

RECORD VERSION

STATEMENT BY

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BEFORE THE

**COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE**

ON

LOGISTICS CIVIL AUGMENTATION PROGRAM (LOGCAP)

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Washington, DC**

Mr. Chairman and distinguished Members of the Committee, it is my pleasure to be here today and have the opportunity to discuss with you our audit work related to the Logistics Civil Augmentation Program—commonly called LOGCAP.

I have been with U.S. Army Audit Agency for more than 26 years and became The Auditor General of the Army in March 2006. As The Auditor General, I am responsible for the worldwide operations of Army Audit. The Agency is the Army's internal audit organization, and we provide objective and independent auditing services that help Army leaders make informed decisions, resolve issues, use resources effectively and efficiently, and satisfy statutory and fiduciary responsibilities. The scope of our audit responsibility includes selecting the subjects and organizations within the Army to audit, as well as responding to requests for audit service from Army officials.

Throughout its history, Army Audit Agency has deployed with our troops—in Vietnam and Bosnia, during Desert Storm and Desert Shield, and lately in support of Operation Enduring Freedom and Operation Iraqi Freedom. We have performed extensive audit work on LOGCAP in support of Operation Enduring Freedom and Operation Iraqi Freedom dating back to 2002. During 2003 General Kern, the Commander, U.S. Army Materiel Command, asked us to conduct an overall audit of LOGCAP operations. LOGCAP is the Army's program for using civilian contractors as an additional means to adequately support the current and programmed force by performing selected services during wartime and other operations. The principal objective of LOGCAP is to provide combat support and combat service support to combatant commanders and Army service component commanders, primarily during contingency operations, throughout the full range of military operations, including reconstitution and replenishment.

In response to General Kern's request, we focused our audit on overall program management, cost controls, and asset management. We did audit work

at various locations in the United States and overseas—including Uzbekistan, Afghanistan, Kuwait, and Turkey—and in November 2005 we issued a summary report on our LOGCAP work.

In this report we stated that, overall, the Army was adequately managing the LOGCAP contract. The program provided essential services to Soldiers and did a good job of meeting the Army's needs. Adequate procedures were in place to control costs under the contract, standards of services were recorded in theater-level documents, and acquisition review boards were in place to review and approve requirements. However, we did find systemic problems related to preparing independent government cost estimates, reviewing contractor rough orders of magnitude, and definitizing task orders. It is important to note that some of these problems occurred because of the large volume of work involved and the need to process contract actions quickly.

Because responsibility for property administration under this contract was delegated to Defense Contract Management Agency, we were unable to fully evaluate accountability for assets under the contract. But we did find some areas where improvements were needed in managing government-furnished property given to or acquired by the contractor.

Including our summary report, we issued eight audit reports and made audit recommendations to various organizations involved in the LOGCAP process. Some key recommendations were that the:

- Assistant Secretary of the Army (Acquisition, Logistics and Technology) develop Army guidance for approving requirements for deployment operations, including acquisition approval thresholds, members of joint acquisition review boards, and documentation of board actions.
- Deputy Chief of Staff, G-4 establish guidance addressing how to transfer government property to contractors in the absence of a government property officer to conduct joint inventories and to summarize key management controls related to LOGCAP in an annex to Army Regulation 715-9 (Contractors Accompanying the Force).

- Commander, U.S. Army Field Support Command (now, U.S. Army Sustainment Command) makes sure Defense Contract Audit Agency stayed actively involved in monitoring costs.

Army organizations agreed with our recommendations and said they would take implementing actions.

In December 2004 General Casey, the Commander, Multi-National Force – Iraq, asked us to audit LOGCAP operations supporting Operation Iraqi Freedom. General Casey's goal was to reduce overall costs without degrading the welfare of our deployed forces. Accordingly, we established two audit objectives to help reach the Army's goal. These objectives are to determine whether:

- Overall management of the program was adequate.
- The contractor was providing the needed services in a cost-effective manner.

We promptly established a permanent presence on the ground in Iraq, and since May 2005 we have had from 10 to 30 auditors in the Southwest Asia theater of operations at any given time. Early on, we found that the Army faced some significant challenges regarding LOGCAP operations. One challenge was that LOGCAP in the Iraq Area of Operations is the U.S. Army's greatest reliance on contractor support in its history. The Army had about 90 Forward Operating Bases and LOGCAP supported about 60 of them. Other major challenges were that the nature of operations was asymmetric, and personnel did not have freedom of movement and communications.

Since beginning our LOGCAP work in Iraq, we have issued 15 audit reports that include agreed-to monetary benefits totaling about \$175 million. We have also identified other cost avoidance initiatives we could not reasonably estimate the value of.

In April 2006 we reported that activities were improving overall management of the program. However, we also reported that the management

structure in the Iraq Area of Operations was not conducive to making sure LOGCAP was managed in the most effective and efficient manner. More specifically:

- Contracting activities in theater were fragmented and too understaffed to effectively scrutinize command's requirements.
- More centralized control was needed to make sure requirements were properly identified and contract support was effectively integrated into the command's combat service support mission.
- Dispersed locations and high turnover of personnel who managed the contract made it difficult to ensure that requirements were fully necessary and cost-efficiently obtained, and that ongoing work was properly managed.

To address these problems, we recommended that the:

- Commander, Multi-National Force – Iraq establish a forces requirements branch for centralized control and better interface with LOGCAP program management within the theater, and make sure the branch is adequately staffed (personnel and expertise) and headed by an individual who can effectively interface with all command levels.
- Commander, Army Sustainment Command coordinate with the Commander, Multi-National Force – Iraq to define roles between LOGCAP managers in each organization and establish training classes on LOGCAP that include exercises on developing statements of work, independent government cost estimates, and requirements.
- Commander, Army Materiel Command include information on the role of the LOGCAP Support Unit and establish a permanent presence by the unit at predeployment planning meetings.

To examine and evaluate the adequacy and cost-effectiveness of services, we conducted a series of audits focusing on specific functions under the LOGCAP contract. Some of these functions included theater transportation,

warehouse staffing, nontactical vehicles, distribution functions, and clothing issue facilities.

Our body of work to date has shown that LOGCAP operations were providing the services needed to support our Soldiers and satisfy the mission. Commanders and Soldiers were consistently satisfied with the services. However, our audit work also showed that services under the LOGCAP contract could be acquired more cost-effectively. For example:

- Staffing levels at many distribution centers exceeded operational needs.
- Onhand material handling equipment exceeded requirements.
- A significant number of the contractor's nontactical vehicles were underused and the contractor had more vehicles than needed.

Some of the recommendations from our function-specific reports were that the Army:

- Evaluate contractor personnel levels to make sure staffing levels (for both labor and management) are appropriate.
- Use underutilized assets to offset future contractor procurements.
- Develop and follow quality assurance surveillance plans to make sure the contractor performs as efficiently as possible.
- Use standard property book systems to gain and maintain accountability over assets, and perform 100-percent inventories.

In the 23 reports we have issued on LOGCAP, we have made many recommendations to the responsible Army commands. (A complete list of the reports is attached to this statement.) These commands have stated they would take corrective action in response to our recommendations. In many cases commanders in the field took immediate action to correct problems we brought to their attention.

In addition to our completed work, we have ongoing audits addressing these LOGCAP areas: dining facility operations, supply support activity

operations, bulk fuel controls, cross-leveling and distribution of government-furnished property managed by contractors, and Defense Basing Act insurance rates.

In conclusion, I would like to say that I am very proud of my auditors on the ground with our Soldiers in Iraq, Afghanistan, and Kuwait. Their dedication and hard work have provided valuable, real-time help to the Army. I appreciate the opportunity to testify before you today to provide a summary status of our LOGCAP audit work, and I will be glad to respond to your questions.

Army Audit Agency Reports on LOGCAP

Report Number	Date	Title
A-2003-0110-IMU	31 Dec 02	Logistics Civil Augmentation Program; Camp Stronghold Freedom, Uzbekistan
A-2003-0367-IMU	21 Jul 03	Followup of Recommendations From Audit of Logistics Civil Augmentation Program
A-2004-0033-IMU	23 Oct 03	Management of Resources, Army Forces–Turkey
A-2004-0156-IMU	27 Feb 04	Operation Enduring Freedom—Logistics Civil Augmentation Program
A-2004-0438-AML	12 Aug 04	Definitization of Task Orders—Audit of Logistics Civil Augmentation Program
A-2005-0043-ALE	24 Nov 04	Logistics Civil Augmentation Program in Kuwait, U.S. Army Field Support Command
A-2006-0018-ALL	17 Nov 05	Logistics Civil Augmentation Program Support Unit Training
A-2006-0022-ALL	28 Nov 05	Logistics Civil Augmentation Program, U.S. Army Materiel Command
A-2006-0047-ALL	11 Jan 06	Base Closure Process in the Iraq Area of Operations
A-2006-0081-ALL	17 Mar 06	Audit of Unliquidated Obligations, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom
A-2006-0083-ALL	21 Mar 06	Audit of Retrograde Operations (Task Order 87), Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom
A-2006-0091-ALL	4 Apr 06	Audit of Management of the Theater Transportation Mission (Task Order 88), Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom
A-2006-0099-ALL	25 Apr 06	Audit of Program Management in the Iraq Area of Operations, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom
A-2006-0158-ALL	11 Jul 06	Report on Class IX (Aviation) Warehouse Staffing, Camp Anaconda, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom
A-2006-0168-ALL	4 Aug 06	Report on the Subsistence Prime Vendor Contract, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom
A-2006-0233-ALL	22 Sep 06	Clothing Issue Facilities, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom
A-2006-0246-ALL	27 Sep 06	Audit of the Cost-Effectiveness of Transitioning Task Order 66 - Kuwait Naval Base Camp Support From Contingency to Sustainment Contracting, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom – Phase II (Kuwait)

Report Number	Date	Title
A-2006-0253-ALL	28 Sep 06	Audit of the Cost-Effectiveness of Transitioning the General Support Supply Support Activity (Task Order 87) From Contingency to Sustainment Contracting, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom
A-2006-0254-ALL	29 Sep 06	Audit of the Procedures for Transferring Property During the Base Closure Process in Support of Operation Iraqi Freedom
A-2007-0011-ALL	16 Nov 06	Audit of Nontactical Vehicle Usage in the Iraq Area of Operations, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom
A-2007-0019-ALL	21 Nov 06	Audit of Distribution Functions, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom
A-2007-0093-ALL	9 Mar 07	Audit of the Cost-Effectiveness of Transitioning Selected Functions Performed at the Theater Distribution Center (Task Order 87) From Contingency to Sustainment Contracting, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom
A-2007-0104-ALL	23 Mar 07	Summary Audit Report on the Cost-Effectiveness of Transitioning Work Under the Logistics Civil Augmentation Program Contingency Contract to Sustainment Contracting, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom