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Risk Taking

Creativity



# ***Report of Audit***

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**New Car Sales  
No. 2011-09  
December 2011**

**Audit Division**

# EXECUTIVE SUMMARY

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## Report of Audit

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### New Car Sales

Audit No. 2011-09   December 2011   Project No. 2011-006

#### Introduction

The New Car Sales (NCS) program is operated by the Overseas Military Sales Corporation (OMSC), an independent contractor. This program includes the sale of Ford, Chrysler, and Honda vehicles, and Harley Davidson motorcycles, to Exchange customers at overseas locations. Within the Exchange, this program is managed by the Services Division, Sales Directorate, while the Services and Vending Business Contracting Branch provides contract administration support. During FY 2010, the NCS program generated sales of \$294.3 million; Exchange fees totaled \$2.60 million (0.88 percent). Year-to-date August 2011, the program generated sales of \$178.0 million; Exchange fees totaled \$1.68 million (0.94 percent).

#### Purpose and Scope

Our audit objectives were to determine if manufacturers and OMSC adhered to contract requirements regarding vehicle pricing, transportation, and other charges. We also evaluated vehicle pricing to determine if Exchange customers received competitive deals. In addition, we evaluated Exchange management oversight and control over the accuracy of sales reports and associated fee payments from OMSC. This audit was conducted between February 2011 and October 2011 and covered the period 1 January 2010 to 29 October 2011.

#### Conclusion

A review of vehicle pricing and invoices showed OMSC priced vehicles in accordance with contract requirements, and invoice price lists provided by OMSC were valid. However, contract requirements and management oversight procedures did not provide effective controls to verify OMSC accurately reported sales and fees. Also, opportunities existed to improve the substantiation of transportation charges, decrease vehicle prices to customers, improve management oversight, and increase earnings by negotiating fees for services not currently subject to fees. Specifically, a

review of transportation charges showed 3,053 customers were overcharged \$384,491 for various transportation costs, and certain transportation charges were not always substantiated in accordance with contract requirements. In addition, a comparison of OMSC vehicle prices to Edmunds.com prices concluded all 81 vehicles reviewed for pricing were higher at OMSC than on Edmunds.com, by an average of \$913 (3.7 percent). Also, improved Exchange management oversight was needed to assure reviews of Order Acceptances were documented and documentation provided by OMSC to support transportation charges met contractual requirements. Further, based on a review of 137 sample deals, earnings could increase by at least \$143,950 annually and \$719,750 over the 5-year planning cycle, if fees for extended service warranties and vehicle protection packages were pursued during future contract negotiations. Finally, opportunities exist to further increase fees and increase customer savings by soliciting competitive bids for new car sales operations.

### **Management Actions**

Management actions taken or planned in response to audit recommendations should resolve the concerns discussed in this report.

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# Report of Audit

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## New Car Sales

Audit No. 2011-09    December 2011    Project No. 2011-006

1. **INTRODUCTION.** The New Car Sales (NCS) program is operated by the Overseas Military Sales Corporation (OMSC), an independent contractor. This program includes the sale of Ford, Chrysler, and Honda vehicles, and Harley Davidson motorcycles, to Exchange customers at overseas locations. Within the Exchange, this program is managed by the Services Division, Sales Directorate (SD-V), while the Services and Vending Business Contracting Branch (SD-V/PZ) provides contract administration support. During FY 2010, the NCS program generated sales of \$294.3 million; Exchange fees totaled \$2.60 million (0.88 percent). Year-to-date August 2011, the program generated sales of \$178.0 million; Exchange fees totaled \$1.68 million (0.94 percent).
- a. **Program History.** The Exchange has maintained its contractual relationship with OMSC, as primary operator of the NCS program, since 1962. In recent years, OMSC has sold Ford, Chrysler, and Honda vehicles, and Harley-Davidson motorcycles. In 2005, General Motors withdrew from the overseas military resale business. The Exchange has direct contracts with Ford and Chrysler, and OMSC acts as their agent. The Exchange contracts with OMSC to sell Honda and Harley-Davidson products. NCS program sales results from 2006 to YTD August 2011 are shown in Table 1.

**Table 1: NCS Program Sales - Calendar Years 2006 to YTD August 2011**

Year	Units Sold	Gross Sales	Average Price Per Unit	Exchange Fees	Fee Percent
2006	11,805	\$290,816,387	\$24,635	\$2,479,015	0.85%
2007	11,967	\$295,828,190	\$24,720	\$2,545,050	0.86%
2008	11,835	\$295,749,474	\$24,989	\$2,537,595	0.86%
2009 <sup>1</sup>	9,919	\$248,152,901	\$25,018	\$2,267,915	0.91%
2010	11,076	\$294,346,377	\$26,575	\$2,596,664	0.88%
2011 <sup>2</sup>	6,625	\$178,038,455	\$26,874	\$1,678,351	0.94%

<sup>1</sup>Sales declined in 2009 due to the Chrysler Corporation bankruptcy.

<sup>2</sup>Through August 2011.

- b. **Operating Procedures.** Exchange Operating Procedures 30-1, Services, published in March 2009, established procedures for the NCS program. The program provides eligible customers an opportunity to purchase vehicles manufactured in the United States from recognized and reliable sources. Sales were authorized at overseas locations only, but deliveries could be made overseas or in the United States and its possessions. As of August 2011, there were 83 facilities selling new cars at overseas Exchanges.
- c. **Vehicle Order Process.** The vehicle order process was as follows:
- (1) OMSC employed Independent Sales Representatives (ISRs) to act as sales agents at each NCS location. Each ISR had access to the OMSC MilQuote system, which generates pricing information for the vehicles based on information received from manufacturers, and markup limitations established in the Exchange contracts. OMSC offered “no-haggle” prices, taken directly from the MilQuote system. For a given vehicle, the prices were the same for every customer, and were nonnegotiable.
  - (2) When considering a purchase, customers were presented with an Exchange Plaintalk pamphlet, intended to answer questions about the NCS program. The pamphlet included specific information about the various purchase and delivery options.
  - (3) After a vehicle was selected for purchase, the customer signed a Buyer’s Offer and a minimum deposit was collected. The Buyer’s Offer included vehicle price, option prices, and estimated transportation charges.
  - (4) OMSC acknowledged the Buyer’s Offer in writing, either 30 days after receipt of the offer, or 90 days before the delivery date, whichever was later, by completing and sending an Order Acceptance. At times, the Order Acceptance may vary from the Buyer’s Offer, due to changes in prices for transportation or options. If the order was accepted at a price that exceeds the Buyer’s Offer by more than \$100, the customer had 10 days to advise OMSC of any objections. If the issue cannot be resolved, the customer could cancel the order within 10 business days without liability, and receive a full refund of the deposit.
  - (5) After OMSC and the customer agreed on the Order Acceptance, OMSC must ensure the vehicle is ready by the delivery date on the Order Acceptance. Before delivery is made, the customer must make the final payment in full, to include taxes, registration, and licensing fees. If the vehicle was damaged in transit to the delivery point, and its safety or

reliability was impaired, it could not be turned over to the customer.

- d. **Fee Payments**. In accordance with the current contracts, OMSC was required to pay the Exchange \$260 for each automobile sold and \$201 for each motorcycle sold. OMSC also paid the Exchange \$30 for each LoJack Stolen Vehicle Recovery System installed. The contract did not provide for fees on extended service warranties or vehicle protection packages.
- e. **Contract Solicitations**. The contracts with Ford and Chrysler expire on 31 January 2012. The contract with OMSC for Harley-Davidson expires on 31 August 2012, while the contract with OMSC for Honda expires on 31 October 2012. In early 2011, SD-V/PZ management began a process to identify and contact potential bidders for a new NCS contract or contracts. Management expected to submit contract solicitations to up to seven potential bidders, including OMSC, by the end of 2011.

**2. PRIOR AUDIT COVERAGE.** There were no audits on this subject during the last 5 years.

### **3. PURPOSE AND SCOPE**

- a. This audit was included in the 2011 Audit Plan. Our audit objectives were to determine if manufacturers and OMSC adhered to contract requirements regarding vehicle pricing, shipping, and other charges. We also evaluated vehicle pricing to determine if Exchange customers received competitive deals. Finally, we evaluated Exchange management oversight and control over the accuracy of sales reports and associated fee payments from OMSC. This audit was conducted between February and October 2011 and covered the period 1 January 2010 to 29 October 2011.
- b. We conducted our audit in accordance with generally accepted government auditing standards and directives and, accordingly, included an evaluation of policies and procedures and such tests of documents considered necessary under the circumstances. During the audit, we discussed all concerns with appropriate management officials.

### **4. METHODOLOGY**

- a. During the audit, we reviewed NCS program contracts, policies, and procedures. We met with key management personnel at Exchange HQ, to include the SD-V business program manager and the SD-V/PZ contracting officer to obtain knowledge of the NCS program and operations. We also met with Exchange associates responsible for legal and investigative aspects of this contract.

Additionally, we met with key management personnel at the OMSC New York office, including the Vice President of Operations, the manager of the PCS/Pricing Group, and the representative for Government & Manufacturer Relations. In Germany, we met with Exchange and OMSC managers, and ISRs. We also analyzed sales information obtained from the Exchange intranet and OMSC, and reviewed vehicle pricing information collected from Exchange NCS locations and the Internet for comparative purposes.

- b. To ensure vehicles were sold in accordance with contract terms, we randomly selected a sample of 137 Order Acceptances for review from a population of 11,076 vehicles sold by OMSC in 2010. To accomplish this, we used a sample size generator from a statistical software package developed by the Army Audit Agency. The sample size was determined by using a 95 percent confidence level and an error rate of +/- 10 percent. Consequently, we are 95 percent confident our sample results represent the population within 10 percent. We believe this method provides a sound basis for projecting the sample results to the population.

5. **AUDIT RESULTS.** A review of vehicle pricing and invoices showed OMSC priced vehicles in accordance with contract requirements and invoice price lists provided by OMSC were valid. However, contract requirements and management oversight procedures did not provide effective controls to verify OMSC accurately reported sales and fees. Also, opportunities existed to improve the substantiation of transportation charges, decrease vehicle prices to customers, improve management oversight, and increase earnings by negotiating fees for services not currently subject to fees. Specifically, a review of transportation charges showed 3,053 customers were overcharged \$384,491 for various transportation costs, and certain transportation charges were not always substantiated in accordance with contract requirements. In addition, a comparison of OMSC vehicle prices to Edmunds.com prices concluded all 81 vehicles reviewed for pricing were higher at OMSC than on Edmunds.com, by an average of \$913 (3.7 percent). Also, improved Exchange management oversight was needed to assure reviews of Order Acceptances were documented and documentation provided by OMSC to support transportation charges met contractual requirements. Further, based on a review of 137 sample deals, earnings could increase by at least \$143,950 annually and \$719,750 over the 5-year planning cycle, if fees for extended service warranties and vehicle protection packages were pursued during future contract negotiations. Finally, opportunities exist to further increase fees and increase customer savings by soliciting competitive bids for new car sales operations. Observations follow:

- a. **Vehicle Pricing, Invoicing, Sales, and Fee Verification.** A review of vehicle pricing and invoices showed OMSC priced vehicles in accordance with contract requirements. However, effective controls

were not in place to verify OMSC accurately reported sales and fees: Observations follow:

- (1) A review of 137 deals showed all deals were in compliance with contract terms for applying mark ups and discounts on base price and vehicle options. Also, based on 54 survey letters sent to customers in the sample, the 11 replies received indicated the Order Acceptance (i.e., the deal paperwork provided to us by OMSC) was valid. In addition, communications with Ford and Chrysler concluded dealer invoice price lists provided by OMSC were valid as of the time the vehicle deals were made.
- (2) Contract requirements and management oversight procedures did not provide effective controls to verify OMSC accurately reported sales and fees. The contract did not include the requirement to provide detailed purchase information from the manufacturers or sales and inventory information from OMSC to facilitate sales and fee verification. An attempt was made to reconcile OMSC 2010 sales based on delivery information provided by Ford and Chrysler, and inventory information provided by OMSC; however, due to OMSC sales made outside the parameters of the Exchange NCS Program, sales could not be completely verified. Approximately 8,162 (84 percent) of 9,697 Ford and Chrysler vehicles presumed sold in 2010 were reported by OMSC. The remaining 1,535 (16 percent) vehicles could not be verified as sold outside the Exchange NCS program. Future contracts and amendments should require detailed manufacturer delivery information, and vehicle sales and inventory information be provided annually to allow the Exchange to verify the accuracy of OMSC sales and fees, with reasonable certainty.

b. **Transportation Charges.** A review of transportation charges showed 33 (24 percent) of 137 customers were overcharged for certain transportation costs. Upon notification, OMSC management concluded 3,053 customers were overcharged a total of \$384,491. Also, transportation charges were not always substantiated in accordance with contract requirements. Observations follow:

- (1) **Overcharges.** OMSC was authorized to pass on to customers all costs of transporting vehicles to their final delivery point. According to contract terms, OMSC must do this on a non-profit basis, and was required to maintain complete records of its transportation costs, and use these costs as the basis for transportation charges in the next year.
  - (a) A comparison of transportation costs described in the contract to OMSC charges noted a misapplication of

“delivery point processing service” for 33 (24 percent) of 137 vehicles in our sample. The contract allowed a charge of \$477 for this service, but customers were charged \$525, based on an outdated amendment to the contract.

- (b) This observation was communicated to OMSC management who concluded 3,053 customers were impacted by this misapplication, and that Exchange customers were overcharged \$384,491 for overseas deliveries made between May 2010 and June 2011. The overcharges were for “delivery point processing service” and other related costs of vehicle preparation (i.e., importation and embarkation charges, and inland transportation charges).

**Corrective Action Taken.** OMSC initiated a refund program to reimburse customers for these overcharges during the audit; this refund program was completed in July 2011.

- (2) **Substantiation of Transportation Charges.** Exchange management did not always substantiate transportation charges in accordance with contract requirements. Examples follow:
  - (a) Invoices and other substantiation documentation were not provided by OMSC annually by May 30, nor were they approved annually by Exchange contracting officers by August 31, as required.
  - (b) For 2010 vehicle deals, OMSC charged for vehicle transportation based on its 2008 costs instead of 2009 costs as required; in essence, OMSC was 1 year in arrears on the substantiation requirement for vehicles sold in late 2010 (after August 31).
  - (c) OMSC did not show how the Freight Forwarder’s Administrative Fee of \$170 fee was calculated beyond providing a summary of costs incurred. These costs related to direct and indirect costs incurred by OMSC for the transportation of vehicles to their final destination. The contract required this fee be substantiated by documentation of incurred costs derived from the books and records from the entities providing the services. Further, the fee amount should be calculated based on total direct and indirect service costs, divided by the number of vehicles shipped during the calendar year.

- (d) The German Transportation Service Provider (TSP) charge of \$246 was applied to vehicles shipped through Bremerhaven for preparation, delivery, and inspection services; however, OSMC only provided one invoice to substantiate this charge for 2008. As a result, Exchange management could not determine if the \$246 service cost was valid throughout the year.
  - (e) OSMC did not provide substantiation for transportation charges on its web site as required by the contract. Current technology should allow OSMC to provide support for transportation invoices on its web site. Once established, the web-based transportation information could enable OSMC to better match costs and related charges, within the contractually required time frames. Web site provided information would also make it easier for Exchange management to periodically verify OSMC transportation charges.
- c. **Vehicle Price Comparisons.** OSMC vehicle pricing was in accordance with contract terms; however, OSMC vehicle pricing did not provide the best value for Exchange customers. A comparison of OSMC vehicle prices to Edmunds.com prices concluded all 81 vehicle prices reviewed were priced higher at OSMC than on Edmunds.com, with price differences ranging from \$40 (0.1 percent) to \$4,211 (13.5 percent). On average, prices were \$913 (3.7 percent) more at OSMC. These price comparisons strongly suggest Exchange customers may not always be getting the best deal on vehicle sales.
  - (1) **Price Testing.** OSMC prices for the 81 model-year 2011 vehicles reviewed (42 Ford, 36 Chrysler, and 3 Honda vehicles) were obtained from its proprietary MilQuote system. The 81 vehicles were judgmentally selected at six NCS locations in Germany. Vehicle base plus accessory prices were compared to Edmunds.com prices.
  - (2) **Price Benchmark.** NCS contracts require OSMC to price vehicles by applying a mark up to dealer's invoice; this practice was followed as required. However, the dealer's invoice is an indefinite term used in the car sales industry and is not the manufacturer's wholesale price. A benchmark against which OSMC prices can be measured needs to be clearly defined and included in future contracts to provide Exchange management a basis for negotiating a lower mark up with OSMC, resulting in savings to Exchange customers.

- d. **Management Oversight.** Improved oversight by the responsible business program manager was needed to assure reviews over Order Acceptances were documented, and documentation provided by OMSC to support transportation charges met contract requirements for proper substantiation of costs. Observations follow:
- (1) **Contract Compliance.** Order Acceptances and supporting documents were provided by OMSC to the responsible business program manager for the period May to October 2010; however, there was no documentation to support completed reviews. The business program manager stated he randomly selected and reviewed five vehicle Order Acceptances monthly (approximately 0.5 percent of monthly sales) to ensure the vehicles were sold according to contract terms.
  - (2) **Transportation Charges Validation.** The responsible business program manager and contracting officer, tasked with annual validation of OMSC vehicle transportation charges, stated they validated 2009 and 2010 transportation charges. However, documentation provided by OMSC for substantiation did not meet contract requirements or allow for proper substantiation of costs. Transportation charges were required to be based on OMSC costs, and passed on to customers without added profit to OMSC.
- e. **Fee Structure.** The Exchange only received fees for each vehicle sold, but did not receive fees for any additional services sold. Earnings could increase by at least \$143,950 annually and \$719,750 over the 5-year planning cycle, if fees for additional services sold within the program were secured during future contract negotiations. Our observations concerning the fee structure follow:
- (1) **Established Fees.** The Exchange currently receives a fixed commission fee of \$260 for sales of each automobile, \$201 for each motorcycle, and \$30 for each LoJack security system.
  - (2) **Additional Fee Opportunities.** The Exchange did not receive fees from sales of extended service warranties, vehicle protection packages, and vehicle add-ons (such as entertainment packages, navigation systems, and floor mats). However, prior audit results from 1994 for these operations showed the Exchange previously received \$10 for each extended service warranty and vehicle protection package sold. Based on 137 sample deals, to include the sale of extended service warranties and vehicle protection

packages, and projecting this data over the population of 11,079 vehicles sold during 2010, earnings could increase by at least \$143,950 annually (see Table 2) and \$719,750 over the 5-year planning cycle, if fees for these services were secured during future contract negotiations.

**Table 2: Projected Increase In Earnings From Fees For Ancillary Products**

Product Type	# of Items Sold in Sample	Projected		Projected Fees
		# of Items Sold <sup>1</sup>	Fee Per Item Sold <sup>2</sup>	
Extended Warranties	108	8,734	\$10	\$87,340
Protection Package	70	5,661	\$10	\$56,610
<b>Total Projected Increase in Earnings</b>				<b>\$143,950</b>

<sup>1</sup>The projected sales count was calculated using Army Audit Statistical Software based on the 2010 population of 11,079 vehicles sold.

<sup>2</sup>The \$10 fee was based on the amount the Exchange received previously.

The estimate above does not include fees for vehicle add-ons. For the 137 sample deals reviewed, vehicle add-ons averaged \$1,657, and present another opportunity to increase fees for the Exchange. Additional opportunities to further increase fees exist if future contract negotiations avoid fixed commission fees for each vehicle and, instead, establish a percentage-of-sales fee structure. A change in the fee structure would generate higher fees for sales of high-priced vehicles, compensate the Exchange for the entirety of the vehicle sold, and automatically increase Exchange fees as vehicle prices increase.

- f. **Multiple-Source Contract Solicitation.** The Exchange’s relationship with OMSC as the operator of the NCS program has been in place since 1962. Based on discussions with responsible Exchange associates, the contract for these services has been sole sourced for the prior two contracts. Solicitation from other companies would help the Exchange determine who could provide the best service to our customers, and bids received from other companies would provide the Exchange with a benchmark for future fee expectations.

**6. RECOMMENDATION 1.** Director, Sales Directorate, require the responsible business program manager to:

- a. Document reviews of Order Acceptances to ensure vehicles are sold in compliance with contract terms.
- b. Periodically compare OMSC vehicle prices to a reliable objective source, such as Edmunds.com. Based on the results of this comparison, coordinate with the responsible contracting officer, and

use this information as a basis for negotiating a lower mark up with OMSC, resulting in savings to Exchange customers.

**7. MANAGEMENT ACTIONS.** The Vice President, Sales Directorate, replied:

- a. “Concur. Twenty randomly selected Order Acceptances are reviewed monthly and are compared against Exhibit D. Confirmation of reviews will be documented via email and forwarded to PZ to add to the contract administrative folder. This process will provide notice to the contracting officer that reviews are complete and will identify findings that occur. This notification process will begin with September 2011 reviews.

Estimated Completion Date: September 2011.

- b. Concur. This requirement will be addressed in the new contract master with a revised pricing format of Manufacturer’s Suggested Retail Price – discounts, making comparisons to Edmunds.com, KBB.com or other leading vehicle pricing agencies easier to compare. Until the new contract is awarded, monthly spot checks for baseline vehicle pricing will be verified with the order acceptance reviews.

Estimated Completion Date: June 2012.”

**8. RECOMMENDATION 2.** Director, Corporate Procurement, require the responsible contracting officer to:

- a. Coordinate with OMSC management and establish a plan for OMSC to provide complete support for transportation charges on a website that is accessible to Exchange management.
- b. Negotiate with OMSC management upon expiration of each NCS contract, to ensure future contracts include fees for the sale of extended service warranties, vehicle protection packages, and vehicle add-ons.
- c. Negotiate with OMSC management upon expiration of each NCS contract, to ensure future contracts include data be provided to the Exchange to enable sales and fee verification.
- d. Solicit bids from other companies to supply NCS services to ensure customers are provided with the best service available and fees are maximized.

**9. MANAGEMENT ACTIONS.** The Vice President, Corporate Procurement, replied:

- a. “Concur with alternate solution to the recommendation. For the current contract, removal of the requirement for the information to be provided on a

website but maintain the requirement to provide written support for transportation charges. This written documentation will include a narrative description and spreadsheets documenting the weighted calculated averages with supporting invoices for each transportation charge and representing all associated expenses. The Exchange and OMSC have agreed on the background information required to verify the transportation costs, and OMSC will provide this data upon request. The new solicitation will include a detailed outline for the required documentation, including website access.

Estimated Completion Date: 9 January 2012.

- b. Concur. The extension of the current contract will provide adequate time to develop a new solicitation with this audit recommendation. The new solicitation currently in development is inclusive of all four contracts under the Exchange New Car Sales program (Ford, Chrysler, Honda, and Harley Davidson motorcycles). The new business model will combine the requirements from each of these four contracts into one solicitation and may result in one or two contract awards. The new contract(s) will include a multiple fee structure that separates all services the new contractor can offer customers. The multiple fee structure will include one (1) fee for new cars, one (1) or more fees for extended warranties, add-ons/accessories (vehicle protection packages, vehicle upgrades, etc.) and other services potentially sold under these contract(s) such as retail merchandise. Fee for these same categories will apply separately for motorcycles.

Estimated Completion Date: 9 January 2012.

- c. Concur. The extension of the current contract will provide adequate time to develop a new solicitation with this proposed change. The new solicitation currently in development for the new contract is inclusive of all four contracts under the Exchange New Car Sales program (Ford, Chrysler, Honda, and Harley Davidson motorcycles). The new business model in development will include a provision clause that will require the contractor to submit audited financials for one complete year and/or auditable records upon the request of the Exchange. Moreover, we are incorporating language in the contract that will require quarterly contract data reports be provided in specific format to assure accountability of sales information to account for cars sold to verify monthly fee payments.

Estimated Completion Date: 9 January 2012.

- d. Concur. Contracting issued a Request for Information (RFI) package to 15 sources to help determine if other sources were interested in providing new car service. Of the 15 sources, five sources responded to the RFI and provided an on-site presentation

to SD and PZ of their capabilities. These five sources, to include the other sources that choose not to present, will all receive a solicitation package.

Estimated Completion Date: 9 January 2012.”

## **10. EVALUATION OF MANAGEMENT ACTIONS**

Management actions taken or planned in response to audit recommendations should resolve the concerns discussed in this report.

KEVIN J. IVERSON, CIA, CGFM, CFE  
Director, Audit Division

APPENDIXES A-B

cf:  
Exchange Elements  
BoD, Audit Committee Members  
Ernst & Young LLP, Certified  
Public Accountants

<b>APPENDIX A – LOCATIONS VISITED DURING THE AUDIT</b>
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<u>LOCATION</u>	<u>COVERAGE</u>	<u>REPORT PROVIDED</u>
<b>Corporate Procurement Directorate</b>	S/A	Yes
<b>Sales Directorate</b>	S/A	Yes
<b>Baumholder</b>	S	No
<b>Grafenwoehr</b>	S	No
<b>Heidelberg</b>	S	No
<b>Ramstein AB</b>	S	No
<b>Spangdahlem</b>	S	No
<b>Vilseck</b>	S	No

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S – Survey  
A – Audit

*Report Provided – A draft report was issued to obtain management comments. Findings and Recommendations are recorded in the Follow-up and Tracking System and will be selectively followed up on as management completes corrective action.*

<b>APPENDIX B – POTENTIAL DOLLAR SAVINGS AND BENEFITS</b>
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<u>PARAGRAPH</u>	<u>BENEFITS</u>	<u>EXPLANATION OF BENEFITS</u>
5b(1)b	\$384,491	Refund program for customer overcharges totaling \$384,491 was completed in July 2011.
6a	*	Documenting reviews of Order Acceptances will ensure vehicles are sold in compliance with contract terms.
6b	*	Requiring the New Car Sales (NCS) business program manager to periodically compare Overseas Military Sales Corporation (OMSC) prices to a reliable objective source, coordinate with the responsible contracting officer, and use data to negotiate a lower mark up with OSMC, will result in savings to Exchange customers.
7a	*	Requiring OMSC to provide complete support for transportation charges on a website that is accessible to Exchange management will improve operational efficiency and assure Exchange customers are accurately charged for transportation costs.
7b	\$143,950	Negotiating for the inclusion of fees for items sold beyond the base vehicle could increase annual earnings by at least \$143,950 and \$719,750 over the 5-year planning cycle.

*Note: \*Indicates dollar amounts were not quantifiable.*

**APPENDIX B – POTENTIAL DOLLAR SAVINGS AND BENEFITS, cont.**

<b><u>PARAGRAPH</u></b>	<b><u>BENEFITS</u></b>	<b><u>EXPLANATION OF BENEFITS</u></b>
7c	*	Additional data provided by the manufacturer and OMSC would allow Exchange personnel to verify the accuracy of sales and fee information with reasonable certainty.
7d	*	Soliciting offers from other companies for NCS services would ensure Exchange customers are receiving the best service available and fees are maximized.

*Note: \*Indicates dollar amounts were not quantifiable.*