

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 22-05 Audit Report

Bagram Airfield Security: Army Contracting
Command Did Not Ensure That Private Security
Contractor Fully Complied with Contract Terms,
And Potentially Overpaid for Services by \$850,000



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SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

November 1, 2021

The Honorable Lloyd J. Austin III
Secretary of Defense

General Edward M. Daly
Commander, Army Materiel Command

General Kenneth F. McKenzie Jr.
Commander, U.S. Central Command

This report discusses our audit of the Department of Defense's (DOD) contract with Reed International Incorporated (Reed) to provide security services at Bagram Airfield, one of the largest U.S. military bases in Afghanistan at the time. The DOD Regional Contract Center–Afghanistan (RCC-A) contracted with Reed for \$31,887,167 to provide uninterrupted armed security and patrol services for the 4-year period from September 29, 2016, to June 30, 2020. Contracting officers from Army Contracting Command–Afghanistan administered Reed's contract. By the end of the contract's second option year, RCC-A required Reed to staff 571 security personnel at Bagram Airfield, including 496 armed security guards, for 24 hours per day, 7 days per week.

Our audit found that Reed filled 96 percent of the positions required under its contract. However, we also found that Reed did not fill the required number of positions under three labor categories: 1 vehicle commander, 10 radio transmitters operators, and 10–14 vehicle operators. Moreover, Reed met 100 percent of its staffing requirements for only 2 weeks of the contract. According to an Army Contracting Command judge advocate, this occurred because the contract modification language was ambiguous and did not clearly state the number of personnel Reed needed to hire. As a result, Reed provided fewer personnel than ACC-A calculated were necessary to fill all the positions required under the contract.

Additionally, we found more than 418 instances of Reed armed security guards working more than six consecutive shifts in a work week, exceeding the maximum allowed under the contract, and leading to exhaustion and diminished readiness. ACC-A officials did not identify any cases of overworked Reed contractors, indicating a serious deficiency in its oversight. Furthermore, despite not filling all the positions required by the contract, in 34 of the 55 invoices we reviewed, Reed fully invoiced ACC-A for each labor category based on its Contract Line Item Number (CLIN), rather than the number of positions filled. Although ACC-A was aware that Reed was not fully meeting its staffing requirements, ACC-A officials told us they decided to pay Reed in full because under the terms of this fixed-fee contract, ACC-A believed it could only compensate Reed fully for each labor category or not at all. Consequently, our analysis shows that ACC-A potentially overpaid Reed for services provided by approximately \$850,000 over a 2-year period from August 2015 to July 2017.

This report provides no recommendations to DOD because its contract with Reed concluded on July 30, 2020, and U.S. troops withdrew from Bagram Airfield on July 2, 2021. Nevertheless, we encourage DOD to consider our findings related to inconsistent oversight and the utility of withholding partial payments as a means of incentivizing contract compliance, given that these may have implications for future contracts, no matter the theater of operations.

We provided a draft of this report to Army Materiel Command and DOD for review and comment. We received technical comments from DOD, which we incorporated as appropriate. DOD did not comment on the findings or conclusion of the draft report.



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for Afghanistan Reconstruction

SIGAR conducted this work under the authority of Public Law 110-181, as amended, and the Inspector General Act of 1978, as amended; and in accordance with generally accepted government auditing standards.

John F. Sopko
Special Inspector General
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ABBREVIATIONS

ACC-A	Army Contracting Command–Afghanistan
CLIN	contract line item number
COR	Contracting Officer Representative
DOD	Department of Defense
FAR	Federal Acquisition Regulation
RCC-A	Regional Contracting Command–Afghanistan
Reed	Reed International Incorporated
SOW	Statement of Work

Located approximately 27 miles north of Kabul in Parwan Province, Bagram Airfield was one of the largest U.S. military bases in Afghanistan.¹ In response to increasing security threats at Bagram Airfield, including a suicide bombing on November 12, 2016, that killed 4 Americans and wounded 16, the U.S. Department of Defense (DOD) Regional Contract Center–Afghanistan (RCC-A) contracted with Reed International Incorporated (Reed) for \$31,887,167 to provide uninterrupted armed security and patrol services for the 4-year period from September 29, 2016, to June 30, 2020. Contracting officers from Army Contracting Command–Afghanistan (ACC-A) administered Reed’s contract.² The contract was modified 19 times, and by the end of the contract’s first option year, RCC-A required Reed to staff 571 security personnel at Bagram Airfield, including 496 armed security guards for 24 hours per day, 7 days per week.

In March 2019, a U.S. government official overseeing Reed’s contract submitted a hotline complaint to the International Contract Corruption Task Force at Bagram Airfield.³ The complaint alleged several staffing issues with the contract, including Reed’s double staffing of personnel (using one person to fill two positions) and billing for work not performed. The hotline complaint resulted in a preliminary investigation and an eventual determination by an ACC-A judge advocate that the contract’s language was vague and ambiguous concerning the number of persons and positions required. Based on the preliminary investigation, the International Contract Corruption Task Force closed the complaint for lack of evidence.

Subsequently, after reviewing the complaint, SIGAR determined that it would conduct an audit of Reed’s performance, including its billing and staffing practices. The scope of this audit was from March 9, 2016, the time ACC-A issued the request for proposal, through June 30, 2020, the end of the third option period. The audit’s objective was to determine the extent to which Reed fulfilled its contractual personnel requirements.

To accomplish this objective, we reviewed contract data to include the solicitation, price proposal documents, the awarded contract, contract modifications, and all available oversight documentation. Additionally, we examined Reed’s invoices, personnel documents, and weekly reports to ACC-A officials. We interviewed officials from ACC-A and RCC-A. We also received written responses to questions from Reed. We conducted our work in Arlington, Virginia, from February 2020 through October 2021, in accordance with generally accepted government auditing standards. Our scope and methodology are discussed in greater detail in Appendix I.

¹ U.S. troops withdrew from Bagram Airfield on July 2, 2021.

² RCC-A is a subordinate command within ACC-A that provided day-to-day contracting support services for this contract. These services included contract award, oversight, and surveillance, and closeout activities. ACC-A provided administrative support through the provision of administrative contracting Officers and quality assurance representatives.

³ The International Contract Corruption Task Force is the principal U.S. organization that coordinates contract fraud and corruption cases involving U.S. government spending, with an emphasis on Southwest Asia operations. Members of the Task Force represent six federal agencies, including SIGAR.

BACKGROUND

RCC-A awarded a firm-fixed-price contract to Reed on July 1, 2016, to provide non-personal security services at Bagram Airfield from September 29, 2016, to June 30, 2020.⁴ The period of performance consisted of a 9-month base period and 3 option years. Additionally, the contract authorized a 90-day start-up period for mobilizing the work force, supervisory staff, equipment, and weapons necessary to perform the required services; and a 30-day demobilization period following option year 3. Through 19 modifications, the contract's total value increased from \$2,903,517 to \$31,887,167. Table 1 provides the contract timeline.

Table 1 - Reed's Period of Performance Timeline for Bagram Airfield Security

Contract Term	From	To
Mobilization	July 01, 2016	Sept. 28, 2016
Base Period	Sept. 29, 2016	June 30, 2017
Option Period 1	July 01, 2017	June 30, 2018
Option Period 2	July 01, 2018	June 30, 2019
Option Period 3	July 01, 2019	June 30, 2020
Demobilization	July 01, 2020	July 30, 2020

Source: SIGAR analysis of contract W91B4N-16-C-5008 and its modifications.

The contract's statement of work (SOW) required Reed to provide qualified personnel, materials, equipment, and supplies for uninterrupted, 24 hours per day, 7 days per week security services at Bagram Airfield. This included guards for perimeter towers, armed and unarmed escort guard services, administrative reporting, and site-specific training. ACC-A administered the contract and oversaw Reed's performance.

RCC-A modified the contract 19 times, including 5 modifications that changed workforce staffing requirements in response to increasing security threats at Bagram Airfield. For example, a January 2017 modification called for a 79 percent increase in the number of armed security guards, and added additional labor categories to the contract. RCC-A stated that increasing Reed's labor requirements was critical for mitigating the increasing risk to the personnel, facilities, and equipment at Bagram Airfield. Table 2 summarizes changes to contract labor requirements over time.

⁴ The contract, number W91B4N-16-C-5008, stated, "the contractor shall provide non-personal services to include qualified personnel, materials, equipment, and supplies necessary to perform security services for internal guard services to include but not limited to, manning of perimeter towers and armed and unarmed escort guard services at Bagram Air Field. The security services shall include mobilization, site-specific training, compliant perimeter security services, administrative reporting and demobilization." The Federal Acquisition Regulation (FAR) defines a non-personal services contract as "a contract under which the personnel rendering the services are not subject, either by the contract's terms or by the manner of its administration, to the supervision and control usually prevailing in relationships between the Government and its employees." (FAR 37.101)

Table 2 - Changes to Contract Labor Requirements Over Time

Contract Modification	Shift Supervisor	Vehicle Commander	Radio Transmitter Operator	Vehicle Operator	Armed Security Guards	Total*
Contract Award July 01, 2016	14	0	0	0	258	276
Mod 3 Effective Sept. 01, 2016	14	0	0	0	266	284
Mod 5 Effective Jan. 03, 2017	39	1	10	10	477	544
Mod 9 Effective Aug. 01, 2017	43	1	10	14	483	558
Mod 11 Effective Mar. 26, 2018	43	1	10	14	496	571
Mod 18 Effective Sep. 1, 2019	36	1	0	14	416	473

*Note: This table does not include labor categories for administrative positions (site manager, assistant site manager, operations officer, and administrative officer). The labor requirement for the site manager and administrative officer positions remained constant at 1 each for the duration of the contract. Modification 5 increased the number of assistant site managers from 0 to 1, and the number of operations officers from 2 to 4. As a result of not including these labor categories in the table, the “Total” column indicates a higher labor requirement than the sum of the preceding columns.

Source: SIGAR analysis of contract W91B4N-16-C-5008 and its modifications.

REED MET 96 PERCENT OF ITS STAFFING REQUIREMENTS, BUT DID NOT FILL SOME SECURITY POSITIONS, RESULTING IN OVERWORK AND POTENTIAL OVERPAYMENTS OF APPROXIMATELY \$850,000

In the 154 weeks of performance we reviewed, we found that Reed filled 96 percent of the positions required under its contract, including the large requirement for armed security guards.⁵ However, Reed did not fill the required number of positions under three labor categories: 1 vehicle commander, 10 radio transmitter operators, and 10–14 vehicle operators.⁶ Moreover, Reed met 100 percent of its staffing requirements for only 2 weeks of the contract, resulting in more than 418 instances of Reed employees working more than 6 consecutive 12-hour shifts (referred to in this report as “overwork”) in violation of the contract terms. This occurred because contract modifications introduced language that was ambiguous about the number of personnel Reed needed to hire, and because ACC-A’s oversight officials did not identify overworked Reed personnel.⁷ Despite not filling all the positions ACC believed were necessary under the contract and

⁵ The contract’s total duration was 213 weeks. We received and evaluated 154 weekly reports from September 28, 2016, (the end of the mobilization period) through April 9, 2020. Reed provided these weekly report to ACC-A in accordance with contract requirements. ACC-A did not provide SIGAR with the weekly reports from March 29, 2019, to October 3, 2019, and from April 10, 2020, to June 30, 2020.

⁶ ACC-A added the vehicle commander, radio transmitter operator, and vehicle operator labor categories to the contract with modification 5 on January 3, 2017, or approximately 27 weeks into the contract.

⁷ Following a preliminary investigation, an ACC-A judge advocate determined that the contract’s language was vague and ambiguous concerning the number of persons and positions required.

overworking its personnel, in 34 of the 55 invoices we reviewed, Reed invoiced and received full payment from ACC-A for each labor category based on the prices from contract line item numbers (CLIN). ACC-A officials told us that they decided to pay Reed in full, prior to issuing a contract modification to prorate invoices in September 2019, because under the terms of the contract, they believed they could only compensate Reed fully for each labor category or not at all. Because ACC-A did not withhold partial payment when the contractor fell short of its staffing requirements, ACC-A potentially overpaid Reed by approximately \$850,000 over a 2-year period from August 2015 to July 2017.⁸

Reed Did Not Meet Staffing Requirements for the Vehicle Commander, Radio Transmitter Operator, and Vehicle Operator Positions

To determine the extent to which Reed met its contractual staffing requirements, we analyzed 154 of the weekly reports Reed submitted to the ACC-A Contracting Officer Representative (COR). We found that, on average, Reed met 96 percent of the contract’s staffing requirements in the 154 weeks for which we have data. However, Reed filled the vehicle commander, vehicle operator, and radio transmitter operator labor categories only 21 percent, 23 percent, and 1 percent of the time on average, respectively. Additionally, we found that armed security guards worked more than six consecutive shifts in more than 418 cases, likely leading to exhaustion and diminished readiness. By not consistently meeting its staffing requirements and having contractors work more than six consecutive shifts, Reed may have put Bagram Airfield’s security at greater risk.

According to Federal Acquisition Regulation (FAR) 37.503, requirements for service contracts should be clearly defined so that they can be understood by potential bidders during the solicitation process, and will help ensure that performance will meet requirements. DOD’s COR Handbook states that interpreting contract requirements can be difficult if the SOW is poorly written.⁹ The Handbook also states interpreting the contract requirements can be difficult if the SOW displays a lack of technical knowledge, inadequate planning or research, lack of communication, differing interpretations, and carelessness. With the proper SOW, contract performance is more likely to be successful.¹⁰

Reed’s contract required it to provide personnel for the following labor categories: site manager, assistant site manager, operations officer, shift supervisor, vehicle commander, radio transmitter operator, administrative officer, vehicle operator, and armed security guards. Table 3 provides a breakdown of the average personnel fill rates by labor category over the duration of the contract.

Table 3 - Average Personnel Fill Rates by Labor Category

Shift Supervisor	Vehicle Commander	Radio Transmitter Operator	Vehicle Operator	Armed Security Guards	Total*
96 percent	21 percent	1 percent	23 percent	99 percent	96 percent

*Note: This table does not include Reed’s average fill rates for administrative positions (site manager, assistant site manager, operations officer, and administrative officer). Reed’s average fill rates for all of these positions was above 95 percent. The average total fill rate includes these positions.

Source: SIGAR analysis of Reed weekly reports for 154 weeks of the contract.

⁸ To calculate the average number of personnel who worked in a month, we used the weekly reports Reed provided to ACC-A. We then multiplied the average monthly labor by the contract’s price per person to determine what Reed should have billed each month. The overpaid amount is the difference between the invoiced amount and what Reed should have billed ACC-A.

⁹ DOD, Director Defense, Procurement, & Acquisition Policy, *COR Handbook*, March 22, 2012, p. 73.

¹⁰ DOD, *COR Handbook*, p. 73.

ACC-A added the vehicle commander, vehicle operator, and radio transmitter operator labor categories to the contract with modifications 5 and 9. However, these modifications contained ambiguous language regarding how many new personnel Reed needed to hire. In the base year contract, ACC-A consistently used “person” and “personnel” throughout the SOW and the CLINs, and called for the same numbers of personnel in both the SOW and the CLINs. However, in modifications 5, 9, and 11, ACC-A used “personnel” and “positions” interchangeably, and the SOW and CLINs language ceased having matching language, creating inconsistency in contract requirements. For example, while modification 11’s SOW called for 496 tower/static security and surge guards, it also stated that there would be “282 [armed security guard] personnel securing fifty towers,” that there would be “201 positions for static site security, roving foot patrols, vehicle operators, and surge guards,” and that “fourteen armed guards will serve as Non-Tactical Vehicle (NTV) operators.” If ACC-A expected Reed to staff a different person to each of these positions, the total guard requirement would have been 497 personnel, rather than 496. The modification 11 CLINs, by contrast, required 496 armed security guards and an additional 13 armed security guards to “enhance force protection,” for a total of guard requirement of 509 personnel.

Correspondence between ACC-A and Reed after the issuance of modification 11 in March 2018 shows that the two entities disagreed about how many personnel needed to be available at any given time to fill the requirements under the modified contract. In an email dated March 7, 2019, ACC-A rejected one of Reed’s invoices, stating

The [Performance Work Statement] requires 571 personnel for this contract as a minimum. The additional personnel for covering R&R [rest and recuperation], etc. are in additional [sic] to the 571, which is why Reed’s Government Furnished Life Support Form allows for Reed to have 607 personnel on [Bagram Air Field] to cover those leave rotations. The R&R [rest and recuperation] personnel are not subtracted from 571, as 571 is what is required on a post or position every day.

In its response, dated March 12, 2019, Reed stated “that a requirement to have 571 boots on the ground at all times is a new and incorrect interpretation of the contract...We would like to stress that all required positions detailed in the [Statement of Work] can be manned with fewer than 571 personnel on the ground.”

Officials from ACC-A told us that until March 2019, ACC-A accepted Reed’s position that it could satisfy the contract’s labor requirements with fewer than 571 personnel, so long as Reed did not assign armed security guards to more than 72 hours of work per week. According to ACC-A officials, ACC-A incorporated the 72-hour weekly restriction into the contract to prevent Reed’s security personnel from working more than six 12-hour shifts in a 7-day period, which could lead to exhaustion and diminished readiness. ACC-A officials also told us that they relied on personnel status reports and “spot checks,” rather than reviewing Reed’s timesheets to evaluate whether Reed was meeting its staffing requirements without the six consecutive shifts. ACC-A said it did not identify any instances of Reed contractors working in excess of 72 hours per week using this methodology.

However, we randomly selected daily timesheets representing 12 months of the contract and identified 160 instances of armed security guards working more than 12 consecutive daily shifts in a 14-day period, which was clearly more than the contract allowed.¹¹ During the same period, we also found 406 instances of guards who had worked between 7 and 12 consecutive daily shifts in a 14-day period.

Reed’s practices of not consistently meeting its staffing requirements and having contractors work more than six consecutive shifts may have put Bagram Airfield’s security at greater risk. Several of the COR’s non-conformance reports and COR reports for the contract highlight security concerns, including a perimeter breach,

¹¹ Reed submitted daily timesheets to the CORs in accordance with contract requirements. We used a random number generator to select 12 months for a sample. Appendix I has a more detailed discussion of our scope and methodology.

guards caught sleeping on duty, and guns and ammunition found unattended.¹² According to one ACC-A official, the CORs “constantly” found unmanned checkpoints and posts that required two guards staffed by only one.

ACC-A Potentially Overpaid Reed Approximately \$850,000 Over a 2-Year Period

We found that Reed electronically submitted 55 monthly invoices to its CORs for review and approval, as required by the contract, and the CORs approved 54 of the invoices for payment. A COR rejected one invoice in August 2019 and asked Reed to submit it because “Reed was tasking armed guards to be RTOs [Radio Transmitter Operators] and charging the government twice...” We found that prior to the COR rejecting the August 2019 invoice, ACC-A approved 34 invoices based on CLIN amounts rather than the number of positions filled, even though Reed met 100 percent of its staffing requirements for only 2 weeks of the contract. By paying based on the full CLIN amount, ACC-A potentially overpaid Reed by approximately \$850,000.

According to FAR 46.105, a contractor is responsible for controlling the quality of supplies or services, providing the government with supplies or services that conform to contract requirements, maintaining substantiating evidence that the supplies or services conform to quality requirements (when required by the contract), and furnishing such information to the government. Furthermore, the COR Handbook states that while monitoring contractor performance, CORs are responsible for reviewing invoices for accuracy and consistency with contract terms.¹³ Similarly, under FAR 1.602-2, the ACC-A contracting officer is responsible for ensuring overall contractor compliance with the terms of the contract.

However, we found that CORs approved Reed’s invoices, and ACC-A contracting officers transmitted full payments, despite evidence that Reed had not met all the staffing requirements under the contract. ACC-A officials told us, and our review of documents and correspondence confirmed, that they were aware that Reed was not meeting 100 percent of its staffing requirements. A contracting officer said the CORs did not accurately document these labor deficiencies. One COR told us that he did not review Reed’s timesheets because there were too many guards to check, but he spoke with guards about their rest days. ACC-A claims that because the contract was firm-fixed-price, its only recourse would have been to deny payment in full. ACC-A said this did not seem fair, given that Reed was meeting most of its requirements.

However, approximately 2.5 years after awarding the contract, ACC-A took steps to address Reed’s staffing issues. Specifically, ACC-A froze payments to Reed and undertook a formal evaluation of Reed’s performance. According to Reed, ACC-A also conditioned the release of funds on Reed’s agreement to contract modification 14. After 3 months, ACC-A issued modification 14, which updated the CLINs to allow ACC-A to prorate payments when Reed did not fully meet its staffing requirements for the month. We calculated that modification 14 saved ACC-A approximately \$78,300 by the end of the contract in July 2020. However, Reed told us that it signed modification 14 “under duress as the only way to obtain payment after months of nonpayment.” Reed officials told us in May 2021 that they are “involved in pending consolidated appeals” with ACC-A, filed under the Contracts Dispute Act of 1978 at the Armed Services Board of Contract Appeals, concerning modification 14 and allegations that ACC-A owed Reed a substantial sum in damages plus interest. We calculated that if ACC-A had incorporated payment proration from the beginning of the contract, rather than approximately 2.5 years into the performance period, the contract payments would have been reduced by approximately \$850,000. We found that ACC-Rock Island did not incorporate payment proration into its follow-on firm-fixed price contract with Reed.¹⁴

¹² During the contract term, CORs overseeing Reed’s contract issued several non-conformance reports, which highlighted issues the CORs identified as deviations from contract terms or a failure to meet agreed performance or quality standards.

¹³ DOD, *COR Handbook*, p. 65.

¹⁴ The follow-on firm-fixed price contract was number W52P1J-19-D-0003.

CONCLUSION

Reed met 96 percent of its contractual obligations to provide security personnel. However, ACC-A's inconsistent oversight and inclusion of ambiguous language in contract modifications may have contributed to Reed's misunderstanding of how many contractors ACC-A expected it to have on-site, resulting in inadequate staffing and overworked personnel. As a result, Bagram Airfield's security was potentially placed at greater risk. Although ACC-A eventually acted to hold Reed accountable to the personnel requirements under the modified contract, which saved the U.S. taxpayer approximately \$78,300, these efforts were made 2.5 years into the period of performance. If ACC-A had incorporated language into the contract from the start allowing it to prorate payments, it would have possibly saved an additional \$850,000. Furthermore, as a result of ACC-A freezing payments to Reed and, according to Reed, conditioning the release of funds on Reed's agreement to a contract modification, pursuant to the Contracts Dispute Act of 1978, Reed has appealed the denials of its certified claims for payment.

RECOMMENDATION

This report provides no recommendations to ACC-A because its contract with Reed concluded on July 30, 2020, and U.S. troops withdrew from Bagram Airfield on July 2, 2021. Nevertheless, we encourage DOD to consider our findings related to inconsistent oversight and the utility of withholding partial payments as a means of incentivizing contract compliance, given that these may have implications for future contracts, no matter the theater of operations.

AGENCY COMMENTS

We provided a draft of this report to Army Material Command and DOD for review and comment. We received technical comments from DOD, which we incorporated as appropriate. DOD did not comment on the findings or conclusion of the draft report.

APPENDIX I - SCOPE AND METHODOLOGY

This report discusses our audit of the Department of Defense's (DOD) contract with Reed International Incorporated (Reed) to provide security services at Bagram Airfield from September 29, 2016, to June 30, 2020. Our objective was to determine the extent to which Reed met its contractual staffing requirements.

We accomplished this objective by reviewing contract data to include the Request for Proposal, price proposal documents, awarded contract, contract modifications, and all available oversight documentation. Additionally, we interviewed officials from the International Contract Corruption Task Force, Army Contracting Command–Afghanistan (ACC-A), and Regional Contracting Center–Afghanistan. We also received Reed's written responses to our questions.

To determine the extent to which Reed met staffing requirements outlined in the contract, we examined weekly reports Reed provided to ACC to identify how many contract personnel, by job title, were onsite each week. We compared this data with the requirements outlined in the statement of work.

To analyze daily timesheets Reed submitted to its Contracting Officer Representatives in accordance with the contract's deliverables, we used a random number generator to select 12 non-consecutive months for a sample. Using Visual Basic for Applications and Query, we merged the daily timesheets within the selected months into 12 monthly files. We then consolidated the 12 monthly files into one document for our analysis.¹⁵

To determine whether Reed billed the U.S. government based on contract line item number (CLIN) or Reed's supplied labor, we analyzed the line items on each invoice and identified the rate charged for each job position. Then we tracked contract modifications that changed CLIN prices and labor requirements. We compared the invoice line items to the CLINs.

We used the weekly reports Reed provided to its Contracting Officer Representatives (October 2016–March 2019; October 2019–April 2020) to calculate an average number of personnel who worked in a month. We multiplied the average monthly labor by the CLIN price per person to determine what Reed should have billed for each job position every month. When invoices had multiple contract line items for one position, we divided the average reported personnel between the contract line items starting with the oldest line item on the invoice, using the First In First Out accounting method.¹⁶ We then calculated the difference between what Reed billed on the invoices and what should have been billed to determine how much ACC-A overpaid Reed.

We did not use or rely on computer-processed data for the purpose of our audit objective. We assessed the significance of internal controls and compliance with laws and regulations necessary to satisfy the audit objective. We determined that DOD's contract management activities and control environment were significant to the audit objective. Specifically, we found that ACC-A officials did not review the daily timesheets for Reed personnel, and as a result, they did not identify that some Reed personnel were working more than 72 hours per week in violation of the contract terms. The results of our assessment are included in this report. However, because our review was limited to these internal control components and underlying principles, our report may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

We conducted our audit work in Arlington, Virginia, from February 2020 to October 2021, 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. This audit was performed by SIGAR under the authority of Public Law No. 110-181, as amended, and the Inspector General Act of 1978, as amended.

¹⁵ Visual Basic for Applications is a programming language that automate tasks in Microsoft Excel. Power Query is a tool in Excel that can be used to import data from different sources, edit the data, and upload it into a new Excel workbook.

¹⁶ First In, First Out method is an accounting method generally used in inventory valuation. It recognizes the oldest asset or materials purchased first.

APPENDIX II - ACKNOWLEDGMENTS

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SIGAR's Mission

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