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June 2017

# ARMORED COMMERCIAL VEHICLES

## DOD Has Procurement Guidance, but Army Could Take Actions to Enhance Inspections and Oversight

Accessible Version

# GAO Highlights

Highlights of [GAO-17-513](#), a report to the Committee on Armed Services, House of Representatives

## Why GAO Did This Study

DOD uses armored military vehicles for combat and operational support, but it also uses armored commercial vehicles to transport military and civilian personnel in areas that pose a threat to their safety. These vehicles differ in many ways, including mission and appearance.

The House Armed Services Committee report accompanying the National Defense Authorization Act for Fiscal Year 2017 contained a provision for GAO to assess multiple aspects of DOD's procurement practices for ACPVs. This report assesses (1) DOD's guidance and procedures for acquiring ACPVs and how they compare with those at the Department of State; and (2) the extent to which selected DOD components adhere to guidance and procedures for ensuring the safety and quality of ACPVs.

To conduct this work, GAO analyzed policies, procedures, and regulations that govern aspects of acquiring, armoring, inspecting, and managing ACPVs; interviewed DOD and State Department officials; and compared armoring standards DOD components—Army, Navy, Marine Corps, and Defense Intelligence Agency—use for ACPVs against minimally acceptable protection standards. GAO reviewed contract actions for selected DOD components between 2011 and 2015.

## What GAO Recommends

The Secretary of Defense should require the Army to conduct in-progress inspections and designate a central point of contact for ACPV information. DOD concurred with the recommendations.

View [GAO-17-513](#). For more information, contact Marie A. Mak at (202) 512-4841 or [makm@gao.gov](mailto:makm@gao.gov).

June 2017

## ARMORED COMMERCIAL VEHICLES

### DOD Has Procurement Guidance, but Army Could Take Actions to Enhance Inspections and Oversight

## What GAO Found

The Department of Defense (DOD) and the defense components in GAO's review—Army, Navy, Air Force, Marine Corps, and Defense Intelligence Agency, the largest buyer of armored commercial passenger-carrying vehicles (ACPV) in DOD—have a plethora of guidance related to ACPV procurement. This guidance is similar to that used by the Department of State, which also procures a large number of these vehicles (see figure). DOD officials GAO spoke with cited the Federal Acquisition Regulation as the capstone guidance for procurement activities. For DOD, guidance also exists department-wide and at the individual component levels. Guidance covers numerous aspects of ACPV acquisitions, including procurement methods, protection levels, inspection and acceptance, warranties, and oversight.

Armored Commercial Passenger-Carrying Vehicle (left) Compared to Tactical Vehicle (right).



Source: Street USA (armored commercial vehicle) (left); U.S. Army (tactical vehicle) (right). | GAO-17-513

ACPV-related contract actions for the selected DOD components generally complied with guidance, policies, and procedures for ensuring the safety and quality of ACPVs and included contract language that met minimum armoring standards. However, opportunities exist for the Army to improve its processes for in-progress inspections—inspections that occur as the vehicle is being armored—as the Army instead depended primarily on the vendors' quality control processes. GAO's review of contract actions used to procure ACPVs for selected DOD components between 2011 and 2015 showed that in-progress inspections were conducted, with the exception of the Army, which conducted such inspections for only a single contract action. Without in-progress inspections, the Army is accepting risk in the safety of its vehicles. Further, with the exception of the Army, all the DOD components have a central office and mechanisms for reporting ACPV information. This decentralized approach leaves the Army with an incomplete picture of various ACPV-related matters, including procurement and inspection methods. Federal standards for internal control call for mechanisms that allow for oversight intended to help an organization, such as the Army, ensure compliance with armoring and inspection standards. Without a designated central point of contact, the Army may face challenges for reporting ACPV information to DOD officials responsible for overseeing the implementation of armoring and inspection standards department-wide.

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## Abbreviations

|      |   |
|------|---|
| ACPV | Armored commercial passenger-carrying vehicle |
| DIA  | Defense Intelligence Agency                   |
| DOD  | Department of Defense                         |
| DODI | Department of Defense Instruction             |
| FAR  | Federal Acquisition Regulation                |

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|       |                                    |
|-------|------------------------------------|
| GSA   | General Services Administration    |
| OSD   | Office of the Secretary of Defense |
| State | Department of State                |

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June 9, 2017

The Honorable Mac Thornberry  
Chairman  
The Honorable Adam Smith  
Ranking Member  
Committee on Armed Services  
House of Representatives

While the Department of Defense (DOD) uses armored military vehicles that serve in either a combat capacity or for operational support, it also has a need for armored commercial vehicles to transport high-risk DOD military and civilian personnel into areas that pose a threat to their safety. According to a DOD instruction, the passengers are considered high-risk by virtue of their rank or grade, assignment, symbolic value, relative isolation, or mission, which are factors that make them attractive targets to hostile entities. Modified commercial vehicles provide these passengers with transportation that is less conspicuous than traditional armored military vehicles while still allowing for protective armoring. Due to the commercial nature and critical role of these vehicles, DOD is subject to specific instructions and policies related to armoring and oversight of these vehicles.<sup>1</sup>

The Federal Acquisition Regulation (FAR) outlines the procedures to be used by DOD for acquiring armored commercial passenger-carrying vehicles (ACPVs). Procurement of these vehicles can occur through direct purchase from a commercial manufacturer, the General Services Administration (GSA) Schedules Program, and through other agencies, such as the Department of State (State), which procures large numbers of these vehicles.<sup>2</sup> The House Armed Services Committee report accompanying the National Defense Authorization Act for Fiscal Year 2017 contained a provision for us to assess multiple aspects of DOD's procurement practices for ACPVs.<sup>3</sup> This report assesses (1) DOD's

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<sup>1</sup>Department of Defense Instruction C-4500.51, *DOD Commercially Procured and Leased Armored Vehicle Policy* (July 25, 2007). (Hereinafter referred to as DODI C-4500.51 (July 25, 2007)).

<sup>2</sup>GSA's Schedules Program provides federal agencies with a simplified process for obtaining commercial supplies and services at prices associated with volume buying.

<sup>3</sup>H.R. Rep. No. 114-537, at 136-37 (2016).

guidance and procedures for acquiring ACPVs and how they compare with those at State; and (2) the extent to which selected DOD components adhere to guidance, policy, and procedures for ensuring the safety and quality of ACPVs.

To assess the guidance and procedures that apply to DOD's acquisition of ACPVs, we analyzed applicable regulations for procuring, armoring, inspecting, and managing ACPVs. We also reviewed DOD-specific guidance and procedures used across DOD components, compared them against those utilized within State, and identified any differences.

To assess DOD's adherence to guidance, policy, and procedures, we conducted contract file reviews for contract actions that selected DOD components—specifically the Army, Navy, Marine Corps, and the Defense Intelligence Agency (DIA), the largest procurer of these vehicles for use overseas—used to acquire ACPVs between 2011 and 2015. We selected this time frame to cover from when DOD stopped reporting information on ACPVs to Congress to the most recently available information at the time of our review. We collected contract file information for selected contract actions identified by DOD for procuring armored commercial sedans, trucks, and sport utility vehicles during that time frame. For our contract file reviews, we obtained and analyzed pre-solicitation materials, statements of work, contracts, inspection reports, and other documents contained in the files. We excluded some details regarding certain contract actions from this report because they are classified. In addition, we searched the federal procurement database in order to identify any instances where separate contracts were executed to correct any deficiencies that were discovered after vehicles were fielded. We interviewed DOD and State officials to discuss acquisition and inspection procedures and how they ensure compliance with their established regulations and policies. We also evaluated alternative armoring standards referenced in many of the contracting files against the minimum armoring specifications for ACPVs outlined in the Department of Defense Instruction (DODI) C-4500.51, dated July 2007, the relevant instruction for the timeframe we assessed. Details regarding DOD's minimum ballistic and blast specifications are classified. Appendix I contains more detail on our objectives, scope, and methodology.

We conducted this performance audit from May 2016 to June 2017 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

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the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

ACPVs are non-tactical vehicles, or vehicles not used in combat operations, that can be lightly or heavily armored. The level of armoring depends on the expected threat. Both light and heavy armored vehicles provide 360 degree protection of the passenger compartment against ballistic threats, with commercial light armored vehicles providing slightly less protection than commercial heavy armored vehicles. Both variants are intended to transport American citizens and service members, as well as other passengers, in and around dangerous areas. ACPVs are extensively modified from commercially available sedans, trucks, or sport utility vehicles as they are intended to be inconspicuous and blend in with local traffic.

ACPVs differ from traditional DOD military armored vehicles in various ways. First of all, traditional military armored vehicles are designed with military applications in mind, and typically the armor is integral to the design and construction. That is not the case with ACPVs, which are initially built for commercial markets and later disassembled, armored, and reassembled. Secondly, military armored vehicles are acquired through major defense acquisition programs while ACPVs are not. The guidance and regulation associated with major defense acquisition programs is generally not applicable to ACPVs. Moreover, an ACPV is considered a modified commercial item in that it is an item customarily used by the general public, except for modifications (armoring) made to meet the government's requirements.<sup>4</sup> Therefore, ACPVs are not subject to the developmental and operational testing required of major defense acquisition programs, although material and acceptance testing for functionality, armor certification, and roadworthiness is to occur.

Figure 1 presents a comparative illustration between a typical ACPV and a typical military armored vehicle.

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<sup>4</sup>Federal Acquisition Regulation (FAR) § 2.101.



**Figure 1: Typical Armored Commercial Passenger-Carrying Vehicle (left) Compared with Tactical Vehicle (right)**



Source: Streit USA (armored commercial vehicle) (left); U.S. Army (tactical vehicle) (right). | GAO-17-513

To meet its need for ACPVs, DOD components can procure vehicles through a variety of means. According to officials from the DOD components in our review—the Army, Air Force, Navy, Marine Corps, and the DIA—DOD components procured more than 410 ACPVs from 2011 through 2015. Due to corroborating documentation being unavailable in a few cases, we were unable to adequately verify the exact total number of vehicles. Appendix I provides additional details on this limitation. Due to classification concerns, we do not identify procurement quantities at the individual component level.

## The Departments of Defense and State Have Similar Guidance for ACPV Procurement

DOD and its components—Army, Navy, Air Force, Marine Corps, and Defense Intelligence Agency, the largest buyer of ACPVs in DOD—are subject to a plethora of guidance related to the procurement of ACPVs, much of which is similar—and, in most cases, identical—to that used by State. For DOD, that guidance exists at the overall federal level, the department level, and the individual component level. State follows guidance that exists at both the federal level and the department level. For both agencies, the guidance covers key aspects of ACPV



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acquisitions, including procurement methods, protection levels, vendor clearances, inspection and acceptance, warranties, and fleet oversight.

Agency officials at State and DOD components cited the FAR as the capstone guidance for their procurement activities. At the DOD level, in 2007, the Undersecretary of Defense for Policy, issued DOD Instruction C-4500.51, DOD Commercially Procured and Leased Armored Vehicle Policy.<sup>5</sup> The department delegates much of the responsibilities for ACPV procurement to the components. In addition to the FAR, State follows its own guidance, which includes the Foreign Affairs Manual and Foreign Affairs Handbook on ACPV procurement, inspection, and fleet management.

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## Acquisition Regulations Allow Multiple Methods for DOD and State Procurement of ACPVs

Multiple methods exist for the procurement of ACPVs, including standalone contracts negotiated directly with a vendor, purchases from the GSA Multiple Award Schedule Program, interagency acquisitions, and no-cost transfers from other agencies with excess property. The four methods used for procurement are described in more detail below.

- **Direct Contracts with Vendors:** Since ACPVs are modified commercial items, agencies can utilize streamlined procedures for solicitation and evaluation, provided under the FAR.<sup>6</sup> With this approach, the agency issues a request for proposals. Vendors respond with their pricing, armor certifications, delivery schedules, warranty information, and any other information required. The agency then evaluates the offerors' proposals and makes an award.
- **Use of General Services Administration Schedules Program:** ACPVs can be procured from GSA's Multiple Award Schedule program.<sup>7</sup> This program provides federal agencies with a simplified process for obtaining commercial supplies and services at prices associated with volume buying. In these cases, the GSA has prequalified and

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<sup>5</sup>In May 2017, while our draft report was with DOD for review, DOD cancelled this instruction; however, it was applicable during the timeframe we examined for this report—2011 to 2015.

<sup>6</sup>FAR Subpart 12.6.

<sup>7</sup>FAR Subpart 8.4.

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awarded indefinite delivery/indefinite quantity contracts—contracts that provide for an indefinite quantity, within stated limits, for a fixed time—to a number of vendors, and agencies can place orders against those contracts to meet their needs.

- **Interagency Acquisitions:** An interagency acquisition takes place when an agency that needs supplies or services obtains them from another agency. The Economy Act of 1932, as implemented in the FAR, provides general authority for federal agencies to undertake interagency acquisitions when a more specific statutory authority does not exist.<sup>8</sup> Interagency acquisitions under the Economy Act can save the government duplicative effort and costs when appropriately used and leverage the government's buying power. In doing so, the acquiring agency can convey responsibility for several aspects of the procurement to a separate agency that is better poised to execute the acquisition.
- **Excess Personal Property Transfers:** In some cases, an agency may have excess inventory and can transfer ACPVs at no cost to the acquiring agency, thus avoiding the procurement process altogether and, in a sense, resulting in savings by the acquiring entity. The FAR states that agencies whose property is transferred to other agencies shall not be reimbursed for the property in any manner.

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## DOD and State Each Have Armoring Standards

DOD has outlined minimum blast and ballistic armoring requirements for protection against explosives and firearms, respectively, for ACPVs in DODI C-4500.51, but the detailed armoring specifications outlined in the instruction are classified.<sup>9</sup> Generally, the specifications detail the minimum ballistic and blast protection standards that must be satisfied by all DOD ACPVs, whether they are light or heavy armored vehicles. State also has a classified policy that outlines armoring specifications for the ACPVs it procures for use in locations around the world.

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<sup>8</sup>31 U.S.C. § 1535; FAR § 17.502-2.

<sup>9</sup>DOD-I C-4500.51 (July 25, 2007).

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## Both DOD and State Are Subject to FAR Provisions for Vendor Clearances

The FAR contains provisions for safeguarding classified information that apply to all federal agencies procuring goods and services, including DOD and State. While neither DOD nor State policies for ACPVs directly address vendor clearances, both agencies must comply with the FAR.

Depending on the armoring specifications cited in the contract, a vendor supplying ACPVs to the government may require access to classified information. To accommodate such cases, Executive Order 12829 created the National Industrial Security Program, for which the Secretary of Defense is the executive agent, to safeguard classified information released to contractors. To implement the order, DOD issued the National Industrial Security Program Operating Manual to prescribe requirements, restrictions, and other safeguards necessary to prevent unauthorized disclosure of classified information and to control authorized disclosure of classified information released by executive branch departments and agencies to their contractors.<sup>10</sup>

The FAR requires a security requirements clause when the contract may require access to classified information.<sup>11</sup> The clause requires the contractor to comply with the requirements identified in the National Industrial Security Program Operating Manual. In addition, as part of the process of obtaining a facility clearance, a contractor must sign a DOD Security Agreement, which documents the security responsibilities of both the contractor and the government in accordance with the requirements of the manual.

As a part of this program, Defense Security Services within DOD administers and implements the defense portion of the National Industrial Security Program. Defense Security Services serves as the interface between the government and “cleared industry” and maintains a database

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<sup>10</sup>Department of Defense Manual 5220.22-M, *National Industrial Security Program Operating Manual* (Feb. 28, 2006, incorp. ch. 2, May 18, 2016).

<sup>11</sup>FAR §§ 4.404, 52.204-2.

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of contractors that have valid, current facility clearances that allow for the safeguarding of classified material.<sup>12</sup>

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## Both DOD and State Are Subject to FAR Provisions for Inspection and Acceptance

While the July 2007 DODI C-4500.51 does not contain any specific instructions requiring ACPV inspection and acceptance procedures, it does state that DOD component heads shall ensure that the vehicles comply with armoring standards and existing acquisition regulations and specifically mentions the FAR. State's ACPV policy is similar to the DODI with respect to inspections, but State is also required to comply with FAR.

The FAR provides that agencies shall ensure that contracts include inspection and other quality requirements that are determined necessary to protect the government's interest.<sup>13</sup> The regulation goes on to state that commercial item contracts shall rely on a contractor's existing quality assurance system as a substitute for compliance with government inspection and testing before items are provided for acceptance, unless customary market practices for the commercial item being acquired permit in-progress inspection. The FAR contains additional language that provides the contracting officer with discretion in determining the type and extent of contract quality requirements, which could include additional inspections. In particular, the FAR states that the government shall not rely on inspection by the contractor if the contracting officer determines that the government has a need to test the supplies prior to acceptance, and, in making that determination, the FAR directs the contracting officer to consider, among other things, the nature of the supplies and services being acquired, their intended uses, and the potential losses in the event of defects.

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## FAR Provisions for Warranties Govern Both DOD and State

Similar to the areas outlined above, the DODI C-4500.51 does not contain any specific language requiring warranties for ACPV procurements, but it

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<sup>12</sup>Department of Defense Instruction 5220.22, *National Industrial Security Program* Encl. 2, para. 2 (Mar. 18, 2011).

<sup>13</sup>FAR § 46.102(a).

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states the vehicles shall be procured in accordance with the FAR. Likewise, State's armored vehicle policy does not include specific references to warranties. However, State is bound by the FAR.

The FAR states that the use of warranties is not mandatory.<sup>14</sup> However, the FAR sets forth criteria that contracting officers shall consider when deciding whether a warranty is appropriate. These factors include, but are not limited to, complexity and function, the item's end use, difficulty of detecting defects before acceptance, and potential harm to the government if the item is defective. The FAR also offers suggested terms and conditions that contracting officers may incorporate into contracts. For example, in the event defects are discovered, the government may obtain an equitable adjustment of the contract or direct the contractor to repair or replace the defective item at the contractor's expense.

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### DOD Policy Identifies Roles for ACPV Fleet Oversight

The DODI C-4500.51 outlines a number of responsibilities for different DOD officials that relate to ACPV fleet management and, ultimately, oversight. In particular, the instruction establishes that an assistant secretary within the Under Secretary of Defense, Policy, shall be the principal individual responsible for collecting and reporting information specific to DOD's ACPV fleet. Part of that reporting includes providing ACPV-related information to Congress. State policy includes similar provisions for ACPV management and oversight.

While DOD and the components have developed policies and procedures for managing their non-tactical vehicle fleets, the language contained in those instructions often defers to DODI C-4500.51 for specific ACPV guidance. Table 1 identifies the different component-level policies that exist for ACPVs, a brief description, and whether there is a particular office within the component for ACPV-related matters.

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<sup>14</sup>FAR § 46.703. We note that FAR § 12.404(b) provides, in a commercial item procurement, that the contracting officer, to the maximum extent practicable, require vendors to offer the government at least the same warranty terms offered to the general public in customary commercial practice.

**Table 1: DOD Components and Associated ACPV Component-Level Policy**

| Component    | Component-level policy   | Policy description   | Designated office for ACPVs?   |
|--------------|--|--|--|
| Army         | U.S. Army, Army Regulation 58-1. Motor Transportation—General: Management, Acquisition, and Use of Motor Vehicles (June 12, 2014)                                  | This regulation for managing motor vehicles includes comprehensive instructions for management, acquisition, and use of non-tactical vehicles. In the case of ACPVs, it defers to policy, procedures, and reporting requirements of DODI C-4500.51.              | Yes, although Army officials stated that oversight of procurement is limited |
| Navy         | Department of the Navy, Navy Antiterrorism (AT) Program, OPNAV Instruction 3300.53B (Washington, D.C.: Nov. 28, 2007)  | This instruction outlines non-tactical armored vehicle policies and procedures, references DODI C-4500.51, and includes similar language for reporting to DOD.   | Yes  |
| Air Force    | U.S. Air Force, Office of Special Investigations, Armored Vehicle Program, AFOSI Manual 71-115 (July 18, 2014)   | This manual implements DODI C-4500.51 and presents Air Force-specific guidance for commercial armored vehicles. It provides the roles and responsibilities of various offices having input to the development of requirements, budgeting, and fielding of ACPVs. | Yes  |
| DIA          | Defense Intelligence Agency, Standard Operating Procedure: Acquisition and Deployment of Non-Armored and Armored Vehicles, SOP Number LOG/16-13, 007 (Feb 5, 2016) | This document outlines responsibilities and procedures for multiple aspects of armored vehicle procurement and includes a reference to DODI C-4500.51.   | Yes  |
| Marine Corps | Memorandum of Agreement Between the U.S. Department of State and the United States Marine Corps (June 28, 2013).   | This memorandum of agreement is for the operation and administration of the Marine Security Guard Program and outlines procedures for ACPV replacement.  | Yes  |

Source: DOD and State Department (data), GAO (analysis and presentation). | GAO-17-513

Similar to the instructions and manuals used by the DOD components, State's Foreign Affairs Manual outlines roles and responsibilities for its armored vehicle program.<sup>15</sup> Other policies and procedures are incorporated by reference in these manuals for items such as armoring standards, vehicle procurement, assignments (i.e., locations), maintenance, and disposal. This guidance also assigns a single State entity—the Bureau of Diplomatic Security—as having overarching responsibility for the armored vehicle program.

<sup>15</sup>Department of State, *Foreign Affairs Manual: Armored Vehicle Program*, 12 FAM 380 (July 18, 2012).

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## Selected DOD Components Complied with ACPV Guidance, but the Army Did Not Consistently Conduct In-Progress Inspections

Selected DOD components in our review complied with guidance for the procurement and inspection of ACPVs for the contracts we reviewed. Further, we found evidence of in-progress inspections of DOD's ACPVs, although the Army conducted such inspections for only a single contract action. DOD utilized the four procurement methods described above for acquiring the vehicles, all of which are allowable under the FAR. The blast and ballistic armoring standards referenced in the contract actions we reviewed satisfy the levels of protection required under DODI C-4500.51. For classified contract actions, vendor security clearances were requested and verified. All the contract actions reviewed had similar warranty provisions and generally reflected what is stated in the FAR. We found no evidence of contracts for correcting armoring deficiencies after delivery. The contracts we reviewed generally included FAR-based language for inspections and acceptance and in-progress inspections. Further, due to implementation of Office of the Secretary of Defense (OSD) efficiency initiatives, DOD components no longer report ACPV information to the OSD, as required by DODI C-4500.51. Moreover, the Army has no central office with complete oversight of contracting and fleet management activities or that maintains all relevant ACPV-specific information.

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## All Four Methods Were Utilized for Procurement of ACPVs

In accordance with allowable FAR provisions, DOD components in our review utilized four procurement methods to acquire ACPVs between 2011 and 2015. Specifically, the components used direct contracts with vendors, GSA multiple award schedules, interagency acquisitions, and excess personal property transfers to acquire the vehicles. According to DOD officials, DOD components consider multiple factors in deciding how to procure ACPVs and meet armoring requirements, including the quantity of ACPVs needed, the components' expertise in procuring the vehicles, the components' technical specifications, and the urgency of the requirement. Table 2 presents the DOD components included in our review and the four methods they used to procure ACPVs.



**Table 2: Procurement Methods Used by DOD Components in our Review**

|                                   | <b>Direct contracts<br/>with vendors</b> | <b>GSA Multiple<br/>Award Schedule<br/>Program</b> | <b>Interagency<br/>acquisitions</b> | <b>Excess<br/>personal<br/>property<br/>transfer</b> |
|-----------------------------------|--|--|-------------------------------------|--|
| Army                              | Yes                                      | Yes  | No                                  | No   |
| Navy                              | No                                       | No   | Yes                                 | No   |
| Marine Corps <sup>a</sup>         | No                                       | No   | Yes                                 | No   |
| Defense<br>Intelligence<br>Agency | Yes                                      | Yes  | No                                  | Yes  |

Source: DOD (data), GAO (analysis and presentation). | GAO-17-513

<sup>a</sup>State officials stated the Marine Corps may have also received ACPVs as excess personal property transfers but were unable to provide corroborating documentation.

- The Army and DIA awarded contracts directly to vendors, as well as placing orders under GSA's Multiple Award Schedule Program. According to DOD officials, one DOD component contracted with a vendor who subcontracted the armoring work; in this type of arrangement, the subcontractor is generally referred to as a third-party armorer.
- The Navy and Marine Corps used interagency acquisitions pursuant to the Economy Act whereby State ordered ACPVs on their behalf using State contract vehicles. Marine Corps and Navy officials stated that, by doing so, they abdicated all procurement responsibilities to State. This approach also allowed these components to leverage State's volume purchasing power, which, according to a Navy official, resulted in cost savings for ACPVs.
- DIA received some ACPVs as transfers from State's and another agency's excess property. State officials stated that Marine Corps may also have received some ACPVs as excess property from State's inventory but were unable to provide corresponding documentation. We saw no evidence of fund transfers as the ACPVs were transferred free of charge to DIA, in compliance with the FAR.<sup>16</sup>

<sup>16</sup>FAR § 45.602-4.

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## Selected DOD Components' Procurements Met Required Protection Levels

While the contract actions we reviewed generally did not explicitly reference the DODI C-4500.51 armoring specifications, they did reference other standards that were similar in most respects to those specifications, which allowed them to avoid creating a classified contract. These included standards from State, the North Atlantic Treaty Organization Standardization Agency, and the European Committee for Standardization. These standards are similar to the DODI armoring specifications in many respects, but the North Atlantic Treaty Organization standards and the European Standards are unclassified.

The three armoring specifications that were most frequently referenced in the contract actions we reviewed included State standards, North Atlantic Treaty Organization standards, and European standards.<sup>17</sup> In cases where the contract documentation referred to standards that did not satisfy the minimum armoring specifications outlined in the DODI C-4500.51, there was supplemental language in the contract that compensated for the differences. The North Atlantic Treaty Organization standards contained ballistic and blast specifications similar to the DODI C-4500.51, while the European standards cover only ballistic armoring specifications. Any additional details regarding the differences between the standards are classified.

DOD is currently updating its criteria with regards to armoring standards pursuant to findings and proposed steps contained in an August 2015 DOD report on ACPVs.<sup>18</sup> The DOD report stated that the department should regularly review and update armoring specifications. The department cancelled DOD Instruction C-4500.51 in May 2017 because, according to an OSD official, the Undersecretary of Defense for Acquisition, Technology and Logistics did not want the responsibility for determining the new armoring requirements.

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<sup>17</sup>While we did notice slight differences in the ballistic specifications, a DIA official characterized the differences as immaterial.

<sup>18</sup>Department of Defense, Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics, *Report and Briefing to Congress on Procurement and Inspection of Armored Commercial Passenger-Carrying Vehicles to Transport Civilian Employees of the Department of Defense* (Washington, D.C.: Aug 2015).

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Anticipating the cancellation of DODI C-4500.51, the department issued a separate instruction. This instruction, DODI O-2000.16 Volume 1, dated November 2016, gave DIA responsibility for developing minimum standard inspection criteria for ACPVs.<sup>19</sup> DIA is also responsible for disseminating specifications for the acquisition or modification of ACPVs and overseeing their incorporation into contracts awarded by DOD components. DIA officials said the criteria have been developed, but the agency is still determining how they will be distributed to the components. Also, DIA has not yet established a process for ensuring components incorporate those criteria in their contracts. According to DIA officials, implementing a process for oversight may be challenging for their agency. As of April 2017, DIA had not yet determined how long it would take to complete these actions.

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## Steps Taken to Verify Required Vendor Security Clearances

The majority of DOD components' contract actions we reviewed were unclassified, and, in those cases, no security clearance information was required or requested. For the unclassified contract actions, the contractors never required access to any classified information and the components did not require security clearances. This included the contract actions with the third party armorers—neither the prime nor subcontractors required any classified information, so there was neither a need nor a request for security clearances.

Some of the contract actions we reviewed were classified because they required armoring in accordance with State standards, which are classified, while other contract actions cited to alternative standards and, therefore, were unclassified. Specifically, when the Army required a security clearance, the vendor provided evidence of its facility clearance with its proposal. For the Navy and Marine Corps, their ACPVs were procured via interagency acquisition using State contracts, which were all classified, as they required armoring to the classified State standards. In these cases, State officials told us that their Industrial Security Division performs an initial check of whether prospective vendors possess the required security clearance and provides results to the contracting office. According to officials, at contract award the Industrial Security Division

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<sup>19</sup>Department of Defense Instruction O-2000.16, Vol. 1, *DOD Antiterrorism (AT) Program Implementation: DOD AT Standards* (Nov. 17, 2016).

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issues a final, signed classification specification form to document that the selected vendor's clearance is in accordance with the requirements of the contract. In these cases, we found evidence that State took steps to ensure vendors were properly vetted and cleared, including obtaining signed classification specification forms.

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### The Army Did Not Consistently Conduct In-Progress Inspections

State and all selected DOD components, with the exception of the Army, provided evidence of in-progress inspections for each contract action used to procure ACPVs between 2011 and 2015. All contract actions reviewed included provisions for inspections and acceptance, including in-progress inspections.

According to DIA officials, conducting in-progress inspections of their ACPVs is a best practice and a key step to ensuring vehicle quality and safety. We reviewed documentation for each DIA contract action and found evidence of in-progress inspections for all of them. Such evidence included detailed trip summary reports that documented multiple aspects of in-progress inspections at vendor armoring facilities. The in-progress inspection trip reports identified problems early that could be corrected before another in-progress inspection or the final inspection; deficiencies were dealt with before delivery and acceptance of the ACPVs. The trip reports contained detailed narratives listing the inspection dates, manufacturing facilities, inspection attendees, pictures of the vehicles, and any problems and corrections. The reports contained thorough trip narratives detailing the ACPVs' performance and road tests, any problems with the ACPVs, how problems were corrected from an earlier in-progress inspection, and any action items or follow-up for the contractor.

We received evidence of State conducting in-progress inspections on ACPVs procured on behalf of the Navy through interagency acquisitions. As with DIA, State considers in-progress inspections to be a best practice when procuring ACPVs. Those inspections were similar to DIA's. Specifically, the contract files contained checklists for in-progress inspections of opaque armor, transparent armor, and roadworthiness, as well as vehicle components such as the engine, exterior, interior, operation/control, and special equipment/options. The files also contained evidence of final inspection armoring checklists completed by State personnel. State personnel inspected the vehicle's chassis, glass,

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serviceability, appearance, and roadworthiness. Based on our review of in-progress inspections conducted by State, there were issues with vehicles ranging from problems with adhesive or fenders to a need to reseal transparent armor. Lastly, there was evidence of final acceptance, indicating that any issues discovered in inspections were addressed, with both State officials and Navy officials accepting the ACPVs under these interagency acquisitions.

According to a Marine Corps official, they deferred to State to conduct in-progress inspections of Marine Corps' ACPVs procured through interagency acquisitions. Marine Corps identified the State contracts that were utilized to procure their ACPVs and State provided evidence of final and in-progress inspections and acceptance for vehicles procured under those contracts. However, GAO could not confirm that those inspection records correlated to the Marine Corps' ACPVs in every case. The inspection records referenced vehicle identification numbers that linked to State's contracts and task orders, but neither State nor the Marine Corps were able to provide all the task orders required to corroborate these purchases. While this demonstrated that inspections were conducted for vehicles procured under these contracts, it did not allow verification that all the Marine Corps' ACPV orders were placed under those contracts.

Army contract actions contained language and clauses for in-progress inspections as well as final inspections and acceptance, and Army officials provided evidence of final inspections and acceptance of ACPVs procured between 2011 and 2015. However, Army officials conducted in-progress inspections for a single procurement in 2011. Although the remaining Army contract actions included clauses that allowed such inspections, the Army instead depended on the vendors' certified quality control and inspection processes to ensure the vehicles were manufactured to specifications. Army officials acknowledged they did not conduct in-progress inspections for any other ACPVs procured between 2011 and 2015, but maintained that they had visited all the armoring facilities in the past under other contracts prior to the period of our review. However, the Army's lack of in-progress inspections results in the service relying on the vendor's quality control processes and therefore a presumption of quality for those vehicles produced without component-level, firsthand verification of armoring processes and safety. As we noted earlier, both State and DIA found problems during their in-progress inspections that may not have been discovered otherwise. As a result, there is the risk that Army ACPVs may be placed into service with undetected defects.

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As mentioned above, DOD is updating its ACPV criteria. These updated criteria are expected to include minimum specifications for inspections pursuant to findings and proposed steps contained in DOD's August 2015 report on ACPVs to the House Armed Services Committee.<sup>20</sup> According to the report, the minimum inspection criteria will include various stages of inspections, including in-progress inspection. Although this is a positive step, these changes have not yet been approved, promulgated to the components, and implemented, nor is there a mechanism in place to ensure the criteria are being consistently applied and executed across the components. Until these criteria are approved and implemented, the risk of vehicles deploying with defects remains.

While the FAR provides that contracts for commercial items shall generally rely on the contractor's existing quality assurance system as a substitute for government inspection, the regulation also provides the contracting officer with discretion to conduct in-progress inspections when deemed appropriate. Specifically, the FAR directs the contracting officer to consider the nature of the supplies and services being acquired and the potential losses in the event of defects. Both DIA and State determined that in-progress inspections of ACPVs are warranted, as the intended use of these vehicles is to transport American citizens and service members through dangerous areas, and failures stemming from armoring deficiencies could endanger passengers. In addition, officials from both DIA and State consider in-progress inspections imperative and a best practice towards ensuring their ACPVs are armored in a manner that improves the likelihood that vehicles meet contractual specifications. DIA in-progress inspections discovered vehicle deficiencies that required corrective actions. These inspections are above and beyond the quality control procedures provided by the vendors. They serve as safeguards and provide greater confidence that ACPVs are being built in a manner that satisfies minimum armoring specifications and that the ACPVs are protecting the lives of the people who rely on them in potentially dangerous situations.

The nature of the armoring process itself suggests in-progress inspections are important. The armoring process involves disassembling the commercial vehicles, integrating the armor, and then rebuilding the

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<sup>20</sup>Department of Defense, Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics, *Report and Briefing to Congress on Procurement and Inspection of Armored Commercial Passenger-Carrying Vehicles to Transport Civilian Employees of the Department of Defense* (Washington, D.C.: Aug 2015).

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vehicles, which essentially conceals evidence of the armoring techniques. As a result, any defects that are not discovered during the armoring process may not be noticeable during the government's final inspection and acceptance event. Given the intended use of these vehicles to transport American citizens and service members as well as other passengers that are considered high-value targets through dangerous areas, further inspection of ACPVs is an important step in the quality assurance system.

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### Selected DOD Components Used Similar Warranty Provisions

All contract actions we reviewed had some form of warranty provision. Most contract actions we reviewed had a 1- to 3-year warranty range for opaque armor (i.e., steel). All contract actions had a 2-year warranty for transparent armor (i.e., glass) and coverage at the ACPV fielded location with no cost to government. All DIA contract actions also had 2-year warranties for workmanship. The FAR has no mandatory policy requiring warranties, but it does direct contracting officers to consider several factors when determining whether a warranty is appropriate for an acquisition.

DOD officials stated that any problems with the ACPVs were minor, such as window noise. These problems were documented and corrected in the inspection phase before final acceptance by the government. Officials from the components stated that their ACPVs did not have any catastrophic failures during testing or in the field. Further, we found no evidence of contract actions for correcting armoring deficiencies after delivery.

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### DOD Components Do Not Report ACPV Information to the Office of the Secretary of Defense

DOD components no longer report ACPV inventory information to the Assistant Secretary of Defense for Special Operations and Low Intensity Conflict and Interdependent Capabilities in OSD, as required by the DODI C-4500.51. OSD officials eliminated the ACPV reporting requirement pursuant to an efficiency initiative memo promulgated by former Secretary of Defense Gates on March 31, 2011. It stated:

Office of Secretary of Defense Principal Staff Assistants and DoD Component Heads, in coordination with the Director, Administration and Management and General Counsel of



the Defense Department, will eliminate all non-essential, internally generated reports, including any and all reports generated with a commissioning date prior to 2006. The Director, Administration and Management shall publish guidance regarding use of, cost benefit analysis of, and establishing sunset provisions for, report requirements.

While OSD eliminated this reporting, as mentioned above, there is a requirement in DODI O-2000.16 Volume 1 for DIA to oversee incorporation of armoring and inspection criteria in all components' contracts. DOD officials stated this requirement will require some coordination among the components. DIA officials said the agency does not currently have a mechanism for such oversight and that establishing such a mechanism could be challenging. This situation puts a premium on coordination between DIA and the services and increases the importance of services being able to provide procurement and inspection information to DIA.

#### Army Utilizes a Decentralized Approach for ACPV Management

With the exception of the Army, all the DOD components we reviewed have a central point of contact and mechanisms for managing and organizing their ACPV information. According to an Army official, while the Army's program office for non-tactical vehicles can track Army-wide vehicle condition for replacement decisions, that office does not maintain more comprehensive ACPV information, such as information for contract execution and vehicle inspections, across the entire Army. This decentralized approach for ACPV management leaves the Army with an incomplete picture of various ACPV-related matters, including consistency of procurement and inspection methods. For example, since the Army does not have ACPV information in a centralized manner, it may be difficult for the Army to provide information on the types of contracts used for procuring these vehicles and whether in-progress inspections are being conducted, to DIA for oversight. It could also present challenges to the Army for consistent application of best practices and lessons learned between the purchasing entities, as well as difficulty leveraging contracting mechanisms to obtain the best value for the government.

Federal standards for internal control call for mechanisms that allow for oversight intended to help an organization, such as the Army, meet

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objectives and manage risks for activities such as ACPV procurement.<sup>21</sup> The internal control standards advocate for an oversight structure to fulfill responsibilities set forth in laws and regulations and for control activities at various levels to help meet objectives and manage risks. Such control activities would include management reviews to compare actual performance to planned or expected results throughout the organization. Further, internal controls advocate for reports for use by the organization to ensure compliance with internal objectives, evaluate compliance with laws and regulations, and inform outside stakeholders.

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## Conclusions

While selected DOD components in our review are complying with guidance, policies, and procedures for ensuring the safety and quality of ACPVs, opportunities exist for the Army to provide greater assurances that vehicles meet armoring and quality specifications. DOD's use of ACPVs to transport personnel through areas that are understood to have potential for attack increases the importance of in-progress inspections and oversight. Such inspections provide greater assurances that vendors are adhering to established quality assurance procedures and delivering vehicles that satisfy the armoring standards for protecting passengers. By DIA's own admission, overseeing the implementation of revised armoring and inspection standards in DOD contracts will be a challenge. A focal point within each of the DOD components that can collect and report ACPV-related contracting information to DIA could help ease that burden. While many components have a single, centralized office that is responsible for all aspects of ACPV that would be capable of reporting this information, the Army's non-tactical vehicle office does not maintain similar information. In that regard, the Army could benefit from a centralized point of contact that can collect and, ultimately, report to DIA information pertaining to all aspects of the component's ACPV safety, procurements, and fleet status.

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<sup>21</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sep. 2014).

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## Recommendations for Executive Action

To help ensure that ACPV armoring and quality standards are met, that evolving department and component policies are consistent, and that they are consistently applied, we recommend that the Secretary of Defense:

- Until the department approves and implements the updated armoring and inspection standards, direct the Secretary of the Army to conduct in-progress inspections at the armoring vendor's facility for each procurement; and
- Direct the Secretary of the Army to designate a central point of contact for collecting and reporting ACPV information to facilitate DIA's oversight of armoring and inspection standards in these contracts.

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## Agency Comments

We provided drafts of this product to the Department of Defense (DOD) and the State Department for comment. In its comments, reproduced in appendix II, DOD concurred with our recommendations. DOD also provided a technical comment, which we incorporated as appropriate. As we made no recommendations to the State Department, it did not provide comments.

We are sending copies of this report to the appropriate congressional committees; the Secretary of Defense; the Secretaries of the Army, Navy, and Air Force; the Director of the Defense Intelligence Agency; and the Secretary of State. In addition, the report is available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-4841 or [makm@gao.gov](mailto:makm@gao.gov). Contact points for our offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix III.



Marie A. Mak  
Director, Acquisition and Sourcing Management

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## Appendix I: Objectives, Scope, and Methodology

This report addresses DOD components procurement of Armored Commercial Passenger-Carrying Vehicles (ACPVs). The objectives are to determine (1) DOD's guidance and procedures for acquiring ACPVs and how they compare with those at State; and (2) the extent to which selected DOD components adhere to guidance, policy, and procedures for ensuring the safety and quality of ACPVs.

To assess DOD's guidance and procedures for acquiring ACPVs and how they compare with those at State, we reviewed the DOD instruction for specific guidance pertaining to ACPV acquisitions and the department-level policies for procuring modified commercial vehicles. We also reviewed the associated federal acquisition regulations that pertain to the various aspects of our review, namely those for procurement mechanisms, warranties, security clearances, inspection, and acceptance. We identified service-specific guidance that could also apply to the acquisition and inspection of ACPVs and interviewed DOD service and agency officials to verify their applicability to ACPV procurement. We researched the State Foreign Affairs Manual and Foreign Affairs Handbook for specific sections dealing with various aspects of ACPV procurement and inspection and verified their applicability during meetings with State officials. We summarized the contents of DOD and State policies for comparative purposes. We also analyzed armoring standards that were referenced in contract file documents—which included State standards, North Atlantic Treaty Organization standards, and European standards—and compared them with the minimum armoring standards outlined in DOD Instruction C-4500.51, the relevant instruction for the timeframe we assessed. The specific armoring standards contained in the DOD Instruction and State policy are classified, which preclude us from presenting a detailed assessment of those standards in this report.

To determine the extent to which selected DOD components—namely the Army, Navy, Marine Corps, and DIA, the largest procurer of these vehicles for use overseas—adhered to guidance, policy, and procedures for ensuring the safety and quality of armored commercial passenger-carrying vehicles, we worked with DOD and State officials to identify contract actions that were used to acquire ACPVs that DOD components received between 2011 and 2015. We selected this time frame to cover

from when DOD stopped reporting this information to Congress to the most recently available information at the time of our review. For each contract action, we reviewed numerous documents, including base contracts, task orders, work statements, vendor proposals, invoices, and inspection reports, in order to identify evidence of contracting mechanisms, armoring specifications, vendor clearances, inspection and acceptance, and fleet management. We also created data collection instruments, populated them with the information obtained during the course of our review, verified the information with agency officials through multiple interviews, and created summary analyses that allowed us to succinctly present the information in our report. We searched the federal procurement database in order to identify any instances where separate contracts were executed to correct any deficiencies that were discovered after vehicles were fielded. We were unable to identify any such contracts.

In order to determine the total quantities of ACPVs that selected DOD components purchased between 2011 and 2015, we sent questionnaires to agency officials asking specifically about procurement quantities. We also reviewed contract file documentation that pertained to quantities obtained over that time frame and summarized the results. Although we calculated a quantity for ACPVs that DOD components procured from 2011 to 2015, the State information for vehicles it provided to DOD was inconsistent with information provided by all the services. As a result, we were unable to verify the exact total number of vehicles DOD components acquired over this time frame. For example, State and Marine Corps officials both reported vehicle quantities and contract numbers, but they were unable to provide task orders to validate those quantities.

We conducted this performance audit from May 2016 to June 2017 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.

## Appendix II: Comments from the Department of Defense



LOGISTICS AND  
MATERIEL READINESS

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE  
3500 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3500

MAY 26 2017

Ms. Marie A. Mak  
Director, Acquisition and Sourcing Management  
U.S. Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Dear Ms. Mak,

This is the Department of Defense (DoD) response to the GAO Draft Report GAO-17-513, "ARMORED COMMERCIAL VEHICLES: DOD Has Procurement Guidance, but Army Could Take Actions to Enhance Inspections and Oversight," dated April 28, 2017 (GAO Code 100885).

While not identified as a specific concern, the report mentioned the pending cancellation of DoD Instruction C-4500.51, *DoD Commercially Procured and Leased Armored Vehicle Policy*, throughout the document. We would like to bring to your attention that it is now officially cancelled and would request your report be updated accordingly. Enclosed is DoD's proposed response on the report's two recommendations. My point of contact is Mr. Stephen F. Lord who can be reached at [stephen.f.lord.civ@mail.mil](mailto:stephen.f.lord.civ@mail.mil) and phone (571) 372-5214.

Sincerely,

A handwritten signature in blue ink, appearing to read "Kristin K. French", is located below the "Sincerely," text.

Kristin K. French  
Acting Assistant Secretary of Defense  
Logistics and Materiel Readiness

Enclosure:  
As stated

**GAO DRAFT REPORT DATED APRIL 28, 2017  
GAO-17-513 (GAO CODE 100885)**

**“ARMORED COMMERCIAL VEHICLES: DOD HAS PROCUREMENT GUIDANCE,  
BUT ARMY COULD TAKE ACTIONS TO ENHANCE INSPECTIONS AND  
OVERSIGHT”**

**DEPARTMENT OF DEFENSE COMMENTS  
TO THE GAO RECOMMENDATIONS**

**RECOMMENDATION 1:** The GAO recommends that the Secretary of Defense... Until the department approves and implements the updated armoring and inspection standards, direct the Secretary of the Army to conduct in-progress inspections at the armoring vendor's facility for each procurement; and

**DoD RESPONSE:** Concur

**RECOMMENDATION 2:** The GAO recommends that the Secretary of Defense... Direct the Secretary of the Army to designate a central point of contact for collecting and reporting ACPV information to facilitate DIA's oversight of armoring and inspection standards in these contracts.

**DoD RESPONSE:** Concur



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## Appendix III: GAO Contact and Staff Acknowledgments

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### GAO Contact

Marie A. Mak, (202) 512-4841, [makm@gao.gov](mailto:makm@gao.gov).

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### Staff Acknowledgments

In addition to the contact named above, J. Kristopher Keener, Assistant Director; Emily Bond; Thomas M. Costa; Andrea C. Evans; Marcus C. Ferguson; Kristine R. Hassinger; and Hai V. Tran made key contributions to this report.

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## Appendix IV: Accessible Data

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### Agency Comment Letter

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Text of Appendix II: Comments from the Department of Defense

Page 1

Ms. Marie A. Mak

Director, Acquisition and Sourcing Management

U.S. Government Accountability Office 441 G Street, NW

Washington , DC 20548

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Sincerely,

Kristin K. French

Acting Assistant Secretary of Defense Logistics and Materiel Readiness

Enclosure: As stated

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Page 2

GAO DRAFT REPORT DATED APRIL 28, 2017 GA0-17-513 (GAO CODE 100885)

"ARMORED COMMERCIAL VEHICLES: DOD HAS PROCUREMENT GUIDANCE, BUT ARMY COULD TAKE ACTIONS TO ENHANCE INSPECTIONS AND OVERSIGHT"

DEPARTMENT OF DEFENSE COMMENTS TO THE GAO RECOMMENDATIONS

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**DoD RESPONSE: Concur**

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**DoD RESPONSE : Concur**

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