DEFENSE MANAGEMENT

Issues in Contracting for Lodging and Temporary Office Space at MacDill Air Force Base
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Why GAO Did This Study

Since the September 11, 2001, attacks and the beginning of Operation Iraqi Freedom, thousands of National Guard and Reserve members have been activated and mobilized to military installations across the country. Some installations, like MacDill Air Force Base in Tampa, Florida, where more than 3,000 reservists have been mobilized, have had to arrange for off-base lodging in local hotels and apartment buildings. In addition, MacDill, which serves as U.S. Central Command headquarters, has had to set up temporary office space for staffs of coalition partner nations. Public concerns have been raised about these arrangements. GAO was asked to review (1) the extent to which MacDill used cost-effective measures to provide off-base lodging for reservists and (2) whether a contract providing office space for coalition partners was adequately managed to control costs.

What GAO Found

During recent mobilizations, MacDill contracting officials used two practices that effectively reduced the overall cost of off-base lodging for reservists on extended temporary duty to below that allowed by the General Services Administration's (GSA) lodging rate. Officials used a simplified acquisition procedure—Blanket Purchase Agreements (BPA)—to obtain prices that were at or below the maximum allowable GSA rate of $93 per day for Tampa, Florida. MacDill officials obtained daily lodging rates of $71 to $93 per unit for two-bedroom apartments. The BPAs also provided greater flexibility in vacating units without incurring penalties. In addition, MacDill officials reduced per person lodging costs further by implementing a room-sharing policy for personnel at certain ranks. When two reservists shared a two-bedroom unit (about 600 reservists), the cost dropped by up to 55 percent of the daily GSA rate. Overall, during fiscal year 2003, MacDill reported that it saved about $12.6 million using these practices. Our review of local rental costs showed that BPA prices were similar to those paid by corporate entities for comparable lodging units, but were lower on a per-person basis because of lodging sharing arrangements.

Comparison of Prices for Furnished Two-Bedroom, Corporate, and Military (MacDill) Apartments in Tampa, Florida

<table>
<thead>
<tr>
<th>Type</th>
<th>Cost per day</th>
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<th>Extras beyond furniture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furnished apartment</td>
<td>$20.77-$55.17</td>
<td>$623-$1,655</td>
<td>None</td>
</tr>
<tr>
<td>Corporate apartment</td>
<td>$46.50-$114.60</td>
<td>$1,395-$3,438</td>
<td>Amenities,* utilities, maid service</td>
</tr>
<tr>
<td>MacDill BPA apartment-1 person</td>
<td>$71-$93</td>
<td>$2130-$2,790</td>
<td>Amenities, utilities, maid service</td>
</tr>
<tr>
<td>MacDill BPA apartment-2 persons</td>
<td>Per person $35.50-$46.50</td>
<td>Per person $1,065-$1,395</td>
<td>Amenities, utilities, maid service</td>
</tr>
</tbody>
</table>

Source: GAO analyses.

* Amenities include kitchenware, linens, vacuum cleaners, microwave ovens, and cable television service.

From project initiation to settlement of the contractor’s claim, the Coalition Village II contract suffered from questionable acceptance of the winning offer, poor record keeping, undocumented contracting decisions, and changes to contract requirements that were not properly coordinated with contracting officials. Although MacDill officials determined that the winning offer was received on time, only the first page of the proposal was received by the established deadline. Contract costs for the project, which was implemented under tight time constraints, increased by more than $367,000 over the winning offer of $142,755. However, due to the absence of proper documentation in the contract files, we were unable to fully assess the basis for additional costs paid to the contractor or the extent to which costs might have been avoided or minimized.

What GAO Recommends

GAO is recommending that the Secretary of Defense direct the Secretary of the Air Force to direct the Commander of the Air Mobility Command to emphasize to MacDill personnel the importance of adhering to sound contract management procedures. In commenting on a draft of this report, DOD partially concurred with GAO’s recommendation and identified corrective actions taken or planned.


To view the full product, including the scope and methodology, click on the link above. For more information, contact Barry W. Holman at (202) 512-8412 or holmanb@gao.gov.
### Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>BPA</td>
<td>Blanket Purchase Agreement</td>
</tr>
<tr>
<td>CENTCOM</td>
<td>U.S. Central Command</td>
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<tr>
<td>DOD</td>
<td>Department of Defense</td>
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<tr>
<td>FAR</td>
<td>Federal Acquisition Regulation</td>
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<tr>
<td>GSA</td>
<td>General Services Administration</td>
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<tr>
<td>JFTR</td>
<td>Joint Federal Travel Regulations</td>
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<tr>
<td>SOCOM</td>
<td>U.S. Special Operations Command</td>
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</tbody>
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January 27, 2004

The Honorable Bill Nelson
Ranking Minority Member
Subcommittee on Strategic Forces
Committee on Armed Services
United States Senate

The Honorable Jim Davis
House of Representatives

Since the September 11, 2001, terrorist attacks, more than 3,000 active-duty, reservists\(^1\) and National Guard personnel have been mobilized to MacDill Air Force Base (MacDill) in Tampa, Florida, for periods of up to 2 years. Because of this large influx of military personnel, MacDill, like some other military installations, has had to arrange for off-base lodging in commercially operated apartment buildings and hotels for many reservists. In addition, MacDill, which is headquarters to both the U. S. Central Command (CENTCOM) and the U. S. Special Operations Command (SOCOM),\(^2\) had to provide temporary office space for foreign military personnel who serve as liaison officers from coalition partner nations fighting with the United States in Afghanistan and Iraq. MacDill leased dozens of trailers to provide office space in two complexes called Coalition Village I and Coalition Village II.

In the summer of 2003, public concerns were raised in the Tampa area that reservists assigned to MacDill could be paying apartment rents that were substantially higher than market prices and that MacDill officials had not followed proper contracting procedures in obtaining office trailers for Coalition Village II.

\(^1\)Unless specified otherwise, the terms “reserves” and “reservists” refer to the collective forces of the Army National Guard, the Air National Guard, the Army Reserve, the Naval Reserve, the Marine Corps Reserve, and the Air Force Reserve.

\(^2\)CENTCOM is the unified command responsible for executing military operations in Afghanistan and Iraq. SOCOM is the unified command that directs special operations, psychological operations and civil affairs forces from the Army, Navy, and Air Force under a single commander.
In your initial request, you asked us to conduct a review of the Department of Defense’s (DOD) practices for providing lodging for military personnel on extended temporary duty. Subsequently, after discussions with your offices, we expanded the request to include MacDill’s contracting procedures in leasing trailers for Coalition Village II. Our objectives were to (1) determine the extent to which MacDill Air Force Base used cost-effective measures to provide off-base lodging for reservists on extended temporary duty and whether more cost-effective procedures could be identified at other military installations and (2) assess whether the contract to provide office space for coalition partners supporting the war against Iraq was adequately managed to avoid significant escalation of costs.

To address these objectives, we visited MacDill Air Force Base in Tampa, Florida, and Fort Bragg Army base and Pope Air Force Base in Fayetteville, North Carolina. We also reviewed information from five other Army and Air Force installations\(^3\) to determine if they acquired off-base lodging for reservists on extended temporary duty and, if so, what practices they used to obtain such services. In addition, we obtained data from Navy and Marine Corps headquarters officials about their practices for housing reservists. We also interviewed contracting officials at MacDill and reviewed contract files and records related to Coalition Village II. We conducted our review from July 2003 through December 2003 in accordance with generally accepted government auditing standards. A more detailed description of our scope and methodology is provided in appendix I.

### Results in Brief

During recent mobilizations, officials at MacDill Air Force Base in Tampa used two practices that effectively reduced the overall cost of off-base lodging for some 1,700 personnel on short-term and extended temporary duty\(^4\) to below the maximum amount allowed under the General Services

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\(^{3}\)These installations were Fort Hood, TX; Fort Dix, N.J.; McGuire Air Force Base, N.J.; Dover Air Force Base, Del.; and Fort Meyer, Va.

\(^{4}\)At MacDill, short-term temporary duty consists of less than 45 days, and long-term or extended temporary duty consists of 45 days or longer.
Administration’s (GSA) standard lodging rate. MacDill’s contracting officials used Blanket Purchase Agreements (BPA) with local hotels and apartments to obtain prices that were at or below the maximum allowable GSA rate of $93 per day for Tampa. MacDill officials obtained daily lodging rates of $71 to $93 per unit for two-bedroom apartments and used installation-specific guidance to lower per-person costs further by requiring personnel at specified ranks to share lodging. When two reservists shared a two-bedroom unit (about 600 reservists), the cost dropped by up to 55 percent of the daily GSA rate. The BPAs also provided greater flexibility in vacating units without incurring penalties. Overall, MacDill officials estimate that they saved about $12.6 million in lodging costs in fiscal year 2003, of which about $7.6 million could be attributed to the use of apartments. In reviewing local rental costs, we found that on a unit basis, the prices MacDill paid under its BPAs were similar to those paid by corporate entities for comparable lodging units, but were lower on a per-person basis due to lodging sharing arrangements. Although we found some similarities and differences at other installations that we identified as providing off-base lodging for military personnel (e.g., Fort Bragg and Pope Air Force Base), our review did not find any one approach that stood out as being significantly more cost-effective than other approaches where shared lodging was required. Other alternatives for acquiring off-base lodging, such as long-term government leases for blocks of properties, would need to consider added overhead cost implications associated with government management of such properties.

From project initiation to settlement of the contractor’s claim, the management of Coalition Village II suffered from questionable acceptance of the winning offer, poor record keeping, undocumented decisions regarding changes to the contract, and changes to contract requirements that were not properly coordinated with contracting officials. Although MacDill contracting officials determined that the winning offer of $142,755 was received on time, only the first page of the proposal was received by

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5DOД’s Joint Federal Travel Regulations (JFTR) govern the amount of per diem, travel, and transportation allowances that reserve personnel can receive when they are traveling on official government business in the continental United States. JFTR, Chapter 1, Part A, paragraph U 1000. They are entitled to the per diem set by the General Services Administration (GSA) for a particular location. At the time of our review, the maximum allowable GSA rate for lodging in Tampa, Florida, was $93 per day.

6Blanket purchase agreements (BPA) are simplified procurement procedures used to fill repetitive needs for supplies or services by establishing “charge accounts” with qualified sources of supply. 48 C.F.R. § 13.303-1.
the deadline established for receipt of proposals. The project was implemented under tight time constraints, and contract costs increased by over $367,000 over the winning offer. However, we were not able to determine if the government paid for costs that otherwise might have been avoided or disallowed because of the absence of proper documentation in contract files. For example, although changes to the contract were made during twice-weekly meetings of representatives of the contractor, the customer (CENTCOM), technical advisors (civil engineers), and contracting staff, no official minutes of the meetings were maintained to document the agreements reached, who authorized the changes, or the proposed cost of the changes. Because of these weaknesses, we were unable to fully assess the basis for additional costs paid to the contractor for Coalition Village II or the extent to which costs might have been avoided or otherwise minimized through more effective contract management.

We are recommending that the Secretary of Defense direct the Secretary of the Air Force to direct the Commander of the Air Mobility Command to emphasize to MacDill personnel the importance of adhering to sound contract management procedures that exist to protect the interests of the government. Communications should ensure that contract files are properly maintained and that only authorized personnel initiate changes to contract requirements, even during time-sensitive procurements.

In commenting on a draft of this report, DOD did not disagree with our findings but expressed the view that our recommendation was not needed due to corrective actions that had been planned or taken by the 6th Contracting Squadron at MacDill Air Force Base. Because all planned corrective actions have not been completed, we continue to believe that our recommendation has merit.

On September 14, 2001, President Bush proclaimed a national emergency in the wake of the September 11, 2001, terrorist attacks. In his proclamation, he said he would use various sections of Title 10 of the United States Code to mobilize additional forces. Section 12302, in particular, authorizes the President to call up National Guard and Reserve members to active duty for up to 2 years. Since September 2001, DOD has activated about 300,000 of the 1.2 million National Guard and Reserve personnel. As of October 8, 2003, about 166,000 Reserve and National

Background

On September 14, 2001, President Bush proclaimed a national emergency in the wake of the September 11, 2001, terrorist attacks. In his proclamation, he said he would use various sections of Title 10 of the United States Code to mobilize additional forces. Section 12302, in particular, authorizes the President to call up National Guard and Reserve members to active duty for up to 2 years. Since September 2001, DOD has activated about 300,000 of the 1.2 million National Guard and Reserve personnel. As of October 8, 2003, about 166,000 Reserve and National

Guard members remained on active duty. Some of the reservists were assigned to domestic military installations to provide, for example, base security.

When reserve members are mobilized to serve on active duty at military installations in the United States, the installations where they serve arrange lodging for them. If lodging is not available on base, installations may provide activated reservists with Certificates of Non-Availability enabling them to acquire off-base lodging in the local area at prevailing GSA rates. Because of the size and length of the current mobilization, some installations, like MacDill Air Force Base, made arrangements with local hotels and apartment vendors to provide reservists with off-base lodging. The 6th Contracting Squadron at MacDill was responsible for developing the BPAs, and the 6th Services Squadron/Military Lodging was in charge of assigning reservists to available lodging.

Because mobilized National Guard and Reserve personnel are considered to be in temporary duty status, their per-diem, travel, and transportation allowances are governed by DOD's Joint Federal Travel Regulations. A per-diem allowance is designed to offset the cost of lodging, meals, and incidental expenses incurred by reservists while they are on travel status or on temporary duty away from their permanent duty station. DOD's regulations state that within the continental United States, travelers are entitled to the per diem set by GSA for a particular location. Specifically, if a contracting officer contracts for rooms and/or meals for members traveling on temporary duty, the total daily amount paid by the government for the member's lodging, meals, and incidental expenses may not exceed the applicable GSA per-diem rate.

In December 2002, CENTCOM established plans for providing working quarters at MacDill for coalition partners supporting Operation Iraqi Freedom and titled the project Coalition Village II. The project was modeled after similar working quarters established at MacDill for coalition partners supporting the war on terrorism, Coalition Village I. Representatives from CENTCOM and Civil Engineering supported the 6th Contracting Squadron, which provides contracting support to MacDill's base tenant units, in its efforts to establish Coalition Village II. The 6th Contracting Squadron is a part of the 6th Air Mobility Wing, which reports

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8A contractor, Chugach Management Services, performs the civil engineering function at MacDill. Chugach Management Services provides base operations and maintenance, construction management, facilities operation, and environmental services.
to the Air Mobility Command. The Air Mobility Command is a component of the United States Transportation Command.

During the summer of 2003, public concerns were raised in the Tampa area about the practices used at MacDill to acquire off-base lodging for reservists and temporary office space for coalition partners in the war against Iraq. Specifically, these concerns questioned whether MacDill officials paid above-market rates for apartments; used competition in awarding BPAs for off-base lodging; and advertised for bids for lodging services. Questions were also raised about whether the contract providing office space for coalition partners supporting military operations in Iraq was adequately managed to avoid excessive costs.

In order to reduce the cost of off-base lodging for 1,700 military personnel and reservists on short-term and long-term temporary duty, MacDill Air Force Base officials instituted two procedures. MacDill used BPAs as a flexible procurement method to obtain lodging at prices that were at or below the maximum allowable GSA rate of $93 per day for Tampa. MacDill also implemented installation guidance that required reservists at certain ranks to share two-bedroom apartment units that further reduced costs on a per-person basis. MacDill officials estimate that these procedures saved about $12.6 million in off-base lodging costs in fiscal year 2003. Our review showed that the prices paid by MacDill were similar to those paid by corporate entities in Tampa for comparable lodging units, but were lower on a per-person basis due to lodging sharing arrangements. Our work showed that practices used at other military installations to provide off-base lodging varied but did not reveal any one approach that resulted in more significant cost savings over other approaches, where shared lodging was required. Alternative approaches for obtaining off-base lodging, such as obtaining long-term leases for blocks of properties, could be considered but would require that various factors be weighed in considering their use.

MacDill Air Force Base Implemented Procedures to Reduce Off-Base Lodging Costs for Reservists

MacDill’s Use of BPAs and Shared Housing Achieved Cost Savings and Complied with Federal Regulations

MacDill Air Force Base contracting officials used BPAs to acquire off-base lodging to handle the large influx of reservists who were mobilized following the September 11, 2001, terrorist attacks. According to the Federal Acquisition Regulation (FAR), a BPA is a simplified method of filling anticipated, repetitive needs for supplies or services by establishing “charge accounts” with qualified sources of supply.\(^9\) Air Force officials had

used this method to acquire off-base lodging for several years.\textsuperscript{10} We have no basis to conclude that the Air Force’s use of BPAs was inconsistent with the FAR.

MacDill contracting officials told us that these agreements provide them with greater flexibility than contracts would in arranging temporary lodging. BPAs permit either party to walk away from the agreement without a penalty. The agreements allow federal travelers to use their government-issued travel cards to obtain lodging at hotels and apartments at reduced prices and favorable contract terms. The costs for reservists who do not have government-issued travel cards are billed to MacDill under a purchase order.\textsuperscript{11}

MacDill officials indicated that they go through an established process to set up an agreement with an apartment vendor or hotel. The process begins when either MacDill contacts a lodging facility or a facility contacts MacDill. As part of this initial contact, MacDill schedules an inspection to ensure that the facility meets its cleanliness, safety, health, and fire standards. If the facility passes the inspection, MacDill sets up an agreement with the facility and lists the facility as a source of lodging for reservists at an agreed-upon daily rate. MacDill officials told us they review BPAs annually to ensure that their needs are still being met and to determine if the facility still meets standards.

At the time of our review, MacDill had agreements with 35 vendors (29 hotels and 6 apartment providers) and was housing an average of about 1,700 personnel a day in off-base lodging facilities. Of these, about 900 were in hotels and 800 were in apartments. In September 2003, the prices that MacDill had obtained for hotel rooms ranged from $44 to $93 per person per day, and for apartment units from $55 to $93 per person per day (see table 1). The agreements with apartment vendors do not require security deposits and also allow reservists to leave earlier than their scheduled departure dates without paying penalties. Apartment rental officials told us that, in contrast, other apartment renters must give a 30-day notice before leaving or incur penalties, such as the loss of

\textsuperscript{10} Air Force Contracting Policy Memo 96-C-04, Aug. 16, 1996, encouraged officials to use BPAs to obtain off-base housing.

\textsuperscript{11} A purchase order when issued by the government means an “offer by the Government to buy supplies or services including construction and research and development, upon specified terms and conditions, using simplified acquisition procedures.” 48 C.F.R. § 2.101.
1 month’s rent, forfeiture of the security deposit, or being held liable for the cost of the remaining term of the lease. The apartments acquired by MacDill are fully furnished. The daily rate for the apartment covers the cost of utilities, amenities (kitchenware, linens, vacuum cleaners, microwave ovens, and cable television service), and weekly maid service. Apartment vendors also do not charge reservists a 12 percent Florida tax for leases of less than 6 months, which private renters typically pay.

Table 1: Differences between BPA Prices and GSA Rates for Off-Base Apartment Units in Tampa, Florida

<table>
<thead>
<tr>
<th>Unit type</th>
<th>BPA price range per person per month</th>
<th>BPA price range per person per day</th>
<th>Difference between BPA price and GSA rate ($93)</th>
<th>Average percentage difference*</th>
</tr>
</thead>
<tbody>
<tr>
<td>One-bedroom</td>
<td>$1,650-$2,790</td>
<td>$55-$93</td>
<td>$38-$0</td>
<td>23.4</td>
</tr>
<tr>
<td>Two-bedroomb</td>
<td>$1,065-$1,395</td>
<td>$35.50-$46.50</td>
<td>$57.50-$46.50</td>
<td>55.4</td>
</tr>
</tbody>
</table>

Source: GAO analysis of MacDill data.

*Based on our analysis of all BPAs.

bBased on two persons sharing a two-bedroom unit, with one person in each bedroom.

In addition to using BPAs to procure off-base lodging for reservists, MacDill used installation-specific guidance on sharing lodging to further reduce off-base lodging costs in two-bedroom apartments. The guidance requires officers at or below the rank of Lieutenant Colonel and enlisted personnel at or below the rank of Chief Master Sergeant or Sergeant Major to share two-bedroom apartments. This practice allowed MacDill to achieve a cost savings of up to 55 percent of the GSA rate (table 1). For example, if two reservists were sharing a two-bedroom apartment that costs $93 per day, each would pay half of that amount, significantly less than the GSA daily rate of $93 per person. Of a total of 800 reservists housed in apartments, about 600 shared two-bedroom units.

MacDill officials responsible for lodging operations told us that they try to place military personnel who are on temporary duty for 45 days or longer in apartments. This allows personnel to have access to cooking facilities, as well as more room than they would have in a hotel room. MacDill officials indicated that they consider three criteria in placing personnel in

12MacDill lodging officials told us they make no distinction in providing off-base lodging for active duty personnel and reservists in that they follow the same procedures for both groups.
apartments: (1) whether or not personnel have access to transportation to get to the base, (2) whether they are compatible in terms of rank and gender to fill a vacancy in a two-bedroom apartment, and (3) if these two criteria are met, officials randomly assign personnel to a unit. However, the officials also must consider such factors as security or the ability of a particular apartment complex to accommodate an entire reserve unit.

Based on data that we received from MacDill lodging officials, the base spent about $23.3 million for 386,466 bed-nights in off-base lodging, including both short- and long-term stays, in fiscal year 2003. However, had MacDill paid the maximum allowable GSA rate of $93 per day for the same number of days, the costs would have amounted to $35.9 million. As a result, the installation reported that it saved an estimated $12.6 million for off-base lodging costs by using blanket purchase agreements and requiring apartment sharing. Of the $23.3 million spent in fiscal year 2003, MacDill paid about $13.9 million for apartment rentals and about $9.3 million for hotels. The estimated savings attributable to apartments is about $7.6 million and about $5 million in savings is attributable to hotels.

In our limited review of local rental prices in the Tampa area, we found that MacDill’s lodging costs were comparable with those paid by corporate entities for the same types of units but were higher than prices for typical furnished apartments cited in media reports. These reports compared MacDill’s apartment costs with the cost of furnished apartments that ranged, for example, from $1820 to $1880 ($60.66 to $62.66 per day) for a two-bedroom unit with maid service and utilities. In a search of Internet sites listing housing prices in the Tampa area, we found that individually furnished two-bedroom apartments ranged from $623 to $1655 ($20.77 to $55.17 per day)—but typically would not include the full range of services obtained by MacDill.

However, according to apartment brokers that we contacted in the Tampa area who provide services to corporate entities and private sector renters as well as MacDill, corporate-style facilities may be the most appropriate to compare to MacDill’s costs. Corporate apartments offer essentially the same provisions as the apartments that MacDill obtains: they are fully furnished and the prices include amenities (i.e., kitchenware, linens, microwave ovens, vacuum cleaners, and cable television service), maid service, and utilities. The main difference is that corporate apartments generally require a minimum 3-month lease and a 30-day notice to break the lease while MacDill’s BPA arrangements do not require a minimum length of stay or have any penalties if reservists leave earlier than scheduled.
We found that prices paid per unit by MacDill are comparable to those paid by corporate entities, but MacDill’s prices are generally much lower on a per-person basis due to lodging sharing arrangements. According to one apartment broker we interviewed, the price of a corporate apartment ranged from $46.50 to $114.60 per day. The price that MacDill pays for a similar apartment at the same complex ranges from $71 to $93 per day. Another apartment broker we contacted told us that the corporate rates for his apartments ranged from $76 to $100 per day, depending on the location of the apartment. The price that MacDill pays for a similar unit ranges from $71 to $93 per day, with the actual cost per person in both examples being lower depending on the number of occupants.

Table 2: Comparison of Prices for Furnished Two-Bedroom, Corporate, and Military (MacDill) Apartments in Tampa, Florida

<table>
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<th>Type</th>
<th>Cost per day</th>
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<td>Furnished apartments</td>
<td>$20.77-$55.17</td>
<td>$623-$1,655</td>
<td>None</td>
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<tr>
<td>Corporate apartments</td>
<td>$46.50-$114.60</td>
<td>$1,395-$3,438</td>
<td>Amenities, utilities, maid service</td>
</tr>
<tr>
<td>MacDill apartments via BPAs</td>
<td>$71-$93</td>
<td>$2,130-$2,790</td>
<td>Amenities, utilities, maid service</td>
</tr>
<tr>
<td>1 occupant</td>
<td>Per person $35.50-$46.50</td>
<td>Per person $1,065-$1,395</td>
<td>Amenities, utilities, maid service</td>
</tr>
</tbody>
</table>

Source: GAO analyses.

*Amenities include kitchenware, linens, vacuum cleaners, microwave ovens, and cable television service.

Public concerns were raised about the absence of advertising and competition in creating BPAs to provide off-base lodging, suggesting that increased competition and advertising would help control costs. However, because a BPA is not a contract,\(^{13}\) competition and advertising were not required to establish these BPAs.\(^{14}\) In any event, while MacDill did not hold a competition or advertise for bids, it did establish BPAs with multiple vendors. According to MacDill officials, contracts over $25,000 require 15 days to advertise, 30 days for the vendor to respond, and 15 days to

\(^{13}\)See Boehringer Mannheim Corporation, B-279238, May 21, 1998, 98-1 CPD ¶ 141.

MacDill officials told us that they used BPAs because they could be arranged in a shorter time frame than solicited contracts. They stated that they were under extreme time pressures to acquire immediate housing in February 2003 when 325 reservists arrived at MacDill to provide force protection services.

Other DOD installations that we contacted during our review either provided lodging for reservists on base or used similar practices to reduce off-base lodging costs. In the few selected instances where we identified the use of off-base lodging, housing officials used a variety of procurement methods (BPAs, contracts, and purchase orders) to obtain prices at or below the allowable GSA lodging rate for those locations. In addition, they required reservists to share hotel rooms and apartment units. However, our review did not identify any one approach that stood out as offering more significant cost benefits than other approaches where shared lodging was required.

In general, the Army installations that we surveyed used purchase orders or requirements contracts to procure off-base lodging for temporary duty reservists. At the time of our review, Fort Bragg housed about 2,400 reservists off base. Fort Bragg had awarded contracts to 25 vendors (20 hotels and 5 apartment providers) to supply lodging for reservists and had spent an estimated $35 million between October 2002 and November 2003 for this lodging. The contracted lodging rates were at or below the maximum allowable GSA lodging rate of $63 per day for Fayetteville. Fort Bragg had also implemented an installation policy requiring reservists at the rank of sergeant and below to share hotel rooms as well as apartment bedrooms. This sharing resulted in average savings of up to 56 percent in relation to the GSA lodging rate (see table 3)—savings similar to those realized at MacDill.

Although Fort Bragg used purchase orders immediately after September 11, 2001, the base switched to contracts to obtain off-base lodging.

The Federal Acquisition Regulation (FAR) describes a requirements contract as providing for “filling all actual purchase requirements of designated Government activities for supplies or services during a specified contract period, with deliveries or performance to be scheduled by placing orders with the contractor.” 48 C.F.R. § 16.503(a). As with the BPA, a requirements contract may be used to acquire supplies or services when the exact times or exact quantities of future deliveries are not known at the time of contract award. This type of contract allows flexibility in both quantities and delivery scheduling and ordering of supplies or services after requirements materialize.
lodging soon thereafter to streamline the process. When they used purchase orders, for example, contracting officials had to issue a modification each time a reserve unit increased or decreased its numbers or changed its length of stay. Two full-time contracting specialists and one part-time contracting officer were needed to handle the paperwork. According to Fort Bragg officials, the change to contracts made the process more economical because contracts require less paperwork and less manpower to administer.

Unlike MacDill’s BPAs, however, Fort Bragg’s contracts were based on the number of bedrooms being rented, irrespective of whether they were in a hotel or an apartment. Bedrooms were defined as single- or double-occupancy. Fort Bragg’s contracted rates were below the GSA lodging rate of $63 per day and ranged from $32 to $60 per day for single-occupancy rooms and from $20 to $30 per day for double-occupancy rooms (see table 3). Thus, at Fort Bragg, two reservists sharing a two-bedroom apartment with single-occupancy rooms could cost $60 per room or up to $120 per day. However, if the bedrooms were double-occupancy, up to four reservists could be housed for $120 per day. The contract terms required a 72-hour to 2-week notice to vacate the lodging unit earlier than scheduled.

Table 3: Contracted Prices for Bedrooms Used to House Reservists in Fayetteville, North Carolina, Area

<table>
<thead>
<tr>
<th>Unit type</th>
<th>Contracted price range per person per day</th>
<th>Difference between contracted price and GSA rate ($63)</th>
<th>Average percentage savings*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single room</td>
<td>$32-$60</td>
<td>$31-$3</td>
<td>20.8</td>
</tr>
<tr>
<td>Double room</td>
<td>$20-$30</td>
<td>$43-$33</td>
<td>55.7</td>
</tr>
</tbody>
</table>

Source: GAO analysis of Fort Bragg data.

*aBased on our analysis of all BPAs.

*A single occupancy room has one bed. A double occupancy room has two beds, along with a chest of drawers or dresser for each bed.

Fort Bragg’s sharing policy required enlisted personnel at the rank of sergeant and below to share rooms. When a bedroom was to be shared,
Fort Bragg required that each reservist have sufficient space and be provided with a dresser or chest of drawers in the room.

In contrast to Fort Bragg, Army officials at Fort Hood, Texas, and Fort Dix, New Jersey, told us that they were able to accommodate most of their temporary duty reservists on base. In the few cases when off-site lodging had to be procured, the installation’s contracting personnel used purchase orders to obtain the needed facilities. Officials told us that, in general, these off-base stays were for 3 to 4 days at Fort Hood and a maximum of 60 days at Fort Dix. At both bases, enlisted personnel below the rank of Sergeant First Class were required to share hotel rooms.

Unlike MacDill Air Force Base, reservists on long-term temporary duty at Pope, Dover, and McGuire Air Force bases were accommodated on site. According to an Air Force official, most reservists did not have transportation and, thus, were given priority for on-site lodging. As a result, some non-reserve service members had to be placed in off-base lodging. Like MacDill, these Air Force bases used BPAs to procure their off-site lodging needs, which were generally for short periods of time.

At the time of our review, Pope Air Force Base had 12 BPAs with hotel vendors. Pope officials said that they do not use apartments because most stays off-base are less than a week, and personnel are not required to share rooms. We were told that, in general, service members or reservists who are assigned to Pope for extended duty are housed on base. Under the terms of the BPAs, personnel accommodated in hotels may vacate the hotel at any time without a penalty. The first priority in selecting a hotel for off-base lodging is the distance from the base to the hotel because aircrews sometimes have to leave on short notice. According to a Pope official, in general about 300 airmen are housed in off-base lodging facilities each month. Prices for a one-bedroom hotel room for Pope ranged from $48 to $63, for savings of up to $15 per day compared with the GSA lodging rate of $63 per day for Fayetteville. According to a lodging official, Pope spent an estimated $1.825 million on off-base lodging in fiscal year 2003.

Our analysis of data provided by Navy officials indicates that the Navy spent a total of $14.8 million in fiscal year 2003 on contracted and leased lodging facilities. However, a Navy official told us that, in most cases, the temporary-duty reservists were accommodated in on-site lodging. The major exceptions are reservists mobilized in the Washington, D.C., area. These reservists are provided with Certificates of Non-Availability, which enable them to acquire lodging in local area hotels, and they are
reimbursed for their lodging costs up to the maximum GSA rate allowed for the Washington, D.C., area, which currently is $150 per day. About $11.3 million of the $14.8 million the Navy spent on contracted and leased lodging facilities was used to acquire lodging in local markets with Certificates of Non-Availability. Marine Corps reservists were accommodated in existing on-site facilities.

Alternative Off-Base Lodging Arrangements Could Be Explored

The extent and length of the current mobilization has created some long-term, off-base lodging requirements and associated costs that appear high when considered on a monthly basis and when compared with private sector prices that typically, however, offer fewer amenities. Whether other alternatives for obtaining off-base lodging should be considered or whether they would be cost effective is unclear. Much would depend on individual circumstances, local market conditions and costs, the number of personnel requiring lodging, and the length of the lodging requirement.

One alternative approach that could be explored might be to obtain long-term leases for blocks of properties to provide lodging for reservists on extended temporary duty during times of high mobilizations. However, MacDill lodging officials told us that this approach would require them to obtain furnishings, utility hook-ups, and amenities (i.e., vacuum cleaners, kitchenware, linens) as well as staffs to manage property inventories and reservation systems. Government management of such inventories could be viewed as counter to recent defense initiatives to rely on the private sector for the provision of commercially available services. MacDill lodging officials also pointed out that the need for long-term lodging could vanish as quickly as it materialized, leaving them committed to long-term leases, property inventories, and the attendant costs. Under the approach MacDill currently uses, apartment units and hotels assume these risks. This approach would also need to consider potential force protection issues that might be of concern with large concentrations of personnel lodged together off base.

Weaknesses in Contract Management Hamper Efforts to Assess Contract Costs

From project initiation to settlement of the contractor’s claim, the management of Coalition Village II suffered from questionable acceptance of the winning offer, poor record keeping, undocumented decisions regarding changes to the contract, and changes to contract requirements that were not properly coordinated with contracting officials. As a result of these weaknesses, we were unable to assess the basis for significant cost increases in the contract. These weaknesses also made it difficult for
us to determine whether the government paid for costs that otherwise might have been avoided or disallowed.

Challenges Associated with Contract Solicitation, Award, and Pricing for Coalition Village II

Coalition Village II was implemented under tight time constraints that presented unique challenges for the 6th Contracting Squadron in the solicitation, award, and pricing of the contract. MacDill contracting officials reference a March 21, 2003, memorandum from the Air Force’s Deputy Assistant Secretary (Contracting)/Assistant Secretary (Acquisition) whose subject was, “Rapid, Agile Contracting Support During Operation Iraqi Freedom.” The memorandum encourages, “…every contracting professional to lean way forward, proactively plan for known and anticipated customer needs, and put the necessary contract vehicles and supporting documents in place as soon as possible.” The memorandum further calls for Air Force contracting officers to be a “community of innovative, even daring risk takers.”

CENTCOM initiated its urgent request for temporary office space to the 6th Contracting Squadron in February 2003. It requested 14 temporary office trailers to house additional coalition partners that were supporting the United States in Operation Iraqi Freedom. CENTCOM said it needed the trailers in 30 days, and the 6th Contracting Squadron used a provision of the FAR, entitled “Unusual and Compelling Urgency,” to meet the tight timeline. Under this provision, the government is allowed to limit the number of sources and approve written justifications after the contract is awarded within a reasonable time, if preparation and approval prior to the award would unreasonably delay the acquisition. Consistent with the authority for an urgent and compelling acquisition, MacDill’s contracting office developed a list of three potential contractors. According to a MacDill contracting official, the office contacted only those contractors who had proven records of timely and satisfactory performance for similar work at the base. MacDill issued the solicitation for leasing the trailers on February 14, 2003, and established 12:00 p.m. Eastern Standard Time on February 18, 2003, as the deadline for receipt of proposals.

One contractor, the Warrior Group, did not submit a proposal in time to meet the deadline, and its proposal was not considered. Two other contractors were judged to have met the deadline for submitting their proposals, although acceptance of the winning proposal was controversial.

William Scotsman, the incumbent contractor for the Coalition Village I project, hand-carried its proposal to the 6th Contracting Squadron at 11:31 a.m. on February 18, 2003, and there was no question that it had met the deadline. The third contractor and winning offeror, Resun Leasing, faxed its proposal at 3 minutes past 12:00 p.m., according to the time stamp on the fax machine. However, MacDill contracting officials determined that the fax machine clock was 3 minutes fast, and that the first page of Resun’s proposal was received by the 12:00 p.m. deadline. Although not all the pages of Resun’s proposal were received by the deadline, the contracting officer determined that because the first page had been received in time, the entire proposal was timely.

Although Resun’s proposal was arguably late, MacDill contracting officials determined that Resun Leasing was the “lowest price, technically acceptable offeror” and verbally notified the contractor on February 18, 2003, to proceed with the project. Resun’s initial offer for the contract was $111,000, but a MacDill contracting official subsequently noted a computation error, which increased the offer to $142,755. The offer submitted by William Scotsman was for $196,000. William Scotsman subsequently questioned MacDill officials about the propriety of considering Resun’s apparently late offer. Nevertheless, although William Scotsman submitted a timely offer and therefore could have protested to GAO, it did not protest the award to Resun Leasing and MacDill’s handling of the Resun offer.¹⁸ A contracting official told us that MacDill has now instituted a policy clearly stating that all pages of a faxed proposal must be received by the deadline for it to be considered timely.

Numerous modifications to the contract were made after work began on February 19, 2003. On April 22, 2003, Resun filed a claim for additional work, including six additional flagpoles, electrical and wiring changes, interior and exterior trailer modifications, revised grounding/lightning protection, interior and exterior locks, and additional air conditioning units totaling $467,000, but revised the amount several times. Resun submitted another revision on June 9, 2003, claiming an amount of $372,172. On May 20, 2003, MacDill validated $134,000 of the claim, leaving $238,172 to be negotiated. On July 20, 2003, the contractor acknowledged that it owed the government $4,977 because of erroneous billing, which left a total of $233,196 to be negotiated. MacDill officials agreed to pay this

¹⁸Under GAO’s Bid Protest Regulations, a protest by William Scotsman at this time would be untimely and would not be considered. See 4 C.F.R. § 21.2 (a)(2).
amount and issued a contract modification on July 31, 2003, to capture this change. The total amount paid for the project was, therefore, $509,951 (see table 4). However, as discussed subsequently, the contract file did not contain adequate documentation for us to determine how MacDill officials arrived at this settlement.

<table>
<thead>
<tr>
<th>Contract phase</th>
<th>Date</th>
<th>Amount paid by MacDill</th>
<th>Amount claimed by contractor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial contract award</td>
<td>02/18/03</td>
<td>$142,755</td>
<td></td>
</tr>
<tr>
<td>Contractor’s claim for additional work</td>
<td>04/22/03</td>
<td>$467,082</td>
<td></td>
</tr>
<tr>
<td>Amount of claim validated for payment by MacDill</td>
<td>05/20/03</td>
<td>134,000</td>
<td></td>
</tr>
<tr>
<td>Revised contractor’s claim for additional work</td>
<td>06/09/03</td>
<td>372,172</td>
<td></td>
</tr>
<tr>
<td>Additional reduction in contractor’s claim due to erroneous billing</td>
<td>07/20/03</td>
<td>-4,977</td>
<td></td>
</tr>
<tr>
<td>Payment on claim for additional work</td>
<td>07/31/03</td>
<td>233,196</td>
<td></td>
</tr>
<tr>
<td><strong>Total amount paid by MacDill</strong></td>
<td></td>
<td><strong>$509,951</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: GAO analysis of MacDill data.

Our efforts to assess contract costs for Coalition Village II were hampered by missing documents in the contract file, undocumented decisions for properly authorized changes to the contract, and changes to contract requirements by on-site personnel that were not properly coordinated with contracting officials. Because of these weaknesses in contract management, we were unable to determine if the government paid costs that otherwise might have been avoided or minimized.

Our review of the Resun contract file showed that it was missing several key documents needed to assess the appropriateness of contract costs. The file did not contain documentation that the winning proposal represented a technically acceptable offer\(^\text{19}\) or an assessment that the price

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\(^\text{19}\)“The relative strengths, deficiencies, significant weaknesses, and risks supporting proposal evaluation shall be documented in the contract file.” 48 C.F.R. § 15.305 (a).
was reasonable.\textsuperscript{20} MacDill contracting officials agreed that poor record keeping was a problem with the Coalition Village II contract. The contract file also did not contain documentation to fully validate the contractor’s entire claim. While validation of $134,000 of the initial claim was documented, there was no documentation indicating how MacDill officials determined that the remaining amount of the claim was valid and reasonable.

Further, the file did not contain sufficient documentation regarding authorized changes to the contract. Modifications to the contract were made during twice-weekly meetings between representatives of the contractor, the customer (CENTCOM), technical advisors (civil engineers), and contracting staff, but no official minutes were maintained to document the agreements that were reached. In a memorandum for the record, the contract administrator acknowledged that a written log of contract changes was not developed. The absence of documentation of authorized contract modifications makes it difficult to assess contract costs.

The Resun contract file also did not contain sufficient documentation to indicate who authorized some contract changes\textsuperscript{21} or the cost estimates for some changes. MacDill officials told us that they were surprised when the contractor submitted the claim for $467,000 to cover additional work performed under the contract. They said that the contracting officer and contract administrator were not aware of all changes that had been made because unauthorized personnel inappropriately authorized changes to the contract on site without informing contracting officials. During the rush to get the project completed, involved parties including representatives of the customer and technical advisors made on-site changes that were not always coordinated with the contracting officer. In a memorandum for the record dated June 29, 2003, the contract administrator wrote that he did not know about many of the changes, nor did the CENTCOM point of contact or the representative from civil engineering, who assisted with

\textsuperscript{20}The contracting officer shall document the cost or price evaluation.” 48 C.F.R. § 15.305 (a)(1).

\textsuperscript{21}48 C.F.R. § 43.102 (a) provides that “[o]nly contracting officers acting within the scope of their authority are empowered to execute contract modifications on behalf of the Government. Other government personnel shall not (1) Execute contract modifications; (2) Act in such a manner as to cause the contractors to believe that they have authority to bind the Government; or (3) Direct or encourage the contractor to perform work that should be the subject of a contract modification.”
contract oversight. The price negotiation memorandum written to document the final settlement of the claim also notes a lack of adequate documentation to determine who authorized the extra work. The absence of these documents along with inadequate documentation of contract changes makes it difficult to retrospectively assess the appropriateness of contract costs.

Conclusions

MacDill Air Force Base and other installations we identified that provide lodging for reservists on extended temporary duty are often making efforts to reduce off-base lodging costs by (1) obtaining prices that are below the maximum allowable rate for lodging established by GSA and (2) requiring military personnel below specified ranks to share apartments and/or hotel rooms. While public concerns in the Tampa area were accurate in citing MacDill’s monthly rental costs for some two-bedroom apartment units of $2,400, these concerns failed to recognize that GSA establishes lodging rates for travelers on official government business based on daily per-person rates. Therefore, a two-bedroom apartment renting for $2,400 per month ($80 per day) shared by two people results in a daily lodging rate of $40 per person, well below the maximum allowable GSA rate of $93 per day in the Tampa area. On a unit basis, these rates are also comparable to corporate housing rates in the Tampa area, which generally provide furnished units with similar amenities to those provided to military personnel, though MacDill’s per-person costs were usually lower due to lodging sharing arrangements.

Each installation we visited had different methods for providing extended temporary lodging. The majority of installations contacted had sufficient capacity to provide lodging for reservists on base or made arrangements to provide lodging off base for other military travelers on a short-term basis. Installations providing off-base lodging used different procurement tools (BPAs, purchase orders, and contracts) but obtained comparable savings regardless of the procurement instrument used. Local GSA lodging rates are public knowledge and generally represent the ceiling for acceptable offers. Significant savings over GSA daily rates were also obtained through the implementation of installation specific guidance requiring reservists at specific ranks to share rooms and/or apartments, but the ranks required to share units varied by installation. Installations also obtained varying terms in their agreements with hotels and apartment vendors, primarily regarding penalties for early departures.

The primary factors affecting off-base lodging prices are local market conditions (the inventory of vacant hotel rooms and apartment units) and
the prevailing GSA lodging rate. An alternative approach to providing off-base lodging, such as direct leasing of apartment properties, might be considered but would need to consider other factors such as the added costs of government management and the provision of additional services comparable to those now being provided.

Although Coalition Village II was implemented under extreme time constraints, effective contract management suffered from questionable acceptance of the winning offer, poor record keeping, undocumented decisions, and changes to contract requirements that were not properly coordinated with contracting officials. We were not able to assess the basis for additional costs paid to the contractor or the extent to which costs might have been avoided or minimized because of these contract management weaknesses.

We recommend that the Secretary of Defense direct the Secretary of the Air Force to direct the Commander of the Air Mobility Command to emphasize to MacDill personnel the importance of adhering to sound contract management procedures that exist to protect the interests of the government. Communications should reemphasize that contract files should be properly maintained and only authorized personnel should initiate changes to contract requirements, even during time sensitive procurements. In addition to contracting officials, such communications should also be provided to contractors, base customers of contracting services, and contract support personnel.

In commenting on a draft of this report, the office of the Director, Defense Procurement and Acquisition Policy, did not dispute the GAO audit findings regarding the Coalition Village II procurement and partially concurred with our recommendation. The office suggested that the recommendation is not needed because the 6th Contracting Squadron at MacDill Air Force Base had already taken corrective actions, including an internal review of Coalition Village II contract files that resulted in letters of reprimand for a contracting officer and contract administrator. However, as noted in DOD’s response, some of the more significant actions that relate to the specifics of our recommendation are planned but not yet completed. Accordingly, we believe it appropriate to retain the recommendation pending completion of all indicated corrective actions. We expect to follow up to determine the extent to which planned actions have been taken. The comments from the office of the Director, Defense
Procurement and Acquisition Policy, are included in appendix II of this report.

We are sending copies of this report to the Secretary of Defense; the Secretaries of the Army, the Navy, and the Air Force; the Commandant of the Marine Corps; the Director, Office of Management and Budget; and other interested parties. We will also make copies available to others upon request. In addition, the report will be available at no charge on the GAO Web site at http://www.gao.gov.

If you or your staff have any questions on the matters discussed in this letter, please contact me at (202) 512-5581. Key contributors to this letter were George Poindexter, Vijay Barnabas, Nelsie Alcoser, Kenneth Patton, Tanisha Stewart, and Nancy Benco.

Barry W. Holman
Director, Defense Capabilities and Management
Appendix I: Scope and Methodology

To describe the extent to which MacDill Air Force Base used cost-effective measures to provide long-term, off-base lodging for reservists on extended temporary duty, we visited and interviewed officials from the 6th Contracting Squadron and 6th Services Squadron at MacDill Air Force Base, and we interviewed apartment managers and brokers in the Tampa, Florida, area. We analyzed records on temporary lodging rates paid for military personnel housed off-site at MacDill Air Force Base and the numbers of National Guard and Reserve service members on extended temporary duty at this installation. We identified the allowable GSA lodging rate for the Tampa, Florida, area and compared this amount to the amounts paid for off-base lodging. We determined whether MacDill Air Force Base used contracts or BPAs to provide off-site lodging for service members on extended temporary duty and reviewed the processes followed in developing these procurement instruments for acquiring off-base lodging. We reviewed the BPAs MacDill had with hotel and apartment vendors in the Tampa area.

To compare the practices used at MacDill Air Force Base to acquire off-base lodging to practices at other installations, we visited and interviewed contracting and lodging officials at Fort Bragg and Pope Air Force Base. These installations were selected based on our review of Reserve and National Guard deployment data for force protection activities and follow-up phone calls to establish that the bases procured off-base lodging. In addition, we obtained information on lodging practices at Fort Meyer, Dover Air Force Base, McGuire Air Force Base, Fort Hood, and Fort Dix. We also contacted Navy and Marine Corps officials at the headquarters level to determine their practices for providing lodging for reservists on extended temporary duty. We identified the allowable GSA lodging rates for Fort Bragg and Pope Air Force Base and compared these amounts to the amounts paid for off-base lodging. We determined whether these installations used contracts, purchase orders or BPAs to provide off-site lodging for service members on extended temporary duty and the processes followed in developing these procurement instruments.

We met officials from the Under Secretary of Defense (Personnel and Readiness), U.S. Air Force (Installations and Logistics Contracting), and DOD’s Per Diem, Travel and Transportation Allowance Committee to collect information on Department of Defense lodging regulations and procedures. At each of the installations we visited, we collected and reviewed lodging policies, procedures, and practices regarding temporary duty personnel. In addition, we reviewed the requirements in the Joint Federal Travel Regulations regarding temporary duty travel. We reviewed
all data that we received, but we did not verify the accuracy of the data provided by DOD or the installations.

To determine if MacDill followed proper procedures in contracting for the lease of temporary office trailers for Coalition Village II, we interviewed officials from the 6th Contracting Squadron, including the commander, the current contracting officer, the contract administrator, and other contract staff familiar with the procurement process. In these discussions, we sought information on the actions taken to implement the project, the timing of such actions, and the justification for contracting procedures followed. We reviewed documents prepared by contracting officials to explain procedures followed in administering the contract, including a Talking Paper and Acquisition Timeline of Events for Coalition Village II. In addition, we reviewed the contract and other documentation in the contract file, including correspondence, memorandums for the record and the contractor’s claims for payment. We also reviewed relevant provisions of the Federal Acquisition Regulation (FAR) related to this procurement. Specifically, we researched FAR authorities related to the use of “Unusual and Compelling Urgency” in government procurements, including competition and documentation requirements under such circumstances. We also researched and analyzed prior GAO bid protest decisions regarding determinations of timeliness in the acceptance of electronic submissions of proposals.

We conducted our review from June 2003 through December 2003 in accordance with generally accepted government auditing standards.
OFFICE OF THE UNDER SECRETARY OF DEFENSE
3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

JAN 13, 2004

Mr. Barry W. Holman
Director, Defense Capabilities and Management
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Holman:

This is the Department of Defense (DoD) response to the GAO draft report, GAO-04-296, "DEFENSE MANAGEMENT: Issues in Contracting for Lodging and Temporary Office Space at MacDill Air Force Base," dated December 15, 2003 (GAO Code 350399). We are pleased your review found that MacDill contracting officials used blanket purchase agreements, coupled with a room sharing policy, to effectively reduce the overall cost of off-base lodging for reservists on extended temporary duty to an amount below the General Service Administration’s lodging rate for Tampa, FL. Enclosed are DoD’s detailed comments regarding the recommendation on page 23 of your draft report.

My point of contact for this report is Mr. Christopher Werner, 703-695-9764 or christopher.werner@osd.mil. We appreciate the opportunity to review and comment on your findings.

Sincerely,

[Signature]

Deidre A. Lee
Director, Defense Procurement
and Acquisition Policy

Enclosure:
As stated
Appendix II: Comments from the Department of Defense

GAO CODE 350399/GAO-04-296

“DEFENSE MANAGEMENT: ISSUES IN CONTRACTING FOR LODGING AND TEMPORARY OFFICE SPACE AT MACDILL AIR FORCE BASE”

DEPARTMENT OF DEFENSE COMMENTS TO THE RECOMMENDATION

RECOMMENDATION: The GAO recommended that the Secretary of Defense direct the Secretary of the Air Force to direct the Commander of the Air Mobility Command to emphasize to MacDill personnel the importance of adhering to sound contract management procedures that exist to protect the interests of the Government. Communications should reemphasize that contract files should be properly maintained and only authorized personnel should initiate changes to contract requirements, even during time sensitive procurements. In addition to contracting officials, such communications should also be provided to contractors, base customers of contracting services, and contract support personnel. (Page 23/Draft Report)

DoD RESPONSE: Partially concur. DoD does not dispute the GAO audit findings regarding the Coalition Village II procurement. However, there is no need for this recommendation because the 6th Contracting Squadron at MacDill Air Force Base had already taken the following corrective actions in this matter prior to the GAO initiating its review in June 2003:

a. In April 2003, the 6th Contracting Squadron conducted an internal review of the Coalition Village II contract file and found deficiencies, including the absence of meeting minutes and a lack of documentation for contract changes. This review resulted in letters of reprimand being issued to both the contracting officer and to the contract administrator. The contracting officer was subsequently replaced.

b. The new contracting officer immediately cautioned the customer, CENTCOM, as well as Civil Engineering, to refrain from directing any contractor actions in the future, because only the contracting officer or his duly appointed representative has the legal authority to direct changes to the contract.

Additionally, in October 2003, the 6th Contracting Squadron instituted an on-going training initiative for its personnel to reemphasize contracting fundamentals, including negotiating contract changes and properly documenting contract files. Headquarters contracting personnel from the Air Mobility Command have also scheduled a visit to MacDill Air Force Base in January 2004, which will include discussion of the Coalition Village II procurement and the associated remedial actions taken. The headquarters staff will then develop training based on the Coalition Village II procurement to help ensure that contracting personnel throughout the Air Mobility Command follow sound contract management procedures.
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