



**DEFENSE CONTRACT AUDIT AGENCY
NORTHEASTERN REGION
IRAQ BRANCH OFFICE
Kuwait Suboffice
CAMP ARIFJAN APO AE 09366**

May 28, 2004

MEMORDANUM FOR DEFENSE CONTRACT AUDIT AGENCY
ARLINGTON BRANCH OFFICE
1201 NORTH WATSON ROAD, SUITE 174
ARLINGTON, TX 76006-6223

SUBJECT: Early Alert, LOGCAP III, Task Order 43, Quantity Estimating Techniques

ATTENTION: Mr. Bill Daneke, Branch Manager

During our review of the quantities of equipment proposed under the subject Task Order, we noted issues that should be considered during the negotiation of the definitized amount. Specifically, we noted that the proposed quantities for some of the equipment purchases was not supported by an adequate analysis of the requirement. In a cursory review of the justification for the items, we found significant potential deficiencies.

The proposed procurement of 106 postal vehicles for a total of \$12.6 million was supported only by a memorandum written on May 24, 2004, six weeks after the date of the proposal, which includes apparent math errors. Furthermore, the 106 vehicles includes 34 vehicles being procured for the possible and presumably temporary surge in troops, but the justification for the procurement fails to consider leasing the surge vehicles (even though 72 vehicles are currently being leased) and does not consider the current level of utilization for the vehicles now performing the mission. We met with the Logistics Director on May 25, 2004 and he acknowledged the surges are temporary and occur only once or twice per year. Based on our discussion he stated he would consider leasing the surge vehicles and revising the proposed quantities accordingly. We plan to meet again on May 31, 2004.

We are continuing to review the basis for other items proposed and will keep you informed as the review progresses. The lack of adequate analysis for the procurement of the postal trucks may be indicative of methods used on other procurements, resulting in further adjustments to proposed quantities.

In summary, the justification and rationale for the procurement of significant equipment purchases does not appear to be adequate. We plan to follow up this early alert memorandum with a Flash Estimating System report and would like to discuss it further with your office.

Please direct any inquiries to Harry Arnold, Supervisory Auditor, 011-965-987-0824
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/s/ Harry Arnold
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