contract Prices

Item	Unit of Measure	Contractually Agreed Unit Price	Unit Price Billed by Contractor[a]	Percent Over Contract Price	Total Potential Overbilling[b]
BMP-1 Track Vehicle SPTA Kit	Each	$23,813.13	$25,188.90	6	$151,334.70
UAZ Oil Filter	Each	14.80	29.60[c]	100	43,557.24
T-55 Track Vehicle Engine	Each	34,535.54	36,529.89	6	41,881.35
Grease, Automotive A	1 lb tube	2.64	9.00	241	21,585.84
BMP-1 Track Vehicle Engine	Each	31,954.29	33,800.12	6	20,304.13
GAZ/Ashok Leyland Ignition Switch	Each	11.65	45.00	286	$18,209.10
T-55 Track Vehicle Gearbox	Each	17,317.29	18,318.15	6	12,010.27
UAZ Oil Pump	Each	533.06	1,066.12	100	7,462.84
BMP-1 Track Vehicle Transmission	Each	21,470.82	22,711.54	6	7,444.32
T-72 Track Vehicle Swing Frame	Each	27,048.06	28,611.00	6	4,688.82
MTLB Track Vehicle SPTA YMZ-238 Engine	Each	15,353.11	15,997.85	4	3,868.44
Total					**$332,347.05**

[a] Reflects the amount billed by the contractor.
[b] Represents the differences between the contractually agreed prices and the prices billed by the contractor, multiplied by the units delivered for the four invoices SIGIR analyzed.
[c] 2,943 units were invoiced at $29.60; 4 units were invoiced at $15.01.

Source: SIGIR Analysis of four AECOM and Anham invoices, as of October 2009

Billing Above Reasonable Market Rates

On the four invoices analyzed, SIGIR identified about $1.4 million that AECOM potentially overbilled by not charging reasonable market prices for goods. According to the Federal Acquisition Regulation, contractors are required to charge the U.S. government reasonable prices for goods and services.[9] However, AECOM did not always charge reasonable, competitive prices. For example, the contractor billed $210.00 each for inner-tubes that SIGIR identified on the open market priced at $19.70 each.[10] After adding the allowable markup, AECOM billed 772% over the market rate. This amounted to about $103,000 in potential overbillings. Since Contracting Office officials stated that they never verified part prices at any point during the contract invoice review process, the invoices paid were vulnerable to overcharges. Table 5 lists 12 potential overbillings SIGIR identified.

[9] FAR 31.201-3(a) "A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person in the conduct of competitive business."

[10] For each selected item, we conducted market research to find prices for like items. To do so, we searched three sources: (1) FEDLOG, the U.S. government's parts pricing catalogue, (2) the U.S. Tank and Automotive Command's parts database or (3) the internet. To match like items, we used the manufacturer, model number, part description, or manufacturer's part numbers. For parts found in FEDLOG we used federal stock numbers. AECOM billed freight separately, so transport and shipping are not included in these prices. If prices were found in multiple sources, SIGIR used the highest price found. For a more detailed scope and methodology, see Appendix A.

Table 5—AECOM Billing Above Market Prices[a]

Item	Unit of Measure	Market Unit Price Plus Allowable Markup[b]	Unit Price Billed by Contractor[c]	Percent Over Market Price	Total Potential Overbilling[d]
KRAZ, Tire, 1300x530x533	Each	$195.68	$675.00	245%	$1,309,981.56
Ashok Leyland, Innertube, 825xR20	Each	24.09	210.00	772	102,620.61
Chevrolet, LUV - Engine	Each	8,459.30	19,200.00	127	10,740.70
Ford - 350, Engine	Each	12,180.87	21,148.98	74	8,968.11
Chevrolet, LUV, Transfer Gear	Each	4,505.03	10,500.00	133	5,994.97
M1114, Engine	Each	12,108.92	15,028.50	24	2,919.58
M35, Pump Fuel, 2910001168241	Each	1,789.98	3,541.20	98	1,751.22
Ford - 350, Starter	Each	467.58	186.57 - 1812.77	60 - 288	1,331.51
Ford - 350, Fuel Pump	Each	266.96	584.62	119	1,270.65
Chevrolet, Support Head Lamps	Each	391.04	495.00	27	935.62
Ford - 350, Alternator	Each	393.49	747.77	90	354.28
M1114, Differential Gear Unit	Each	684.32	1,005.75	47	321.43
Total					**$1,447,190.24**

[a] AECOM billed freight separately, thus transport and shipping costs are not included in these prices.
[b] The contractor charged an allowable markup of 18.27 to 22.30% on each part purchased. These figures represent the market price, plus a 22.3% markup.
[c] Prices reflect the amount billed by the contractor.
[d] Totals represent the difference between the market price plus allowable markup, and the price billed by the contractor, multiplied by the units delivered for the four invoices SIGIR analyzed.

Source: SIGIR Analysis of four AECOM and Anham invoices, as of October 2009

Duplicate and Triplicate Work Orders

On invoice 9, AECOM potentially overbilled about $177,000 in duplicate and triplicate work orders out of the $1.1 million in work orders we analyzed.[11] Specifically, SIGIR's analysis of invoice 9 found over 200 instances where specific parts, ordered for a specific vehicle, were double- and triple- billed. In one case, AECOM charged for 3 windshields, 12 headlamps, and 3 batteries for the same Nissan vehicle, on the same day. According to an Anham official, starting with invoice 10 part procurement activity was combined, making it impossible to invoice by

[11] For a detailed Scope and Methodology, see Appendix A.

work order numbers or vehicle identification numbers. Consequently, we were unable to perform this same analysis for invoice 10, which contained more than four times as much in local purchase work orders as invoice 9.

Contractor Was Unable to Provide Invoices for Selected Costs

SIGIR requested that AECOM provide documentation for 270 part transactions and labor charges totaling $10.4 million. AECOM provided documentation for 267 transactions but did not provide documentation for three transactions.[12] Specifically, SIGIR requested AECOM provide the following:

- Third-party invoices and proof of delivery for 163 part purchases valued at over $9.7 million. AECOM was unable to provide invoices for 3 part purchases valued at $239,142.
- 107 timesheets, all of which AECOM provided.

None of the $239,142 in part transactions are counted in other SIGIR questionable costs categories, and thus should be considered additional questioned costs.

AECOM Credit for Acknowledged Billing Errors Raises Further Questions

AECOM officials indicated that billing errors occurred early in the contract and that they credited about $4 million back to the U.S. government as an adjustment. SIGIR's analysis found that about $2.4 million of the overcharges we identified are covered by these credits. Additionally, AECOM's invoice that included these credits also contained $5.3 million in additional charges. SIGIR's review of these charges identified problems similar to those in our original review including about $39,000 in billings above the contractor's cost plus allowable markup, $239,000 in billings above contractually agreed rates, and $426,000 above market rates. For example, a credit appears on AECOM's invoice for the previously noted coolant overbilling, which the contactor billed at $25.00 per liter when it should have billed at $2.64, but then raises the cost for coolant to $58.56 per liter in an additional charge. We also identified seven part charges that appear to have been billed on a previous invoice. For example, we identified a charge for a clutch assembly with the same delivery location, delivery date, part number, part description and quantity delivered as one from April 2006. Consequently, since AECOM's $4 million credit was combined with questionable charges from the $5.3 million, SIGIR cannot verify the U.S. government received a full credit for prior overbillings.

SIGIR recognizes that there are unresolved questions about the costs charged under the GMASS contract. However, given the review problems identified earlier in this report, and the continuing questions about some charges, we believe that a more comprehensive review is warranted.

[12] After multiple iterations of document requests, AECOM stated that they had provided all requested documentation. Despite these assertions, our review showed documentation was not provided for three transactions.

Conclusions and Recommendations

Conclusions

Inadequate numbers of experienced oversight personnel at the Rock Island Contracting Center left the U.S. government vulnerable to being overcharged under the GMASS contract. While the Contracting Office reviewed every invoice submitted for payment and made efforts to correct earlier, inadequate reviews, the lack of sufficient numbers of experienced personnel doing this work created a control environment that was highly vulnerable to paying undetected overbillings on invoices. SIGIR's work illustrates this risk by indentifying about $4.2 million in potential overbillings to AECOM under the GMASS contract. The problems identified during SIGIR's limited review indicate that the potential exists for substantial undetected overpayments on this contract, for which $567 million has been disbursed.

Recommendations

SIGIR recommends that the Executive Director, U.S. Army Contracting Command direct the GMASS Contracting Officer to:

1. Determine whether over $4.2 million in billings and costs questioned by SIGIR should be disallowed and recovered.[13]
2. Initiate an audit of the costs billed under the contract to determine whether additional amounts should be recovered from AECOM for overbillings and unsupported costs on the GMASS contract.

[13] SIGIR will make our detailed working paper documentation available to the contracting officer as needed.

Management Comments and Audit Response

We did not receive comments from the Army Materiel Command in time to include in this report. However, a Command official stated that it intended to provide comments soon. Once we receive the comments, we will incorporate them into the final report posted on the SIGIR website.

AECOM Comments and Audit Response

AECOM's response to a draft of this report questioned the accuracy of our analysis and stated that the company had reimbursed the government for the overbillings we are questioning. AECOM provided an invoice showing about $4 million in credits for a variety of parts; however, we were only able to identify$2.4 million of this credit that pertained to the overbillings found in our review. At the same time, AECOM's invoice that included these credits also contained many of the same problems identified in this report, including potential overbillings and duplicate charges. Regardless of these differences, the absence of a thorough review by the Army Contracting Command and the continuing questions about some costs clearly illustrate the need for a thorough review of the invoices submitted in support of the GMASS contract.

Appendix A—Scope and Methodology

Scope and Methodology

In June 2009, the Special Inspector General for Iraq Reconstruction (SIGIR) initiated project 9022 to examine contractor billing practices under the Global Maintenance and Supply Service (GMASS) contract. SIGIR's reporting objective was to determine whether potential overcharges may have occurred for selected GMASS contract invoices. This audit was performed by SIGIR under the authority of Public Law 108-106, as amended, which also incorporates the duties and responsibilities of inspectors general under the Inspector General Act of 1978. SIGIR conducted its work during June through October 2009 in Baghdad, Iraq.

We also interviewed and requested documentation from responsible officials including the Contracting Office, the Multi-National Security Transition Command-Iraq, and the contractor. Documents requested include copies of AECOM and Anham invoices, vendor invoices and receiving documents, employee timesheets, correspondence between contracting officials and the contractor, contractor proposals, contract and task order documents, current obligations and disbursements, Contracting Office adjustments to AECOM invoices, and other invoice-related documentation.

To determine the propriety of the GMASS contractor's invoices, SIGIR judgmentally selected four AECOM invoices to analyze in detail—invoices 9, 10, and 19 from Task Order 3, and invoice 37 from Task Order 5. These four invoices total $78.6 million, 13.9% of the 139 invoices submitted for $567 million between July 2005 and September 2009. To maximize coverage and to sample a cross-section of goods and services, we selected the three largest invoices from task order 3 and the largest from task order 5.

To determine the adequacy of the contractor's supporting documentation, we judgmentally selected the largest line items from each of our four selected invoices. We focused on areas that appeared to be deficient based on SIGIR's prior data request, including parts purchases and the purchases of repair and maintenance equipment. We then requested the contractor provide a list of all cost elements that made up each line item. From those listings we judgmentally selected 222 part purchases and 107 timesheets for in-depth review as well as other cost categories. We then requested the contractor supply supporting documentation adequate to demonstrate that costs claimed had been incurred. In particular, we requested independent, third-party invoices and receiving documents. Upon receiving the contractor's documentation we narrowed our scope to parts purchases and timesheets. In addition, after making our transaction selections we discovered that the version of invoice 19 the contractor sent to us included parts purchases that the Contracting Office refused to pay. At that point, we requested the contractor send us the final version of invoice 19. After subtracting out items that were never paid from invoice 19, we selected 163 individual purchases of parts for review. We then reviewed all documentation and compared it to AECOM's and Anham's invoiced amounts. If we could not match supporting documentation to the invoiced transaction, we considered that transaction to be missing adequate support.

To determine what documentation the contractor was required to maintain and submit we reviewed the contract, task orders, contractor proposals, and modifications to the contract. We also reviewed relevant sections of the Federal Acquisition Regulation and Defense Federal Acquisition Regulation, which discuss the sufficiency of documentation contractors are required to maintain and have available for audit.

To determine whether the contractor billed above the allowable markup we analyzed a sample selection of 163 part purchases. From this list we separated out the 73 purchases where the contractor indicated they were obligated to pay the contractually agreed price. This left us with a data set of 90, for which we reviewed third-party invoices. We then identified 17 of these transactions where Anham charged beyond their maximum allowable markup of 22.3% and calculated the difference. To get a total potential overbilling amount, we calculated the total units received for each item across all four invoices we analyzed, and multiplied by the difference between the invoiced price and the allowable markup.

To determine whether the contractor billed above contractually agreed-to prices we analyzed our sample selection of 163 part purchases. From this list we separated out 73 purchases where the contractor identified they were obligated to pay a contractually agreed price. We also judgmentally selected an additional 10 transactions from all four selected invoices, based on high unit price and total transaction price. We then sorted this dataset based on high unit price and total transaction price. Starting with the highest value items, we compared transactions from this dataset against proposal prices provided by the contractor. We could not find many of these transactions in the contractor's proposals. For those we could conclusively identify, and for which there was a significant variance between the invoiced price and the contract price, we calculated the variance. To get a total potential overbilling amount, we then calculated the total units received for each item across all four invoices we analyzed, and multiplied by the difference between the invoiced price and the contract price.

To determine whether the contractor was billing above market rates, we judgmentally selected part purchases from our four selected invoices. Specifically, we examined lists of part purchases provided with AECOM's invoices and sorted these lists according to unit price and total purchase price. From this list we judgmentally selected transactions that appeared to have exceptionally high unit prices. For each selected item, we conducted market research to find prices for like items. To do so, we searched three sources: (1) FEDLOG, the U.S. government's parts pricing catalogue, (2) a contract parts database from the U.S. Army Tank and Automotive Command and (3) sources publicly available on the internet. To match like items, we used the manufacturer, model number, part description, and manufacturer's part numbers. For parts that could be found in FEDLOG, we used federal stock numbers. In addition, the contractor charged the U.S. an allowable markup of between 18.27% and 22.30% on each part. Thus, we added a 22.3% markup to each market price before comparison. AECOM billed freight separately, so transport and shipping is not included in these prices. If prices were found in multiple sources, SIGIR used the highest price found. When using publicly available sources, such as authorized Nissan or Ford parts distributors, SIGIR took the highest open market price found. This provided us with the most conservative estimates of potential overbilling. For many parts, we could not firmly identify a comparable market price. For example, many contractor parts came from military suppliers in Eastern Europe; however, we were able to analyze prices only from readily-available western suppliers.

The audit was conducted 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Use of Computer-processed Data

We did not use data from computer-based systems to perform this audit. We used financial data provided by contracting personnel to achieve the audit's objective. SIGIR determined that this data was the best available for purposes of our review.

Internal Controls

We identified and reviewed internal controls related to the oversight and approval of contractor invoices at Rock Island Contracting Center. Specifically, we reviewed the Contracting Office's processes and procedures for reviewing invoiced transactions for the GMASS contract. We did not review the contractor's internal or management control procedures. Rather, we analyzed selected invoices for indications of potential overbilling. We presented the results of our review in the body of this report.

Prior Coverage

We reviewed the following report by SIGIR.

Special Inspector General for Iraq Reconstruction

Security Forces Logistics Contract Experienced Certain Cost, Outcome and Oversight Problems, SIGIR 09-014, 4/26/2009.

Appendix B—Acronyms

Acronym	Description
AECOM	AECOM Government Services
GMASS	Global Maintenance and Supply Services
MNSTC-I	Multi-National Security Transition Command-Iraq
SIGIR	Special Inspector General for Iraq Reconstruction

Appendix C—Audit Team Members

This report was prepared and the audit conducted under the direction of David R. Warren, Assistant Inspector General for Audit, Office of the Special Inspector General for Iraq Reconstruction.

The staff members who conducted the audit and contributed to the report include:

William Bedwell

Wilson Haigler

Richard Kusman

J.J. Marzullo

Hayden Morel

Nancee K. Needham

Norris W. Smith III

Jack Van Meter

Appendix D—AECOM Comments

AGS | AECOM

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Chief Operating Officer

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October 25, 2009

Nancee K. Needham
Special Inspector General for Iraq Reconstruction
Deputy Assistant Inspector General for Audit
Baghdad, Iraq

Dear Ms. Needham:

Thank you very much for the opportunity to review the draft of SIGIR Report 10-005, Iraq Security Forces Fund: Weak Contract Oversight Allowed Potential Overcharges by AECOM to Go Undetected. I believe that the investigators will concur that both AECOM and ANHAM were especially cooperative and proactive in providing all information requested. We established a special FTP site to upload the documents and by our count, there are approximately 400,000 pages of documents comprising nearly 30 GB of information. Our team actively engaged with the auditors to provide timely information at every turn and provided complete transparency into the program documentation.

In our zeal to provide information, it appears from the draft audit report that we may have overloaded the capacity to accurately analyze the information provided. We found that we frequently resubmitted the information or reformatted it at the request of the auditors to ensure that they had the data they needed to make an accurate report. As you can imagine, we are quite sensitive to any adverse publicity about our companies' support to the war effort. We have been diligent since contract inception to adapt to changing requirements and establishing a verifiable audit trail of all charges. Therefore, we must take exception to the report's tone that implies a willful intent to overcharge the USG. Likewise, we believe that it unfairly criticizes the contracting staff at Rock Island Contracting Center (RICC). This staff responded to the urgent requirements of the war effort by accepting contracting responsibility for this program when no other agency had the capacity or capability to respond, even though it was not within the scope of the Army Sustainment Command mission at the time. The office was under extreme stress for resources, but worked tirelessly to do what ever was required. They requested DCMA assistance for contract administration and were denied because of workload. At the most extreme point, the PCO was deployed to Afghanistan to be the ACO on a GMASS task order there, but maintained PCO and ACO responsibility for this task order because no one else was available. The contracting specialist that is criticized in the report is likewise among the most capable and diligent person we have ever encountered in administration of a fast moving, complex program. Prior to her reassignment, she established the necessary audits that resulted in the credit invoice to the government that SIGIR discredits or ignores. The RICC staff was the only constant oversight as MNSTC-I staff rotated through assignment to this contract with little contracting experience or COR training. Rather than be criticized, the RICC should be praised for their contribution to the war effort, establishing a maintenance capability for the Iraqi Army, and finally, for their contract administration.

SIGIR's flawed analysis is a result of the impractical audit methodology used by SIGIR to make rushed conclusions on hundreds of thousands of billing line items that were reviewed remotely. Further, as a result of the scrutiny of invoices, it is now apparent that we **over-credited the USG** and are due $268,000.75 as supported in the attachment. Most disturbing is that SIGIR is suggesting that AECOM inappropriately benefitted from the processes. First, all repair parts provided on this contract are **NON-FEE BEARING** to AECOM – we make no profit on repair parts. Further, SIGIR has not allowed the normal audit process to work prior to claiming a foul. There is an entire contract mechanism and process involved with contract close out that is designed to catch any billing inconsistencies. DCAA will do a more comprehensive audit on all charges at the appropriate time when the task order is presented for a final billing audit. SIGIR has called the game with minutes still remaining on the clock. The conclusions are entirely speculative.

We dispute several of the statements in the report that are not factually based, as noted below.

- **Summary Page - What SIGIR found:**

  "SIGIR's analysis of selected GMASS contract invoices showed AECOM potentially overbilled or cannot support about $4.4 million in costs"

  SIGIR has represented that AECOM cannot support about $4.4M in costs. This statement is factually incorrect and inconsistent with other parts of the SIGIR report. Support for the $4.4M in cost is contained in the GMASS project invoice documentation and the 30GB of information provided to SIGIR, including all time sheet and parts documentation. To say the costs are not supported is simply wrong and that AECOM potentially overbilled is unjustly inflammatory, especially in light of the unfettered access that has been provided SIGIR to all project documentation. AECOM provided a credit to the GMASS contract for over billed costs **two years prior to the SIGIR audit**. AECOM invoiced GMASS a credit for the $4.2 million dollars that was overbilled and corrected in Invoice #39R, dated 15 June 2007. The SIGIR current finding for overbilled costs is factually incorrect in that the GMASS project over billed costs were rectified in FY 2007. The SIGIR costs questioned are the same costs credited in the Anham Invoice #57 to AECOM. During the SIGIR audit, Anham provided SIGIR access to Invoice #57, dated May 18, 2007, which included a $4.2 million dollar credit for Task Order #3. To facilitate the audit, on **September 2, 2009** (not at the end as suggested in the SIGIR Report), Anham posted Invoice #57 to a web site at ftp://ftp.anham.com for SIGR review. At the time of the draft SIGIR report there were only a few labor items for a total cost of less than $0.1M that were unsupported which required further Anham review. Any discrepancies will be rectified at the time of final audit by RICC and DCAA. The Anham time sheet labor review has been completed and the additional GMASS recovery is nil.

- **Summary Page - What SIGIR found**

  "SIGIR examined purchases of vehicle parts totaling $29.9 million on four of these invoices and identified about $4.1 million in potential overbillings. This included about $2.1 million for prices above the contractor's cost plus allowable mark-up, more than $0.3 million for prices above contractually agreed amounts, about $1.5 million for prices above market value, and about $0.2 million in duplicate and triplicate work orders."

  The SIGIR statement related to AECOM overbillings is factually incorrect and a misrepresentation of the GMASS invoices submitted by AECOM. GMASS invoices included AECOM Invoice #39R which contained detail support for a $4.2M credit of items overbilled by Anham. AECOM Invoice #39R was submitted to GMASS on June 17, 2007. Although the SIGR report includes mention of the AECOM credit the SIGIR auditors failed to recognize the costs questioned are the same costs already credited on the GMASS contract.

  With respect to the parts line items questioned by SIGIR, the attached analysis is organized into two presentations: one according to the order presented in SIGIR's report (SORT1) and the other based on the following categories (SORT2), which are explained below:

  1. Bulk purchase billings
  2. Local purchase billings
  3. Line items Never Billed

1. Bulk purchase billings
For each bulk line item, we have analyzed the following billing elements:

a) The allowable unit price billable based on vendor costs and uplifts (additional copies of relevant vendor invoices substantiating these costs have been uploaded to a new folder "20091023" on the FTP Site. The files are named with the line item reference #s.
b) The actual quantity billed based on the relevant invoices. SIGIR's report was not clear as to the quantities at issue. We have confirmed the quantities based on the billing details supplied in the detail sheets.
c) Credits previously issued in ANHAM Invoice 57 from 18 May 2007.
d) The balance of any over or under billings taking into consideration the above adjustments.
e) Most line items are supported with a referenced detail sheet in the excel file that lists billing and credit details.

This analysis shows that under/over billings exist for 15 out of the 41 line items selected by SIGIR (not including small rounding discrepancies); 10 items were over-billed worth $141k and 5 items were under-billed worth $409k leaving a net under-billing of $268k due to the contractor. Of the 10 items over-billed, 4 of these were associated with items that should have been billed on a lower fixed price basis and the other 6 items were not fully credited in Invoice 57. A separate sheet is included in the analysis for each bulk purchase line item (except the 4 fixed price corrections) where the full billing and credit details are provided to support the values presented in the summary analyses.

2. Local Purchase billings
For local purchase items, in Invoice 57, credits were issued based on the dollar value of billings rather than on a line item basis. As agreed with Rock Island, an overall credit of $1.4 million was provided based on the uplifted value of all vendor invoices from local purchases as compared to the amount that had been billed. This type of adjustment was possible with Local Purchases since this activity could be evaluated on a cost-plus basis. It's worth noting that this substantial need for local purchases was driven by the fact that the vehicle density data provided in the original SOW was incorrect. As a result, we had to rely on local purchases for vehicles not included in the original density list. The faulty vehicle density data was the foundation for all the challenges we faced with parts billings, which ultimately necessitated the comprehensive review of billing activity with the Contracting Office that led to the credits issued in Invoice 57.

3. Line Item Never Billed
One line item was never billed but was included in Invoice 19 as a reference for the Contracting Office.

- **Summary Page - What SIGR found**

"AECOM officials stated that billing errors occurred early in the contract and that a cumulative adjustment was made; however, SIGIR questions the adequacy of this adjustment."

The SIGIR adequacy comment is speculative and unsupported in the report for the reasons cited above. The SIGIR reporting of the cumulative adjustment contradicts the SIGIR finding that identified $4.1M in alleged overbilling. The audit report is either factually incorrect in requiring a billing adjustment to be made twice or is factually incorrect in acknowledging but not recognizing the GMASS invoice credit. In the SIGIR audit of the adequacy of the AECOM $4.2M credit on the GMASS contract they have omitted audit support explaining what items in the AECOM credit of 4.2M did not relate to their allegation that $4.1M was over billed. AECOM believes that this is a material factual weakness in the SIGIR report and further analysis indicates that there was an actual

under billing, rather than the over billing alleged by SIGIR. Final audit by DCAA will rectify any adjustments when the task order is closed out for final billing by AECOM.

- **Summary Page - What SIGR found**

"Given the billing problems identified during SIGIR's limited review, weakness in invoice review procedures and the GMASS contract costs, the U.S. Government was highly vulnerable to having paid other questionable costs."

This statement that the U.S. Government was "highly vulnerable" is speculative and unsupported by SIGIR in the audit report. SIGIR has not identified questionable costs other than costs credited in the AECOM Invoice #39R. SIGIR has not identified any potential recovery other than that which was credited by AECOM to the GMASS contract over two years ago. There is no factual basis of support in the SIGIR audit that would lead a reader to conclude that the U.S. Government was **highly vulnerable** to having paid other questionable costs.

Conclusion:

While the allegation that there was "weak oversight" may be substantiated in the early part of the program, the same oversight personnel ensured that potential overcharges **did not go undetected**, but were corrected two years before SIGIR. SIGIR's observation may be correct, but the conclusion is not. We do concur that the program experienced rapid growth immediately after its inception and that there were **invoicing** challenges, but there was not a documentation problem that will lead to overbilling at the time of final contract close out, as is the normal government contracting process. Because of the meticulous documentation, the **USG is not vulnerable** to paying questionable costs at contract close out. The original task order was awarded as a result of a competitive proposal process and by the USG's own definition, the prices are fair and reasonable. Although not required, we used the same rates and factors as in the competitive proposal for subsequent mods whenever possible. We urge SIGIR to carefully review all of the detailed documentation provided since inception of their review plus this response and the attached analysis. We believe that an objective review will significantly impact the final report. We fully welcome the opportunity to partner with SIGIR, RICC and DCAA to verify every single charge on this contract once it is ready for final invoicing. We are confident that at that time, any final adjustments will be insignificant in terms of total contract value. If SIGIR must issue a report, then it should be based on fact, not speculation.

Sincerely,

Jay Ward

Jay Ward
Chief Operating Officer

Attachment: Analysis of SIGIR's IAMP Overbillings -20091023-v3.xls

Appendix E—SIGIR Mission and Contact Information

SIGIR's Mission	Regarding the U.S. reconstruction plans, programs, and operations in Iraq, the Special Inspector General for Iraq Reconstruction provides independent and objective: • oversight and review through comprehensive audits, inspections, and investigations • advice and recommendations on policies to promote economy, efficiency, and effectiveness • deterrence of malfeasance through the prevention and detection of fraud, waste, and abuse • information and analysis to the Secretary of State, the Secretary of Defense, the Congress, and the American people through Quarterly Reports
Obtaining Copies of SIGIR Reports and Testimonies	To obtain copies of SIGIR documents at no cost, go to SIGIR's Web site (www.sigir.mil).
To Report Fraud, Waste, and Abuse in Iraq Relief and Reconstruction Programs	Help prevent fraud, waste, and abuse by reporting suspicious or illegal activities to the SIGIR Hotline: • Web: www.sigir.mil/submit_fraud.html • Phone: 703-602-4063 • Toll Free: 866-301-2003
Congressional Affairs	Hillel Weinberg Assistant Inspector General for Congressional Affairs Mail: Office of the Special Inspector General for Iraq Reconstruction 400 Army Navy Drive Arlington, VA 22202-4704 Phone: 703-428-1059 Email: hillel.weinberg@sigir.mil
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