United States General Accounting Office

GAO

Report to the Chairman, Subcommittee on Readiness and Management Support, Committee on Armed Services, U.S. Senate

September 2000

CONTINGENCY OPERATIONS

Army Should Do More to Control Contract Cost in the Balkans

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Accountability * Integrity * Reliability

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Abbreviations

BRS Brown and Root Services
DOD Department of Defense

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National Security and
International Affairs Division

B-285941

September 29, 2000

The Honorable James Inhofe
Chairman, Subcommittee on Readiness
and Management Support
Committee on Armed Services
United States Senate

Dear Mr. Chairman:

The U.S. military has relied on contractors to provide supplies and services in support of major contingencies since the Revolutionary War. In the past decade, however, deployed U.S. forces have increased significantly their dependence on contractors for support. In the Balkans, the primary contractor houses, feeds, and provides a range of other services to about 11,000 troops and played a key role in building the base camps in Bosnia and Kosovo. The Department of Defense (DOD) has increasingly relied on contractors rather than soldiers to provide some services in the Balkans as force-level ceilings have been reduced, and contracts for support services represented over $2 billion of the more than $13.8 billion spent on Balkan operations through March 2000. Moreover, we have identified defense contract management as a high-risk area of government spending. Based on the magnitude of contractor costs and the need to ensure that services are provided as efficiently as possible, you asked us to determine whether there are opportunities to improve contractor utilization and reduce costs of Balkan operations without jeopardizing mission success. This report assesses whether (1) the Army is taking effective actions to contain costs and (2) improvements are needed in how the Army and other DOD agencies involved in Balkan operations manage activities under the primary Balkan contract.

We focused our efforts primarily on the Balkans Support Contract because it is the largest contract for services to U.S. forces, representing about $2.2 billion in contract costs spent in the Balkans since December 1995. The Balkans Support Contract is a cost reimbursement performance-based contract that sets desired results and allows the contractor, Brown and Root Services (BRS), considerable flexibility in determining how best to provide the services the Army requests. We performed our work from July 1999 through September 2000. Appendix I describes our scope and methodology in more detail.

Results in Brief

Both the Army and its contractor, Brown and Root Services, have taken various actions to control the cost of services provided under the Balkans Support Contract. These actions include a contract provision requiring the contractor to regularly identify cost savings, recycling materials from elsewhere in the Balkans and Europe, and using soldiers to perform tasks such as building construction whenever possible. Nevertheless, the Army should have done more to control costs. One step it should have taken was to give more consideration to costs in making decisions on the extent of services to be provided by the contractor. For example, it allowed the contractor to provide 100-percent redundancy (i.e. backup) in power generation for all the U.S. facilities in Kosovo, although only critical operations such as the command center and the hospital require uninterrupted power. Another step the Army should have taken was to place greater emphasis on the level and efficiency with which recurring services were being provided. For example, Army officials in Bosnia and Kosovo believe that the contractor has too many local national personnel for the work to be done and as a result some employees appear to have a lot of idle time. In July 2000, the Army directed that a quarterly review be conducted to assess whether all the services it receives under the contract are still needed. However, it has not called for the review to include an examination of the level of these services and the efficiency with which they are being provided. The Army has also directed that standards be developed for each service provided at its camps, but as of July 2000 had not set a date for the standards' completion. Each standard is to describe the service to be performed, the necessary facilities and personnel, when and how the services are to be performed, and the level at which they are to be performed. The Army plans to achieve efficiencies in the level of services and the way in which they are provided by mandating that officials in Kosovo and Macedonia identify $40 million in cost savings for fiscal year 2001. The Army expects costs to be reduced by this amount by reducing the number of contractor personnel providing services, scaling back service levels, and reducing on-hand inventories.

The Army should improve its management of the Balkans Support Contract. Because cost reimbursement performance-based contracts are relatively new and provide great latitude in how a contractor provides requested services, many Army and other Defense Department personnel involved in administering the contract are uncertain about their authority under this type of contract. As a result, officials at facilities in the Balkans have not been as specific as they should have been about what they expect from the contractor. Moreover, they frequently have simply accepted the

level of services the contractor provided without questioning whether they could be provided more efficiently or less frequently and at lower cost. We found a widespread view among Army and other Department of Defense agencies' officials in the Balkans that they had little control over the contractor's actions once it was authorized to perform tasks. There was a widespread desire on the part of personnel administering the contract for more training on the government's authority and on how to apply the contract in real-world situations. Furthermore, key personnel involved in administering the contract are on rotation schedules, so they all arrive and leave at about the same time, and they deploy for relatively short periods—6 months on average. This does not allow continuity in the contract's administration and hinders effective contract oversight.

We are recommending that the Army evaluate the level and efficiency of services being provided as part of its newly directed quarterly review of which recurring services are still needed; set a target date for completing standards for the services it receives; develop a more extensive training program for contract administration personnel; and in conjunction with the Defense Contract Management Agency, take steps to improve continuity in administering the contract. In written comments on a draft of this report, the Department of Defense agreed with our recommendations. Brown and Root also provided written comments, mostly to clarify its position regarding contract activities in the Balkans.

Background

U.S. forces in the Balkans have relied heavily on contractors since operations there began in December 1995, and reliance on contractors has grown over the past several years, as U.S. force levels have declined. Troop ceilings since the onset of Bosnia operations have been lower than the number of troops the Army calculated that it needed and have steadily declined, from an initial level of 20,000 to 4,400 in July 2000. As troop levels have declined, some support functions performed by soldiers have been shifted to contractors. The Army contracts with more than 100 firms to obtain needed goods and services in the Balkans. The largest single contract is the Balkans Support Contract. BRS is the contractor for the support contract, which provides a wide array of logistics and engineering services support for U.S. forces throughout the theater of operations. The theater of operations encompasses Bosnia, Kosovo, and Macedonia, as well as other Balkan countries, and Hungary, which has been used as a staging base for U.S. forces in Bosnia. The bulk of the approximately 11,000 U.S. military personnel deployed in support of Balkan operations as of July 2000 were in Kosovo (5,600) and Bosnia (4,400).

The Balkans Support Contract is the latest iteration of a contractual arrangement for logistics and engineering services related to contingency operations that predates the deployment of U.S. forces to the Balkans. In 1992, the Army conducted a competitive selection for an umbrella support contract for military contingency operations under its Logistics Civil Augmentation Program.[1] BRS was selected as the contractor. When U.S. military forces deployed to Bosnia in December 1995, the Army decided to use this contract to build base camps and provide services for its forces. When this contract expired in 1997, the requirement was again the subject of a competitive selection process, and the Logistics Civil Augmentation Program contract was awarded to a different company.[2] However, rather than use this contract, the Army elected to award a separate sole-source contract to BRS to continue providing services in the Balkans. Its justification for the sole-source contract was that (1) BRS had already acquired the knowledge of how to operate within the laws and regulations of the countries in which it was providing support, (2) BRS had demonstrated the ability to support the operation, and (3) changing contractors would have generated additional costs for activities such as personnel duplication required for the transition between contractors. On the basis of this justification, the Army awarded BRS a sole-source contract for Balkan support through May 1999.[3] In early 1999, the Army conducted a competitive selection for a new Balkans support contract. BRS was selected as the contractor, and in February 1999 a new contract was signed, effective May 1999, for what is now termed the Balkans Support Contract. The contract is for a 1-year base period with options for 4 additional years.

The Balkans Support Contract, like BRS' earlier contracts in the Balkans, is a cost reimbursement performance-based contract. Under such contracts, the government does not provide detailed specifications and work descriptions. Functions to be performed by the contractor are typically articulated in the contract's statement of work as results required rather than methods of performance of the work. For example, the Balkans Support Contract requires the contractor to perform functions such as

[1] Under this program, a civilian contractor provides logistics and engineering services to deployed forces.

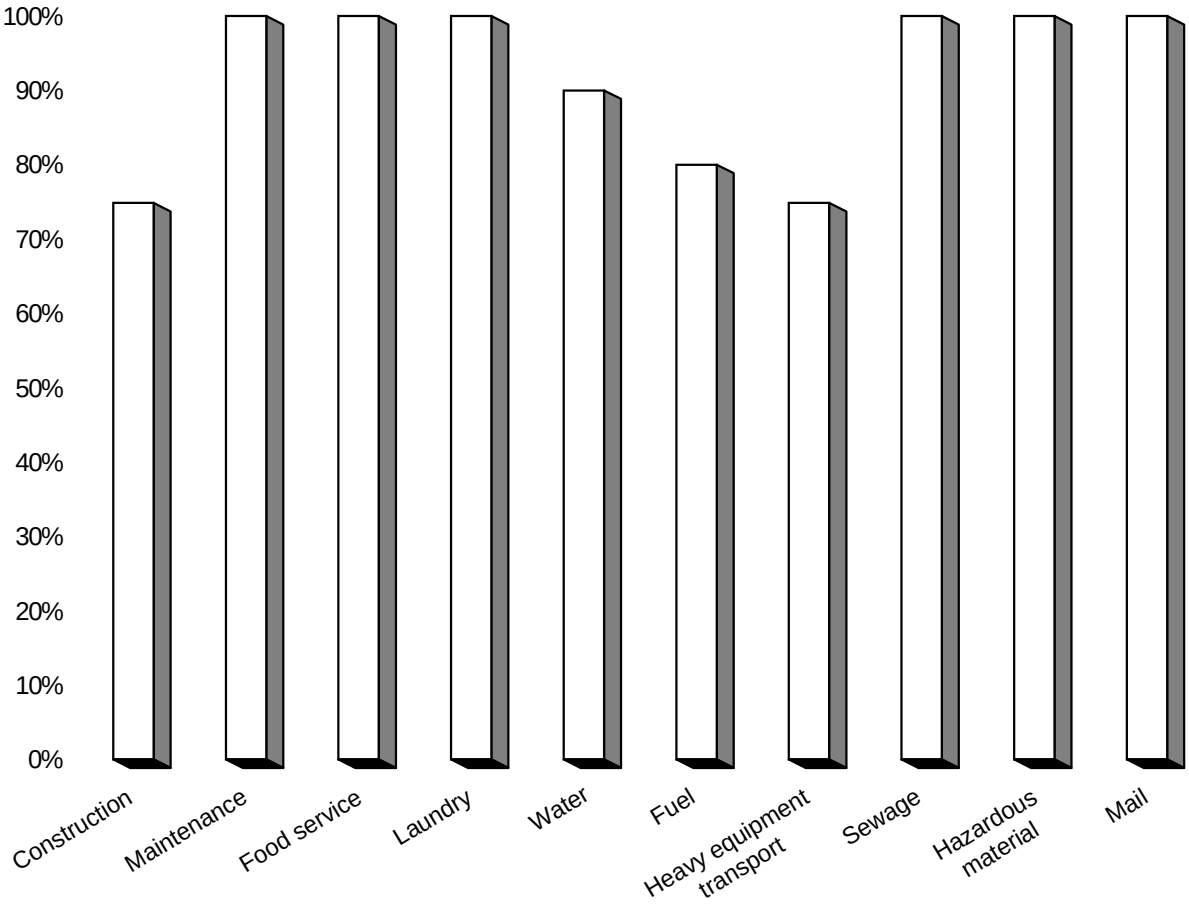
[2] The current Logistics Civil Augmentation Program contractor, DynCorp, provides services elsewhere under this program, including support to U.S. troops in East Timor.

[3] The justification was approved by the Assistant Secretary of the Army for Research, Development, and Acquisition.

providing 24-hour food service operations and operating a vehicle maintenance section for tactical and non-tactical vehicles. These types of work statements give the contractor freedom to use the latest commercial practices and techniques to meet requirements successfully.

The Balkans Support Contract calls for BRS to deliver a wide array of services throughout the Balkans, including food preparation and service, laundry, logistics support such as local transportation, building large portions of the base camps in Kosovo, and performing other construction as directed by the Army. Figure 1 illustrates the proportion of services the Army requires that are being provided by BRS. Once a continuing service such as food preparation and service is authorized, it is called recurring work and requires no further approval. Work that has not been previously authorized, from the initial construction of base camps in Bosnia and Kosovo to one-time tasks such as erecting tents, is called new work.

Figure 1: Selected Support Services Provided by BRS in Bosnia and Kosovo in Fiscal Year 1999



Source: Our analysis based on BRS data.

The estimated cost for BRS to provide support to U.S. forces in the Balkans since their deployment in December 1995 through fiscal year 2000 is $2.2 billion. Under the contract, the Army reimburses BRS for allowable direct costs incurred to support the force. Payments to BRS also include (1) a base fee of 1 percent of the estimated contract cost, (2) an amount to cover overhead and general and administrative costs, (3) the cost of capital money used before cost reimbursement is made, and (4) an award fee of up

to 8 percent of the cost estimate for each award period based on assessed performance. The base fee and award fee constitute BRS' profit. The Army has awarded BRS the full award fee for five award periods since the contract was awarded in May 1997, 99 percent for two periods, and 98 percent for one period. BRS contract costs, by year, are shown in table 1.

Table 1: Total Contract Costs, Fiscal Years 1996–2000

(Dollars in millions)	
1996	$ 423.5
1997	154.2
1998	198.7
1999 (estimated)	931.6[a]
2000 (estimated)	460.0
Total	**$2,168.0**

Note: For fiscal years 1996-98, the table includes costs in Bosnia, Hungary, Croatia, and Macedonia; for fiscal years 1999-2000, the table also includes costs in Kosovo and Albania.

[a]The large increase in costs in fiscal year 1999 is due to the beginning of Kosovo operations, which involved significant construction continuing into fiscal year 2000.

As shown in table 1, the cost of contractor support in the Balkans is in the hundreds of millions of dollars annually. The initial construction of the base camps in Kosovo is an example of some of the factors affecting the cost of the contract. Building the camps in 1999 cost approximately $230 million and is part of the costs in table 1. The larger of the two base camps, Camp Bondsteel, was designed to accommodate 5,000 people and required the Army and BRS to build the equivalent of a small town in a wheat field in a few months. It involved creating an infrastructure of roads, power generation capacity, and water and sewage systems; housing and work facilities for the soldiers and contractors; miscellaneous facilities, including a helicopter airfield and a detention center; and extensive force protection measures, including a perimeter fence and guard towers. (See fig. 2.)

Figure 2: Camp Bondsteel, Kosovo

A number of Army and DOD agencies have responsibilities under the Balkans Support Contract. These include (1) the Army Corps of Engineers, which awarded the initial contract in 1992 as well as the subsequent contracts and continues to administer the contract and provide the Principal Contracting Officer; (2) U.S. Army Europe, which develops theater policies and procedures and approves all new work in the Balkans that costs $100,000 or more; (3) the Defense Contract Management Agency, which provides quality assurance specialists, property administrators, and contract specialists to monitor the cost of services incurred under the contract; (4) the Defense Contract Audit Agency, which validates the accuracy and completeness of BRS' cost accounting systems and performs audits of incurred costs; and (5) Army Task Force commanders at various locations in the Balkans—including Bosnia, Kosovo, and Macedonia—who manage and coordinate contractor performance and approve all new work costing less than $100,000.

The Army Has Taken Steps to Control Costs but Could Do More in Managing the Balkans Support Contract

Both the Army and BRS have taken numerous actions to control costs under the contract. However, more could be done to fully consider costs. We found that the Army

- has taken steps to control costs but has not always been fully successful,
- has not always adequately considered the cost ramifications of some decisions, and
- is exercising minimal control over the costs of many recurring services.

While the Army is satisfied with the overall responsiveness and quality of BRS' work, the number of instances we identified suggests that cost was not given sufficient attention in decision-making until recently. In July 2000, the Army directed that a quarterly review of services be conducted to ensure that services being provided are still needed.

Army Considers Cost Control Important and, With BRS, Has Taken Some Actions to Reduce Costs

The Army has repeatedly emphasized the importance of controlling costs. In meetings with us on a number of occasions over the past several years, senior Army officials in Europe have repeatedly emphasized the importance of stewardship of the government's resources in the Balkans. In guidance to commanders in the Balkans, U.S. Army Europe recently reiterated the need to control costs. It has also established an internal audit group in its command center in Kosovo to help in controlling costs and ensuring efficient operations. Moreover, one criterion the Army uses to assess BRS' performance in determining the award fee is cost control and funds management.

Both the Army and BRS have made efforts to reduce costs. These efforts include using military personnel to perform construction where possible and reusing building material. For example, in documentation prepared for us in May 2000, the Army stated that Navy SEABEES participated in the construction of Camp Montieth in Kosovo, at an estimated saving of $5 million in labor costs. In Kosovo, we saw soldiers performing some of the construction of bomb shelters. BRS has reused material from camps that were being closed for construction at other camps. For example, BRS reported reusing $264,700 in lumber and $335,715 in concertina wire, a form of barbed wire, in Bosnia in 1998-99. It also erected temporary buildings owned by DOD and transported them to the Balkans from elsewhere in Europe. In a May 2000 memorandum on BRS performance, Army officials reported that BRS was reusing energy efficient sodium lights

to replace high-maintenance halogen lights and was working to reduce energy requirements, citing a shift at one facility from generators to commercial power. This latter action is expected to reduce costs by about $46,000 a year.

The Army and BRS have also worked collaboratively to reduce costs. For example, they worked together on construction plans for the vehicle wash facility that is being built at Camp Bondsteel. Army engineers suggested changes to the facility that reduced needed concrete by 3,000 cubic meters. BRS made the change, which saved $150,000. BRS officials in Kosovo said that they also recommended other changes, specifically to reduce the number of wash points, to reduce costs.

To help control costs, the Army also has a review process in place to determine whether new work requested by commanders is valid and who should perform that work. In Bosnia, Kosovo, and Macedonia, the Army uses a Joint Acquisition Review Board to validate the need for all new work estimated to cost more than $2,500[4] (lower level officials review and approve work estimated to cost $2,500 or less). The Board is also charged with determining whether work that it approves will be performed by soldiers, BRS, or other contractors or through host nation support. Work estimated to cost $100,000 or more must be approved at Army headquarters in Europe once the board has validated the need for such work. The Board also receives an independent cost estimate (when data are available) to assist in deciding who will perform the work. In its more recent March 2000 guidance on contingency operations financial management, U.S. Army Europe encouraged commanders to be extremely prudent in managing contingency operation funds. It also instructed the Board to determine the lowest cost option to accomplish the mission.

The Army, however, has faced various challenges in controlling costs. The transfer of fire-fighting services from Army personnel to BRS is an example of one such difficulty. The Principal Contracting Officer is responsible for authorizing BRS to perform new tasks. In June 1999, the Officer authorized BRS to plan fire-fighting services in Bosnia, Kosovo, and Macedonia. In September 1999, Army officials began questioning the basis for BRS' fire-fighting plan, which called for a total of 116 people, to include

[4] The Joint Acquisition Review Board consists of representatives from the logistics, engineering, operations, resource management (budget), and contracting staffs as well as the "camp mayor" and the chief of the Base Camp Coordinating Agency.

firefighters and associated administrative and maintenance personnel. U.S. Army Europe officials believed that the number of firefighters and fire engines was larger than required for the mission. The Commander of Camp Able Sentry, Macedonia, wrote U.S. Army Europe and BRS officials to express his concern that no one in his command was consulted about fire-fighting requirements and that the base was not big enough to support the number of firefighters and fire trucks planned by BRS. In October 1999, the Deputy Chief of Staff for Engineering at Army Headquarters Europe questioned BRS' fire-fighting plan and asked the Contracting Officer to stop the contractor's efforts until he could certify BRS' plan. During the next 3 months, the debate over personnel and equipment requirements continued. BRS revised its plan in a manner that reduced the number of firefighters to 77. The Army's engineers concluded that no more than 66 firefighters were required. They also continued to disagree with BRS' fire station design because they felt it exceeded needs. In February 2000, despite lack of resolution of the difference between the contractor's fire-fighting plan and what Army engineers stated was needed, U.S. Army Europe's Deputy Chief of Staff for Logistics said that he believed the two sides were close enough for him to decide to go forward and directed the Principal Contracting Officer to authorize BRS to proceed with its plan.

We discussed this matter with BRS in May 2000 and with the Principal Contracting Officer in June 2000. BRS officials said that their plan included additional work hours related to a civilian workforce and the need to train a local civilian fire-fighting force as compared to the Army's plan, which would have used its own trained firefighters. They also said that their plan provided an improvement over the Army's capability to respond to fires. In July 2000, BRS further advised us that the dispute centered around differences between what the Army does to fulfill its fire-fighting mission and what commercial/municipal firefighters do. The Principal Contracting Officer told us that he felt that it was necessary to make a decision and bring this matter to closure, even though some differences remained unresolved.

Cost Was Not Always Considered in Making Decisions on New Requirements

Prudent management requires that alternatives be considered when making decisions. We identified several examples of actions taken by the Army where there is no evidence that cost was taken into consideration when decisions were made, including in building the base camps in Kosovo. In fact, some of the same problems we identified in our February 1997 report on Army management of contractor support in Bosnia in 1996, such as that commanders were sometimes unaware of the cost

ramifications of their decisions, emerged in Kosovo.[5] While we recognize the importance of quickly deploying and properly caring for U.S. personnel in the Balkans, we believe that more consideration could be given to costs.

One example involved the level of power generation redundancy (i.e. backup power) needed in Kosovo. Due to the lack of a reliable source of commercial power in Kosovo, the Army directed BRS to install power generators when building the base camps there in 1999. BRS purchased 209 generators for $5.8 million and leased an additional 96 at a monthly cost of $1.04 million that together provide for 100-percent redundancy of power generation needs. From July 1999 to July 2000, BRS spent $12.9 million on the leased generators, which have a greater power output than those purchased. BRS officials told us that they had discussed with task force officials in Kosovo how much power generation redundancy to have and whether to lease generators. When the issue of redundancy levels arose in June 1999, BRS requested that task force officials provide the Army's priority for power use if the Army did not want 100-percent redundancy. BRS said that the Army did not provide a priority, and by default, BRS proceeded with 100-percent redundancy, which it described as the best business practice. There is no record of why the Army did not provide a priority list for power use or whether it explicitly wanted 100-percent redundancy; however, Army officials involved in administering the contract with whom we met in Kosovo in May 2000, including engineers and contract administrators, told us that there was too much generator capacity and that much less redundancy was needed. According to these officials, while 100-percent redundancy is important for some facilities, such as the headquarters and the hospital, other facilities such as the barracks, called SEAhuts, could go without power for several hours without potentially serious consequences. (See fig. 3.)

[5] *Contingency Operations: Opportunities to Improve the Logistics Civil Augmentation Program* (GAO/NSIAD-97-63, Feb. 11, 1997).

Figure 3: SEAhut in Kosovo With 100-Percent Power Redundancy

The matter of how much leased generator capacity to maintain appeared to be nearing conclusion in September 2000. According to the Army and BRS, a generator consolidation plan has been implemented that will result in 38 generators being returned to the vendor in October 2000. According to the Army, an additional 10 generator sets will be phased out during the implementation of the power generation plan. The remaining 48 leased generators will be purchased in order to avoid high leasing costs. The Army expects this plan to be complete by April 2001 and to result in $85 million in savings over 5 years, based on a comparison of the cost of purchasing the generators versus continuing to lease them. Terminating the leases on 38 generators will produce annual savings of about $5.1 million.

Costs associated with personalizing the camps as new units arrive were also not fully considered. There have been nine major rotations by U.S. Army divisions into Bosnia since U.S. forces first deployed there in December 1995. Incoming units typically add tasks for the contractor to perform during the rotation, as one major unit leaves and another unit moves in to replace it. These tasks include putting up new signs with the new unit's insignia, renaming streets, and rearranging office space. Even

though 49th Armored Division personnel emphasized that they had attempted to hold down the number of changes made to personalize the base camps compared with other units that had previously rotated to Bosnia, we found that work orders more than doubled, from 53 in February 2000 to 134 in March 2000, before declining to 90 in April 2000. Service requests also increased substantially, from 438 in February 2000 to 713 in March 2000, and then declined to 328 in April 2000. To reduce the number of personalized changes in the future, U.S. Army Europe is working to develop a common camp design and unit-neutral signs. U.S. Army Europe officials said that in discussions with the commander of the 3rd Infantry Division, which is scheduled to deploy to Bosnia in September-October 2000, they have emphasized that there should be no new work tasked to BRS for camp changes.

We also found examples in which the Army did not adequately review whether some purchases were properly matched to requirements, resulting in unnecessary expenses. For example, while the SEAhuts were being built in Kosovo, the Army spent millions of dollars on furniture purchases that did not involve the Balkans Support Contract. The Task Force in Kosovo had an internal audit group, which reported that the Army purchased $5.2 million in furniture for the SEAhuts in Kosovo. The internal auditors reported that some of the furniture potentially will not be utilized for its intended purpose of living quarter furniture because adequate space is not available in the SEAhuts. The internal auditors said that as a result the furniture will be either stored on premises, where space is a premium, or shipped to another location, incurring additional unknown costs. In addition, the internal auditors reported that because furniture was shipped before the SEAhuts were completed, some delivered furniture had to be moved at least twice, resulting in undetermined costs in addition to costs under the support contract for processing, assembling, and installing furniture estimated at $377,000. The internal auditors' report concluded that future bulk purchases should be reviewed by a task force central activity to determine reasonableness and ensure that the requester adequately calculated and documented requirements.

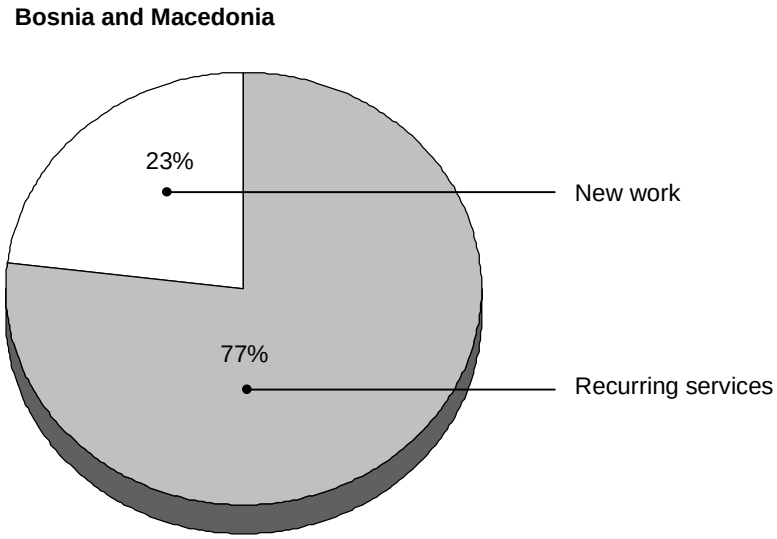
The Army Has Not Routinely Reviewed the Level of Recurring Services

Once initial construction of the base camps is complete, the large majority of contract costs are for what are termed recurring services. These are services provided on a regular basis that include food preparation, laundry, waste disposal, local transportation, fire-fighting, the operation of recreation centers, and vehicle washing. In addition to recurring costs, there are costs for one-time services, called new work. Although the Army

has a process in place to review new work, until July 2000 it had no process to examine recurring services. However, this new process for assessing recurring services is limited. Even though there is no requirement under the Balkans Support Contract that the Army review the level of services and how they are provided, the Army is responsible for monitoring and managing functions performed by the contractor and for providing quality control oversight of the contractor's services.

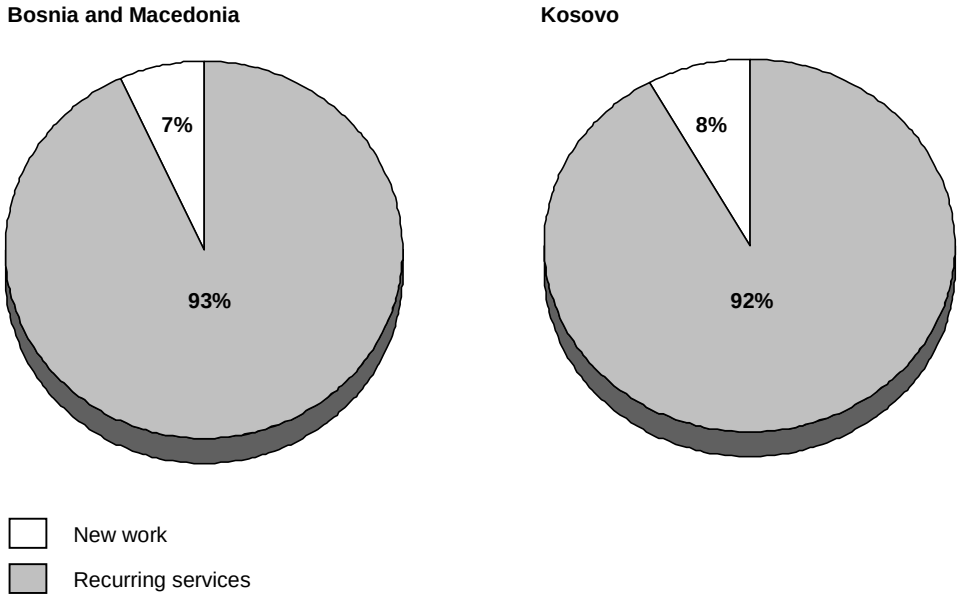
In Bosnia and Macedonia, recurring work in fiscal year 1999 accounted for 77 percent of $152 million in total costs under the support contract. For the part of fiscal year 2000 for which data are available (through May 27, 2000), recurring services accounted for 93 percent of $118 million in total contract costs in Bosnia and Macedonia and 92 percent of $112 million in total contract costs in Kosovo, as shown in figures 4 and 5.[6]

Figure 4: Fiscal Year 1999 Support Costs: Bosnia and Macedonia



[6] During fiscal year 1999, the percentages of recurring services and new work were the opposite in Kosovo because the base camps were being built. Seven percent of support costs were for recurring services, while 93 percent were for new work (camp construction).

Figure 5: Fiscal Year 2000 Bosnia and Kosovo Support Costs, Through May 27, 2000



The Balkans Support Contract contains a long list of services that are to be performed in each country it covers. For example, among the services to be performed in Bosnia are the daily collection, removal, and disposal of trash, food, septic waste, and medical waste materials. The contract also directs 24-hour food service operations, including preparing three meals a day using government-furnished food and providing limited food service during non-meal hours. There is no further definition of the services. BRS sets the level of services and the number of employees necessary to provide these services on the basis of its judgment of what constitutes good business practices. Army and other DOD officials have typically accepted BRS' judgment and not questioned the level of services being provided. On the whole, officials throughout the Balkans are very satisfied with the quality of services provided at the base camps, although many officials acknowledged that the level of some services may be above and beyond what is really needed.

Because military personnel serve in the Balkans on a rotational basis for an average of about 6 months, there is little institutional memory on the part of DOD personnel as to why services are provided at their current levels. Incoming military personnel simply accept the existing levels. DOD officials with whom we met in the Balkans told us that they could not

explain the frequency of services being provided, such as cleaning some offices as many as four times a day, cleaning latrines three times a day, and conducting routine construction and maintenance activities 24 hours a day.

BRS also controls the size of the support workforce it uses to deliver services to the Army. The Army could not explain the basis for the number of contractor personnel involved in providing services, although some Army and other DOD officials said that local national contractor employees seemed to have too much idle time. For example, in a May 2000 memorandum to the chief of staff of the Army division deployed in Bosnia, the Commander of the Engineer Brigade in Bosnia wrote that contractor crews working at construction sites and other work areas were not efficient. The Commander further wrote that 85 percent of the projects observed had excessive crew size and that half of these crews had at least 40 percent of their members not engaged in work. In addition, the Commander wrote cleaning services were so overstaffed that employees had been observed taking several long breaks a day because they had finished all their work. In discussions with us on whether work crews had idle time, BRS officials said that this was not the case and cited the need to closely supervise workers for security among the reasons why employees did not seem to be busy all the time. They also pointed out that due to prevailing wage rates, local hires are inexpensive. Nevertheless, as of May 2000, the Army had not examined whether the size of the workforce was appropriate for the amount of work that was being done, despite the expressed concerns of numerous Army and other DOD officials with whom we spoke in the Balkans.

In June 2000, the Army Corps of Engineers, which has a key role in the administration of the contract, sent its own personnel to the Balkans to assess services and suggested that the level of some services might be cut back. According to Corps officials, the senior commander in Kosovo rejected the idea of reducing the level of any services for fear that this might adversely impact soldier morale or the quality of life.

U.S. Army Europe Has Recently Taken Additional Actions to Control Costs

The Commanding General of U.S. Army Europe is concerned about the cost of Balkan operations and is seeking to reduce costs, including those incurred under the Balkans Support Contract. On July 7, 2000, the U.S. Army Europe Chief of Staff issued a memorandum to task force commanders and staff elements involved in Balkan operations on monitoring and controlling the Balkans Support Contract. In the memorandum, the Chief of Staff stated that deployed commanders' senior

staff, the contracting officer, U.S. Army Europe staff principals, the Defense Contract Management Agency, and the Defense Contract Audit Agency all have a shared responsibility to ensure that the Balkans Support Contract is managed and that costs are controlled. The memorandum directs three actions to ensure that the Army acquires from the contractor only what is really needed:

- Deployed unit commanders and U.S. Army Europe staff must validate and approve only requirements to be performed by the contractor that are truly needed or mission essential. This applies to new work and the addition of new services to the contract.
- Deployed commands must provide staff to augment the Administrative Contracting Officer upon request. These staff are to assist in ensuring that the contractor is performing the tasks it has been directed to perform.
- Each deployed command and U.S. Army Europe staff component must conduct quarterly reviews of ongoing recurring services being performed by the contractor to ensure that only essential services are demanded.

The memorandum does not address whether the level of services and the efficiency with which they are provided should also be examined.

To provide additional incentives to reduce costs, senior U.S. Army Europe budget officials told us that they intend to mandate that officials in Kosovo and Macedonia identify $40 million in cost savings for fiscal year 2001. Task force commanders and the contractor will have to determine how to reduce the cost of services to achieve these cost savings. According to U.S. Army Europe officials, BRS has a goal to reduce the contract cost by $20 million in fiscal year 2001 by replacing some highly paid expatriate workers (those from other countries such as the United States) with local workers, who have a lower prevailing wage scale, reducing the manning at dining facilities, and reducing on-hand inventories. Task force commanders will be responsible for identifying ways to reduce service levels and/or find efficiencies in delivering services to achieve the remaining cost reductions.

In discussing this matter with Defense Contract Management Agency personnel involved with the contract, we were told that the current level of services and the cost of support for U.S. forces is the subject of an ongoing dialogue. They told us that the government needs to do a systemic review of whether BRS is operating as efficiently as possible under the support contract and that they have suggested that personnel qualified to make

such an assessment be assigned to their Balkan team. These officials also believe there needs to be more rigor in the government's oversight of BRS and that another DOD agency involved in the contract's oversight, the Defense Contract Audit Agency, could be helpful in this regard.

Finally, in documentation prepared for us in May 2000, U.S. Army Europe stated that it had directed its staff directorates, such as logistics, to develop a long-term Balkan base operation strategy. The aim is to determine a base operation standard for each service required to be performed for a deployed force. Each standard is to describe the function to be performed, the necessary facilities and personnel, when and how services are to be performed, and the level at which they are to be provided. As of July 2000, U.S. Army Europe officials said that there was no target date for the effort's completion.

To foster competition, U.S. Army Europe is also exploring whether some functions now being performed under the support contract can be contracted separately to contractors other than BRS. For example, barracks renovation at a base in Hungary that is being used to support U.S. forces in Bosnia is being done by a local Hungarian firm rather than by BRS. U.S. Army Europe also intends to break out some of the services now being performed in Macedonia under the support contract and allow the Joint Contracting Center to contract for them to see if they can be obtained for the same or less money. As of July 2000, no target date had been set for implementing this effort.

Lack of Understanding of the Balkans Support Contract Hinders DOD's Oversight

Effective oversight of the Balkans Support Contract is being impaired because (1) there is confusion over the government's authority under the contract, (2) personnel assigned to contract oversight roles in the theater have not been trained sufficiently, and (3) frequent personnel rotations of short duration preclude continuity of oversight efforts.

Confusion Over the Contract Has Hindered Cost Containment

Notwithstanding pre-deployment training on the contract, deployed Army and other DOD officials responsible for the Balkans Support Contract generally agreed that there is a lack of understanding of the government's authority under the contract. Engineers, logisticians, and administrative contracting officers among the Army and other DOD officials with whom we met in the Balkans and elsewhere had little previous experience with cost reimbursement performance-based contracts. Army and DOD officials

deployed in the Balkans between 1998 and 2000 had the widespread view that because the support contract is performance-based, they have little control over the contractor's actions once the contractor is authorized to perform a task. Although the contract allows the Army and other DOD officials to leave all performance details to the contractor's judgment, it does not preclude them from providing the contractor detailed direction. According to Army Corps of Engineers lawyers involved with the contract, the government can be as prescriptive as it wishes to be in managing the contract. For example, in shifting fire-fighting to BRS, the Army could either provide detailed specifications of the design of the fire stations BRS is to build or leave all the details up to BRS. Although there is still disagreement within the Army about the design of fire stations to be built by BRS in the Balkans, the officials responsible for administering the contract have allowed BRS to proceed with its design. BRS officials repeatedly expressed the view that because the company's award fee is based in part on DOD's satisfaction with BRS' performance, clear expectations of the services BRS is to provide are in the company's best interest.

The lack of understanding of the government's authority under the contract on the part of some government officials involved in administering the contract creates confusion over the roles of the government and the contractor. In December 1999, the Administrative Contracting Officer at Camp Montieth, Kosovo, was instructed to issue a notice to BRS to proceed with the construction of a tent to be used as the post office. Because the independent government estimate for this construction was $6,000, the contracting officer placed a $10,000-construction limit in the notice to BRS in an effort to moderate cost growth. When the Lead Administrative Contracting Officer at Camp Bondsteel, Kosovo, became aware of this limitation, he sent an electronic message to the officer at Camp Montieth, in effect stating that BRS is the Army's customer and that such funding limitations affect the Army's relationship with the customer. In fact, it is the Army who is the customer under the Balkans Support Contract.

The extent of the confusion that exists regarding the contract is evidenced by the results of a conference held in April 2000 to improve the partnership between all parties involved with the contract, including the contractor. Conference participants included representatives from all the government parties involved in administering the Balkans Support Contract—U.S. Army Europe, task force representatives, the Corps of Engineers, and the Defense Contract Management Agency—and the contractor, BRS. At this conference, participants expressed their views on a variety of topics,

including how well the contract was being managed and the contractor's performance. Participants cited the need for more uniform guidance from contract managers, oversight continuity problems caused by frequent personnel rotations, and the need for contract personnel to be more knowledgeable of the contract, among other things.

Additional Training Is Needed to Eliminate Confusion

Army officials responsible for contract oversight in Bosnia, Kosovo, and Macedonia cited the need for more preparatory training. Recognizing the need to increase training for contract oversight officials, the Army initiated a new program in December 1999 for 49th Armored Division staff before deployment to Bosnia. During the mission rehearsal exercises preceding deployment, division staff were briefed by the Army Corps of Engineers and the Defense Contract Audit Agency on the uniqueness of sustaining a force in the Balkans, on basic information about the contract, and on the contractor's responsibilities. The staff said that the training was useful but that more training was needed on the government's authority and on how to apply the contract in real-world situations.

Although incoming personnel observe their outgoing counterparts for a short period, and personnel receive some training before they deploy, task force and contract administration officials said that this was inadequate. This is especially true for the personnel with contract oversight responsibilities as a second job. For example, the camp mayor[7] at the main base camp in Bosnia in May 2000 was an artillery officer with no contracting background. He said that he received no training on his responsibilities as mayor and how to carry them out. Yet, he was responsible for coordinating the contractor's maintenance program at the camp.

The use of a cost reimbursement performance-based contract in the Balkans also requires contracting personnel who are accustomed to monitoring fixed-price contracts to adjust their paradigms in order to use the contract effectively. Many personnel assigned to the Balkans have never worked with this type of contract and, other than those from the 49th Armored Division who received some pre-deployment training, received little or no training on it. Therefore, they have a limited understanding of the government's role under such a contract.

[7] The camp mayor is an Army officer responsible for authorizing routine maintenance and projects estimated to cost less than $1,000 performed under the Balkans Support Contract.

The need for training is not new. In our previously cited February 1997 report on Army management of contractor support in Bosnia during 1996, we reported that some key logistics planners for the Bosnia operation had little knowledge of or experience with the contract (a very similar predecessor of the current contract) prior to the operation. We also reported that despite significant efforts to manage the contract effectively, U.S. Army Europe officials' inexperience and lack of understanding of the contract, the contractor's capabilities, and program management created problems during deployment and resulted in unnecessary costs. We recommended at that time that commanders be trained to use the contract and that training include information on contractor capabilities and roles and responsibilities in planning and execution. DOD agreed with our recommendation. While some steps have been taken to provide more training, this lack of training appears to be a continuing problem.

The July 7, 2000, memorandum from the U.S. Army Europe Chief of Staff on monitoring and controlling the support contract cited the importance of ensuring that the right people are identified, trained, rehearsed, and motivated to accept their responsibilities. The memorandum also stated that it is of critical importance to identify rotating units early so that they can train their staffs and incorporate their tasks into their mission rehearsal exercises. In discussing the results of our work with U.S. Army Europe and Defense Contract Management Agency officials we were told that they are making information, such as a copy of the contract, available to personnel who will be involved with the contract early (before they rotate). They also said that the content of the training is changing to include more scenarios involving likely contract situations task force personnel and contract administrators are likely to encounter once they are deployed. Training also focuses more on what is being done under the contract in the Balkans now, recognizing that some tasks such as building camps are complete.

Personnel Rotations Further Inhibit Effective Oversight

Army policy is to limit Balkans rotations to 6-month periods. In keeping with this policy, the average tour length for military personnel deployed to the Balkans is in fact 6 months. Numerous officials told us that this is too short a period to learn the job of managing the support contract and establish effective working relationships. Many officials involved with managing the contract said that it was frustrating to have to leave just as they were beginning to understand their job. The impact of the 6-month rotation policy is compounded by the fact that most Army task force personnel responsible for construction and service decisions, as well as

Defense Contract Management Agency contract administration personnel, leave at about the same time. The lack of a staggered rotation system destroys continuity for ongoing projects and prevents incoming staff from understanding why specific decisions were made.

In discussing this matter with the commander of U.S. forces in Kosovo and Macedonia, he agreed that there is a lack of continuity due to the constant rotation of personnel. He also said that one alternative might be to have some military and civilian personnel remain in Kosovo and Macedonia for longer periods to help establish continuity. In discussing the results of our work with the head of the Defense Contract Management Agency-Southern Europe in Germany in July 2000, he also agreed that frequent rotations cause difficulties in training and continuity. However, task force personnel with whom we spoke in July 2000 also said that some personnel involved with administering the contract had begun to rotate at different times from the main task force.

Conclusions

The Army is concerned about controlling the cost of the Balkans Support Contract and has taken a number of actions to do so. U.S. Army Europe's recent memorandum directing a quarterly review of recurring services is an important step in regaining control over the extent of services provided in the Balkans. Recent improvements in training for personnel preparing to deploy to the Balkans who will have contract administration responsibilities and the recognition that effective contract oversight involves assessing the efficiency with which services are delivered are also important steps. There are, however, additional steps that could be taken to reduce costs. To be more effective, the quarterly reviews need to go beyond examining whether current services are needed and should include factors such as the level and efficiency of services. The base operation standards currently being developed for services that are being provided will be a valuable tool in assessing the services' level and efficiency. In addition, including the Defense Contract Management Agency and the Defense Contract Audit Agency in the quarterly reviews and in the development of the base operation standards would bring additional expertise to the process.

Further, misunderstandings about the roles of the government and the contractor have limited the government's oversight of the contract. Incomplete understanding of the government's authority and responsibilities under this type of contract, coupled with limited training and a lack of continuity among contract administration personnel, has led

personnel to simply accept existing practices rather than question them, even though some services may have appeared to be provided at unnecessarily high levels. As a result, DOD may be incurring higher costs than necessary.

Recommendations for Executive Action

To better control costs and improve administration of the Balkans Support Contract, we recommend that the Secretary of Defense direct the Secretary of the Army to

- direct the Commanding General, U.S. Army Europe, to (1) examine the level and frequency of services being provided and assess the economy and efficiency with which they are being provided as part of the newly directed quarterly review of recurring services under the Balkans Support Contract, (2) seek the participation of the Defense Contract Management Agency and the Defense Contract Audit Agency in these reviews, and (3) set a target date for completing base operation standards for contractor-provided services and use these standards in the quarterly reviews and
- direct a more extensive pre-deployment training program for all contract oversight personnel to include (1) the fundamentals of cost reimbursement performance-based contracting and (2) the government's authority and responsibilities under the contract.

We also recommend that the Secretary of Defense direct both the Secretary of the Army and the Director, Defense Contract Management Agency, to provide greater continuity in managing the Balkans Support Contract by scheduling rotations so that key contracting personnel, such as administrative contracting officers, rotate at different times and by considering the feasibility of a more permanent core of civilian contract administrators.

Agency Comments and Our Evaluation

DOD and Brown and Root Services provided written comments on a draft of this report, which are reprinted in appendixes II and III. DOD agreed with our recommendations, but noted that our third recommendation should be changed to include direction to the Defense Contract Management Agency because agencies other than the Army provide personnel to perform contract administration functions on the Balkans Support Contract. We agreed and modified our recommendation accordingly to reflect that both the Army and the Defense Contract

Management Agency have personnel involved in administering the contract.

Brown and Root Services stated that contractor support is vital to contingency operations. Brown and Root Services also provided comments on contract activities, including power generation redundancy, the size of its local national workforce in the Balkans, and fire-fighting services to either clarify or make its position better understood. We modified the report where appropriate.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 5 days after its issue date. At that time, we will send copies to the Honorable William S. Cohen, Secretary of Defense; the Honorable Louis Caldera, Secretary of the Army; and the Honorable Jacob Lew, Director, Office of Management and Budget. We will also make copies available to appropriate congressional committees and other interested parties on request.

If you or your staff have any questions about this report, please call me at (202) 512-5140. Another contact and major contributors to this report are listed in appendix IV.

Sincerely yours,

Carol R Schuster

Carol R. Schuster
Associate Director
National Security Preparedness Issues

Scope and Methodology

To assess whether the Army is taking effective actions to control costs, we obtained relevant documents and reports about contract operations. These included the Balkans Support Contract, cost reports, and descriptions of the services provided under the contract and the roles and responsibilities of various organizations involved with the contract. These documents were provided by a variety of organizations, including the Defense Logistics Agency, the Defense Contract Management Agency, the Defense Contract Audit Agency, the Department of the Army's Deputy Chief of Staff for Logistics, the U.S. Army Corps of Engineers, U.S. Army Europe, and Brown and Root Services (BRS). We held numerous meetings with officials from the Army Corps of Engineers' Transatlantic Program Center, which awarded and manages the Balkans Support Contract. We also met with and analyzed documentation provided by U.S. Army Europe logistics and engineer officials who are responsible for administering the Balkans Support Contract. We did not, however, examine the appropriateness of the decisions made by the award fee board in evaluating BRS' performance. To assess the government's audit oversight of the contract, we met with officials from the Defense Contract Audit Agency office responsible for monitoring the contractor. We analyzed documentation the office had obtained regarding the contractor's financial and accounting system and examples of purchase orders that the agency had audited.

To understand contractor support in the Balkans first-hand, in April-May 2000 we visited and obtained documentation from, analyzed records of, and discussed contract procedures with officials from Task Force Eagle in Bosnia, Task Force Falcon (Forward) in Kosovo, and Task Force Falcon (Rear) in Macedonia. We obtained and analyzed contractor records pertaining to projects performed at U.S. base camps in Bosnia, Kosovo, and Macedonia. We also observed contractor operations at all camps, reviewed records from boards convened to assess and approve work projects, and discussed contractor operations with deployed Army and BRS personnel both at the base camps in the Balkans and at BRS headquarters in Houston, Texas.

To examine whether improvements are needed in how the Department of Defense (DOD) manages activities under the Balkans Support Contract, we met with officials involved in administering the contract in the base camps in Bosnia, Kosovo, and Macedonia, including administrative contracting officers, deployed Army logisticians, representatives of the Base Camp Coordinating Agency, and camp mayors. We also met with Army, Defense Contract Management Agency, and other organization representatives in the United States and Germany. We discussed with them the amount and

adequacy of training provided and the effect of frequent rotations on DOD's ability to administer the contract effectively. We also discussed with Army and BRS officials the results of a partnering meeting, held in Germany in April 2000, that brought together representatives of the Army, other DOD organizations, and BRS to examine how to improve contract activities.

We performed our work from July 1999 through September 2000 in accordance with generally accepted government auditing standards.

Comments From the Department of Defense

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

ACQUISITION AND TECHNOLOGY

21 SEP 2000

Ms Carol R Schuster
Associate Director
National Security Preparedness Issues
National Security and Internal Affairs Division
U.S. General Accounting Office
Washington, DC 20548

Dear Ms Schuster,

This is the Department of Defense (DoD) response to the GAO draft report, "Contingency Operations: Army Should Do More to Control Contract Costs in the Balkans," dated August 23, 2000 (GAO Code 702007/OSD Case 2068). I concur with recommendations 1 and 2. However, since agencies other than the Army provide personnel to perform the contract administration functions for this contract, recommendation 3 should be changed to read "…the Secretary of Defense direct the Defense Contract Management Administration to provide…."

Deidre A. Lee
Director, Defense Procurement

Comments From Brown and Root Services

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

Brown & Root Services

9900 Westpark (77063-5169) / Post Office Box 3 / Houston, TX 77001-0003

September 14, 2000

United States General Accounting Office
National Security Preparedness Issues
Attn: Ms. Carol R. Schuster
Washington, DC 20548

Dear Ms. Schuster:

See comment 1.

Thank you for the opportunity to comment upon the General Accounting Office's (GAO) draft report "Army Should Do More to Control Contract Cost in the Balkans." From an administrative view, two changes need to be made. References to "Brown & Root Services Corporation", or "BRSC", should be changed to delete the "Corporation". On page six of the draft report there is a sentence which reads ". . . the Army reimburses BRS for direct costs . . ." As a point of clarification, it should read ". . . for allowable direct costs. . ."

The following comments are offered in order to either clarify or make Brown & Root Services' (BRS) position on a particular subject better understood. I believe this is important as the ultimate reader needs to understand the contractor's view and the context in which decisions were made. This is important to us, as perceptions can affect future business acquisition.

The report addresses the issue of power generation and, as it is presented, it could be concluded that BRS unilaterally decided to provide for 100% redundancy. This was really not a default decision, rather the execution of prior planning.

See comment 2.

The Army carefully addressed the power requirements in the lengthy planning process for Kosovo Operations and determined that they wanted BRS to provide 100% prime power, 100% backup power and selected tertiary backup power for selected key facilities / nodes. This decision was followed and was recently acknowledged as commendable by the Joint Staff Vulnerability Assessment (JSVA) Team on their visit to Kosovo. Their view was that this was an excellent force protection measure. The issue of priority of power use related to the longer term power supply which was programmed to be commercial with 100% backup prime power generation and tertiary backup to critical nodes.

At the time of the GAO visit, BRS believed a total of 35 generators could be released from rental for the long-term power generation requirement. BRS is not aware of any discussion concerning the status of 11 generators. We believe this refers to the number of leased generators which were connected to power sharing applications at the time of the

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A Halliburton Company

United States General Accounting Office
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GAO visit. The current status of leased generators is that a total of 38 leased generators will be returned to the vendor at the end of the current lease period in October. This decision is an agreed coordinated position of BRS, Task Force Falcon and the United States Army Europe Office of the Deputy Chief of Staff - Engineering (USAREUR ODCSENG). No other generators are excess to contract / Task Force requirements.

I would also note that BRS did not agree that any of these generators were excess to the initial / temporary requirement as implied in the report. They are only excess to the final power generation requirement.

See comment 3.

Comments were made about workers and idle time and an opinion expressed that we had too many local national personnel. These comments appear to be from casual observations with no immediate questioning or follow up. We believe that some government employees view gatherings of BRS employees for management reviews, daily safety briefings, planning and programming sessions and end of shift waiting for transportation as "idle time". Such is not the case. Opinions from those without performance responsibility as to the efficiency and work crew size are not fact. They are speculative and based upon individual background and experience. The size/composition of our workforce is regularly briefed to the government and at each Award Fee Evaluation Board. I strongly believe that our workforce is what is required to execute our assigned responsibilities. BRS would receive no benefit from an over-strength workforce.

See comment 4.

There were several comments concerning our fire fighting mission. As written, the report would lead the reader to conclude that we had been convinced to reduce our fire fighters from 116 to 77, but that the Army Engineers believed that only 66 were required. We did not simply revise our plan; the Army more clearly defined the mission. BRS constantly reviewed its plan to maximize the effectiveness of this mission consistent with our responsibility to provide crew rest periods required to meet Occupational Safety and Health Administration (OSHA) and NFA Standards. We never had 116 fire fighters in any plan; some of those positions being administrative and maintenance personnel. In addition, this included fire fighting capability for our major facility in Urosevac/Ferizaj where all our headquarters operations, warehouse and maintenance operations and transportation missions are based.

Regarding fire station design, the disagreement again centered around what the Army does and what commercial/municipal fire fighters do. BRS insisted upon crew rest facilities in the fire house and a floor drain connected to an oil-water separator to ensure

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See comment 5.

adequate environmental protection. Regarding the implication that "BRS is now providing fire fighting services with a force that is 17 percent larger than the Army's Engineers feel is necessary," this is again speculative opinion. BRS used Appendix C of Military Handbook 1008C "Fire Protection for Facilities Engineering, Design and Construction." This appendix outlines the minimum amount of water needed to contain, control, and extinguish a fire in an unsprinkled facility. The workforce is derived from these requirements.

See comment 6.

In addition, the Army only plans to staff manpower sufficient to fight a single fire. We were assigned both structural fire fighting and crash rescue responsibilities. Unless and until the Army provides written waiver of liability to BRS, we must staff to accomplish both missions. We have, however, begun the process of training Host Country Nationals to certification levels so that they may replace more costly expatriate employees.

See comment 7.

The report correctly identifies the fact that BRS puts forth cost saving recommendations/ implementations. However, I offer a bit of perspective. Since we started operations in the Balkans, we have documented and preserved $76,852,248 million in "Cost Avoidance Measures" (CAMs). Kosovo and Macedonia benefited from all of the previous CAMs.

Finally, having been the Project General Manager responsible for supporting nine of these types of deployments, I am convinced that contractor support is vital and absolutely necessary. I have also come to understand that contingency operations are by definition expensive. Without BRS, they would be even more so.

Sincerely,

Brown & Root Services

James G. McKnight, PGM
Balkans Support Contract

JGM:afl

The following are our comments on BRS' letter dated September 14, 2000.

GAO's Comments

1. We revised our report to reflect the proper name for the contractor and to clarify that the Army reimburses BRS for allowable direct costs.

2. BRS states that the Army carefully addressed power requirements in the lengthy planning process for Kosovo operations and determined that it wanted BRS to provide 100-percent prime power, 100-percent backup power, and selected tertiary backup power for selected key facilities. In fact, the February 24, 1999, statement of requirements resulting from the Army's planning process for Kosovo operations called for power generation to be provided at 100-percent of prime requirement with backup and tertiary backup to critical nodes installations such as the tactical operations center, hospital, and other designated facilities. No mention is made of 100-percent backup power. Following the February 1999 statement of requirements, the description of the requirement for power generation became less specific. In the June 18, 1999, notice to proceed that the Defense Logistics Agency issued to BRS as U.S. forces began to deploy to Kosovo, BRS was told to provide electrical power generation and distribution for all facilities in the camps. Army officials at U.S. Army Europe and in Kosovo were unable to provide us with any documentation supporting a need for 100-percent power redundancy. In the absence of specific guidance from the Army on power redundancy, our report describes the steps BRS took to obtain such guidance and the action it took when it did not receive such guidance. Regarding the status of leased generators that can be returned to the vendor, we updated our report to state that 38 generators are being returned and deleted references to excess leased generators.

3. Our report was not based solely on our own observations but rather on the views of some Army and other DOD officials. As we point out, a May 2000 assessment of contractor crew size in Bosnia conducted by the Commander of the Engineer Brigade provides similar conclusions about the inefficiency of contractor crews. For balance, we included BRS officials' explanations for the perception provided by DOD officials. Our intent in presenting this information was to illustrate the need for the Army to assess the efficiency of services.

4. We have revised the report to clarify that BRS' planned fire-fighting force of 116 included both firefighters and associated administrative

and maintenance personnel. Fire-fighting at U.S. Army facilities in Europe is the responsibility of U.S. Army Europe's Engineering Directorate. According to a Directorate official, the number of firefighters proposed by BRS varied over time because of changing perspectives of BRS personnel rather than because the Army more clearly defined the mission.

5. BRS stated that it used Appendix C of Military Handbook 1008C, "Fire Protection for Facilities Engineering, Design, and Construction," in determining the requirement for the fire-fighting mission. According to Army Corps of Engineers and U.S. Army Europe officials, including officials involved in developing the military handbook, the handbook was developed for permanent facilities and was never designed to be applied to a war zone.

6. BRS stated that the Army only plans to staff manpower sufficient to fight a single fire, while BRS was assigned both structural fire-fighting and crash responsibilities. According to a U.S. Army Europe engineer official, Army firefighters also had both structural fire-fighting and crash responsibilities, but the Army staffs its units assuming that it would only have to do one at a time.

7. We describe in our report some of the steps BRS has taken to reduce costs and the amount of the resulting savings reported by BRS. While BRS provides data on what it terms cost avoidance measures, according to Army Corps of Engineers officials responsible for administering the contract, the Corps has never systematically assessed their validity. While we agree that BRS has taken steps to reduce costs, we are not in a position to attest to the sum of such savings.

GAO Contacts and Staff Acknowledgments

GAO Contact

Steven H. Sternlieb (202) 512-4534

Acknowledgments

In addition to the contact named above, Ray S. Carroll Jr., Lester L. Ward, and Adam Vodraska made key contributions to this report.

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