

Naval Audit Service



Audit Report



Camp Lemonnier, Djibouti, Base Operating Support Contract

This report contains information exempt from release under the Freedom of Information Act. Exemptions (b)(5) and (b)(6) apply.

*Do not release outside the Department of the Navy
or post on non-NAVAUDSVC Web sites
without prior approval of the Auditor General of the Navy*

N2012-0052
28 June 2012

Obtaining Additional Copies

To obtain additional copies of this report, please use the following contact information:

Phone: (202) 433-5757
Fax: (202) 433-5921
E-mail: NAVAUDSVC.FOIA@navy.mil
Mail: Naval Audit Service
Attn: FOIA
1006 Beatty Place SE
Washington Navy Yard DC 20374-5005

Providing Suggestions for Future Audits

To suggest ideas for or to request future audits, please use the following contact information:

Phone: (202) 433-5840 (DSN 288)
Fax: (202) 433-5921
E-mail: NAVAUDSVC.AuditPlan@navy.mil
Mail: Naval Audit Service
Attn: Audit Requests
1006 Beatty Place SE
Washington Navy Yard DC 20374-5005

Naval Audit Service Web Site

To find out more about the Naval Audit Service, including general background, and guidance on what clients can expect when they become involved in research or an audit, visit our Web site at:

<http://secnavportal.donhq.navy.mil/nauditservices>



DEPARTMENT OF THE NAVY
NAVAL AUDIT SERVICE
1006 BEATTY PLACE SE
WASHINGTON NAVY YARD, DC 20374-5005

7510
N2011-NAA000-0099
52 Jun 12

MEMORANDUM FOR NAVAL FACILITIES ENGINEERING COMMAND EUROPE
AFRICA SOUTHWEST ASIA
COMMANDER NAVY REGION EUROPE AFRICA
SOUTHWEST ASIA

Subj: **CAMP LEMONNIER, DJIBOUTI, BASE OPERATING SUPPORT
CONTRACT (AUDIT REPORT N2012-0052)**

Ref: (a) NAVAUDSVC memo 7510/N2011-NAA000-0099.000, dated 16 Feb 2011
(b) SECNAV Instruction 7510.7F, "Department of the Navy Internal Audit"

1. The report provides results of the subject audit announced in reference (a). Section A of this report provides our results and recommendations, summarized management responses, and our comments on the responses. Section B provides the status of the recommendations. The full text of management responses is included in the Appendices.

Command	Finding No.	Recommendation No.
Naval Facilities Engineering Command Europe Africa Southwest Asia	1	1-11
Commander Navy Region Europe Africa Southwest Asia	1	6

2. Actions taken by Naval Facilities Engineering Command Europe Africa Southwest Asia meet the intent of Recommendations 1-3, 5, and 8-11, and the recommendations are closed. Actions planned by Naval Facilities Engineering Command Europe Africa Southwest Asia and Commander Navy Region Europe Africa Southwest Asia meet the intent of Recommendations 4 and 6-7. These recommendations are considered open pending completion of the planned corrective actions, and are subject to monitoring in accordance with reference (b). Management should provide a written status report on the recommendations within 30 days after target completion dates. Please provide all correspondence to the Assistant Auditor General for Research, Development, Acquisition, and Logistics Audits, Arthur Scott, by e-mail at XXXXXXXXXXXX, with a copy to the Director, Policy and Oversight, XXXXXXXXXXXX by e-mail at, XXXXXXXXXXXX. Please submit correspondence in electronic format (Microsoft Word or Adobe Acrobat file), and ensure that it is on letterhead and includes a scanned signature.

FOIA
(b)(5)

Subj: **CAMP LEMONNIER, DJIBOUTI, BASE OPERATING SUPPORT
CONTRACT (AUDIT REPORT N2012-0052)**

3. Any requests for this report under the Freedom of Information Act must be approved by the Auditor General of the Navy as required by reference (b). This audit report is also subject to followup in accordance with reference (b).
4. We appreciate the cooperation and courtesies extended to our auditors.



ARTHUR SCOTT
Assistant Auditor General
Research, Development, Acquisition, and
Logistics Audits

Copy to:
UNSECNAV
DCMO
OGC
ASSTSECNAV FMC
ASSTSECNAV FMC (FMO)
ASSTSECNAV EIE
ASSTSECNAV MRA
ASSTSECNAV RDA
CNO (VCNO, DNS-33, N40, N41)
CMC (RFR, ACMC)
DON CIO
NAVFAQ HQ IG
CNIC HQ IG
NAVINGEN (NAVIG-14)
AFAA/DO

Table of Contents

SECTION A: AUDIT RESULTS, RECOMMENDATIONS, AND CORRECTIVE ACTIONS	1
Reason for Audit.....	1
Synopsis.....	1
Federal Managers’ Financial Integrity Act.....	2
Communication with Management.....	2
Background.....	3
Audit Results.....	5
1. Manager’s Internal Control Program	5
Recommendations and Corrective Actions.....	6
2. Contract Administration File	7
Recommendation and Corrective Actions.....	7
3. Annual Acquisition Plan Review of Contract Type	9
Recommendations and Corrective Actions.....	11
4. Contract Surveillance	12
<i>Pertinent Guidance</i>	13
<i>Audit Results</i>	14
Performance Assessment.....	15
Contractor Quality Management System.....	16
Contractor Standard Operating Procedures.....	16
Contract Payments.....	17
Recommendations and Corrective Actions.....	18
SECTION B: STATUS OF RECOMMENDATIONS	21
EXHIBIT A: PERTINENT GUIDANCE	23
EXHIBIT B: SCOPE AND METHODOLOGY	24
Scope.....	24
Methodology.....	24
EXHIBIT C: ACTIVITIES VISITED AND/OR CONTACTED	26
APPENDIX 1: MANAGEMENT RESPONSE FROM COMMANDER, NAVAL FACILITIES ENGINEERING COMMAND EUROPE AFRICA SOUTHWEST ASIA	27
APPENDIX 2: MANAGEMENT RESPONSE FROM COMMANDER, NAVY REGION EUROPE AFRICA SOUTHWEST ASIA	34

Section A:

Audit Results, Recommendations, and Corrective Actions

Reason for Audit

Naval Facilities Engineering Command (NAVFAC) Europe Africa Southwest Asia (EURAFSWA) Commanding Officer requested that Naval Audit Service conduct a review of the Camp Lemonnier Base Operating Support contract in 2010. The objective of this audit was to verify that internal controls over NAVFAC's Base Operating Support contract at Camp Lemonnier, Djibouti, Africa are in place and operating effectively to ensure compliance with Federal, Department of Defense (DoD), and Department of the Navy (DON) acquisition and disbursement requirements; and to detect, deter, and prevent fraud, waste, and abuse.

Synopsis

We found that NAVFAC EURAFSWA did not have sufficient internal controls in place to ensure the Base Operating Support contract at Camp Lemonnier was operating in compliance with Federal, DoD, and DON acquisition and disbursement requirements. We identified the following internal control weaknesses:

- NAVFAC EURAFSWA did not provide Manager's Internal Control Program coverage over the Camp Lemonnier Public Works Department;
- NAVFAC EURAFSWA did not ensure Camp Lemonnier Public Works Department maintained a sufficient contract administration file;
- NAVFAC EURAFSWA had not conducted required annual acquisition plan reviews to validate that a Cost-Plus-Award-Fee Base Operating Support contract was the most advantageous for the Navy; and
- NAVFAC EURAFSWA's contracting administration office and the requiring activity, Camp Lemonnier, did not provide sufficient surveillance over the Base Operating Support contract.

These internal control weaknesses occurred because NAVFAC EURAFSWA had not sufficiently implemented internal controls nor provided sufficient oversight of contracting operations and contract payments supporting the Camp Lemonnier Base Operating Support contract. As a result, NAVFAC EURAFSWA could not provide

assurance that the Navy received the goods and services for which it paid on the \$380.4 million Base Operating Support contract, or that controls were sufficient to detect, deter, and prevent fraud, waste, and abuse. Further, NAVFAC EURAFSWA paid \$7.8 million in award fees to the contractor over the life of the contract without sufficient support and oversight to validate the propriety of amounts paid.

This audit, which was conducted between 8 March 2011 and 8 March 2012, includes audit results and recommendations that address significant internal control weaknesses related to execution and oversight of the Base Operating Support contract at Camp Lemonnier. Details concerning these weaknesses are addressed in the Audit Results section of the report.

We recommend that NAVFAC EURAFSWA establish and implement internal controls and ensure sufficient oversight is implemented over Base Operating Support contracting operations and Base Operating Support contract payments to ensure compliance with Federal, DoD, and DON acquisition and disbursement requirements, and to detect, deter, and prevent fraud, waste, and abuse. Specific recommendations can be found in the Audit Results section of the report, and in Section B.

Federal Managers' Financial Integrity Act

The Federal Managers' Financial Integrity Act of 1982, as codified in Title 31, United States Code, requires each Federal agency head to annually certify the effectiveness of the agency's internal and accounting system controls. Recommendations 1 through 11 address issues related to internal controls over Outside the Continental United States contract administration and disbursing operations conducted in support of Camp Lemonnier. In our opinion, the weaknesses noted in this report, in conjunction with prior reports noting weaknesses related to the control environment for selected Overseas contracting operations, may warrant reporting in the Auditor General's annual Federal Managers' Financial Integrity Act memorandum identifying management control weaknesses to the Secretary of the Navy.

Communication with Management

On 6 April 2011, we met with the Commander of Camp Lemonnier to discuss the preliminary audit results and conclusions regarding Camp Lemonnier Public Works Department's administration of the Base Operating Support contract. On 8 April 2011, we met with the Commanding Officer, NAVFAC EURAFSWA, to address the preliminary audit results identified during our site visit to Camp Lemonnier. Additionally on 8 and 13 April 2011, we met with the Chief of Staff and Executive Director for Commander, Navy Region Europe Africa Southwest. Further, we met with

Naval Facilities Engineering Command Headquarters on 6 July 2011 to inform them of our audit results and facilitate ongoing discussion. Finally, we discussed the status of the audit report with the Executive Officer for NAVFAC EURAFSWA on 26 January 2012.

Background

Camp Lemonnier is a dynamic environment. Camp Lemonnier directly supports missions in the Headquarters (HQ) U.S. Africa Command and U.S. Central Command area of responsibility and enables operations in the Horn of Africa while fostering positive U.S./African Nation relations. Since 2008, the base population at Camp Lemonnier has increased from 2,200 to a current population of 3,700. The camp staff that oversees operations are on 1-year General Services Administration assignment, and the vast majority of the camp population is in a deployed status. Initially, the mission at Camp Lemonnier was as a base of operations in the Horn of Africa to support the winning of the hearts and minds of the local populace. That mission has evolved, and Camp Lemonnier has become the key staging area for regional stability, hostage rescue, and other kinetic warfare operations. This shift has resulted in an upward trend in the cost and quantity of required services delivered under the current, cost reimbursable, Camp Lemonnier Base Operating Support contract.

NAVFAC EURAFSWA manages facility project planning and design, including all related acquisition, construction, leasing, environmental, maintenance, and contingency support required by the Navy and Department of Defense commands throughout Europe; Southwest Asia; and the Gulf of Guinea, Africa, and the Horn of Africa. In 2007, NAVFAC EURAFSWA awarded a cost-plus-award-fee Base Operating Support contract at Camp Lemonnier to provide services for basic camp operations.¹ NAVFAC EURAFSWA maintains the Base Operating Support contracting authority and is responsible for all contract award and administration responsibilities for the Base Operating Support contract.²

Camp Lemonnier falls under the cognizance of Commander, Naval Installations Command with a direct reporting line to Commander, Navy Region Europe Africa Southwest Asia. The Camp Lemonnier Public Works Officer reports to the Commanding Officer of Camp Lemonnier. The Camp Lemonnier Public Works Department reports to NAVFAC EURASWA. NAVFAC EURASWA reports to NAVFAC Atlantic.

DoD mandated that by 2005, performance-based contracting (such as the Djibouti Base Operating Support contract) should be the primary vehicle to provide oversight of all

¹ Based on lessons learned in administering the current cost-plus-award-fee contract, NAVFAC EURAFSWA has developed a solicitation for a Firm Fixed Price contract, targeted for award in November of 2012.

² When we refer to NAVFAC EURAFSWA and the Camp Lemonnier Public Works Department in this report we are specifically referring to the contracting functions within these organizations with responsibilities over the Camp Lemonnier Base Operating Support contract.

service-related contracts. DoD also stated that those cases in which performance-based strategies are not employed should be the exception. Because of the remote location and the undetermined length of time the Camp would operate in a contingency construct, during the acquisition strategy process, NAVFAC EURAFSWA determined the entire requirement could not be sufficiently defined to support a firm-fixed-type contract. The acquisition strategy outlined that these conditions existed for three reasons:

(1) operational environmental concerns, (2) logistical concerns, and (3) fluid mission requirements. Based upon these factors, it was decided that the Camp Lemonnier Base Operating Support contract would be a cost-plus-award-fee contract that included a base year with the option for four additional years.

The very nature of a cost-plus-award-fee contract requires adequate Government resources to be available to award and manage a contract other than firm-fixed-price, including appropriate Government surveillance during performance to provide reasonable assurance that efficient methods and effective cost controls are used. Camp Lemonnier encounters considerable challenges due its status as a contingency operation as well as its remote location. NAVFAC EURAFSWA had encountered, from the beginning, issues with finding qualified personnel to volunteer for the 1-year General Services Administration assignment. This reality persists as Senior Camp Lemonnier officials, NAVFAC EURAFSWA Contracting and Operations personnel, and NAVFAC Process Management and Audit Program related significant concerns with current and future staffing levels at Camp Lemonnier. At the time of our March 2011 site visit, NAVFAC EURAFSWA was entering the fourth option year with the Base Operating Support contractor. As of May 2011, the total contract cost was approximately \$380.4 million.

Audit Results

1. Manager's Internal Control Program

We found that NAVFAC EURAFSWA needed to strengthen their Manager's Internal Control Program to ensure the necessary management controls are in place over the acquisition and disbursing functions at NAVFAC EURAFSWA's Camp Lemonnier Public Works Department, as required by Secretary of the Navy Instruction 5200.35E. Specifically, NAVFAC EURAFSWA did not designate a Manager's Internal Control Coordinator to execute the Manager's Internal Control Programs, nor include NAVFAC's Camp Lemonnier operations in their Manager's Internal Control Program. In addition, the NAVFAC EURAFSWA Assessable Unit Managers span of control was too large to ensure reasonable assurance of management controls for their respective business lines. This occurred because NAVFAC EURAFSWA placed a low priority on the management of the Manager's Internal Control Program. As a result, NAVFAC EURAFSWA could not provide reasonable assurance that the internal controls over contract administration functions at Camp Lemonnier were operating as intended and achieving expected outcomes.

Secretary of the Navy Instruction 5200.35E states that assessable units are designed to provide a reasonable span of control to conduct management reviews. It also states the span of control must be small enough to provide reasonable assurance of adequate management controls and large enough that any detected material weakness has the potential to impact the mission of the organization. However, the current NAVFAC EURAFSWA assessable unit approach does not provide a reasonable span of control to conduct sufficient management reviews given the geographical locations of each military installation. Each Assessable Unit Manager is responsible for a business line that covers nine military installations located in six countries within the EURAFSWA Region. The Assessable Unit Managers are located in Naples, Italy. Regarding Camp Lemonnier, no management control representative is presently located at Camp Lemonnier to report the significance of a material weakness or why that material weakness at that location would be significant to report as a major impact to the mission of the organization. A senior military NAVFAC EURAFSWA official acknowledged Camp Lemonnier was not included in their overall Manager's Internal Control Program. As a result, Camp Lemonnier Public Works Department operations, including the management of the Base Operating Support contract, did not receive coverage to provide reasonable assurance that the necessary management controls are in place. Because of this large span of control, the Base Operating Support-related contracting issues identified by our audit went undetected. We reported these issues to NAVFAC EURAFSWA management and they have begun to take action by reporting these issues in their most recent management control assessment dated April 2011.

Recommendations and Corrective Actions

Our recommendations, summarized management responses, and our comments on the responses are below. The complete text of management's responses is in the Appendices.

We recommend that Naval Facilities Engineering Command Europe Africa Southwest Asia:

Recommendation 1. Designate a Manager's Internal Control Coordinator as required by the Secretary of Navy Instruction 5200.35E.

Naval Facilities Engineering Command Europe Africa Southwest Asia response to Recommendation 1. Concur. The Management Internal Control Program coordination has been designated. Corrective action was completed 6 April 2012.

Recommendation 2. Include Naval Facilities Engineering Command Europe Africa Southwest Asia's Camp Lemonnier operations in their Manager's Internal Control Program as required by Secretary of Navy Instruction 5200.35E.

Naval Facilities Engineering Command Europe Africa Southwest Asia response to Recommendation 2. Concur. The Management Internal Control Plan for 2011 included Camp Lemonnier, Djibouti operations, and subsequent plans will do the same. Corrective action was completed 29 April 2011.

Recommendation 3. Reevaluate the size and structure of assessable unit span of control to provide reasonable assurance of sufficient management controls, as required by Secretary of Navy Instruction 5200.35E.

Naval Facilities Engineering Command Europe Africa Southwest Asia response to Recommendation 3. Concur. The structure of assessable unit span of control is reduced to each Public Works Department or Resident Officer in Charge of Construction Office. An Assistant Management Internal Control Coordinator for each Public Works Department and Resident Officer in Charge of Construction Office has been designated. Corrective action was completed 6 April 2012.

Naval Audit Service comment on management's responses to Recommendations 1 through 3. Subsequent to our March/April 2011 site visit, and prior to report publication, Naval Facilities Engineering Command Europe Africa Southwest Asia took actions which met the intent of Recommendations 1, 2, and 3. As a result, we consider these recommendations to be closed.

2. Contract Administration File

We found that NAVFAC EURAFSWA Camp Lemonnier Public Works Department's contracting personnel did not maintain a sufficient contract administration file as required by the Federal Acquisition Regulation (FAR) 4.8.³ Specifically, Base Operating Support contract documentation was not maintained in one central location and did not contain a full history of all contract actions. Hard-copy documents were located in two separate offices and had not been fully catalogued or annotated. Additionally, an incomplete set of electronic contract files was on the shared drive at Camp Lemonnier and other contract files were located in Naples, Italy. The current Contracting Officer, who arrived in early 2011, acknowledged the contract administration files were missing and not organized to provide a complete history of all contract actions. For instance, we could not locate the Manda Bay contract modification, valued at \$7.6 million, within their contract file. This modification had to be obtained from the contractor.

NAVFAC Headquarters conducted Process Management and Audit Program reviews of NAVFAC EURAFSWA in January 2010 and Camp Lemonnier in March 2010. Both reviews identified issues ranging from unsubstantiated business decision documentation to entire files missing. Further, during our site visit in March and April 2011, we found that the same conditions persisted, and had not been sufficiently mitigated.

We attributed this condition to NAVFAC EURAFSWA contracting office not establishing the necessary management controls to ensure the Contracting Officers maintain:

- A complete history of the contract as a basis for making informed decisions during the acquisition process, and
- Centralized and integrated program and contract files.

This is critical considering the constant staffing rotation and turnover resulting in a loss of corporate knowledge over time at Camp Lemonnier. Also, decentralized contract files could be an indication of questionable contract management and oversight of the Base Operating Support contract.

Recommendation and Corrective Actions

Our recommendations, summarized management responses, and our comments on the responses are below. The complete text of management's responses is in the Appendices.

³ FAR 4.8 requires documentation in contract files be sufficient to constitute a complete background of the acquisition process, support contract actions, provide information for reviews and investigations, and furnish essential facts in the event of litigation or Congressional inquiries. Files must be maintained at organizational levels that ensure effective documentation of contract actions.

We recommend that Naval Facilities Engineering Command Europe Africa Southwest Asia:

Recommendation 4. Establish controls and provide oversight to ensure the Contracting Officers develop and maintain proper contract files in accordance with Federal Acquisition Regulation Subpart 4.8, “Government Contract Files,” and Defense Federal Acquisition Regulation Supplement Subpart 204.8, “Contract Files.”

Naval Facilities Engineering Command Europe Africa Southwest Asia response to Recommendation 4. Concur. The Process Management and Audit Team visited Camp Lemonnier, Djibouti 2-5 April 2012 and audited the Camp Lemonnier, Djibouti Base Operating Support contract files. There remain gaps in documentation in the contract files that are being addressed. We will continue to make contact with personnel that have rotated in and out of Camp Lemonnier, Djibouti in an effort to obtain and incorporate missing documentation into the contract files. Request an interim target completion date of 1 July 2012 and a target completion date of 30 October 2012.

Naval Audit Service comment on management’s response to Recommendation 4. In subsequent communication, Naval Facilities Engineering Command Europe Africa Southwest Asia stated that a checklist will be implemented (to act as a formal control) to ensure that contract documentation is properly maintained, and periodic oversight and validation will be performed by Naval Facilities Engineering Command Europe Africa Southwest Asia. Planned actions meet the intent of the recommendation which is open pending completion of agreed-to actions.

3. Annual Acquisition Plan Review of Contract Type

We found NAVFAC EURAFSWA's contracting office did not provide justification for the continued use of the current contract vehicle, a cost-plus-award-fee contract, which was originally awarded in FY 2007, and is currently in the fourth (and final) option year. The contracting office also could not demonstrate that it remained the most advantageous method of administering the Base Operating Support contract at Camp Lemonnier. This occurred because NAVFAC EURAFSWA had not performed an annual review of the acquisition plan as required by Federal Acquisition Regulation (FAR) 7.1 to justify the continuing use of a cost-plus-award-fee contract. As a result, the Navy assumed greater financial risk, allowing the contract's value to increase by 170 percent from \$140.7 million to \$380.4 million.⁴

We obtained and reviewed NAVFAC EURAFSWA's acquisition plan, which was created prior to contract award. This plan fulfilled initial FAR requirements to support the use of a cost-plus-award-fee contract.⁵ It contained justification based on startup conditions, physical uncertainties of the site, and the nature of the work being conducted in a contingency environment. The acquisition plan stated that after 2 years, based on the results of the annual review, contracting personnel had the option of changing the contract to a firm-fixed-price contract. However, as operating conditions at Camp Lemonnier became more stable, NAVFAC EURAFSWA could not demonstrate that the acquisition plan was reviewed and revised annually, as required by FAR 7.1, to support their ongoing decision to continue utilizing a cost-plus-award-fee contract.

In administering this cost-reimbursable contract, NAVFAC EURAFSWA staff stated that they considered, in option year three, a course of action to convert or re-solicit the contract under a firm-fixed-price vehicle. That option was dismissed for various reasons including the unpredictable nature of the contract requirement as it is related to the Camp's growth in population to support the rising number and complexity of mission sets. Specifically, in 3 years (2008-2011), the Camp population has increased nearly 70 percent, from 2,200 to more than 3,700 personnel.

While there has always been a demand signal for a fixed-price BOS contract, Camp Lemonnier—as described above—has never enjoyed a stable operating environment of

⁴ Actual costs associated with the Base Operating Support contract were much higher than planned within the pre-award acquisition plan prepared by NAVFAC EURAFSWA. The contract anticipated a total contract cost, assuming all options were exercised, totaling \$140.7 million. In a modification dated 6 May 11, the estimated contract cost in the fourth option year that started 1 April 2011, totaled \$380.4 million, which represents a \$239.7 million (170 percent) increase over the acquisition plan estimate. Given the deficiencies within the overall BOS contract control environment that we address within this report, the increase in contract price may not have been fully supported or justified.

⁵ The Camp Lemonnier Base Operating Support contract is a cost-plus-award-fee contract, which establishes an estimate of total costs for the purpose of obligating funds and a ceiling that the contractor may not exceed without the approval of the Contracting Officer. Additionally, they provide for a fee consisting of a base amount fixed at the inception of the contract, as well as, an award amount that is sufficient to provide motivation for excellence in contract performance.

Recommendations and Corrective Actions

Our recommendations, summarized management responses, and our comments on the responses are below. The complete text of management's responses is in the Appendices.

We recommend that Naval Facilities Engineering Command Europe Africa Southwest Asia:

Recommendation 5. Provide oversight to ensure that the required annual acquisition plan reviews are conducted to ensure use of the most appropriate contract vehicle in future Base Operating Support contracts, in accordance with the Federal Acquisition Regulation.

Naval Facilities Engineering Command Europe Africa Southwest Asia response to Recommendation 5. Concur. An Annual Acquisition Plan Review was held prior to exercising Option 4. The Annual Acquisition Plan Review was incorporated into the Fiscal Year 2012 Management Internal Control Plan for Camp Lemonnier, Djibouti. Corrective action was completed 2 May 2012.

Naval Audit Service comment on management's response to Recommendation 5. Subsequent to our March/April 2011 site visit, and prior to report publication, Naval Facilities Engineering Command Europe Africa Southwest Asia took actions which met the intent of Recommendation 5. As a result, we consider this recommendation to be closed.

4. Contract Surveillance

We found that NAVFAC EURAFSWA's contracting administration office and the requiring activity, Camp Lemonier, did not provide sufficient surveillance for the five Base Operating Support contract annexes reviewed to ensure that the contractor was performing in accordance with contract requirements. Specifically:

- The Contracting Officer and the Contracting Officer Representative did not ensure a Functional Assessment Plan was developed, nor did they designate a Performance Assessment Representative to monitor contractor performance for the Manda Bay annex, valued at \$7.6 million.
- The Performance Assessment Representatives did not use their Functional Assessment Plan in assessing contractor performance against contract performance standards for four annexes reviewed.
- The Performance Assessment Representatives did not provide sufficient written justification for 80 Performance Assessment Worksheets prepared covering December 2010 thru February 2011 and did not clearly articulate what surveillance was conducted to support contractor performance ratings.
- The Contracting Officer did not approve the contractor's Quality Management System and Standard Operating Procedures for the annexes reviewed.
- The Contracting Officer Representative did not consistently check the accuracy and reasonableness of invoices submitted by the contractor for goods and services provided for this contract.

These conditions occurred because:

- NAVFAC EURAFSWA contracting office had not established the necessary control activities, such as reviews of their contract office operations and contract management supporting the Base Operating Support contract.
- The Contracting Officer Representative's designation letter did not address oversight responsibilities over Performance Assessment Representatives.
- NAVFAC EURAFSWA contracting office did not establish the necessary management controls to ensure standard operating procedures and the contractor's Quality Management System were approved.
- NAVFAC EURAFSWA contracting office did not establish the necessary management controls, such as written procedures identifying the roles and responsibilities for reviewing and validating accuracy and reasonableness of invoices.

These conditions were further adversely affected by continuous personnel turnover and rotation which caused a loss of corporate knowledge. The frequent and constant turnover of personnel makes holding anyone accountable for administering the contract extremely difficult. For instance, the NAVFAC EURAFSWA contracting office does not have an on-site, full-time Contracting Officer to provide the full range of contract administration support on a continuous basis for the subject contract. At the time of our audit, the Contracting Officer rotated every 30 days between Djibouti and Naples contacting offices. According to NAVFAC EURAFSWA officials, when in Naples, the Contracting Officer goes on leave due to compensatory leave earned while Djibouti. We disagree with this rotation concept, in that it leaves a gap of 30 days with no coverage being provided by a Contracting Officer. This puts the contract at greater risk for potential fraud and abuse. In our judgment, a contacting officer should be continuously on site given the scope, magnitude, and dollar value of the contract. Additionally, Commander, Navy Region Europe Africa Southwest Asia personnel (in conjunction with NAVFAC EURAFSWA) are performing oversight functions for the Camp Lemonnier Base Operating Support contract. To provide a strong internal control environment that supports the Base Operating Support contract operations, we believe a Concept of Operations that defines specific roles and responsibilities of each command should be established, approved, and endorsed.

As a result, the Department of the Navy may be accepting substandard performance from the contractor, and may be paying for services and items not received. Overall, the Department of Navy was not assured the contractor complied fully with the terms of the Djibouti Base Operating Support contract or that the Department of the Navy received the best value when contracting for services.

Pertinent Guidance

Federal Acquisition Regulation Subpart 46.4, “Government Contract Quality Assurance,” dated November 22, 2006 states that Quality Assurance Surveillance Plans (QASPs) should be prepared in conjunction with the preparation of the statement of work. Additionally, QASPs should specify all work requiring surveillance and the method of surveillance. The surveillance shall be performed at such times or places deemed necessary to ensure that services conform to contract requirements.

Federal Acquisition Regulation Subpart 37.6, “Performance-Based Acquisition,” dated November 22, 2006 states that performance-based contracts for services must include measureable performance standards and the method of assessing contractor performance.

Naval Facility Engineering Command’s Performance Assessment User Guide, last revised September 2010, provides guidance for conducting performance assessment for performance-based contracts. This guide requires the development of a Performance

Assessment Plan which describes the methodology for assessing the Contractor's performance. The Performance Assessment Plan includes the use of a Functional Assessment Plan, and standard Performance Assessment Worksheets. The Functional Assessment Plan outlines the method of surveillance that is to be used by the Performance Assessment Representative when assessing the contractor's work against measurable performance standards. A Functional Assessment Plan is to be prepared for each BOS contract annex or sub-annex, incorporating applicable Performance Work Statement contract specifications. The Performance Assessment User Guide requires that contractor performance be documented using Performance Assessment Worksheets. As a result, the Performance Assessment Representative will use the Performance Assessment Worksheet to document the observations and rate the contractor's performance.

Audit Results

Manda Bay Annex Contract Oversight

We found that the Manda Bay annex, valued at \$7.6 million,⁷ was not included in the Camp Lemonnier Performance Assessment Plan. Additionally, a Functional Assessment Plan had not been prepared nor was a Performance Assessment Representative designated to monitor the contractor's performance. Manda Bay is a forward operating base located in Kenya receiving manpower, equipment, supplies, materials, technical expertise, and management for support services. The Manda Bay Annex was incorporated as part of a contract modification in February 2009.

The Contracting Officer and the Contracting Officer Representative were recently assigned to this contract in January 2011, and were not present when Manda Bay was incorporated into the contract. As a result, they could not provide an explanation as to why Manda Bay was not included in the Performance Assessment Plan, and details could not be found in the contract file documenting the oversight deficiency. We attributed this oversight problem to the fact that NAVFAC EURAFSWA's contracting office had not established the necessary control activities, such as review of their contract office operations and contract management supporting the Base Operating Support contract. Control activities are an integral part of an entity's planning, implementing, reviewing and accountability for stewardship of Government resources and achieving effective results.

Further, we found that the contractor received 100 percent of available award fees for the Manda Bay annex for all 5 of the previous performance periods, and received 95 percent for the most recent performance period without sufficient oversight conducted by Navy performance assessment personnel. As of March 2011, the contractor received \$282,000 in award fees for services without sufficient oversight and supporting documentation. Without conducting performance assessment over Manda Bay, the Navy has no

⁷ Amount as of May 2011.

discernible method of monitoring contractor performance or cost and no sufficient justification for award fees paid.

Performance Assessment

To meet the Federal Acquisition Regulation quality assurance requirements, NAVFAC developed and used the Performance Assessment User Guide which provides guidance for conducting surveillance of performance-based contracts. We found that performance assessment was not being sufficiently performed over the Camp Lemonnier Base Operating Support Contract. NAVFAC's Performance Assessment User Guide outlines the use of Functional Assessment Plans, which document the approach that the Performance Assessment Representative uses when assessing the contractor's work against measurable performance standards. Additionally, the Performance Assessment User Guide requires that performance assessments be documented on Performance Assessment Worksheets. When reviewing the Performance Assessment Worksheets, we determined that Performance Assessment Representatives were not using their Functional Assessment Plans when assessing contractor performance against contract performance standards for all four annexes reviewed. Even if they had been using their Functional Assessment Plans, those plans were not consistent with the Performance Work Statements. For instance, we found that 64 of the 80 Performance Work Statements' specifications did not match the Functional Assessment Plans' contract specification items.⁸

We reviewed 80 Performance Assessment Worksheets covering December 2010 through February 2011 supporting the 4 annexes reviewed. We found that Performance Assessment Representatives did not provide sufficient written justification for the Performance Assessment Worksheets prepared and did not clearly articulate what surveillance was conducted to support contractor performance ratings. Specifically, we found that Performance Assessment Worksheets:

- Lacked sufficient verbiage providing justification for contractor performance ratings;
- Did not contain details as to how reviews were conducted or the sample size observed; and
- Contained different performance ratings with similar justification.

These conditions occurred because NAVFAC EURAFSWA did not develop and employ management controls to ensure that surveillance duties and responsibilities were sufficiently performed and documented. For instance, the Contracting Officer

⁸ Discrepancies include specification items that were included in the Functional Assessment Plans but were not listed as contract requirements in the Performance Work Statements.

Representative's designation letter did not address oversight responsibilities over Performance Assessment Representatives.

Contractor Quality Management System

The contract requires that the contractor develop a Quality Control Program that includes inspection procedures and criteria to ensure performance complies with contract requirements. To execute this requirement, the contractor developed a Quality Plan to ensure compliance with contract requirements. FAR Part 46 states that contractors' responsibilities include controlling the quality of supplies or services needed to meet contract performance requirements. The contractor is required to develop Quality Control procedures that address the performance objective, standards, and performance thresholds. However, we found this plan did not include the methodology for evaluating and reporting on whether or not the contractor met the performance objectives, standards, and thresholds. We also found that the Manda Bay Annex was not included in the plan, resulting in the contractor not performing inspections for this annex as required by the contract. This condition occurred because the Contracting Officer did not sign/approve the Quality Plan to ensure the terms of the contract were fully met. Without Government approval, the contractors' Quality Control plans did not conform to the Performance Work Statement for the contract and no assurance can be given that the contractor is performing sufficient quality reviews to provide support for award fee board determinations.

Contractor Standard Operating Procedures

The Performance Work Statement requires the contractor to develop and maintain written Standard Operating Procedures, to be approved by the Contracting Officer, to ensure that contract employees properly provide the services required by the contract. Also, the Performance Work Statement states that the contractor shall not perform, or invoice for, any services without Contracting Officer's approval of the required Standard Operating Procedures. However, we found that none of the 10 contractor Standard Operating Procedures,⁹ for the annexes we reviewed, had been signed/approved by the Contracting Officer as required by the contract. Without Government approval, no assurance can be given that the contractors' Standard Operating Procedures conform to Department of Defense and Department of the Navy operating standards and requirements for each functional area. Contracting officials from Naples, Italy or Camp Lemonnier could not provide an explanation as to why the Standard Operating Procedures, for annexes reviewed, were not approved.

⁹ The 10 were obtained from the Supply, Base Support Vehicles and Equipment, Galley, and Refuse annexes.

Contract Payments

The Contracting Officer Representative did not check the accuracy and reasonableness of invoices submitted by the contractor for goods and services provided for this contract. We also found that the contract payment file was not being maintained within the Contract Administration Office located at Camp Lemonnier. We addressed these issues with the current Contracting Officer. According to the Contracting Officer, when they arrived in early 2011 at Camp Lemonnier, she could not locate all the invoices submitted for payment by the contractor and there was no log indicating how many or when invoices had been submitted prior to her arrival. The Contracting Officer Representative also told us that prior to the arrival of the current Contracting Officer, no one was processing the contractor invoices for payment nor tracking and maintaining a log of these invoices. Therefore, the Contracting Officer Representative informed us they could not identify how many invoices were submitted during this time period. We consider this to be a significant management control weakness. It is imperative to maintain sufficient internal controls to ensure duplicative or improper payments do not exist. Since being assigned to Camp Lemonnier, the Contracting Officer told us she located some of the submitted contractor invoices and had begun to process these invoices for payment.¹⁰

For those invoices that were processed for payment, the Contracting Officer Representative acknowledged he did not perform any detailed reviews of the invoices to ensure they were accurate and reasonable. The Contracting Officer Representative designation letter makes them liable for improper or incorrect payments and assigns responsibility to (them) for ensuring that all information is accurate prior to documentation is submitted for payment. However, the Contracting Officer Representative told us he relied on the Contracting Officer to validate invoices. In contradiction, the Contracting Officer told us she relied on the Contracting Officer Representative's review and certification of contractor invoices and vouchers. This occurred because the NAVFAC EURAFSWA contracting office did not establish the necessary management controls, such as written procedures identifying the roles and responsibilities for reviewing and validating accuracy and reasonableness of invoices. Without performing reviews of the contractor invoices for accuracy and reasonableness, the Department of the Navy may be paying for services and items not received.

¹⁰ Because neither the Government nor contractor were tracking the date the invoices were submitted, requirements of the Prompt Payment Act could not be enforced.

Recommendations and Corrective Actions

Our recommendations, summarized management responses, and our comments on the responses are below. The complete text of managements' responses is in the Appendices.

We recommend that Naval Facilities Engineering Command Europe Africa Southwest Asia, in conjunction with Commander Navy Region Europe Africa Southwest Asia:

Recommendation 6. Develop and implement a Concept of Operations that defines specific roles and responsibilities of each of the commands to provide internal control oversight accountability and responsibilities, including control activities over the Base Operating Support contract operations.

Naval Facilities Engineering Command Europe Africa Southwest Asia and Commander Navy Region Europe Africa Southwest Asia response to Recommendation 6. Concur. Presently, performance oversight responsibilities are assigned to personnel as collateral duties. Commander Navy Region Navy Region Europe, Africa, Southwest Asia and Naval Facilities Engineering Command Europe Africa Southwest Asia are jointly refining the performance assessment plan and an accompanying command and control construct to ensure adequate and consistent oversight of contract performance by dedicated personnel in each functional area or annex. Request a target completion date of 1 September 2012.

Naval Audit Service comment on management's response to Recommendation 6. Planned actions meet the intent of the recommendation, which is open pending completion of agreed-to actions.

We recommend that Naval Facilities Engineering Command Europe Africa Southwest Asia:

Recommendation 7. Assign a full-time, on-site contacting officer to provide continuous contract administration oversight responsibilities at Camp Lemonnier, Djibouti.

Naval Facilities Engineering Command Europe Africa Southwest Asia response to Recommendation 7. Concur. Due to the transitional nature of the Camp Lemonnier, Djibouti workforce, this effort is perpetual.¹¹ Naval Facilities Engineering Command Europe Africa Southwest Asia recently selected seven contract specialists to fill vacancies in the Acquisition Support Line. Until

¹¹ Additional challenges in assigning personnel to conduct oversight at Camp Lemonnier, are detailed in paragraph 3 of the Naval Facilities Engineering Command Atlantic portion of the formal management responses (see Appendix 1, below).

recently, contract specialists were utilized on a rotational basis in Camp Lemonnier, Djibouti. This is in the process of being changed. Efforts are underway to select four on-site contracting officer positions for Camp Lemonnier, Djibouti, one Supervisory Contracting Officer, and three Contract Specialist. Due to the lengthy recruitment and hiring process, request target completion date of 1 October 2012.

Naval Audit Service comment on management's response to Recommendation 7. Planned actions meet the intent of the recommendation, which is open pending completion of agreed-to actions.

Recommendation 8. Develop a Functional Assessment Plan, and designate a Performance Assessment Representative for the Manda Bay Annex.

Naval Facilities Engineering Command Europe Africa Southwest Asia response to Recommendation 8. Concur. The Functional Assessment Plan has been developed and is in use by the designated Performance Assessment Representative. Corrective action was completed on 6 April 2012.

Naval Audit Service comment on management's response to Recommendation 8. Subsequent to our March/April 2011 site visit, and prior to report publication, Naval Facilities Engineering Command Europe Africa Southwest Asia took actions which met the intent of Recommendation 8. As a result, we consider this recommendation to be closed.

Recommendation 9. Develop and employ management controls to ensure that surveillance duties and responsibilities are sufficiently performed and documented as outlined in the Performance Assessment Plan as required by Federal Acquisition Regulation 46.4.

Naval Facilities Engineering Command Europe Africa Southwest Asia response to Recommendation 9. Concur. The Management Internal Control Plan for Fiscal Year 2012 has incorporated Business Management System procedures to ensure the use of the Performance Assessment Plan. Corrective action was completed 2 May 2012.

Naval Audit Service comment on management's response to Recommendation 9. Subsequent to our March/April 2011 site visit, and prior to report publication, Naval Facilities Engineering Command Europe Africa Southwest Asia took actions which met the intent of Recommendation 9. As a result, we consider this recommendation to be closed.

Recommendation 10. Ensure that the Contracting Officer and the Contracting Officer Representative review and approve the contractor Quality Plan and Standard Operating Procedures to ensure it meets contract requirements.

Naval Facilities Engineering Command Europe Africa Southwest Asia response to Recommendation 10. Concur. The contractor Quality Plan and Standard Operating Procedures have been reviewed and approved by the Performance Assessment Representative and Contract Officer, as appropriate. Corrective action was completed 6 April 12.

Naval Audit Service comment on management's response to Recommendation 10. Subsequent to our March/April 2011 site visit, and prior to report publication, Naval Facilities Engineering Command Europe Africa Southwest Asia took actions which met the intent of Recommendation 10. As a result, we consider this recommendation to be closed.

Recommendation 11. Issue written policy and procedures identifying the roles and responsibilities for reviewing and validating accuracy and reasonableness of invoices for Camp Lemonnier, Djibouti.

Naval Facilities Engineering Command Europe Africa Southwest Asia response to Recommendation 11. Concur. The written policy outlining the procedure and responsibilities for invoice processing has been developed and in use since August 2011. The contractor has been paid all the invoices received to date and those processed after August 2011 have used this process. Corrective action is complete.

Naval Audit Service comment on management's response to Recommendation 11. Subsequent to our March/April 2011 site visit, and prior to report publication, Naval Facilities Engineering Command Europe Africa Southwest Asia took actions which met the intent of Recommendation 11. As a result, we consider this recommendation to be closed. Formal management response notes August 2011 as the completion date. The Business Management Procedure process document shows 5 August 2011; therefore, this date will be used as the corrective action date.

Section B:

Status of Recommendations

Recommendations						
Rec. No.	Page No.	Subject	Status ¹²	Action Command	Target or Actual Completion Date	Interim Target Completion Date ¹³
1	6	Designate a Manager's Internal Control Coordinator as required by the Secretary of Navy Instruction 5200.35E.	C	Naval Facilities Engineering Command Europe Africa Southwest Asia	4/6/12	
2	6	Include Naval Facilities Engineering Command Europe Africa Southwest Asia's Camp Lemonnier operations in their Manager's Internal Control Program as required by Secretary of Navy Instruction 5200.35E.	C	Naval Facilities Engineering Command Europe Africa Southwest Asia	4/29/11	
3	6	Reevaluate the size and structure of assessable unit span of control to provide reasonable assurance of sufficient management controls, as required by Secretary of Navy Instruction 5200.35E.	C	Naval Facilities Engineering Command Europe Africa Southwest Asia	4/6/12	
4	8	Establish controls and provide oversight to ensure the Contracting Officers develop and maintain proper contract files in accordance with Federal Acquisition Regulation Subpart 4.8, "Government Contract Files," and Defense Federal Acquisition Regulation Supplement Subpart 204.8, "Contract Files."	O	Naval Facilities Engineering Command Europe Africa Southwest Asia	10/30/12	7/1/12
5	11	Provide oversight to ensure that the required annual acquisition plan reviews are conducted to ensure use of the most appropriate contract vehicle in future Base Operating Support contracts, in accordance with the Federal Acquisition Regulation.	C	Naval Facilities Engineering Command Europe Africa Southwest Asia	5/2/12	
6	18	Develop and implement a Concept of Operations that defines specific roles and responsibilities of each of the commands to provide internal control oversight accountability and responsibilities, including control activities over the Base Operating Support contract operations.	O	Naval Facilities Engineering Command Europe Africa Southwest Asia in conjunction with Commander Navy Region Europe Africa Southwest Asia	9/1/12	

¹² / O = Recommendation is open with agreed-to corrective actions; C = Recommendation is closed with all action completed; U = Recommendation is undecided with resolution efforts in progress.

¹³ If applicable.

Recommendations						
Rec. No.	Page No.	Subject	Status ¹²	Action Command	Target or Actual Completion Date	Interim Target Completion Date ¹³
7	18	Assign a full-time, on-site contacting officer to provide continuous contract administration oversight responsibilities at Camp Lemonnier, Djibouti.	O	Naval Facilities Engineering Command Europe Africa Southwest Asia	10/1/12	
8	19	Develop a Functional Assessment Plan, and designate a Performance Assessment Representative for the Manda Bay Annex.	C	Naval Facilities Engineering Command Europe Africa Southwest Asia	4/6/12	
9	19	Develop and employ management controls to ensure that surveillance duties and responsibilities are sufficiently performed and documented as outlined in the Performance Assessment Plan as required by Federal Acquisition Regulation 46.4.	C	Naval Facilities Engineering Command Europe Africa Southwest Asia	5/2/12	
10	20	Ensure that the Contracting Officer and the Contracting Officer Representative review and approve the contractor Quality Plan and Standard Operating Procedures to ensure it meets contract requirements.	C	Naval Facilities Engineering Command Europe Africa Southwest Asia	4/6/12	
11	20	Issue written policy and procedures identifying the roles and responsibilities for reviewing and validating accuracy and reasonableness of invoices for Camp Lemonnier, Djibouti.	C	Naval Facilities Engineering Command Europe Africa Southwest Asia	8/5/11	

Pertinent Guidance

The Office of Management and Budget Circular A-123, “Management’s Responsibility for Internal Control,” December 2004, provides guidance to Federal managers for improving the accountability and effectiveness of Federal programs and operations. The circular states that management is responsible for developing and maintaining effective internal controls. Establishing effective internal controls provides assurance that significant weaknesses in the design or operation of internal controls that could adversely affect the agency’s ability to meet its objectives would be prevented or detected in a timely manner. Internal control standards and the definition of internal controls are based on the Government Accountability Office’s “Standards for Internal Control in the Federal Government,” (the Standards), November 1999.

Secretary of the Navy Manual 5200.35E, November 2006, provides Managers’ Internal Control policy for the Department of the Navy to all DON components.

The Federal Acquisition Regulation, March 2005, is the primary regulation for use by all Federal Executive agencies in their acquisition of supplies and services with appropriated funds. The Department of Defense implementation and supplementation of the Federal Acquisition Regulation is issued in the Defense Federal Acquisition Regulation Supplement providing additional guidance for military components.

Naval Facilities Engineering Command Instruction 5200.38, dated 30 January 2006, states that Naval Facilities Engineering Command’s best business processes, as determined by the Process Owners, shall be identified, specified, and maintained in the Business Management System. Facilities Engineering Command’s employees shall use the business processes documented in the Business Management System.

Scope and Methodology

Scope

Our audit was conducted from 8 March 2011 to 8 March 2012. This report addresses the results of our audit of the contracting and disbursing operations for the Base Operating Support contract located at Camp Lemonnier, Djibouti, Africa. We discussed the results with representatives from the Naval Facilities Engineering Command (NAVFAC) Europe Africa and Southwest Asia (EURAFWA), Camp Lemonnier Public Works Department personnel, as well as contractor personnel, in April 2011. We discussed the results with personnel from NAVFAC Headquarters and NAVFAC Atlantic in July 2011.

Methodology

We reviewed Department of Defense and Department of the Navy policies and procedures applicable to acquisition, contracting, and disbursing. We held interviews with personnel from NAVFAC EURAFWA, Camp Lemonnier Public Works Department, and the contractor in order to understand the disbursing and contracting operations and obtained disbursing and contract documentation. We conducted interviews with NAVFAC EURAFSWA and Camp Lemonnier personnel regarding the Manager's Internal Control Plan. We obtained copies of the current Manager's Internal Control Plan, as well as the draft Manager's Internal Control Plan and reviewed them for sufficiency.

We interviewed NAVFAC EURAFSWA contracting personnel, Camp Lemonnier Public Works Department personnel, Contracting Officer Representative, performance assessment personnel, and contractor Quality Control personnel regarding their roles and responsibilities over the Base Operating Support contract. We requested and obtained access to all contract files in order to determine sufficiency of the Base Operating Support contract Master contract file. We received access to the electronic files contained on the Camp Lemonnier shared drive, as well as hard copy documents maintained at Camp Lemonnier. We obtained and reviewed the Acquisition Plan in order to determine justification for the type of contract vehicle used.

We judgmentally selected 5 of 11 Annexes (Galley, Supply, Base Support Vehicles and Equipment, Refuse, and Manda Bay), based on high-risk areas, to review for adequacy of contractor performance surveillance. We obtained and reviewed performance assessment documentation, including functional assessment plans and Performance Assessment

Worksheets; Performance Work Statements; and Standard Operating Procedures for the five selected annexes. We reviewed assessment documentation from December 2010 through February 2011 to align with the previous award fee period. We reviewed historic Award Fee documentation in order to validate Award Fee payments. We assessed the adequacy and implementation of the contractor's Quality Control program by reviewing their Quality Plan. We visited each functional area with the contractor's annex manager and observed business operations. We accompanied both the Performance Assessment Representative and the Quality Control coordinator for each selected annex to observe their process and identify any issues within the annex. Additionally, we interviewed the Contracting Officer Representative, and analyzed a random sample of invoices to verify whether invoices submitted by the contractor for goods and services provided for this contract were reviewed and checked for accuracy and reasonableness.

We reviewed Naval Audit Service, Department of Defense Inspector General, and General Accountability Office reports and found there were no reports published in the past 5 years covering the Camp Lemonnier Base Operating Support contract; therefore, no followup was required. This 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Exhibit C:

Activities Visited and/or Contacted

- Naval Facilities Engineering Command (NAVFAC) Headquarters, Washington, DC *
- NAVFAC Atlantic, Norfolk, Virginia
- NAVFAC EURAFSWA, Naples, Italy *
- Commander Navy Region EURAFSWA, Naples, Italy *
- Public Works Department, Camp Lemonnier, Djibouti, Africa *

*Activities visited

Appendix 1:

Management Response from Commander, Naval Facilities Engineering Command Europe Africa Southwest Asia



INDIRIZZO ITALIANO
Viale Porto, Box 51
Aeroporto Capodichino
80144 Napoli, Italia

DEPARTMENT OF THE NAVY
NAVAL FACILITIES ENGINEERING COMMAND EUROPE AFRICA SOUTHWEST ASIA
PSC #17 BOX 51
FPO AE 09622-0051

4330
Ser 00/1427
18 May 12

From: Commanding Officer, Naval Facilities Engineering Command,
Europe Africa Southwest Asia
To: Naval Audit Service, Washington DC

Via: (1) Commander, Naval Facilities Engineering Command,
Atlantic
(2) Commander, Naval Facilities Engineering Command

Subj: DRAFT AUDIT REPORT COMMENTS (N2011-NAA000-0099.000 30 APR
2012)

Encl: (1) Draft Audit Report (dated 30 April 2012)
(2) NAVFAC EURAFSWA Notice 1301
(3) NAVFAC EURAFSWA Management Internal Control (MIC)
Plan 02 May 12
(4) Determination to Exercise Option 4, dtd 7 February
2011
(5) Functional Assessment Plan Manda Bay Annex
(6) Appointment as Performance Assessment Representative
12 Mar 2012
(7) Performance Assessment Plan CLDJ BOS
(8) BMS Adherence Check List
(9) FMFS Pre-visit Information Checklist
(10) FMFS Self Checklist
(11) Standard Operating Procedures for CLDJ BOS
(12) CLDJ BOS Contract Invoice Process 5 Aug 2011

1. Naval Facilities Engineering Command Europe, Africa, Southwest Asia (NAVFAC EURAFSWA) appreciates the feedback afforded by the Naval Audit Services review of the Base Operating Support (BOS) Contract at Camp Lemonnier, Djibouti (CLDJ). The Commanding Officer NAVFAC EURAFSWA wanted the information that your look provided to improve our processes and internal controls. Contributing to the shortcomings outlined in the report is the difficulty of assigning long term civilian personnel support, primarily due to the remote, austere nature of the Camp and that the rules for use of Overseas Contingency Operations funding, the fund type used to support CLDJ, does not allow NAVFAC to PCS personnel to the Camp. This fact has resulted in constant personnel turnover and significantly

Subj: DRAFT AUDIT REPORT COMMENTS (N2011-NAA000-0099.000 30 APR
2012)

affected any continuity of knowledge which a steady state workforce would afford. The staff is learning their jobs and does not achieve the level of proficiency that allows them to evaluate procedures for weaknesses before they rotate back to their parent Command.

2. NAVFAC EURAFSWA has partnered with your team after receiving their feedback at the out brief and again when they received the discussion draft report. The positive actions as a result of that partnering resulted in effective controls being put in place that has already cleared six of the eleven recommendations. Additionally with this letter we are requesting that recommendations 5 and 9 be also considered completed with the documentation provided with this letter.

3. The report also calls to light that the staffing needs to be adequate to properly manage a BOS contract of this size regardless of whether it is cost plus or firm fixed price. NAVFAC EURAFSWA has taken this into account as they build the manning of the Public Works Department as CLDJ goes baseline in the budget, and the new firm fixed price BOS contract gets awarded in November of 2012.

4. Although the ability to audit the contract file to show all services were received as clearly as one would like is not there, it is known the services were received. Otherwise the Installation Commanding Officer as the Award Fee Chairman would not have given favorable endorsement of the award fee board findings to the award fee determining official. In fact they noted services that were not provided in the reports as justification for giving a lower award fee score.

5. Enclosure (1) is the draft report. We would recommend that manning the Camp with a steady state work force through PCS moves vice Temporary Additional Duty would allow for continuity and knowledge base development to properly apply internal controls. This would be the only substantive recommended change to the report in Section A. Further, in our estimation, the report contains no information exempt from release under the Freedom of Information Act.

6. Enclosures (2) through (12) document our completion of several actions associated with your recommendations. The narrative below addresses each recommendation:

2

The management response references 12 enclosures, which have been provided to the Naval Audit Service as documentation of actions taken. These enclosures are not included in this report.

Subj: DRAFT AUDIT REPORT COMMENTS (N2011-NAA000-0099.000 30 APR 2012)

- a. Recommendation 1, Concur: The Management Internal Control (MIC) Program coordinator has been designated see enclosure (2). Corrective action was completed 6 Apr 12.
- b. Recommendation 2, Concur: The MIC Plan for 2011 included CLDJ operations, and subsequent plans will do the same. See enclosure (3) for the MIC Plan for FY12. Corrective action was completed 29 Apr 11.
- c. Recommendation 3, Concur: The structure of assessable unit span of control is reduced to each Public Works Department or Resident Officer in Charge of Construction Office. Enclosure (2) indicates an Assistant MIC Coordinator for each PWD and ROICC. Corrective action was completed 6 Apr 12.
- d. Recommendation 4, Concur: The Process Management and Audit Team visited CLDJ 2-5 Apr 12 and audited the CLDJ BOS contract files. There remain gaps in documentation in the contract files that are being addressed. We will continue to make contact with personnel that have rotated in and out of CLDJ in an effort to obtain and incorporate missing documentation into the contract files. Request an interim target completion date of 1 Jul 12 and a target completion date of 30 Oct 12.
- e. Recommendation 5, Concur: An Annual Acquisition Plan Review was held prior to exercising Option 4. See enclosure (4). The Annual Acquisition Plan Review was incorporated into the FY12 MIC Plan for CLDJ as shown in enclosure (3). Corrective action was completed 2 May 12.
- f. Recommendation 6, Concur: Presently, performance oversight responsibilities are assigned to personnel as collateral duties. Commander Navy Region EURAFSWA and NAVFAC EURAFSWA are jointly refining the performance assessment plan (enclosure (7)) and an accompanying command and control (C2) construct to ensure adequate and consistent oversight of contract performance by dedicated personnel in each functional area or annex. Request a target completion date of 1 Sep 12.
- g. Recommendation 7, Concur: Due to the transitional nature of the CLDJ workforce, this effort is perpetual. NAVFAC EURAFSWA recently selected seven contract specialists to

The management response references 12 enclosures, which have been provided to the Naval Audit Service as documentation of actions taken. These enclosures are not included in this report.

FOR OFFICIAL USE ONLY

Subj: DRAFT AUDIT REPORT COMMENTS (N2011-NAA000-0099.000 30 APR 2012)

fill vacancies in the Acquisition Support Line. Until recently, contract specialists were utilized on a rotational basis in CLDJ. This is in the process of being changed. Efforts are underway to select four on-site contracting officer positions for CLDJ, One Supervisory Contracting Officer and three Contract Specialist. Due to the lengthy recruitment and hiring process, request target completion date of 1 Oct 12.

h. Recommendation 8, Concur: The Functional Assessment Plan has been developed and is in use by the designated Performance Assessment Representatives (PAR). See enclosures (5) and (6). Corrective action was completed 6 Apr 12.

i. Recommendation 9, Concur: The MIC Plan for FY12 has incorporated Business Management System procedures to ensure the use of the Performance Assessment Plan (enclosure (7)). Corrective action was completed 2 May 12. Enclosures (8) thru (10) are provided to give you visibility to the forms used by the staff.

j. Recommendation 10, Concur: The contractor Quality Plan and Standard Operating Procedures have been reviewed and approved by the PAR and Contracting Officer, as appropriate. See enclosure (11). Corrective action was completed 6 Apr 12.

k. Recommendation 11, Concur: The written policy outlining the procedure and responsibilities for invoice processing has been developed and in use since Aug 11. The contractor has been paid all the invoices received to date and those processed after Aug 11 have used this process. See enclosure (12). Corrective action is complete.

7. My point of Contact on this issue is [REDACTED]
He can be contacted by phone at [REDACTED]
[REDACTED] or by email: [REDACTED]

FOIA (b)(6)

[REDACTED]

[REDACTED]
By direction

The management response references 12 enclosures, which have been provided to the Naval Audit Service as documentation of actions taken. These enclosures are not included in this report.



DEPARTMENT OF THE NAVY
NAVAL FACILITIES ENGINEERING COMMAND, ATLANTIC
6506 HAMPTON BLVD
NORFOLK, VA 23508-1278

IN REPLY REFER TO:

7510
Ser 09IG/0220
21 May 12

FIRST ENDORSEMENT on NAVFAC EURAFSWA ltr 4330 Ser 00/1427
of 18 May 12

From: Commander, Naval Facilities Engineering Command, Atlantic
To: Auditor General of the Navy, Naval Audit Service
Via: Commander, Naval Facilities Engineering Command (IG)

Subj: NAVFAC EURAFSWA FOLLOW-UP RESPONSE TO CAMP LEMONNIER,
DJIBOUTI, BASE OPERATING SUPPORT CONTRACT (DRAFT AUDIT
REPORT N2011-NAA000-0099.000)

1. Subject response is forwarded, with concurrence. Eleven recommendations are either closed or ongoing, or interim target completion dates are requested.
2. Naval Facilities Engineering Command Europe Africa Southwest Asia (NAVFAC EURAFSWA) requested the Naval Audit Service perform an audit of Camp Lemonnier, Base Operating Support Contract. The audit notes several areas of concern which NAVFAC EURAFSWA has already begun to correct, including implementating a Manager's Internal Control Plan (MICP) and assigning an Assistant MICP Coordinator at each Public Works Department or Resident Officer in Charge of Construction office. Additionally, a Functional Assessment Plan has been developed, and dedicated personnel are providing oversight in each functional area.
3. Efforts in filling vacancies for Camp Lemonnier, Djibouti (CLDJ) have been significantly hampered by a variety of issues. As CLDJ has not been identified as an Enduring Base, this requires civilian recruitment efforts to be accomplished via temporary duty (TDY) of 179-day details with one 179-day extension, requiring Office of Civilian Human Resources (OCHR) approval. Due to the TDY constraints, our recruitment efforts have been limited to current NAVFAC employees, either utilizing reassignment or promotion actions. The financial compensation and/or benefit entitlements are different under TDY versus permanent assignment; therefore, creating additional difficulty in encouraging personnel to accept positions located at CLDJ. The various aspects of hiring for CLDJ require extensive coordination between CLDJ, NAVFAC EURAFSWA, NAVFAC Atlantic, and

FOR OFFICIAL USE ONLY

Subj: NAVFAC EURAFSWA FOLLOW-UP RESPONSE TO CAMP LEMONNIER,
DJIBOUTI, BASE OPERATING SUPPORT CONTRACT (DRAFT AUDIT
REPORT N2011-NAA000-0099.000)

multiple HROs/HRSCs, carefully choreographed to ensure requirements are properly identified, qualified/quality candidates are located and selected, and appropriate manning and mission accomplishment maintained. In order to address the complexity of this effort, NAVFAC Atlantic has established weekly telephone meetings with NAVFAC EURAFSWA to discuss ongoing recruitment strategies, succession planning, status of pending selections, and pay and benefit problems. We believe this action has overall increased the quality and stability of the NAVFAC CLDJ workforce; however, this support will continue to be relatively ad hoc until we can move personnel to CLDJ using PCS authority.

4. For any questions concerning this matter, please contact [REDACTED] Command Inspector General, at [REDACTED] or e-mail: [REDACTED]

FOIA (b)(6)

[REDACTED]
[REDACTED]
Vice Commander

Copy to:
NAVFAC EURAFSWA (Code 00, IG)



DEPARTMENT OF THE NAVY
NAVAL FACILITIES ENGINEERING COMMAND
1322 PATTERSON AVENUE, SE SUITE 1000
WASHINGTON NAVY YARD DC 20374-5065

7510
Ser 09IG/014
24 May 12

SECOND ENDORSEMENT on NAVFAC EURAFSWA ltr 4330 Ser 00/1427 of 18 May 12

From: Commander, Naval Facilities Engineering Command
To: Auditor General of the Navy, Naval Audit Service

Subj: NAVFAC EURAFSWA FOLLOW-UP RESPONSE TO CAMP LEMONNIER,
DJIBOUTI, BASE OPERATING SUPPORT CONTRACT (DRAFT AUDIT
REPORT N2011-NAA000-0099.000)

1. Forwarded with NAVFAC Headquarters' concurrence.
2. NAVFAC appreciates this valuable audit assistance as we endeavor to correct noted deficiencies in the Base Operating Support (BOS) Contract oversight at Camp Lemonnier, Djibouti (CLDJ). Corrective measures have already been implemented in several important areas, including the Managers' Internal Control Program (MICP). Per paragraph three of NAVFAC Atlantic endorsement, request your final report properly acknowledge the staffing challenges NAVFAC has endured due to CLDJ's unique status as a remote and austere base.
3. Senior leaders at NAVFAC Headquarters, NAVFAC Atlantic, and NAVFAC EURAFSWA are all actively engaged in heeding and implementing the recommendations from the subject report. The NAVFAC Headquarters' point of contact is [REDACTED], Chief Command Evaluator, at [REDACTED], or email: [REDACTED].

FOIA (b)(6)


STEVE ISELIN
Executive Director

Copy to:
Commander, Naval Installations Command
Commander, Navy Region EURAFSWA
NAVFAC ATLANTIC
NAVFAC EURAFSWA

Appendix 2:

Management Response from Commander, Navy Region Europe Africa Southwest Asia



DEPARTMENT OF THE NAVY
COMMANDER
NAVY REGION EUROPE, AFRICA, SOUTHWEST ASIA
PSC #17 BOX 108
FPO AF 06R22-0108

7510
Ser N00G/ 183
31 May 12

From: Commander Navy Region Europe, Africa, Southwest Asia
To: Assistant Auditor General for Research, Development,
Acquisition, and Logistics Audits, Naval Audit Service

Subj: DRAFT NAVAUDSVC REPORT CAMP LEMONNIER, DJIBOUTI, BASE
OPERATING SUPPORT CONTRACT (DRAFT AUDIT REPORT
N2011-NAA000-0099.000)

Ref: (a) NAVAUDSVC memo 7510 N2011-NAA000-0099.000 of
30 Apr 12

Encl: (1) CNREURAFSWA Response to the Subject Draft Report

1. Per reference (a), enclosure (1) is provided.
2. Point of contact is [REDACTED] at commercial
[REDACTED] or email [REDACTED]

[REDACTED]
[REDACTED]
Chief of Staff

Copy to:
CNIC N00
CNIC N00G
CNIC N4

FOIA (b)(6)

Commander, Navy Region Europe, Africa, Southwest
Asia (CNREURAFSWA) Response to NAVAUDSVC Draft
Audit Report Camp Lemonnier, Djibouti,
Base Operating Support Contract (Draft
Audit Report N2011-NIA000-0044)

NAVAUDSVC recommends that Commander, Navy Region Europe, Africa,
Southwest Asia (CNREURAFSWA):

Recommendation 6: Develop and implement a Concept of Operations
that define specific roles and responsibilities of each of the
commands to provide internal control oversight accountability
and responsibilities, including control activities over the Base
Operating Support contract operations.

Management Response: Concur: Presently, performance oversight
responsibilities are assigned to personnel as collateral duties.
Commander Navy Region EURAFSWA and NAVFAC EURAFSWA are jointly
refining the performance assessment plan and an accompanying
command and control (C2) construct to ensure adequate and
consistent oversight of contract performance by dedicated
personnel in each functional area or annex. Request a target
completion date of 1 Sep 12.

Enclosure (1)

~~FOR OFFICIAL USE ONLY~~

Use this sheet as

BACK COVER

**for printed copies
of this report**

~~FOR OFFICIAL USE ONLY~~