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United States Department of State  
and the Broadcasting Board of Governors  
Office of Inspector General

## **Office of Audits**

# Independent Auditor's Report on the Application of Agreed-Upon Procedures Related to Selected DynCorp Invoices

Report Number AUD/FM-07-41, August 2007

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# TABLE OF CONTENTS

SUMMARY .....	1
BACKGROUND .....	3
SCOPE AND METHODOLOGY .....	5
RESULTS .....	7
CONCLUSIONS .....	17
RECOMMENDATIONS .....	19
ABBREVIATIONS .....	21

## Appendices

A. SAMPLING PLAN AND RESULTS OF INVOICE REVIEW .....	23
B. CHECKLIST OF REQUIREMENTS FOR INL REVIEW AND APPROVAL OF INVOICES .....	29
C. INL INVOICE REVIEW AND APPROVAL PROCESS .....	35
D. INL IMPROVEMENTS IN THE INVOICE REVIEW AND APPROVAL PROCESS .....	37
E. INL COMMENTS ON THE DRAFT REPORT .....	39

## Tables

1. AGREED-UPON PROCEDURES RELATED TO SELECTED DYNCORP INVOICES .....	7
A-1. HIGHEST VALUE CLIN FOR FY 2005 O&M INVOICES .....	23
A-2. RESULTS OF OIG'S REVIEW OF JIPTC INVOICES FOR FY 2005 .....	25
A-3. UNSUPPORTED COSTS .....	28
B-1. KEY REQUIREMENTS FOR REVIEWING AND APPROVING INVOICES .....	30

## PREFACE

To: Bureau of International Narcotics and Law Enforcement Affairs, Department of State

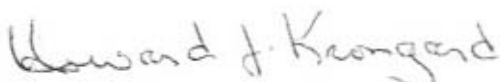
This report was prepared by the Office of Inspector General (OIG) pursuant to the Inspector General Act of 1978, as amended; Section 209 of the Foreign Service Act of 1980; the Arms Control and Disarmament Amendments Act of 1987; and the Department of State and Related Agencies Appropriations Act, FY 1996.

OIG performed the procedures described in this report, which were agreed to by your office and OIG, solely to determine, at your request, whether the Bureau of International Narcotics and Law Enforcement Affairs has an effective process for reviewing and approving invoices from DynCorp for the support of the Jordan International Police Training Center (JIPTC), to identify best practices for reviewing and approving invoices, and to determine whether invoices provided by DynCorp in FY 2005 for the support of JIPTC were adequately supported.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the Bureau of International Narcotics and Law Enforcement Affairs. Consequently, OIG makes no representations regarding the sufficiency of the procedures either for the purpose for which they were requested or for any other purpose.

OIG was not engaged to and did not perform an examination, the objective of which would be the expression of an opinion on the matters addressed herein. Accordingly, OIG does not express such an opinion. Had OIG performed additional procedures, other matters might have come to its attention that would have been reported to you.

This report is intended solely for the information and use of the Bureau of International Narcotics and Law Enforcement Affairs and is not intended to be and should not be used by anyone other than this specified party.



Howard J. Krongard  
Inspector General

SUMMARY

The Office of Inspector General (OIG) performed certain agreed-upon procedures in response to a Bureau of International Narcotics and Law Enforcement Affairs (INL) request to assess its process for reviewing and approving DynCorp International (DynCorp) invoices related to the Jordan International Police Training Center (JIPTC). OIG assessed INL's process for reviewing and approving invoices for FY 2005 to determine whether the process was effective and invoices were adequately supported. In addition, OIG identified best practices for reviewing and approving invoices from other organizations.

Overall, OIG found that INL did not have an effective process for reviewing and approving DynCorp invoices. For example, INL approved payments without assurance that the work or services were completed satisfactorily.

In general, OIG also found that the JIPTC invoices were not supported by complete, understandable, and clear documentation that complied with federal regulations, Department acquisition procedures, and contract requirements. For instance, DynCorp did not provide required data to support travel and housing information. Documents submitted to support other expenses were in an unmanageable format and did not provide enough information to support expenses. OIG identified more than \$11.5 million in inadequately supported invoice amounts.

In March and May 2007, INL provided information on improvements it has made in its invoice review and approval process. (See Appendix D.) Because this information was not provided until after the end of OIG's fieldwork, OIG did not assess the adequacy of INL's initiatives. However, if the initiatives are implemented as described, OIG believes the oversight process will be strengthened. OIG believes that the process could be further strengthened if INL streamlines documentation and optimizes best practices. Once INL implements OIG's recommendations related to JIPTC, it may want to consider expanding the processes to address all contract oversight within the bureau.

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## BACKGROUND

The primary mission of INL is to protect Americans from international crime and illegal drugs. Since the events of September 11, 2001, INL has also assumed an increasing role in stabilizing post-conflict societies. According to INL's Bureau Performance Plan, the post-conflict role rivals the "traditional" counter-drug and anti-crime missions in terms of funding, staffing, time, and attention. Most of INL's efforts are for civilian police operations as part of international, regional, or other peacekeeping operations. Currently, INL supports more than 1,300 civilian police trainers and advisers in nine peacekeeping operations around the world.

On April 18, 2003, INL contracted with DynCorp to provide program support for the construction, maintenance, and operation of JIPTC. This contract and subsequent contract modifications and task orders required DynCorp to procure supplies and materials, furnishings, computer and communications equipment, and any other items necessary to make JIPTC fully operational as determined by INL, in accordance with the Federal Acquisition Regulation (FAR).

In September 2003, INL constructed and now operates the JIPTC facility located near Amman, Jordan, to train Iraqi law enforcement personnel. Sixteen nations provide 352 trainers. JIPTC has the capacity to train 3,000 Iraqi police recruits in an eight-week basic police skills course, and it graduates 1,500 new police every month. The facility has served as a primary venue for training more than 15,000 police recruits.

## Laws and Regulations

FAR Subpart 32.9, Prompt Payment, provides uniform policies and procedures that apply to invoice payments. It requires that payment be based on the receipt of a proper invoice and satisfactory contract performance. If the invoice does not comply with these requirements, the designated billing office must return it within seven days after receipt with explanations as to why it is not a proper invoice.

In addition, the FAR requires that invoice payments be supported by a receiving report or any other government documentation authorizing payment, which includes the signature of the designated government official responsible for

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acceptance or approval functions. Payment is scheduled after the billing office has received a proper invoice and after the government accepts supplies delivered or services performed.

### Prior OIG Work

An OIG inspection of INL<sup>1</sup> found that insufficient staffing and staff training for civilian police operations had caused major weaknesses in contract oversight. The inspection report stated that neither the INL's contracting officer's representative (COR) nor the COR's staff complies with Department regulations to review invoices before they are approved and forwarded for payment. The inspection report suggested that INL appoint additional COR staff at headquarters and government technical monitors (GTM) overseas to monitor contractor work. OIG closed this recommendation on November 14, 2006, because INL had decided to establish CORs at field posts rather than try to monitor task orders from the United States. In addition, INL reported that it had established a support group to conduct reviews of invoices.

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<sup>1</sup> *Bureau of International Narcotics and Law Enforcement Affairs (ISP-I-05-14, July 2005).*

## SCOPE AND METHODOLOGY

In response to a December 6, 2005, request from INL's then principal deputy assistant secretary, OIG performed certain agreed-upon procedures related to INL's control over reviewing and approving invoices from DynCorp for JIPTC.

The objectives were to:

- determine whether INL had a process to effectively review and approve invoices from DynCorp for the support of JIPTC;
- identify best practices for reviewing and approving invoices that other organizations use, which INL could adopt to improve operations; and
- determine whether invoices provided by DynCorp in FY 2005 for JIPTC were adequately supported.

OIG conducted its work primarily at INL offices in Washington, DC. To accomplish its objectives, OIG focused its work on DynCorp JIPTC invoices for FY 2005. OIG analyzed these invoices to determine whether they were adequately supported. (A detailed description of the sample design and the results are in Appendix A.) OIG also assessed the DynCorp contract, task orders, and statements of work related to JIPTC in place at that time. OIG contacted INL's Office of Resource Management (INL/RM) to discuss the process and procedures used for the review and approval of DynCorp invoices for JIPTC.

OIG compared practices and processes in place during FY 2005 with key requirements and best practice information obtained from four other agencies and three bureaus within the Department. Best practices in the acquisition, management, and administration of service contracts are techniques that agencies may use to help detect problems. Best practices are practical techniques gained from experience that agencies may use to improve the procurement process.<sup>2</sup>

OIG's Office of Audits, Financial Management Division conducted this work in accordance with standards for attestation engagements included in the government auditing standards. OIG conducted fieldwork in the Washington, DC, area between January and March 2006 and performed additional follow-up work in May and June 2006. INL's response to a draft of this report is included as Appendix E.

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<sup>2</sup>FAR 37.501, "Management Oversight of Service Contracts, Best Practices - Definition."



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RESULTS

The results of OIG’s agreed-upon procedures for selected DynCorp invoices are in Table 1.

**Table 1: Agreed-Upon Procedures Related to Selected DynCorp Invoices**

PROCEDURE	RESULTS
<b>Objective 1:</b> Determine whether INL has a process to effectively review and approve invoices from DynCorp for the support of JIPTC.	
Develop a checklist of key requirements for reviewing and approving invoices.  ➤ Discuss with INL principal deputy assistant secretary.	See Appendix B for a copy of the completed checklist.  Completed.
Walk through invoice review and approval process with headquarters INL officials.  ➤ Obtain information on the process used in Jordan to review invoices.	Completed. INL identified three officials – the contract specialist, program analyst, and COR – who reviewed and approved JIPTC invoices for payment. OIG interviewed and walked through the process with these officials. OIG also interviewed DynCorp officials, who described the invoice submission process.  The contract required that DynCorp send all invoices to the contract specialist at INL headquarters. Upon receipt, the contract specialist reviewed all invoices for proper submission and then routed them to the program analyst. <sup>3</sup> The program analyst reviewed the JIPTC invoices for reasonableness and correct fiscal data before forwarding them to the COR. The COR provided the final approval for payment and then routed the invoices back to the contract specialist to forward to the Bureau of Resource Management for payment. The contract specialist also maintained a spreadsheet of all payments to DynCorp. The contract specialist indicated that the review process took between one and two weeks to complete. See Appendix C for the flowchart of INL invoice review and approval process.)  The contract specialist indicated that she had no knowledge of how thorough a review of the invoices was done in Jordan. Appendix D includes information on improvements that INL has implemented since the end of fieldwork.

<sup>3</sup>FAR 32.905, Payment Documentation and Process, defines a proper invoice as one that includes the contractor name and address, contract number or other authorization (including order number and contract line item number), description of goods/services delivered, shipping and payment terms, and any other information or documentation required by the contract.

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PROCEDURE	RESULTS
<p>➤ Confirm information with INL contractor located in Jordan.</p>	<p>The government technical monitor (GTM) in Jordan, an INL contractor, said that his office, in FY 2006, maintained copies of all DynCorp purchase orders and staffing documents and used them to compare information on the invoices and supporting documents.<sup>4</sup> There was no GTM in FY 2005.</p>
<p>Using checklist of key requirements, assess whether the process used by INL complies with the key requirements.</p> <p>Summarize instances where INL did not comply with key requirements.</p> <p>Make recommendations as appropriate.</p>	<p>The process used by INL to review and approve invoices did not fully comply with the key requirements on the checklist as summarized below. (See Appendix B for additional information.)</p> <p>INL did not compare the invoices with the contract requirements and task orders.</p> <p>INL approved payments without assurance that the work or services were completed satisfactorily.</p> <p>INL did not have workflow descriptions for the review and approval of invoices detailing the responsibilities of employees locally or in Jordan.</p> <p>See Recommendations section of this report.</p>
<p><b>Objective 2:</b> Identify best practices for reviewing and approving invoices that other organizations use, which INL could adopt to improve operations.</p>	
<p>Contact three agencies and three other bureaus within the Department that review and approve invoices from large contractors.</p>	<p>Contacted three agencies: Defense Contract Audit Agency (DCAA), Defense Finance and Accounting Service (DFAS), and U.S. Agency for International Development (USAID).</p> <p>Contacted three bureaus: Bureau of Administration (A), Bureau of Diplomatic Security (DS), and Bureau of Resource Management (RM).</p> <p>In addition, OIG referenced best practices issued by the Office of Management and Budget, Office of Federal Procurement Policy (OFFP).</p>

<sup>4</sup> In FY 2006, INL designated a contractor as a GTM in Jordan. Even though the designation of the GTM was outside the scope of its work, OIG noted that INL did not comply with Department of State Acquisition Regulation 642.271(a), which required that a GTM be a direct-hire U.S. government employee.

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PROCEDURE	RESULTS
Identify best practices for reviewing and approving invoices.	OIG identified a number of best practices, including: <ul style="list-style-type: none"><li>• Developing procedures that define the roles and responsibilities of the staff who review and certify invoices. (OFPP)</li><li>• Conducting indepth reviews of invoices under cost reimbursement contracts to make certain that costs are valid. (OFPP)</li><li>• Conducting frequent site visits. (USAID)</li><li>• Using a computer application for invoicing, receipt, and acceptance, with the online ability to compare services with the contract terms.<sup>5</sup> (DCAA)</li><li>• Using a computer application to electronically manage and track the invoice information and identify anomalies.<sup>6</sup> (DS)</li><li>• Electronically transmitting invoices between staff. (RM)</li><li>• Enacting a direct billing program. This program would allow a contractor, after proving adequate internal controls, to submit invoices electronically to the payment office. Interim invoices are then sampled randomly to make sure that the controls are still working. (DCAA and DFAS)</li><li>• Complying with standards in reviewing and approving invoices. (A)</li></ul>
Identify best practices related to contract language.	OIG identified a number of best practices, including: <ul style="list-style-type: none"><li>• Requiring that the contractor submit invoices electronically. (DFAS)</li><li>• Providing detailed instructions on how to complete invoices, including samples of how an invoice should be prepared and submitted to the government for payment. (OFPP)</li></ul>

<sup>5</sup> An example would be the Wide Area Workflow system, which is an automated system that handles electronic invoices (part of the paperless initiative) now being used by the Department of Defense.

<sup>6</sup> An example would be the Administrative Services Contract Tracker used by DS.

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<b>PROCEDURE</b>	<b>RESULTS</b>
Obtain recommendations from INL officials to improve the review and approval process.	INL officials recommended: <ul style="list-style-type: none"><li>• Determine what information is required in an invoice and how the invoice should be formatted when submitted to INL to facilitate processing.</li><li>• Determine what invoice information is necessary and how it should be presented to facilitate matching INL statement of work (SOW) requirements to the contractor's proposal and contractor's invoices.</li><li>• Use a checklist to assess the adequacy of the invoices.</li><li>• Return invoices that do not meet all requirements.</li><li>• Have dedicated staff determine whether goods and services were provided, verify that appropriate officials signed for the goods and services, and compare the contract with the receiving documents.</li></ul>
Identify best practices that INL could implement to improve the invoice and review process by: <ul style="list-style-type: none"><li>➤ Comparing the INL process with best practices from other federal agencies or bureaus within the Department.</li><li>➤ Assessing the recommendations made by INL officials.</li></ul> Make recommendations to INL on best practices that it could implement.	Completed.  Completed.  See Recommendations section of this report.

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<p>Determine whether each invoice included:</p> <ul style="list-style-type: none"><li>➤ Description of goods or services provided.</li><li>➤ Date of invoice that fell within the current accounting period.</li><li>➤ Goods or services that were genuine and reasonable.</li><li>➤ Amounts that could be traced to the contract.</li><li>➤ Adequate supporting documentation.</li> <li>➤ Increased pricing that is within the terms of the contract.</li><li>➤ Responsible INL official signature to document review.</li></ul> <p>Record of agreement for any items added.</p>	<p><b>Yes.</b> However, the description of goods and services provided did not always include a complete description, quantity, unit of measure, unit price, and extended price of supplies delivered or services performed.</p> <p><b>Yes.</b> However, all the invoices reviewed contained multiple dates of service summarized on one form.</p> <p><b>Unknown.</b> OIG could not assess whether goods and services were genuine or reasonable because of the inadequacies in the supporting documentation, description of goods and services, and linking of invoice amounts to the contract requirements.</p> <p><b>No.</b> In general, amounts could not be traced to the contract because of the incomplete descriptions mentioned above.</p> <p><b>No.</b> OIG found that the organization of the supporting documentation provided on compact disk (CD) by DynCorp did not facilitate review. This hampered contract monitoring. More specifically, OIG found a lack of required data for travel and housing. OIG also found that DynCorp did not provide adequate supporting documentation related to supplies and services. OIG identified more than \$11.5 million in inadequately supported invoice amounts. (See Appendix A for details.)</p> <p><b>Not Applicable.</b></p> <p><b>No.</b> OIG reviewed all 26 invoices from FY 2005 to verify that the certifying official had signed the invoice to document review. Two of the 26 invoices reviewed were missing the certifying official signature to document review.</p> <p><b>Not Applicable.</b></p>
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<b>PROCEDURE</b>	<b>RESULTS</b>
<p>Review the DynCorp contract, task orders, and SOWs related to JIPTC.</p> <p>Determine whether the:</p> <ul style="list-style-type: none"><li>➤ Contract stated what documentation should be provided with invoices.</li><li>➤ Contract specified how often invoices should be submitted.</li><li>➤ SOW clearly established deliverables and other reporting requirements.</li></ul>	<p>Completed. Reviewed DynCorp contracts, SOWs, task orders, and modifications related to JIPTC through December 2005.</p> <p><b>Yes.</b> OIG found that the INL contracting officer provided contractual and invoicing procedures dated June 3, 2004, to reinforce the requirements as agreed to in the contract. In February 2005, INL again clarified its contractual and invoicing procedure requirements in a revised SOW.</p> <p><b>Yes.</b> The contract specifies submitting invoices monthly.</p> <p><b>No.</b> The SOW provided a general description of INL’s requirements. The contractor provided the details for deliverables in its proposals.</p>
<p>Identify best practices that INL could implement to improve the contract and SOW language by:</p> <ul style="list-style-type: none"><li>➤ Comparing best practices from other federal agencies or other bureaus within the Department.</li><li>➤ Assessing the recommendations made by INL officials.</li></ul> <p>Make recommendations to INL on best practices it could implement as appropriate.</p>	<p>Completed.</p> <p>Completed.</p> <p>See Recommendations section of this report.</p>

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<b>PROCEDURE</b>	<b>RESULTS</b>
<b>Objective 3:</b> Determine whether invoices provided by DynCorp in FY 2005 for the support of JIPTC were adequately supported.	
<p>Identify universe of invoices related to the support of JIPTC for FY 2005.</p> <p>Develop sampling methodology for testing DynCorp invoices.</p> <ul style="list-style-type: none"><li>➤ Discuss sampling plan with INL principal deputy assistant secretary.</li><li>➤ Determine sample of invoices to review.</li></ul>	<p>Completed. There were 26 invoices related to JIPTC operations and maintenance (O&amp;M) where the date of service partially or totally included FY 2005. (See Appendix A for details.)</p> <p>Completed. (See Appendix A for details.)</p> <p>Preliminary invoice sampling methodology was discussed at the entrance conference. OIG made a determination that it was not necessary to provide the detailed sample plan to INL officials.</p> <p>Completed. (See Appendix A for details.)</p>



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<b>PROCEDURE</b>	<b>RESULTS</b>
<p>Determine whether each invoice included:</p> <ul style="list-style-type: none"><li>➤ Description of goods or services provided.</li><li>➤ Date of invoice that fell within the current accounting period.</li><li>➤ Goods or services that were genuine and reasonable.</li><li>➤ Amounts that could be traced to the contract.</li><li>➤ Adequate supporting documentation.</li> <li>➤ Increased pricing that is within the terms of the contract.</li><li>➤ Responsible INL official signature to document review.</li></ul> <p>Record of agreement for any items added.</p>	<p><b>Yes.</b> However, the description of goods and services provided did not always include a complete description, quantity, unit of measure, unit price, and extended price of supplies delivered or services performed.</p> <p><b>Yes.</b> However, all the invoices reviewed contained multiple dates of service summarized on one form.</p> <p><b>Unknown.</b> OIG could not assess whether goods and services were genuine or reasonable because of the inadequacies in the supporting documentation, description of goods and services, and linking of invoice amounts to the contract requirements.</p> <p><b>No.</b> In general, amounts could not be traced to the contract because of the incomplete descriptions mentioned above.</p> <p><b>No.</b> OIG found that the organization of the supporting documentation provided on compact disk (CD) by DynCorp did not facilitate review. This hampered contract monitoring. More specifically, OIG found a lack of required data for travel and housing. OIG also found that DynCorp did not provide adequate supporting documentation related to supplies and services. OIG identified more than \$11.5 million in inadequately supported invoice amounts. (See Appendix A for details.)</p> <p><b>Not Applicable.</b></p> <p><b>No.</b> OIG reviewed all 26 invoices from FY 2005 to verify that the certifying official had signed the invoice to document review. Two of the 26 invoices reviewed were missing the certifying official signature to document review.</p> <p><b>Not Applicable.</b></p>

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<b>PROCEDURE</b>	<b>RESULTS</b>
<p>For items in the sample that were disallowed by INL officials, determine the reason that they were disallowed and assess for reasonableness.</p> <p>Identify costs that OIG concludes should have been disallowed. Prepare a schedule of each item with a clear explanation for this conclusion.</p> <p>Discuss each item with INL officials to determine why these items were paid.</p> <p>Finalize list of items that OIG concludes should have been disallowed and make recommendations to INL on recovering funds.</p>	<p>INL officials disallowed most of the \$1,466,206 for lack of supporting documentation.<sup>7</sup> OIG’s review found that INL officials were reasonable in disallowing these costs.</p> <p>OIG identified invoices, totaling more than \$11.5 million, that it concluded should have been returned or disputed because they did not have enough support to be paid. OIG could not determine whether or not the unsupported items were allowable, because adequate supporting documentation was not available. (See Appendix A for all costs reviewed by OIG.)</p> <p>On May 10, 2006, OIG provided a list of concerns with CLINs 35, 37, and 40 to the INL contract specialist who processed the invoices and the project manager of the Afghanistan, Iraq, Jordan Support Division. The project manager told OIG that the contract specialist processed the invoices for payment after the invoices were approved by the COR. The contract specialist was not responsible for assessing the invoices’ contents. The COR did not respond to a request for information on why he had approved the invoices.</p> <p>OIG questioned more than \$11.5 million in costs because they were not properly supported. OIG is making recommendations to improve internal controls. OIG could not determine whether or not the questioned amounts should be recovered, because adequate supporting documentation was not available. OIG is therefore not making any recommendations on this issue.</p>

<sup>7</sup> Although INL initially disallowed most of the \$1,466,206 for lack of supporting documentation, INL did subsequently pay all but \$66,260 based on the review of 26 invoices from FY 2005.

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## CONCLUSIONS

Based on the work performed, OIG concluded that INL should improve its process to oversee and approve invoices related to JIPTC. INL was focused on paying the invoices on time. However, FAR Subpart 32.9, Prompt Payment, states that if the invoice does not include all items required, it should be returned within seven days after the date the designated billing office receives the invoice with a statement as to why it is not a proper invoice.

One area that INL needed to focus on was the in-depth review of invoices. In an inspection report, OIG recommended that INL comply with Department regulations that require prepayment examination before it approves vouchers and forwards them for payment.<sup>8</sup> Because OIG has recently closed the recommendation related to this issue, it is not making any additional recommendations in this report. However, it is essential for INL to determine whether invoices and supporting documentation:

- provide an adequate description of goods and services provided;
- comply with all federal regulations, including the Federal Travel Regulations and contractual requirements; and
- provide clear, specific, complete, and understandable information.

OIG had initially recommended that INL develop a process to improve the oversight of invoice review and approval. After the end of fieldwork, INL provided information on improvements it has made in its invoice review and approval process. In addition, a report published by the Office Inspector General for Iraq Reconstruction included information on other INL initiatives to improve contract oversight (See Appendix D for details.) Because this information was not provided to OIG until after the end of OIG's fieldwork, OIG did not assess the adequacy of INL's initiatives. However, if the initiatives are implemented as described, OIG believes the oversight process will be strengthened. Because of the information provided by INL, OIG is no longer including a recommendation related to invoice review. However, OIG believes that the process could be further strengthened if INL streamlines documentation and optimizes best practices.

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<sup>8</sup> ISP-I-05-14, July 2005

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## RECOMMENDATIONS

**Recommendation 1:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs modify its existing policies related to reviewing and approving invoices to include providing a workflow description and definition of staff roles and responsibilities, guidance on the separation of duties, and performance goals related to timeliness.

INL agreed with the recommendation and established a new domestically headquartered contract support division that has strengthened invoicing procedures. In its response to the draft report, INL provided a workflow description of the current invoice process with applicable timelines and a responsibility matrix that describes staff roles and responsibilities. On the basis of this response, this recommendation is closed.

**Recommendation 2:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs determine the optimal format for invoices and supporting documentation, including the organization and labeling of information provided by a contractor electronically. Once this is completed, the bureau should modify the instructions and provide samples to the contractor.

INL agreed with the recommendation, in part. INL said that the electronic information provided by the contractor needed improvement and indicated it would provide greater specificity in the SOW for improving the organization of the electronic support documentation. On the basis of this response, OIG considers this recommendation resolved, pending the completion of INL's efforts to improve the electronic documentation.

**Recommendation 3:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs assess methods used by other bureaus or agencies to streamline the invoice review and approval process, such as developing key requirement checklists or using available computer applications, to determine whether it could implement any of these methods effectively.

INL agreed with the recommendation. INL indicated it was continually interested in general business process improvements, as shown by recent improvements made by INL to strengthen invoice procedures. On the basis of this response, OIG considers this recommendation resolved, pending completion of INL's assessment of methods used by other bureaus or agencies.

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ABBREVIATIONS

A	Bureau of Administration
CLIN	Contract line item number
COR	Contracting officer's representative
DCAA	Defense Contract Audit Agency
DFAS	Defense Finance and Accounting Service
DOSAR	Department of State Acquisition Regulation
DS	Bureau of Diplomatic Security
FAH	Foreign Affairs Handbook
FAM	Foreign Affairs Manual
FAR	Federal Acquisition Regulation
FTR	Federal Travel Regulations
GTM	Government technical monitor
INL	Bureau of International Narcotics and Law Enforcement Affairs
INL/RM	Bureau of International Narcotics and Law Enforcement Affairs Office of Resource Management
JIPTC	Jordan International Police Training Center
O&M	Operations and Maintenance
OFPP	Office of Federal Procurement Policy
OIG	Office of Inspector General
OMB	Office of Management and Budget
RM	Bureau of Resource Management
SOW	Statement of work
USAID	U.S. Agency for International Development



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APPENDIX A

**Sampling Plan and Results of Invoice Review**

OIG reviewed selected invoices from DynCorp related to JIPTC to determine whether the amounts included in the invoices were adequately supported. OIG reviewed only Operation and Maintenance (O&M) invoices submitted for FY 2005 that required the submission of receipts and supporting documentation for payment. OIG did not review the invoices related to the construction contract as it was mostly firm fixed price and almost completed.

**Sampling Plan**

There were 26 invoices related to JIPTC O&M where the date of service partially or totally included FY 2005.<sup>9</sup> The total amount requested for reimbursement for these invoices was \$29,519,273. All invoices were prepared using contract line item numbers (CLIN).<sup>10</sup> Table A-1 shows the five CLINs with the highest value. These made up about 96 percent of the total amount of the O&M invoices related to FY 2005. OIG limited its review to these CLINs.

**Table A-1: Highest Value CLIN for FY 2005 O&M Invoices**

CLIN	Type	Items Included	Total Amount for FY 2005	Percentage of Total
35	Travel	Airfare associated with mobilization, demobilization, and business travel; per diem in accordance with employment agreements; and temporary housing.	\$987,061	3.3
37	Housing	Standard and management rate for housing.	1,126,217	3.8
40	Services/Supplies	Facility costs, administrative support, materials, supplies, equipment, communications, utilities, transportation, staff uniforms, student needs, and subcontractors.	16,382,557	55.5
43	Fixed Price	Labor and repair/replace damaged property/facility.	3,744,974	12.7
44	Fixed Price	Labor	6,077,249	20.6
<b>Total</b>			<b>\$28,318,058</b>	<b>95.9</b>

Source: Contract S-LMAQM-04-C-0030 and DynCorp invoices for FY

<sup>9</sup> OIG used the invoices' summary coversheet to determine the date of service.

<sup>10</sup> INL determined its requirements, and the contractor provided technical and cost proposals that addressed the contract line items.

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CLINs 43 and 44 were for a negotiated set fixed price. OIG reviewed only those CLINs that required DynCorp to submit supporting documentation; that is, CLINs 35 (Travel), 37 (Housing), and 40 (Services/Supplies).

OIG reviewed all invoices with amounts related to CLIN 35 (Travel) and CLIN 37 (Housing). Initially, OIG also planned to review all invoices with amounts related to CLIN 40. However, when OIG assessed the supporting documentation provided on CDs, it found thousands of documents with no means of tracking to specific items on the invoices. OIG decided to refine the methodology because the documents were unmanageable and it was impractical to review all invoices. Therefore, OIG reviewed the four invoices with the largest amounts related to CLIN 40 and their two supplemental invoices. These six invoices totaled \$9,401,453, which was about 57 percent of the total amount of reimbursement requests related to CLIN 40 during FY 2005.

### **Results of Invoice Review**

In the past, INL received boxes of paper to support DynCorp's invoices, which was not an efficient way to receive this volume of data. Therefore, INL worked with DynCorp and now receives the documentation on CDs. As noted, during the general review of the supporting documentation on the CDs, OIG found that organization of the information on the CDs was unmanageable. For example, one invoice that covered April 1–29, 2005, included 2,723 pages of documents for CLIN 40. INL needs to develop detailed instructions on invoice submissions and necessary supporting documentation, including samples of how an invoice should be prepared.

OIG also found that the invoices contained descriptions and amounts that did not always match those used in the contract cost proposal, which is specific and detailed. The revised SOW states that the contractor will work with INL to develop a more effective linkage between the SOW, the contractor's proposal, and the contractor's subsequent invoices to make sure that the proposal and payment process runs smoothly. Because the invoices do not link easily to the contract cost proposal, they do not allow INL to determine whether the goods and services invoiced fulfill the expectations of the contract. Therefore, INL should make sure that staff compare information in the invoices with the contract cost proposal and take appropriate action when discrepancies are identified.

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Tables A-2 and A-3 present the detailed results of OIG's invoice review and the unsupported costs. INL's then principal deputy assistant secretary asked that INL CORs be instructed not to approve invoices if they "are not specific enough." OIG found that, in general, the supporting documentation for CLINs 35 and 37 was not submitted as mandated by contractual and invoicing procedures and established government standards. The invoice details did not include the quantity, unit of measure, or unit price. The supporting documentation for CLIN 40 did not include enough information to support the expenses or to show that the expenses were related to the JIPTC contract. In many cases, the description of the goods or services on the invoice was insufficient.

**Table A-2: Results of OIG's Review of JIPTC Invoices for FY 2005**

Item	Unsupported Amount	Description of Issues
CLIN 35 (Travel)	<b>\$987,061</b>	<p>The contract requires that DynCorp comply with the FTR for CLIN 35, which requires certain standard data elements, including travel authorization, employee name, employee identification number, travel purpose, travel period, total number of days, total amount claimed, employee signature, and approving official signature.</p> <p>According to the contract, travel costs must be directly related to and required for performance of the contract and authorized in advance and in writing by the COR. OIG found that none of the invoice amounts related to CLIN 35 were supported by required, complete travel information for DynCorp employees.</p> <p>For instance, the documentation used to support per diem amounts was limited to providing timesheet dates, employee names, and amounts. There was no calculation for the number of days per diem was allowed or the rate based on employment agreements, and there was no information to support that the per diem rates met FTR requirements.</p> <p>The invoices also included only limited information to support the amount of the transportation allowance. DynCorp provided a list of names of payments to employees. OIG found instances where a person was listed more than once on the same document with no explanation. The list did not indicate what time period was covered and did not include calculations and rate of the payment.</p> <p>OIG concluded that the entire amount for CLIN 35 was unsupported because adequate and complete documentation was not available.</p>

Source: DynCorp invoices for FY 2005.

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<b>Item</b>	<b>Unsupported Amount</b>	<b>Description of Issues</b>
<b>CLIN 37 (Housing)</b>	<b>\$1,126,217</b>	<p>The contract requires that DynCorp comply with the FTR for CLIN 37, which requires certain standard data elements, including authorization, employee name, employee identification number, travel purpose, travel period, total number of days, total amount claimed, employee signature, and approving official signature.</p> <p>According to the contract, housing costs must be directly related to and required for performance of the contract and authorized in advance and in writing by the COR.</p> <p>OIG found that none of the invoice amounts related to CLIN 37 were supported by required, complete housing information for DynCorp employees.</p> <p>For instance, INL received only limited information to support the amount for the housing allowance paid to employees. DynCorp provided a list of names for payment to employees. The list did not indicate what time period was covered and did not include calculations and rate of the payment.</p> <p>In addition, CLIN 37 included lodging amounts for DynCorp that were not related to any specific employees. The amount included in the invoice was a summary that was not supported by details on the lodging provided. In addition, this charge did not clearly relate to the contract terms for this CLIN. There was no indication of how the amount charged was calculated.</p> <p>OIG concluded that the entire amount for CLIN 37 was unsupported because adequate and complete documentation was not available.</p>

Source: DynCorp invoices for FY 2005.

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<b>Item</b>	<b>Unsupported Amount</b>	<b>Description of Issues</b>
<b>CLIN 40 (Services/ Supplies)</b>	<b>\$9,401,453</b>	<p>CLIN 40 consists of services and supplies that are not covered by other line item costs. The contract requires receipts and supporting documentation for all items. These receipts are subject to the FAR requirements regarding allowability, allocability, and reasonableness. The contractor is allowed to submit only receipts or costs that are covered by the negotiated terms of the task order.</p> <p>In addition to the general issues related to the unmanageable format of the supporting documentation provided by DynCorp and items not included in the contract cost proposal, OIG had concerns with all of the supporting documentation it reviewed for CLIN 40. OIG found that the documentation did not provide enough information to support expenses. Specifically, OIG found the following:</p> <ul style="list-style-type: none"><li>• Some categories of charges in CLIN 40 had the same titles as categories listed under CLINs 35 and 37. OIG could not determine whether there were any duplicate charges.</li><li>• Some receipts were illegible or unclear as to the product provided.</li><li>• Rates for vehicle rentals varied from \$14/day to \$230/day. In addition, OIG could not determine whether the vehicle charges were solely for business and not personal use.</li><li>• Some supporting documentation was for unknown quantities or dates of service or was provided in summary without receipt.</li></ul> <p>OIG concluded that the entire amount it reviewed related to CLIN 40 was unsupported because adequate and complete documentation was not available.</p>

Source: DynCorp invoices for FY 2005.

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**Table A-3: Unsupported Costs**

<b>CLIN</b>	<b>Unsupported Amount</b>	<b>Total Amount DynCorp Invoiced FY 2005</b>	<b>Percentage of DynCorp Invoiced Amount Unsupported</b>
<b>35, Travel</b>	\$987,061	\$987,061	100.0
<b>37, Housing</b>	1,126,217	1,126,217	100.0
<b>40, Supplies/Services</b>	9,401,453	16,382,557	57.4
<b>Total</b>	<b>\$11,514,731</b>	<b>\$18,495,835</b>	<b>62.3</b>

Source: DynCorp invoices for FY 2005.

APPENDIX B

**Checklist of Requirements for INL Review and Approval of Invoices**

OIG developed a checklist of requirements to assess INL's compliance with key requirements during the review and approval of DynCorp invoices related to JIPTC support. (See Table B-1.) OIG included additional items on this checklist related to processes and procedures. OIG obtained these requirements from the following:

- Overseas Contracting and Simplified Acquisition Guidebook, Chapter 7, Contract Administration;
- Federal Acquisition Regulation (FAR);
- Foreign Affairs Handbook (FAH) 6 FAH-2 H-520, Monitoring Contractor Performance;
- 4 FAH-3 H-416, Management Controls;
- DynCorp International JIPTC Volume 1, Technical Proposal; and
- Contract S-LMAQM-04-C-0030.

To complete this checklist, OIG obtained information from the contract specialist, program analyst, and COR who were involved in reviewing and approving DynCorp invoices related to JIPTC. In addition, OIG obtained some information from DynCorp representatives.



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**Table B-1: Key Requirements for Reviewing and Approving Invoices**

<b>REQUIREMENT</b>	<b>COMPLIANCE INFORMATION</b>
<b>Section I:</b> Obtain an understanding of the management controls used by INL to review and approve vouchers/invoices from DynCorp for the civilian police contract (JIPTC).	
Determine whether all individuals involved in voucher and claims processing use the following documents: INL Procurement Policies and Procedures, Overseas Contracting and Simplified Acquisition Guidebook, Foreign Affairs Manual (FAM), and/or FAH.	The contract specialist told OIG that the Overseas Contracting and Simplified Acquisition Guidebook is a good source for guidance/policies on processing invoices, which INL/RM complies with. The INL Procurement Policies and Procedures does not include processing invoices. The contract specialist also said that she had not reviewed the FAM or FAH for this purpose. No response was received from the program analyst or the COR.
Are other written policies or manual used? Obtain a copy. Are other verbal policies used? Are they documented in the contract file?	INL did not have any additional written policies or procedures for reviewing and approving the FY 2005 invoices other than what was provided in the contract and technical proposals. The three interviewees provided consistent descriptions of the procedures used to review and approve invoices.
Determine whether INL provided DynCorp with standard operating procedures for the submission of vouchers/invoices for payment.	<p>The contract and the revised SOW that was issued in February 2005 included procedures for the submission of invoices. Specifically, the SOW said that DynCorp should take action to make the invoices clearer and provide a way to track the SOW requirements to DynCorp's proposal and subsequent invoices.</p> <p>INL staff and DynCorp representatives indicated that there had also been some informal meetings to discuss invoice submission. INL staff said it thought it was making progress but there was still a need for improvement.</p>

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<p>Determine whether INL has workflow descriptions for the review and approval of invoices that include the responsibilities of employees locally and in Jordan.</p> <p>If not, interview INL staff to obtain the procedures; then have INL chart the procedures in a flowchart format.</p>	<p>INL did not have workflow descriptions for the review and approval of invoices detailing the responsibilities of employees locally or in Jordan.</p> <p>OIG prepared a flowchart based on information from INL and DynCorp. (See Appendix C.)</p>
<p>Determine whether the workflow process includes procedures that include separation of duties.</p>	<p>INL did not have a workflow process that included guidance on separation of duties.</p>
<p>Are the following operations – purchasing goods and services, recording receipt of goods, preparing invoices, examining invoices, certifying invoices, and disbursing funds – segregated from one another to minimize opportunities for fraudulent, incorrect, or improper payments?</p>	<p>DynCorp purchased goods and services, recorded the receipt of goods, and prepared invoices as per the contract. OIG could not determine whether duties were segregated because DynCorp was responsible, and this was beyond the scope of the AUP.</p> <p>INL COR examined and certified invoices for payment in Washington, DC. The contract specialist forwarded the approved invoices to Charleston, SC, for disbursement. Therefore, duties were not always appropriately separated.</p>
<p>If duties are not appropriately separated, obtain evidence that there is a system of checks and balances and active supervision to make sure that responsibilities are properly carried out.</p>	<p>OIG could not obtain evidence of a system of checks and balances or active supervision because DynCorp was responsible for the majority of these duties, and this was beyond the scope of the AUP.</p>
<p>Determine whether there are procedures to meet timeliness standards.</p>	<p>INL staff interviewed during this process said that INL staff did track the invoices upon receipt to make sure they were reviewed in a timely manner. However, INL had not put any specific procedures in place to meet the timeliness standard.</p> <p>DynCorp said that it had no problem with the timeliness of payments.</p>
<p>Determine whether there are procedures to meet accuracy standards.</p>	<p>INL did not have any specific procedures related to accuracy. In fact, INL staff were aware that their review of invoices might not be adequate to ensure accuracy. Their review was limited to checking for duplicated or erroneous labor charges.</p>
<p>Determine whether there are procedures to meet appropriateness standards.</p>	<p>INL did not have any specific standards related to appropriateness. INL staff said that the reviews of the invoices were limited to assessing reasonableness.</p>

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Determine whether INL's COR had regular status meetings with the DynCorp program manager related to the submission of invoices, including proper content and disputed invoices.	Although regular meetings were not held, INL staff did meet with DynCorp officials to discuss the proper content of invoices on several occasions. INL also addressed questioned items on invoices as they occurred.
Identify and document the involvement of other agencies and Department bureaus and offices with INL's review and approval of invoices. Determine what impact they have, if any, on the INL invoicing process.	OIG did not identify any other agencies or bureaus involved in INL's invoice review and approval process.

**Section II:** Obtain an understanding of JIPTC COR responsibilities.

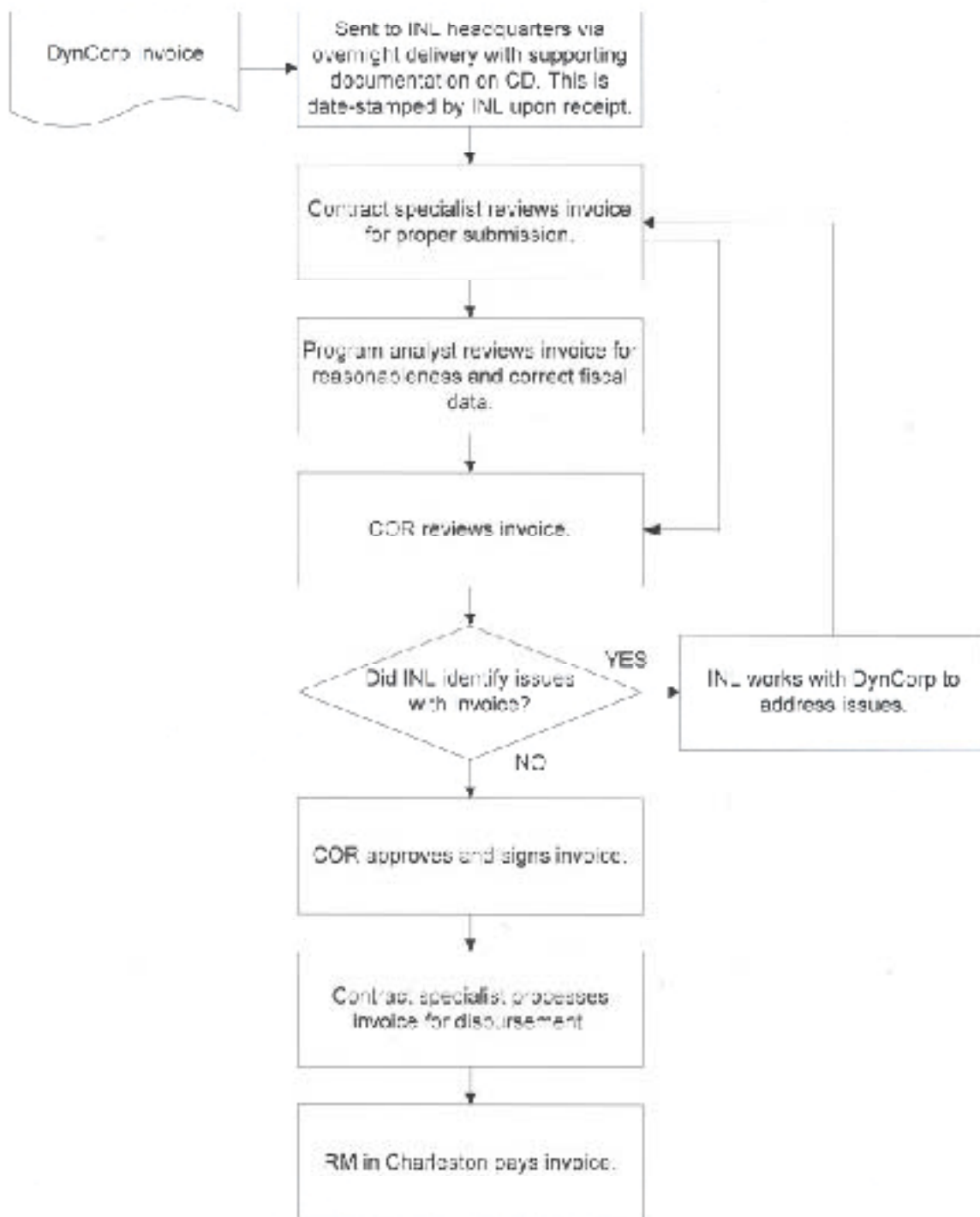
<p>Did the COR or another staff person:</p> <ul style="list-style-type: none"><li>➤ Review and approve all invoices for proper content?</li><li>➤ Verify that the invoice properly showed the total amount invoiced so far and the physical progress of the contract?</li><li>➤ Review and return disputed vouchers/invoices to DynCorp within seven days?</li><li>➤ Reject invoices for amounts other than on the contract?</li><li>➤ Resolve issues with disputed vouchers/invoices?</li><li>➤ Maintain a voucher/invoice log?</li><li>➤ Verify that an invoice had not been previously paid and the work or services were completed satisfactorily?</li><li>➤ Maintain a copy of all invoices?</li></ul>	<p>INL officials responded as follows:</p> <p>The COR reviewed and approved all JIPTC invoices.</p> <p>The INL contract specialist reviewed all invoices for the total amount and maintained a spreadsheet of payments. However, OIG did not identify anyone who related total expenditures to the physical progress of the contract.</p> <p>INL handled disputes as they arose.</p> <p>INL did not reject invoices for amounts other than on the contract because they did not match the details on the invoices to the contract and task orders.</p> <p>INL resolved disputed issues.</p> <p>INL maintained an Excel spreadsheet of the numbered invoices and payment amounts.</p> <p>INL maintained payment records for all invoices to ensure that an invoice had not been previously paid. INL did not have an appropriate process in place to make sure that services were completed satisfactorily before payment.</p> <p>The INL contract specialist maintained copies of all invoices.</p>
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<b>Section III:</b> Obtain an understanding of DynCorp's submission of the invoice process as required by the terms of the contract.	
Identify the DynCorp personnel involved in the billing process.	DynCorp had finance managers and billing staff located in Texas and Jordan who were responsible for handling all invoices.
Obtain an understanding of DynCorp's procurement system as it is used to submit invoices for payment.	DynCorp staff in Jordan provided invoice information to its billing staff in Texas. DynCorp's finance manager generated spreadsheets of costs associated with INL. These spreadsheets were used as invoices and were submitted to INL with supporting documentation.
Determine the location of DynCorp's billing process.	DynCorp's office in Jordan handled onsite procurement and provided fiscal information to DynCorp's office in Texas.  The staff in Texas created the invoices and sent them to INL.
Chart the billing process DynCorp follows and where and how it intercedes with the Department.	Completed.

APPENDIX C

**INL Invoice Review and Approval Process**



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## APPENDIX D

### **INL Improvements in the Invoice Review and Approval Process**

As discussed in the Scope and Methodology section, OIG focused its work on invoices paid for FY 2005. According to INL officials, INL has made improvements to the invoice review and approval process since FY 2005.

In March 2007, an INL official said that since the end of OIG's fieldwork, INL has returned two invoices to DynCorp to obtain additional support. The official also said that INL had achieved a 7-percent cost-savings on two of these invoices and would like to conduct a thorough reconciliation of all the previous DynCorp vouchers.

On May 1, 2007, INL provided information on improvements it made to its oversight of the JIPTC invoices. For instance:

- INL conducted five internal studies relevant to contract administration and oversight issues, including an asset verification review of JIPTC that was issued in December 2005. INL informed OIG that as a result of these studies, INL reformed contract management and oversight, including:
  - requiring more detailed invoicing and accountability for equipment inventories;
  - crafting more detailed SOWs, increasing transparency, and improving the quality of task orders and performance measures;
  - detailing needs for compliance with COR duties and improving guidance for tracking and managing INL's CIVPOL assets in Iraq; and
  - preparing timelines for improving the quality of contracting documentation.
- In 2006, INL established a new contract management support division consisting of 15 staff, located at headquarters. According to INL, this was done to assist INL officers at posts with administering contracts and reviewing invoices. INL is also working to expand the Washington-based Iraq program staff.
- INL has assigned a total of six in-country CORs for Iraq, Jordan, and Afghanistan, to facilitate the contracting process and provide necessary oversight. INL is in the process of assigning seven additional staff.



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- INL indicated that it modified its contract oversight process in order to improve internal controls and transparency. For example:
  - INL requires the domestic CORs to validate and approve invoice payments only after ensuring compliance with terms, conditions, and pricing of contracts based on input from posts.
  - INL requires the in-country CORs and in-country GTMs to provide close oversight of contract operations, validate invoices, and provide technical guidance to the contractors.
  - INL has notified contractors to provide detailed invoices, which will be validated by both the in-country and domestic CORs. INL now rejects invoices with errors and pursues reimbursement for errors found on previously paid invoices.
- INL indicated that it is in the process of establishing complete invoice files.
- INL is reconciling all past payments made to contractors related to Iraq, Jordan, and Afghanistan. INL estimates that this will cover approximately \$2.5 billion in payments and will require approximately ten full-time staff working three years to complete. INL is planning to try to recover any improper payments.

In a report titled *Review of DynCorp International, LLC, Contract Number S-LMAQM-04-C-0030, Task Order 0338, for the Iraqi Police Training Program Support*<sup>11</sup>, the Office of the Special Inspector General for Iraq Reconstruction reported that INL officials had discussed initiatives under way to improve contract oversight. For instance:

- INL indicated that it had appointed an overall COR for the DynCorp contract;
- INL had identified an in-country COR for Iraq;
- INL had begun an effort to complete contract files, which consisted of contracts, task orders, and other pertinent documents, such as contract evaluation sheets and e-mail exchanges between the program officer and contracting officer; and
- INL had developed a process for reviewing invoices that had identified a number of billing errors related to DynCorp invoices. For example, INL rejected one DynCorp invoice for \$1.1 million because the billed rate was outside the period of performance.

<sup>11</sup> Report number SIGIR-06-029, Jan. 30, 2007.

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## APPENDIX E



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United States Department of State

Washington, D.C. 20520

[www.state.gov](http://www.state.gov)

MAY 30 2007

TO: OIG – Howard J. Krongard

FROM: INL – Anne W. Patterson *awp*

SUBJECT: INL Comments on the Draft Audit Report on *Agreed-Upon Procedures Related to Selected DynCorp Invoices* (AUD/FM-07-XX, May 2007)

The purpose of this memorandum is to comment on the subject draft report of May 8, 2005, and to address the report's recommendations. INL appreciates the opportunity to respond to the draft report.

The report concludes that there was a total of \$11.5 million in unsupported costs (Table A-3, page 18) based on invoicing for entire CLINs and the lack of manageable and sufficient documentation in FY2005. As noted in the report, INL has made numerous improvements in our invoicing procedures, including those for JIPTC since FY 2005.

Early in 2006, INL began establishing a new domestically headquartered contract support division for Afghanistan, Iraq and Jordan (AIJS) within the Bureau's Office of Resource Management. This support division has spearheaded the numerous improvements to INL's contract management support in the region, including but not limited to the strengthened invoicing procedures and assisting INL officers at posts with contract administration, statement of work (SOW) development, invoice reviews and oversight among other duties. At the same time, we began establishing and filling Contract Officer's Representative (COR) positions at each post. It seems that OIG's fieldwork and INL's improved procedures were unfolding simultaneously.

Therefore, INL believes that Recommendation 1 has been overtaken by improvements made by the Bureau. (Please see enclosures for the documentation.) AIJS has documented a workflow process, the invoice analysis, and determined a responsibility matrix that describes how invoice analysis is conducted by position.

INL agrees with Recommendation 2, in part, in that the electronic support documentation needs improvement. Therefore, INL will provide greater specificity in

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the SOW on what needs to be done for improving the organization of the electronic support documentation and to what standard.

Finally, INL agrees with recommendation 3 because, as reflected in AIJS' pursuit of strengthened invoicing procedures, INL is continually interested in general business process improvements.

Thank you for the opportunity to work with the Office of Inspector General. We look forward to such future opportunities, including a review of our invoicing internal controls and contracting close-out procedures.

Enclosures:

- INL Invoicing Workflow Process
- INL Invoicing Analysis Process
- Invoicing Responsibility Matrix By Position

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