

# UNOFFICIAL TRANSCRIPT

1

1 ALLEGATIONS OF WASTE, FRAUD, AND ABUSE

2 IN SECURITY CONTRACTS AT THE

3 U.S. EMBASSY IN KABUL

4 - - -

5 WEDNESDAY, JUNE 10, 2009

6 United States Senate,

7 Subcommittee on Contracting Oversight,

8 Committee on Homeland Security and Governmental Affairs,

9 Washington, D.C.

10 The Subcommittee met, pursuant to notice, at 2:34 p.m.,

11 in Room 342, Dirksen Senate Office Building, Hon. Claire

12 McCaskill, Chairman of the Subcommittee, presiding.

13 Present: Senators McCaskill and Collins.

14 OPENING STATEMENT OF SENATOR McCASKILL

15 Senator McCaskill. Welcome to the hearing of the

16 Subcommittee on Contracting Oversight of the Homeland

17 Security and Governmental Affairs Committee.

18 I am really glad that our Ranking Member is here. She

19 has a long record of oversight on all issues relating to

20 accountability in the Government and has been a great mentor

21 for me in this area and it is great to have her here this

22 afternoon.

23 As we bring this hearing to order, I just want to

24 briefly talk about why we are here today. This is basically

25 an effort to look at one contract out of tens upon thousands

# UNOFFICIAL TRANSCRIPT

2

1 of contracts that has had a difficult record in terms of  
2 being compliant with contract provisions and see if by  
3 looking at this contract we cannot learn some lessons about  
4 contract oversight.

5 I think it is particularly important, because this  
6 particular contract deals with the security of our embassy  
7 in theater. We are obviously in a conflict in Afghanistan  
8 and so therefore there is extreme pressure on the State  
9 Department to make sure that the embassy is secure, and that  
10 is why I think this particular contract should get extra  
11 scrutiny and oversight as it relates to how the contractor  
12 has performed under the provisions of the contract.

13 This contract is about a \$190 million contract to  
14 provide the guard force at the U.S. Embassy in Kabul. It is  
15 a unique contract in some ways because at most U.S.  
16 embassies around the world, the State Department hires local  
17 nationals if they need guard force assistance. In Iraq and  
18 Afghanistan, however, the State Department has decided to  
19 contract out the embassy's security to a mix of Americans,  
20 expatriates, and third-country nationals. In Kabul, our  
21 embassy security force is largely comprised of individuals  
22 from Nepal.

23 The Kabul Embassy contract can be viewed as a case  
24 study on how mismanagement and lack of oversight can result  
25 in poor performance. AGNA is the contractor and their

# UNOFFICIAL TRANSCRIPT

1 performance on this contract has been deficient since the  
2 contract began in July of 2007. The result is that at  
3 times, the security of the U.S. Embassy in Kabul may have  
4 been placed at risk.

5 In July of 2007, the State Department contracting  
6 officer issued a cure notice, a formal letter saying the  
7 contractor had failed to meet major contract requirements.  
8 The contracting officer told, and I quote, AGNA, "I consider  
9 the contract deficiencies addressed below to endanger  
10 performance of the contract to such a degree that the  
11 security of the U.S. Embassy in Kabul is in jeopardy."

12 The State Department also told AGNA that it questioned  
13 the contractor's ability to provide security for the embassy  
14 in the hostile environment of Afghanistan. According to the  
15 State Department, and again I quote, "The Government has  
16 serious concerns regarding AGNA's ability to respond in the  
17 aftermath of a mass casualty incident or extreme loss of  
18 personnel due to mass resignation, hostile fire, or loss of  
19 manpower due to illness. Therefore, AGNA needs to come  
20 quickly to terms with contract requirements, especially in  
21 light of the current incidents occurring in and around Kabul  
22 and the corresponding threat environment they pose."

23 In September 2008, AGNA's performance problems had  
24 grown so severe that the State Department advised AGNA that  
25 the State Department was considering terminating the

# UNOFFICIAL TRANSCRIPT

1 contract. According to the State Department, AGNA's failure  
2 to provide sufficient guards has, quote, "negatively  
3 impacted the security posture of the local guard program for  
4 the U.S. Mission to Kabul. The staffing situation has  
5 further deteriorated to a level that gravely endangers  
6 performance of guard services in a high-threat environment  
7 such as Afghanistan."

8 In March of 2009, in inspections of the guard force  
9 operations, the State Department observed that at least 18  
10 guards were absent from their posts at the embassy. In  
11 response, AGNA stated that the guards' absences were due to  
12 supervisory personnel negligence.

13 Documents produced to the Subcommittee also show that  
14 AGNA officials responsible for buying winter clothing and  
15 boots for the guard force acquired over \$130,000 of  
16 counterfeit goods from a company owned and managed by this  
17 same official's wife. In total, the AGNA official purchased  
18 \$380,000 worth of equipment from his wife's company.  
19 Instead of letting the contract end after the first year,  
20 the State Department chose to exercise the first option  
21 year, and we have learned the Department intends to exercise  
22 the second option year, which begins July 1. If they do,  
23 the Kabul embassy will be guarded by this contractor at  
24 least until next June.

25 In testimony to be delivered today, the witness from

# UNOFFICIAL TRANSCRIPT

5

1 the State Department has said at no time was the security of  
2 the American personnel at the U.S. embassy compromised. I  
3 hope that is the case. I have been told that it is. But  
4 the State Department's own prior statements indicate that we  
5 have a problem and that, in fact, the U.S. embassy could  
6 have been at risk, and this is something we need to examine  
7 closely.

8 The State Department and AGNA have also advised the  
9 contractor is now fully compliant with requirements relating  
10 to staffing. I am satisfied the Department and AGNA have  
11 made major progress and there are no remaining glaring  
12 deficiencies which endanger the security of the embassy.  
13 But I am not satisfied with the record of mismanagement that  
14 is before us today and the oversight that this contract had.

15 So my question for the hearing today is, is this the  
16 best we can do?

17 There are lessons to be learned from this embassy  
18 contract. By examining how the State Department and the  
19 contractor allowed so much to go wrong, we can begin the  
20 process of ensuring that mismanagement of a contract doesn't  
21 ever jeopardize any of our U.S. embassies.

22 My staff has prepared an analysis of the evidence that  
23 the Subcommittee has received and also there are 11  
24 documents that I would like to put in the hearing record.  
25 By unanimous consent, I would like to place the staff

# UNOFFICIAL TRANSCRIPT

6

1 analysis and the 11 documents that we have received in  
2 support of this hearing information in the record.

3 Senator Collins. I have no objection.

4 [The information of Senator McCaskill follows:]

5 / SUBCOMMITTEE INSERT

# UNOFFICIAL TRANSCRIPT

1           Senator McCaskill. Thank you very much.

2           I will then turn to Senator Collins for any opening  
3 remarks she has.

4                           OPENING STATEMENT OF SENATOR COLLINS

5           Senator Collins. Thank you, Madam Chairman, and I want  
6 to commend your leadership in this area. I would ask  
7 unanimous consent that my entire statement be placed in the  
8 record and I am just going to make a few comments.

9           Senator McCaskill. So ordered.

10          Senator Collins. In Government procurement, ensuring  
11 the best value for the American taxpayer is important under  
12 the best of circumstances, but it is crucial when our Nation  
13 is at war and our fellow citizens are serving in harm's way  
14 in Iraq, Afghanistan, and in other overseas locations.

15          Federal employees and contractors working in these  
16 hostile environments should feel secure within the walls of  
17 our embassies. While safety cannot be guaranteed, our  
18 Nation owes its citizens as well as the foreign nationals  
19 that serve by their sides a reasonably secure safe haven  
20 from those who would do them harm.

21          Our embassies depend on private security contractors to  
22 supplement the Marine security detachments or other Federal  
23 security officials. The vast number of these security  
24 contractors perform admirably for the U.S. Government.  
25 Unfortunately, however, the Government Accountability

# UNOFFICIAL TRANSCRIPT

1 Office, the Inspectors General, and other investigative  
2 bodies have found numerous examples where private security  
3 contractors have failed to uphold their contractual  
4 obligations and have left their Government partners  
5 vulnerable to failure or attack.

6 To improve private security contractors and to protect  
7 Federal interests, the Federal Government needs to have  
8 explicit expectations, precise contract requirements, and  
9 diligent program management and oversight by all agencies.  
10 Today's hearing will examine this very issue in the specific  
11 context of security at the American Embassy in Kabul.

12 We will examine the State Department's role in writing  
13 a clear, performable contract and its ability to provide  
14 consistent and responsible contract management and  
15 oversight. We will examine the steps that the State  
16 Department took to identify the deficiencies in performance  
17 by the contractor and whether the State Department held the  
18 contractor accountable for poor and declining performance.

19 In the end, we hope that the lessons learned from this  
20 hearing will improve contract administration and lead to  
21 better security for our embassy's dedicated staff.

22 Thank you, Madam Chairman.

23 Senator McCaskill. Thank you.

24 Our first witness is Mr. William Moser, who is the  
25 Deputy Assistant Secretary of State for Logistics Management



# UNOFFICIAL TRANSCRIPT

1 at the U.S. Department of State.

2 It is the custom of the Subcommittee to swear all  
3 witnesses that appear before us, so if you don't mind, I  
4 would ask you to stand.

5 Do you swear that the testimony that you will give  
6 before this Subcommittee will be the truth, the whole truth,  
7 and nothing but the truth, so help you God?

8 Mr. Moser. So help me God.

9 Senator McCaskill. Thank you.

10 We will be using a timing system today. We would ask  
11 that your oral testimony be no more than five minutes and  
12 your written testimony will be printed in the record in its  
13 entirety.

14 Thank you, Mr. Moser, for being here and we welcome  
15 your testimony.

# UNOFFICIAL TRANSCRIPT

10

1 TESTIMONY OF WILLIAM H. MOSER, DEPUTY ASSISTANT  
2 SECRETARY, LOGISTICS MANAGEMENT, U.S. DEPARTMENT  
3 OF STATE

4 Mr. Moser. Thank you very much, Senator McCaskill.  
5 Chairman McCaskill, Ranking Member Collins, thank you for  
6 the opportunity to appear today before you to discuss the  
7 State Department's management of contracts to provide  
8 security services at the U.S. Embassy in Kabul.

9 The Department of State has extensive experience with  
10 procuring services to protect our overseas diplomats and  
11 facilities. Diplomatic activity is ever changing to meet  
12 the needs of our country amid evolving world events. In  
13 today's testimony, I will address the performance of  
14 ArmorGroup North America, as the provider of static guard  
15 services for our embassy as well as the State Department's  
16 oversight of this contract.

17 Because of the dangerous and unique environment,  
18 acquiring guard services for our mission in Kabul is  
19 challenging. However, by staying focused on the number one  
20 priority, the security of the embassy, complemented by  
21 effective contract management, the Department of State has  
22 successfully balanced its security requirements and contract  
23 compliance. Indeed, improving the worldwide program for  
24 procuring guard services is a Department priority.

25 The Department established an Embassy Guard Branch in

# UNOFFICIAL TRANSCRIPT

11

1 the Office of Logistics Management to consolidate,  
2 streamline, and regionalize these contracts previous  
3 administered individually by post. We believe that these  
4 complicated contracts should be centralized so that they  
5 receive the attention from procurement professionals that  
6 they deserve. We have grown to administer 53 contracts  
7 worldwide.

8 This transition, however, has not been without growing  
9 pains, including a backlog of price adjustments and change  
10 management with the individual posts. However, we already  
11 see that the centralizing of the guard contract program has  
12 achieved results that individual posts could not achieve.

13 I would like to go into a little bit more detail about  
14 the security services in Kabul. We have met with your staff  
15 three times in the past three weeks. We believe that these  
16 meetings have been extremely productive. The Department  
17 presented historical background, described the on-the-ground  
18 conditions in Kabul, and outlined the many steps taken to  
19 ensure appropriate oversight of ArmorGroup North America.  
20 Prior to the award of ArmorGroup North America contract, the  
21 Department had terminated a contract with MVM due to the  
22 contractor's failure to meet contract requirements.

23 In March 2007, a new guard contract was awarded to  
24 ArmorGroup North America. As required by law, this contract  
25 was awarded based on the lowest price, technically

# UNOFFICIAL TRANSCRIPT

12

1 acceptable offer. This award was for one base year and four  
2 option years. The Department is currently in the first  
3 option year.

4 As with all guard contracts, there is constant  
5 communication with and collaborative efforts by the  
6 contracting officer and Diplomatic Security in Washington  
7 and the Regional Security Officers on the ground in Kabul.  
8 For the ArmorGroup North America contract, weekly meetings,  
9 and at times daily meetings, are held on contract  
10 performance.

11 At the end of the first contract year, Diplomatic  
12 Security and the contracting officer completed a thorough  
13 evaluation. In addition, the Bureau of Diplomatic Security  
14 has conducted 14 program management reviews since contract  
15 award. Through this constant oversight, the Department  
16 identified several issues and deficiencies and worked to  
17 correct them with ArmorGroup. However, at no time was the  
18 security of American personnel at the U.S. Embassy  
19 compromised. Indeed, one of my priorities in traveling to  
20 Afghanistan last week was to have discussions with the  
21 Regional Security Officer and senior post management to  
22 confirm this fact.

23 During the 2007 transition to ArmorGroup North America,  
24 the Department identified deficiencies in personnel,  
25 training, equipment, and performance. The contracting

# UNOFFICIAL TRANSCRIPT

13

1 officer and the program manager issued several deficiency  
2 letters, a cure notice, a show cause notice, and carefully  
3 monitored ArmorGroup North America's corrective action  
4 plans. During this monitoring, we discovered other  
5 deficiencies concerning reporting, invoicing, and weapons  
6 for training. The most serious of our concerns were manning  
7 deficiencies that the contractor covered by the use of  
8 overtime hours.

9       The Department always took appropriate deductions from  
10 its payments to ArmorGroup North America to ensure that the  
11 U.S. Government was compensated for less than full  
12 compliance with contractual terms. At the same time, we  
13 worked with ArmorGroup North America to correct these  
14 problems.

15       Through this difficult period of contract  
16 administration, we have always remained focused on what  
17 counts the most, the security of our personnel and  
18 facilities in Kabul. The Regional Security Officer in  
19 Afghanistan has always reported that despite the contractual  
20 deficiencies, the performance on the ground by ArmorGroup  
21 North America has been and is sound. The Regional Security  
22 Officer and the senior officials of the Kabul Embassy  
23 reaffirmed this to me last week.

24       Effective contract administration in a war zone is  
25 challenging. However, in this case, we feel we found the

# UNOFFICIAL TRANSCRIPT

14

1 right balance of enforcing contract compliance without  
2 losing sight of protecting our people and facilities in  
3 Kabul.

4 I look forward to discussing these issues with the  
5 Committee and look forward to your questions.

6 [The prepared statement of Mr. Moser follows:]

# UNOFFICIAL TRANSCRIPT

15

1 Senator McCaskill. Thank you, Mr. Moser.

2 Let me start by bringing your attention to a couple of  
3 documents which don't seem to reconcile completely with your  
4 testimony today. On July 19, 2007--and if we can put this  
5 document up--this was after the contract had begun, and I am  
6 quoting the document, "I consider the contract deficiencies  
7 addressed below to endanger performance of the contract to  
8 such a degree that the security of the U.S. Embassy in Kabul  
9 is in jeopardy," end of quote.

10 And then a year later, a letter to AGNA, once again in  
11 a document from the State Department, AGNA's inability to  
12 permanently correct personnel staffing shortages has  
13 negatively impacted the security posture of the local guard  
14 program for the U.S. mission to Kabul. The staffing  
15 situation has further deteriorated to a level that gravely  
16 endangers performance of guard services in a high-threat  
17 environment, such as Afghanistan.

18 These are two documents that were generated by the  
19 State Department that has this language in them. I am  
20 trying to reconcile your testimony today with those  
21 documents and want to give you a chance to do just that.

22 Mr. Moser. Senator McCaskill, thank you very much for  
23 the question. And I really do want to start, first of all,  
24 to put this in the context of where we were in the contract  
25 administration, particularly with the first one.

# UNOFFICIAL TRANSCRIPT

16

1           The first letter was actually after we looked at the  
2 transition from our previous guard contract with the P.A.  
3 Berger bridge contract to ArmorGroup North America. Well,  
4 to be frank about it, this transition was not easy, and I  
5 will say this based on my 25 years in the Foreign Service.  
6 If you have ever been in a post where the guard contract  
7 transitions from one contract to another, it is a very  
8 difficult situation. There is usually a turnover in guards.  
9 They have to understand their responsibilities. The  
10 management changes. It is a very, very difficult situation.  
11 And to magnify this is we have never done too many  
12 transitions in a place as dangerous as Kabul, Afghanistan.

13           So really, what I think that you see in the first  
14 letter and really in the subsequent one, too, is what I have  
15 actually encouraged all the contracting officers that work  
16 in my section to do, which is to be tough with the  
17 contractor at the very beginning and make sure that they  
18 know that we are serious about these things.

19           Now, I am not going to say that these were necessarily  
20 exaggerations, but what we want to emphasize here, that if  
21 they did not correct these deficiencies with the things that  
22 were left out that were not done really properly, yes, this  
23 could end up to be a serious deficiency in the security  
24 posture of the embassy. But I didn't want them to go out  
25 and say to the contractors, oh, well, you need to correct



# UNOFFICIAL TRANSCRIPT

17

1 these because they don't comply with dotting the "i"s and  
2 crossing the "t"s in the contract. We want to tell them  
3 that these things really do have real consequences, but at  
4 the same time, the people on the ground said, for now, this  
5 is okay.

6 Now, Senator McCaskill, I do want to make one point  
7 more on that. One of the reasons why that the RSOs on the  
8 ground, and I talked both to the previous RSO who was there  
9 in 2007 and to the one that is currently on the ground in  
10 Afghanistan, and one of the things that they both--or the  
11 one that was previously in Afghanistan emphasized to me is  
12 that the previous contract, the bridge contract, was so bad  
13 and security was so poor under that that the transition to  
14 ArmorGroup was still a major improvement in the security  
15 posture of the embassy. And to the extent that the guard  
16 posts could be covered, the requirements of the contract  
17 were met in terms of the actual security, they didn't want  
18 to go through transitioning to yet another contractor.

19 And I can be a little bit more specific with your  
20 question--

21 Senator McCaskill. Okay. So you are anticipating kind  
22 of my next question.

23 Mr. Moser. Sure.

24 Senator McCaskill. And I don't mean to put words in  
25 your mouth--

# UNOFFICIAL TRANSCRIPT

1 Mr. Moser. Okay.

2 Senator McCaskill. I am good at doing that, so stop me  
3 if I do it. But what you are saying is that the first  
4 letter was meant to be serious with them, but it probably  
5 wasn't quite as serious as it sounded? Is that what you are  
6 saying?

7 Mr. Moser. Well, Senator McCaskill, I think maybe to  
8 put it this way. The previous bridge contract was terrible  
9 and we really were concerned about the security at the  
10 embassy under that--

11 Senator McCaskill. Okay--

12 Mr. Moser. --under the previous bridge--

13 Senator McCaskill. I understand that.

14 Mr. Moser. I have a new contractor, and frankly,  
15 Senator McCaskill, I think that you want the contracting  
16 officers in the Federal Government to be tough on  
17 contractors, particularly when they are starting into a new  
18 contract--

19 Senator McCaskill. Okay. So let us, just for purposes  
20 of this discussion, let us take that first letter and say,  
21 this is the new sheriff, the new contractor--

22 Mr. Moser. That is right.

23 Senator McCaskill. --you are going to be tough.

24 Mr. Moser. Yes.

25 Senator McCaskill. But then a year later--

# UNOFFICIAL TRANSCRIPT

1 Mr. Moser. Well--

2 Senator McCaskill. --a year later, you use the  
3 language "gravely endangers performance of guard services in  
4 a high-threat environment such as Afghanistan."

5 Mr. Moser. Well--

6 Senator McCaskill. Now, this is a full 12 months  
7 later, Mr. Moser. I mean, are we still exaggerating to get  
8 their attention or were we not saying what was accurate at  
9 that point in time?

10 Mr. Moser. I think it is fair to say that because we  
11 want this to be a thoroughly documented and tough stance  
12 toward contractors, we are going to continue to emphasize  
13 that what we are talking about here is security. But this  
14 is a tough balancing act.

15 A year later, yes, we were right there on that  
16 borderline where we were thinking about, continue with them,  
17 terminate them. What are we going to do? And, you know, we  
18 had lots of discussions in the Department about what to do.  
19 So we knew that there were problems, but that said, and as I  
20 said in my testimony, the day-to-day tasks on the ground  
21 were still adequate and the security was sound.

22 Senator McCaskill. Okay.

23 Mr. Moser. So it is a really hard balancing act, and  
24 just to put this in the right context, Senator McCaskill, is  
25 that, yes, we want the contract, every part of it to be

# UNOFFICIAL TRANSCRIPT

20

1 complied with, and we do feel that all of the parts of the  
2 contract are important for the security of the mission. But  
3 we have got to think about what is going to be better for  
4 our people on the ground in Afghanistan, because at the end  
5 of the day, we manage first of all toward their security,  
6 and second, in terms of thorough contract compliance.

7       Senator McCaskill. I want to make sure I give Senator  
8 Collins a chance to question now, but I do want to--and I  
9 will come back and ask you a few more questions. But I  
10 think it is important to put on the record right now that  
11 the first letter, you have made an effort to explain. The  
12 second letter, you have made an effort to explain. But I  
13 think it is very important to point out that on the  
14 initiative of State, in March of this year, you did a check  
15 and inspected the guards--

16       Mr. Moser. Yes.

17       Senator McCaskill. --and found 18 posts had been left  
18 empty by the guards on duty at the embassy, and that was  
19 March of this year, so--

20       Mr. Moser. No, March of last year. Wasn't that 2008?  
21 Or was that 2009?

22       Senator McCaskill. No. This is 2009. That is this  
23 year.

24       Mr. Moser. Okay.

25       Senator McCaskill. The third year of the contract, or

# UNOFFICIAL TRANSCRIPT

21

1 coming up upon the third year of the contract. But let me--  
2 I have taken my initial time allotment and let me defer to  
3 Senator Collins for questions.

4 Senator Collins. Thank you.

5 Mr. Moser, I have to tell you that in reviewing these  
6 documents, I, too, find them to be very conflicting and  
7 confusing. It troubles me if you are telling a contractor--  
8 and by you, I mean the Department of State--

9 Mr. Moser. Yes, I am sure. I understand.

10 Senator Collins. --not you personally--if the  
11 Department of State is telling a contractor that the  
12 deficiencies address below to endanger performance of the  
13 contract to such a degree that the security of the embassy  
14 is in jeopardy, if that is not a true statement, then the  
15 Department of State should not be saying it. If that is an  
16 exaggeration, then it is unfair to the contractor that that  
17 is being said. If it is accurate, then it is an alarming  
18 situation that demands action by the State Department. So  
19 clarify that for me.

20 Mr. Moser. Okay. Well, you know, I am not a  
21 contracting officer.

22 Senator Collins. Right.

23 Mr. Moser. You know, I am a Foreign Service Officer,  
24 and one of the things that we are very much aware of in the  
25 contracting activity is that there is--the actual service

1 being delivered is to provide security services for the  
2 Embassy in Kabul. That is the principal security service.  
3 But there are a lot of other contract terms that have an  
4 impact on the delivery of that service that are reflected.

5 Now, deficiency letters and cure notices are things  
6 that if you work with the parties involved can be corrected  
7 over time. In other words, we never said that you are not  
8 providing the security services. We are saying that these  
9 deficiencies, which they call them cure notices because they  
10 are curable, that we could work with these and correct them,  
11 but they are going to have to be corrected to maintain the  
12 long-term posture of security at the embassy.

13 And those are the things--it is a difficult, difficult--  
14 -I don't want to say that the contracting officers have  
15 exaggerated. No. But I think that they have given them a  
16 tough enough posture to say, look, if you don't correct  
17 these problems, then over time, this could lead to a serious  
18 degradation in the security in the embassy and its posture.

19 Senator Collins. Well, let us look at another measure.  
20 The Defense Security Service does an annual security review  
21 of the contractor. Now, initially, in June of 2006, the  
22 ArmorGroup received a superior rating. So that seems  
23 inconsistent to start with as far as your statement that  
24 when there is a change in the contractor, that the  
25 contracting officer is very tough up front. But here is the

# UNOFFICIAL TRANSCRIPT

1 other unit, the Defense Security Service, giving the  
2 contractor a superior rating.

3 Then what happened over the three-year period is the  
4 contractor's rating declines each year. It doesn't go all  
5 the way to unsatisfactory, which is what you would expect  
6 based on the cure notice, but it does decline from superior  
7 to satisfactory.

8 Now, it is my understanding that the Defense Security  
9 Service notifies the sponsoring agency, in this case the  
10 State Department, merely whether or not the contractor is  
11 still satisfactory, correct?

12 Mr. Moser. That is correct. That is my understanding,  
13 too, Senator Collins.

14 Senator Collins. But does the Defense Security Service  
15 share the actual performance reviews of the contractor with  
16 the Department of State?

17 Mr. Moser. They do not share them with the contracting  
18 authority who holds the actual contract.

19 Senator Collins. Shouldn't that information be shared?

20 Mr. Moser. Absolutely. But that is not something  
21 that--you know, if I can say this, we would be happy to have  
22 external information on the contractor and what the  
23 contractor has done in the past. In fact, one of the things  
24 in previous contracts that I have actually discussed with  
25 the Congress in the past, you know, my contracting officers

# UNOFFICIAL TRANSCRIPT

1 will trace down blog posts and see--if there is an  
2 allegation of blog posts, they will go chase after it to see  
3 if it is right. I would really think it would be beneficial  
4 for us to get official information. I fully agree.

5 Senator Collins. It seems to me that it should be an  
6 automatic requirement.

7 Let me go to another issue, and that is the nature of  
8 the deficiencies that were identified. You have testified  
9 here this morning that at no time during the performance of  
10 this contract have you felt that the security of the  
11 perimeter was breached or that the embassy personnel were,  
12 in fact, endangered, is that correct?

13 Mr. Moser. Yes, ma'am, that is correct. And it is not  
14 what I think. It is my discussions with the security  
15 officials who were on the ground. It means the people who--  
16 I talked about this with the people whose lives were at  
17 risk.

18 Senator Collins. What concerns me about that  
19 assessment is the nature of some of the deficiencies. Some  
20 of the deficiencies to me could not possibly have an impact  
21 on security. For example, there was a failure to provide  
22 adequate gym equipment. Now, that is not complying with the  
23 contract and that means potentially we are paying for  
24 services that weren't rendered and that is important, but  
25 that is a whole different issue and does not speak to



1 security.

2 But some of the issues seem to speak to security. For  
3 example, there is a charge that there was a late submission  
4 of ammunition.

5 Mr. Moser. Yes.

6 Senator Collins. So why wouldn't that have an impact  
7 on security?

8 Mr. Moser. Well, this was one of the ones--the  
9 ammunition issue was one of the ones that we were most  
10 disturbed about, and this is the reason why. At one time in  
11 the early days of the contract, in 2007, in the first six  
12 months, the State Department had to loan ArmorGroup North  
13 America ammunition, not with which to stand post, but with  
14 which to train. In other words--and the contract actually  
15 requires the ammunition in three forms. It requires--the  
16 contractor is supposed to supply ammunition for its  
17 personnel to stand at post, to train with, and then a  
18 reserve storage.

19 Now, we were disturbed that ArmorGroup North America  
20 did not have sufficient reserve storage, and the reason why  
21 this is such a disturbing thing to us is that it is  
22 Afghanistan and supply chain can be very, very difficult.  
23 So this was one of the ones we really were kind of jumping  
24 up and down about. In actual circumstances, the guards were  
25 still on post. They had enough ammunition to shoot with.

# UNOFFICIAL TRANSCRIPT

1 They didn't have to shoot anybody. But we were disturbed  
2 that if we had an incident, then we could actually get  
3 pressed, and that was where we were really disturbed. But  
4 ArmorGroup North America did make up that deficiency and  
5 currently have sufficient ammunition supplies.

6 Senator Collins. I see my time has expired.

7 Senator McCaskill. In the deficiencies, following up  
8 on Senator Collins' questions, in the deficiencies in the  
9 contract, we have personnel, we have training, we have  
10 equipment, we have performance, we have reporting, we have  
11 invoicing. My understanding, they still don't have the  
12 weapons they are required to have under the contract for  
13 training, is that correct?

14 Mr. Moser. That is true.

15 Senator McCaskill. And we have--we are not talking  
16 about office supplies on that list. We are talking about  
17 missing guards, counterfeit goods, insufficient relief  
18 guards, manning posts with people who lack English language  
19 training and weapons training required under the contract.  
20 Now, maybe the question that needs to be asked, Mr. Moser,  
21 is when we are in theater, when we are sending thousands of  
22 Americans to risk their lives in a country that we have  
23 deemed such a risk to our country that we are putting men  
24 and women's lives on the line every day, is it maybe time to  
25 say that we should not be guarding embassies in theater with

1 private security contracts?

2 Mr. Moser. Senator McCaskill, you know, that is an  
3 excellent question. You know, I have--I can't really give  
4 you an official Department position, but I can give you some  
5 of my personal views on this.

6 Basically, we have had local guards or contract guards  
7 at our embassies for many years, as long as I have been in  
8 the Foreign Service, I think. I have been in the Foreign  
9 Service 25 years and the first embassy I went to in Bamako,  
10 Mali, had contract guards, and going back much further than  
11 that.

12 It is a good question and one that I would encourage  
13 this body to really examine and in a dialogue with the State  
14 Department about whether, in certain situations, it is a  
15 good idea. But let me give you a couple perspectives on  
16 this.

17 One reason that it is an advantage to use contractors  
18 is that it allows us flexibility. As our requirements go  
19 up, we can hire more guards or we can ask the contractor to  
20 hire more guards. We can decrease as our requirements go  
21 down.

22 And one of the things that is something that the  
23 legislative branch will have to contemplate if we do change  
24 our current arrangements in this is that we actually look at  
25 the possibility--that we actually remember that if we would

# UNOFFICIAL TRANSCRIPT

28

1 federalize this workforce, then we also have to increase the  
2 amount of embassy staff on the ground in order to supervise  
3 that force and to handle things like personnel transactions  
4 and financial transactions.

5 Senator McCaskill. Well, couldn't they be military?

6 Mr. Moser. No. Well, that--

7 Senator McCaskill. Why couldn't it be military?

8 Mr. Moser. I think you will need to talk to my  
9 colleagues in DOD about that, because that--

10 Senator McCaskill. Well, here is what I am trying to  
11 figure out. I mean, the reason we have these unusual  
12 situations in Iraq and Afghanistan is because there was a  
13 decision made that nationals were too dangerous. We  
14 couldn't hire nationals because of the nature of the threat.  
15 So what do we do? We hire people from Nepal who can't speak  
16 English for \$800 a month.

17 Now, I have got to tell you, if this is about the  
18 locals being not sufficient to guard our embassy in theater  
19 because of the threat, it seems to me that we are not going  
20 up the food chain, we are going down the food chain. I  
21 mean, these people still--they have told you they can speak  
22 English, but you still have not made any verification that  
23 the people that are standing guard at this embassy can  
24 communicate in English, isn't that correct?

25 Mr. Moser. Senator McCaskill, we are currently

# UNOFFICIAL TRANSCRIPT

29

1 evaluating the information that we have from ArmorGroup  
2 North America and they have actually attested to us that the  
3 English certifications are now correct now for all of the  
4 Gurkha guards.

5 Senator McCaskill. And they also told you they are  
6 going to have weapons a year ago.

7 Mr. Moser. Yes, but I--you know, Senator, with all due  
8 respect--

9 Senator McCaskill. Didn't they?

10 Mr. Moser. With all due respect, I am somewhat  
11 sympathetic with them about the weapons based on my other  
12 experience in procurement. You know, we try to get radios  
13 for our embassy in Baghdad or for our other embassies around  
14 the world. We can't get them anymore. The reason we can't  
15 get them is because the DOD is sucking up all these  
16 resources, and particularly for the weapons that we procure  
17 for this, we are really in competition with a much bigger  
18 buyer, and ArmorGroup North America and the other security  
19 companies are, too. There is a real shortage in terms of  
20 the supply chain side that really keeps them from getting to  
21 them.

22 And so this is one of the reasons why, even though I am  
23 not happy about their shortage of the weapons, I actually am  
24 somewhat sympathetic based on my own personal experience in  
25 trying to supply equipment for our embassy and our offices.

# UNOFFICIAL TRANSCRIPT

1           Senator McCaskill. I understand the point you are  
2 making about the supply chain on the weapons, but Mr. Moser,  
3 this is a contract that anybody with a cold, cruel eye  
4 looking at the oversight of this contract would say that  
5 there have been serious performance issues. And I guess at  
6 this point, the idea that you would trust and not verify  
7 when literally just a few months ago when you did try to  
8 verify you found 18 posts empty--now either those posts were  
9 empty because they didn't have sufficient staff, which they  
10 have told you they have now, or they were empty because they  
11 were negligent in covering those posts.

12           Now, we are going to renew this contract again and I am  
13 just--I guess I am a little worried that at this juncture,  
14 with this kind of record on contract performance, that them  
15 just telling you that they are now in compliance seems to be  
16 sufficient for you.

17           Mr. Moser. Well, you know, one of the things is,  
18 Senator McCaskill, one of the things--you know, I have  
19 worked with local guard contracts or guard contracts for a  
20 long time as management officer overseas, and in fact, at  
21 one of my small posts, I was actually the post security  
22 officer and had to run the guard contract myself. You know,  
23 there are two RSOs on the ground out of 16, I think, total,  
24 and with that total to grow, that spend most of their time  
25 working on this. In terms of the language skills, those are

# UNOFFICIAL TRANSCRIPT

31

1 things that, you know, we look at the data that they have  
2 presented but they go out and verify that, as well. It is  
3 not like we take--in fact, our attitude with contractors in  
4 general is not trust, but verify. Our attitude is more like  
5 we don't believe what you are saying, we are going to check  
6 it out, and we really do try to do that in this contract, as  
7 well.

8 That is the reason why I have to have those eyes and  
9 ears on the ground in Kabul to go out and check with the  
10 Gurkhas and see if they can come out with a complete  
11 sentence of English. And I have to have them go and check  
12 the guard posts to make sure that they are manned.

13 Senator McCaskill. Well, when you checked the last  
14 time, could they?

15 Mr. Moser. Excuse me? I am sorry.

16 Senator McCaskill. When you checked, could they come  
17 out with a sentence in English when you checked?

18 Mr. Moser. Well, from what the indications that we had  
19 from the RSO, yes, they have made a lot of progress and that  
20 things are better. We are going to go over the data. This  
21 issue is still--we think that it may be resolved, but we are  
22 not entirely certain.

23 Senator McCaskill. Okay. Go ahead, Senator Collins.

24 Senator Collins. Thank you.

25 Mr. Moser, just so we don't leave the wrong impression

# UNOFFICIAL TRANSCRIPT

1 here, it is my understanding that the Gurkhas are extremely  
2 well regard--

3 Mr. Moser. Yes, they are.

4 Senator Collins. --in security circles, that they are  
5 well known for staying at their posts regardless of the  
6 threat, is that correct?

7 Mr. Moser. That is my understanding, too, Senator  
8 Collins. I have never--I have seen them at posts, but I  
9 have never been in a country where we have had them full  
10 time.

11 Senator Collins. And they are, in fact, used at  
12 several embassies?

13 Mr. Moser. Yes, they are. And in fact, the U.K. uses  
14 them quite extensively in various dangerous places around  
15 the world.

16 Senator Collins. I just wanted to clarify that point.

17 Senator McCaskill. Thank you. I probably got carried  
18 away about the food chain.

19 Senator Collins. Even though, I was just going to say,  
20 I am sympathetic with the Chairman's point, that even if you  
21 have exceptional guards, they have got to be able to  
22 communicate--

23 Mr. Moser. Yes--

24 Senator Collins. --to the English-speaking embassy  
25 personnel.



# UNOFFICIAL TRANSCRIPT

1           Mr. Moser. Well, and this is something that, you know,  
2 it is actually--this is something that we do care about. I  
3 mean, this is what the RSOs have to go out and determine,  
4 that they can actually run the workforce.

5           Senator Collins. Let me talk about the award of this  
6 contract. It is my understanding that prior to the award of  
7 the AGNA's contract, the State Department had terminated the  
8 previous contract with MVM, is that correct?

9           Mr. Moser. Senator Collins, if I can give you one  
10 point of clarification on that--

11          Senator Collins. Yes.

12          Mr. Moser. --it is actually--we did terminate it, but  
13 they actually never performed. In other words--

14          Senator Collins. I guess that would be extremely poor  
15 performance.

16          Mr. Moser. Well, let us say that, to use a polite  
17 phrase, they just couldn't get their act together and it was  
18 very obvious in the transition period that they weren't  
19 going to be able to perform. And that is the reason why we  
20 had to terminate that one rather precipitously.

21          Senator Collins. So let us talk about the contract  
22 that was awarded to AGNA. That was awarded in March of 2007  
23 and I am informed that it was based on an evaluation  
24 technique that is called lowest price, technically  
25 acceptable.

# UNOFFICIAL TRANSCRIPT

1 Mr. Moser. Yes, ma'am.

2 Senator Collins. And it is my understanding that in  
3 such circumstances, the lowest price bid is selected  
4 regardless of the relevant strength of the bidder's  
5 qualifications, is that correct?

6 Mr. Moser. Senator Collins, if I could put that--just  
7 one more finer point on it--

8 Senator Collins. Yes.

9 Mr. Moser. --it is lowest price, technically  
10 acceptable. It is in the State Department legislation  
11 passed by Congress. It is actually in our authorizing  
12 legislation, is my understanding. I have seen the  
13 legislation, but I don't remember the exact passage. And it  
14 is technically acceptable.

15 In other words, to get the specifics on this, there  
16 were eight bidders on this contract. Two were found to be  
17 technically acceptable. We had discussions with both of  
18 those who were found technically acceptable and AGNA was the  
19 winner after that based on a price that was lower than the  
20 other technically acceptable bidder.

21 Senator Collins. Now tell me how that differs from a  
22 best value approach to awarding the contract.

23 Mr. Moser. Well, in a best value approach, we would  
24 weigh the cost versus the quality of the proposals or what  
25 we think that the contractor could bring to the table. You

# UNOFFICIAL TRANSCRIPT

1 have to make trade-offs between cost and what is being  
2 offered. And it is a much more complicated technical  
3 evaluation. In other words, at the program office--and this  
4 is true in any contract, not necessarily--not only security  
5 services, but in any contract--you are trying to make a  
6 decision of what is the best value to the U.S. Government  
7 given both cost and technical qualifications.

8 Senator Collins. Now, it is my understanding that the  
9 current contractor, Wackenhut, I believe is how one says it,  
10 bought the company AGNA, is that--

11 Mr. Moser. Yes. Yes, ma'am.

12 Senator Collins. --and that they had been one of the  
13 bidders but lost out because their bid was considerably  
14 higher, is that correct?

15 Mr. Moser. Their bid was not judged to be technically  
16 acceptable.

17 Senator Collins. It was not technically acceptable.  
18 Was it also higher?

19 Mr. Moser. That, I don't know. I don't--I don't know.

20 Senator Collins. Is there a process when a company is  
21 acquired for reevaluation of the contract?

22 Mr. Moser. Normally, we do not do that. You know,  
23 companies do get traded, and usually if one goes to another,  
24 as long as the other security parts are met in terms of the  
25 acquisition about foreign ownership or other things, we

# UNOFFICIAL TRANSCRIPT

1 don't really go in and change because our contract is still  
2 valid.

3 Senator Collins. Do you know why Wackenhut was viewed  
4 as not being technically qualified?

5 Mr. Moser. No, ma'am, I do not.

6 Senator Collins. It is my understanding that the  
7 contractor is currently operating at a loss of \$1 million a  
8 month, according to the testimony. This has raised the  
9 question in my mind of whether, given the lack of compliance  
10 with the contract requirements, the requirement that you  
11 essentially take the lowest acceptable bidder--which sounds  
12 great, we want competition and we want the lowest bidder--  
13 but we also want quality performance. Do you believe that  
14 the bid price was too low to be feasible for a security  
15 contract under these constraints or is this just a--the  
16 contractor agreed to it, so obviously that is not the  
17 Government's fault, but what is your assessment?

18 Mr. Moser. Well, maybe if I can answer the question  
19 this way. As I have said, I have been in the State  
20 Department, overseas mostly, for the last 25 years and seen  
21 a lot of contracts, overseas contracts, and our biggest  
22 contract at any normal post is always the guard services  
23 contract. Lowest price, technically acceptable gets us the  
24 best value product but usually at the least cost, but it  
25 gets us an acceptable product at a least cost.

1           If you have best value, you would have the chance to  
2 get perhaps at a higher cost a better product. And this is  
3 the reason why, particularly for these very, very difficult  
4 security situations, like Afghanistan and Iraq and Pakistan,  
5 I think that we really should look at a change in  
6 legislation that would give us a best value way of  
7 appraising this.

8           Now, I say this partly because I am a big believer in  
9 contracting officers, and contracting officers and program  
10 officers, and I really think that if they have--if you give  
11 the employees at the Federal Government enough flexibility  
12 or the employees at the State Department enough flexibility  
13 to make good decisions, they will try to make a decision  
14 that is in the U.S. Government's best interest, because I  
15 think you both share with me that our first priority is  
16 making sure that we have good security for our embassy  
17 personnel in the most dangerous of situations.

18           Senator Collins. Thank you.

19           Senator McCaskill. In January of 2008, AGNA informed  
20 the State Department that the logistics manager, the  
21 official responsible for AGNA's contracting for embassy  
22 guard force, may have been buying counterfeit goods and had  
23 purchased over \$380,000 worth of equipment from a company  
24 owned and managed by his wife. What actions did the State  
25 Department take at the point in time that it learned that

# UNOFFICIAL TRANSCRIPT

1 information?

2 Mr. Moser. At the point in time when we learned that  
3 information, we told AGNA to continue its investigation,  
4 report back to us, and once we learned that this was true,  
5 we asked for the individual to be removed from the contract,  
6 the person that was their employee.

7 Senator McCaskill. And what about the wife's company?  
8 Was there any investigation? Was there any thought to  
9 having a fraud investigation, because clearly when you have  
10 that kind of arrangement, speaking as a former auditor, that  
11 is generally when you have kickbacks going on. That is  
12 generally when you have money being exchanged under the  
13 table. Was there any thought at the State Department that  
14 this would be a time that you would want your fraud  
15 investigators to look at what was going on in this contract  
16 in case taxpayer money had been stolen?

17 Mr. Moser. Well, one of the things is, Senator  
18 McCaskill, you know, I am a big believer in audits.  
19 Actually, I am a big believer in them. But, you know, this  
20 is a firm fixed-price contract. That is part of the nature  
21 of lowest price, technically acceptable, that it is at a  
22 given price. In other words, we pay them for the guard  
23 hours that we ask for. So there isn't really--the fraud  
24 isn't really committed against us. In other words, let me  
25 give you an example. You know--

# UNOFFICIAL TRANSCRIPT

39

1 Senator McCaskill. Wait a minute. Wait a minute--

2 Mr. Moser. Well, let me explain. Let me explain. You  
3 know, I lived in Central Asia for three years. I was  
4 assigned to our embassy in Kazakhstan. You know, the  
5 counterfeit goods were all over the local markets, but I  
6 couldn't always tell whether they were or were not  
7 counterfeit. And I know that this happens, particularly in  
8 these Asian countries with close proximity to China. This  
9 is very, very common.

10 What the--in our contract, we say, you will give the  
11 guard a coat. We don't say what kind of coat, quality of  
12 coat, anything like that. So to us, the fraud wasn't really  
13 committed against us. The contractor was giving the guard a  
14 coat. We didn't know what the coat was. So there wasn't  
15 really any fraud against us.

16 Now, we are more than happy to call the OIG when we  
17 think that there has been something untoward--call our own  
18 Inspector General when we think there is something untoward  
19 in our contract, but we didn't ask the contractor to provide  
20 a certain brand or a certain quality. We just specified the  
21 item.

22 Senator McCaskill. Okay. So I want to make sure that  
23 I understand this. If the United States Government is not  
24 seen as the victim of a financial crime, there is no  
25 interest in looking at for fraud purposes activity of a

# UNOFFICIAL TRANSCRIPT

40

1 contractor that could, in fact, be criminal? Is that what  
2 you are testifying, Mr. Moser?

3 Mr. Moser. Now, Senator McCaskill, I am not sure if I  
4 can really answer that question. I am just not--I know that  
5 in this case--all I can do is talk about what we did in this  
6 case, and what we did was the person was removed from the  
7 contract. We weren't really affected by the counterfeit  
8 goods and we didn't do anything further on this.

9 Senator McCaskill. Well, I just--I have to tell you, I  
10 am surprised. I think most people would be surprised that  
11 if you knew that someone that was a contractor for the  
12 United States Government, that someone who was a major  
13 acquisitions personnel within that contract, if you found  
14 out that they were buying counterfeit goods from their wife  
15 and it was \$380,000 worth of goods, even if it was a fixed-  
16 price contract, it would seem to me that somebody would go,  
17 we need to ask some questions here because it may be that we  
18 have got criminals working for us.

19 Mr. Moser. Well, we did take the action that--we did  
20 take appropriate action in terms of having that individual  
21 removed from the contract.

22 Senator McCaskill. Are you confident that this  
23 particular company was no longer used in terms of buying  
24 things from this company as the contract moved forward? Did  
25 you make inquiry in that regard?



# UNOFFICIAL TRANSCRIPT

41

1           Mr. Moser. We felt that the problem was resolved after  
2 the person involved was removed. And we also felt that they  
3 gave us an adequate explanation of what was going on. But I  
4 will be honest with you, Senator McCaskill. The RSOs  
5 looking at the goods that are actually--that the guards have  
6 are not going to know whether they are counterfeit or not.  
7 That is just realistic.

8           Senator McCaskill. I am more worried about the  
9 relationship between the procurement official in this  
10 contract and the person they bought the stuff from. I mean,  
11 do we have--

12          Mr. Moser. But--but--

13          Senator McCaskill. --no responsibility to make sure  
14 that the people who are working for us are following basic  
15 guidelines in terms of following the law?

16          Mr. Moser. Senator McCaskill, this is what I would  
17 say, is that the person that my contracting officer has a  
18 relationship with is the company. The company informed us  
19 that this activity was going on and that they needed to  
20 investigate it. They took appropriate action by dismissing  
21 the employee involved in this.

22          Senator McCaskill. Well, but I guess what I am saying  
23 is--

24          Mr. Moser. We felt that our interest in it--

25          Senator McCaskill. --maybe appropriate action was

# UNOFFICIAL TRANSCRIPT

42

1 sending that person to prison. How do we know they took  
2 appropriate action if you never asked the question?

3 Mr. Moser. Well, I can't answer that.

4 Senator McCaskill. All right. Finally, Mr. Moser,  
5 this contract is going to be renewed, correct?

6 Mr. Moser. Our intention is to renew this contract.

7 Senator McCaskill. Okay.

8 Mr. Moser. Or not actually to renew. What it is is  
9 actually exercise the second option year.

10 Senator McCaskill. And was this a close call?

11 Mr. Moser. Senator McCaskill, it wasn't a close call--  
12 it wasn't really a close call this year and this is the  
13 reason why. The contractor has, as I have said today, has  
14 done a reasonable job in providing security for the embassy  
15 and we have been satisfied with that performance. When  
16 there haven't been enough men at posts, and we do have, let  
17 us say, redundant coverage to make sure that the manning  
18 never endangers the security of our personnel on the ground  
19 in Kabul, that we have been able to make up for that through  
20 using our redundancy to make sure that the manning was  
21 covered. The security has been sound.

22 The things that we have asked for them to correct, the  
23 deficiencies that are outlined voluminously in our contract  
24 files, have for the most part been corrected except for the  
25 one deficiency regarding the training weapons and we feel

# UNOFFICIAL TRANSCRIPT

1 that that will be resolved going into the next year.

2 Now, weighing that against the risk that we would  
3 undertake for our employees in Afghanistan if we went to  
4 another contractor, we think that exercising the next option  
5 year is really the best alternative.

6 Senator McCaskill. Would it change your opinion as to  
7 whether or not you would want to renew an option year if you  
8 knew the contractor didn't want to work under this contract  
9 anymore?

10 Mr. Moser. Well, Senator McCaskill, if the contractor  
11 doesn't want to work under the contract anymore, he should  
12 give us a formal notice that he doesn't.

13 Senator McCaskill. Okay. Thank you, Mr. Moser.

14 Mr. Moser. Sure.

15 Senator McCaskill. Senator Collins is no longer here.

16 Thank you very much for being here today. I also want  
17 to just briefly mention that I think that you have tried  
18 diligently to provide us with documents. I know that you  
19 didn't have months to prepare. But I would just put on the  
20 record that I think there is still some work to be done in  
21 terms of how responsive the State Department is to requests  
22 for information because it has been a little bit of an arm  
23 wrestle.

24 Mr. Moser. Senator McCaskill, if I can say one thing  
25 on that, you know, the document release or the process of

# UNOFFICIAL TRANSCRIPT

1 document release is not something that I am responsible for  
2 in the State Department, but I will say that in the  
3 contracting authority, there is virtually no document that  
4 we are unwilling to share because the contracting officer's  
5 best friend is transparency. And, in fact, we think an  
6 honest dialogue with the members of the legislative branch  
7 is to our benefit and we are more than happy to share the  
8 documentation with you. But we do have a process in the  
9 State Department.

10 Senator McCaskill. And I think that is a question for  
11 another time and it is something I would like to get into  
12 with the State Department--

13 Mr. Moser. Yes, ma'am.

14 Senator McCaskill. --because it is my understanding  
15 that based on an independent analysis, there are FOIA  
16 requests that are a decade old at the State Department, and  
17 that, for somebody who has just used the word  
18 "transparency," I am proud of our State Department, but for  
19 anybody who works there, I can't imagine an excuse that  
20 could be valid for FOIA requests languishing as long as they  
21 do in many instances. And unfortunately, for purposes of  
22 most members of the Senate, if you are not the Chairman of a  
23 Subcommittee or a Committee, your request for information at  
24 the State Department is treated the same as any person off  
25 the street. Now, I am not sure that is a bad thing as long

# UNOFFICIAL TRANSCRIPT

1 as the person off the street is getting the service they  
2 deserve.

3 But I would certainly send you back to the State  
4 Department with encouragement that we are going to continue  
5 to look very closely at how easy it is to get information  
6 and how quickly we can get information out of the State  
7 Department and ask you to send the word out that that needs  
8 some work over there.

9 Mr. Moser. Senator McCaskill, you know, the person  
10 that is in charge of that function is another one of the  
11 deputy assistant secretaries in the bureau I work in, in the  
12 Bureau of Administration, and I am sure she would be happy  
13 to talk to you about this issue at any time.

14 Senator McCaskill. We will do that.

15 Mr. Moser. It is something she is very passionately  
16 concerned about.

17 Senator McCaskill. Thank you for being here today.

18 I want to put on the record that Mr. Moser has  
19 indicated that he will come back to the table, if necessary,  
20 for follow-up questions after the testimony of Mr. Brinkley.  
21 I haven't been here a long time. I am not really sure about  
22 this, not being at the same table at the same time and where  
23 that comes from. I don't get it. But it is what it is.

24 So welcome, Mr. Brinkley. You are the Vice President  
25 for Homeland and International Security Services of

# UNOFFICIAL TRANSCRIPT

46

1 Wackenhut Services, Incorporated. As I indicated to Mr.  
2 Moser, it is the custom of this Subcommittee to swear in all  
3 witnesses and would ask if you would stand.

4 Do you swear that the testimony that you are about to  
5 give before this Subcommittee will be the truth, the whole  
6 truth, and nothing but the truth, so help you God?

7 Mr. Brinkley. I do.

8 Senator McCaskill. We welcome your testimony. Your  
9 entire testimony will be put in the record. We ask that you  
10 try to limit your testimony to five minutes. Thank you.

# UNOFFICIAL TRANSCRIPT

1           TESTIMONY OF SAMUEL BRINKLEY, VICE PRESIDENT,  
2           HOMELAND AND INTERNATIONAL SECURITY SERVICES,  
3           WACKENHUT SERVICES, INC.

4           Mr. Brinkley. Thank you, Madam Chairman. I know that  
5 Ranking Member Collins has left, but--

6           Senator McCaskill. She will be back.

7           Mr. Brinkley. I am looking forward to seeing her  
8 return.

9           I am here at the request of the Subcommittee to discuss  
10 the U.S. Government's contract to provide protective force  
11 for the U.S. Embassy in Kabul.

12          As a background, as the Vice President for Homeland  
13 International Securities, I have previously served as a  
14 Marine infantry officer for 20 years. I have commanded two  
15 platoon, two battalion levels. I was a WMD policy advisor  
16 in the Office of Counterterrorism in the Department of State  
17 for over three years, to including on 9/11, and I have been  
18 a professional staff member on the 9/11 Commission. I have  
19 over 35 years of experience in security, special operations,  
20 and force protection.

21          This past year, WSI came to own ArmorGroup North  
22 America, often called AGNA. That is the prime contractor  
23 for the Kabul Embassy contract. Now, the events that led to  
24 this acquisition are somewhat circuitous, so let me go  
25 through that.

1           In May of 2008, our parent, G4S, purchased the parent  
2 of AGNA, ArmorGroup International, in a friendly take-over  
3 on the London Stock Exchange. G4S purchased ArmorGroup  
4 International for the purpose of acquiring ArmorGroup's  
5 profitable operations in other parts of the world, not for  
6 any reason having to do with AGNA. AGNA was a troubled part  
7 of the broader ArmorGroup enterprise and they came along  
8 with the acquisition of ArmorGroup International.

9           At the time of G4S's acquisition of ArmorGroup in May  
10 of 2008, ArmorGroup North America was subject to a notice to  
11 cure 16 deficiencies and weaknesses that had been issued by  
12 the Department of State on April 30, 2008. WSI has a strong  
13 reputation for effective performance of guard service  
14 contracts at U.S. Government facilities and our parent, G4S,  
15 asked WSI if we would take responsibility for assessing  
16 ArmorGroup North America's problems at the Kabul Embassy  
17 contract and for ensuring that whatever needed to be done  
18 was done to come into full compliance with contract  
19 requirements.

20           With the concurrence of appropriate U.S. Government  
21 officials, ownership of the stock of ArmorGroup North  
22 America was transferred to WSI in November of 2008.

23           Now, within WSI, I was given the responsibility of  
24 overseeing ArmorGroup North America's corrective action and  
25 bringing AGNA into contract compliance starting in May of



1 2008 and I have total responsibility operationally for  
2 AGNA's performance of the Kabul Embassy contract. During  
3 the past year, we have, one, worked very hard to correct the  
4 inherited deficiencies in AGNA's performance of the  
5 contract.

6 Two, we have brought to bear the extensive experience  
7 of WSI acquired over many years of successful performance of  
8 guard services contracts for the U.S. Government.

9 Three, I personally worked with the forces on the  
10 ground at the Kabul Embassy and with the responsible parties  
11 here at State Department to address each deficiency and  
12 weakness.

13 Four, WSI has made appropriate personnel changes and  
14 has thoroughly redone AGNA's internal processes and  
15 procedures to attain and sustain contract compliance.

16 We are proud to say that now we have addressed each  
17 weakness and deficiency in the performance of the contract  
18 and that today, AGNA is in full compliance with staffing and  
19 major requirements of the contract. The Kabul contract has  
20 been fully staffed since January of 2009.

21 There are only two issues that we see remain open. We  
22 are awaiting the manufacture of certain training weapons,  
23 and that has been discussed with the previous panel member.  
24 However, I would like to point out that no training has been  
25 missed because we were using Government-furnished training

# UNOFFICIAL TRANSCRIPT

1 weapons versus the ones the contract required.

2 We also have a requirement for a relief or a back-up  
3 armor. That armor completed training yesterday and we will  
4 be deploying that person to Kabul. However, the contract  
5 requirement of having on scene armor at that post is filled.

6 I have submitted my written testimony. In that written  
7 testimony is a chart that shows the timing of our  
8 acquisition to ArmorGroup and the ownership chain and some  
9 of the key contract events since May, and you have that as  
10 an attachment to the written testimony.

11 I would like to emphasize four areas. Upon arrival, we  
12 immediately took steps to assess the situation, both on the  
13 ground and here in the United States. We sent a senior  
14 management team into Afghanistan to get a firsthand view of  
15 the situation. We were most concerned that the security of  
16 the embassy was impaired. While there, we walked the ground  
17 with our leadership, talked with the Department of State,  
18 the DOS customer, to get their view of the operational  
19 status. Back here, we brought in staff expertise to examine  
20 export control compliance, finance, and contract  
21 administration.

22 What we found was, one, the protective force operations  
23 on the ground were executed well and in good standing,  
24 according to the RSO. There were significant contract  
25 compliance and administrative issues. The Department had

# UNOFFICIAL TRANSCRIPT

51

1 issued a cure notice with 16 deficiencies on April the 30th.  
2 The Department did not believe that AGNA's contract  
3 noncompliance rose to the level to impair the security of  
4 the embassy. We agreed with the Department's perspective  
5 that the embassy was secure.

6 Secondly, we moved to quickly develop a comprehensive  
7 corrective action plan that would bring the contract into  
8 compliance. We submitted a new comprehensive plan to  
9 address each deficiency and weakness on June the 12th of  
10 2008. We implemented within AGNA and onto the contract  
11 proven WSI processes to staff the project with talented,  
12 reliable U.S. and ex-pat and a Gurkha guard force.  
13 Staffing, of course, was the major weakness of contract  
14 compliance. We changed and strengthened the ArmorGroup  
15 North America headquarters and in-country leadership.

16 Third, while we take the contract deficiencies  
17 seriously, we still see the embassy secure. The contract is  
18 fully staffed since January of 2009. There are several  
19 items left to be closed on the original 16 deficiencies. We  
20 found nothing inconsistent with DOS's views that the embassy  
21 is secure.

22 Finally, to attain and sustain contract compliance,  
23 financial resources have been spent. WSI and G4S are losing  
24 about \$1 million a month in the execution of this contract.  
25 In 2006, which has been discussed with the previous panel

# UNOFFICIAL TRANSCRIPT

1 member, Assistant Secretary Moser, we bid on this contract.  
2 We lost to AGNA. The Department did determine that our bid  
3 was not technically correct, but I will tell you that our  
4 proposal price was significantly higher than ArmorGroup's.

5       Ironically, we now own AGNA and are having to execute  
6 this contract with what we believe is an unreasonably low  
7 price. After a year, I have become convinced that the  
8 services within the statement of work cannot be provided  
9 with ArmorGroup North America's proposed price. Let there  
10 be no doubt. Regardless of the negative financial impact  
11 that WSI has had, WSI is dedicated to mission one, the  
12 security of the U.S. Embassy.

13       In conclusion, I am most proud of the AGNA and the WSI  
14 employees who have worked so hard over the past year, both  
15 here and in Kabul, to make this contract and to keep this  
16 embassy secure. They, in fact, are true professionals.

17       With that, I will be glad to answer your questions.

18       [The prepared statement of Mr. Brinkley follows:]

# UNOFFICIAL TRANSCRIPT

1 Senator McCaskill. Thank you, Mr. Brinkley.

2 Let me start with what is obvious here. Did you send a  
3 notice to the State Department that you did not wish to  
4 participate in the third year of the contract?

5 Mr. Brinkley. We have not.

6 Senator McCaskill. And why have you not done that?

7 Mr. Brinkley. Well, I look at this in two ways. We  
8 are a guard company that prides itself in doing missions  
9 well. We have worked very hard over the last year to make  
10 this contract compliant. We are very proud of that. We can  
11 do this job. So from that perspective, operationally, we  
12 are proud to do that and proud to make it right.

13 On the other hand, there is the financial business  
14 side. I would prefer to do it and not lose money. So that  
15 is where we are at this point in time.

16 Senator McCaskill. Well, I am confused. If you are  
17 losing \$1 million--did you say \$1 million a month, you are  
18 losing?

19 Mr. Brinkley. That is correct.

20 Senator McCaskill. Well, if you are losing \$1 million  
21 a month, why wouldn't you tell them you don't want the  
22 contract again and they would have to rebid it?

23 Mr. Brinkley. Well, it is my understanding that it is  
24 the Government's decision to execute the option and I just  
25 heard Assistant Secretary Moser's testimony that we have the

# UNOFFICIAL TRANSCRIPT

1 option and we will take that under advisement.

2 Senator McCaskill. Okay. You have testified that in  
3 January of this year, the contract was fully staffed and  
4 even over-staffed according to the requirements of the  
5 contract. But yet a few months ago when the State  
6 Department did a verification of that, there was, in fact--  
7 it was determined there were 18 posts vacant. If you were  
8 fully staffed, was that just negligence?

9 Mr. Brinkley. It was an issue associated, Senator,  
10 with break time with the guard force. The guard force has a  
11 requirement that on several times a day--in the morning, at  
12 lunch, and in the afternoon--to break personnel on post.  
13 The personnel on post were improperly relieved. They were  
14 actually on embassy and were in the break room. Were the  
15 posts open? Yes. Were the personnel on the embassy grounds  
16 and able to respond? Yes. The deficiency was based upon  
17 the supervisors that were immediately over that and that did  
18 not ensure that break occurred properly.

19 Senator McCaskill. Could you shed any light on the  
20 situation with the counterfeit purchases and the procurement  
21 officer buying almost \$400,000 worth of goods from his wife?

22 Mr. Brinkley. Madam Chairman, that happened before our  
23 acquisition of the company. I have the same knowledge of  
24 the documents that the Committee has and I don't have any--

25 Senator McCaskill. Is that individual working for you?

# UNOFFICIAL TRANSCRIPT

1 Mr. Brinkley. I am sorry?

2 Senator McCaskill. Is that individual working for you?

3 Mr. Brinkley. No.

4 Senator McCaskill. And do you buy anything from his  
5 wife's company?

6 Mr. Brinkley. No.

7 Senator McCaskill. Let us talk about the language  
8 issue. You are now representing that you have all of your  
9 folks in compliance with the language requirement of the  
10 contract?

11 Mr. Brinkley. That is correct. And if I might, let me  
12 explain the process that--what we inherited and the process  
13 we are doing to ensure that the personnel that are at the  
14 embassy have their language requirements and maintain, if  
15 you would let me.

16 One, there were a number of personnel prior to our  
17 acquisition that did not have the language capability in  
18 which the contract mandates. As we acquired the company,  
19 there at that time was a full-time English instructor in  
20 Kabul on the contract teaching English to fill that gap.  
21 That instructor certified all the personnel at that time at  
22 the level two English, in accordance with the requirement.

23 Now, we noticed that this is obviously a problem for  
24 the long-term, so as we go now to recruit Gurkhas as  
25 replacements, we give them full language tests in Kathmandu

# UNOFFICIAL TRANSCRIPT

1 to even qualify them to be as a part of this guard force.  
2 And so we certify that with an independent instructor in  
3 Kathmandu outside of those that would do the actual  
4 recruiting. So we have an independent assessment of their  
5 capability and then we have that documentation.

6       Additionally, we currently have a full-time English  
7 teacher in Kabul in Camp Sullivan that has language classes  
8 every week with the current force. Additionally to that, we  
9 are in the process of hiring a second language instructor to  
10 go in to augment that current instructor to increase the  
11 number of hours that we have capable. So all the current  
12 guard force have certifications of which they are level two  
13 or level three, as required, and we are putting--and we have  
14 and are going to increase the capability to sustain that  
15 with language instructors on the contract.

16       Senator McCaskill. And finally, before I defer to  
17 Senator Collins, you are receiving around \$37 million a year  
18 on this contract?

19       Mr. Brinkley. I would have to look at the exact  
20 numbers. It is whatever \$190 million is divided by five, I  
21 guess, whatever one-fifth of that might be.

22       Senator McCaskill. And the third-country nationals are  
23 making about \$5.35 an hour?

24       Mr. Brinkley. They have a set rate of about \$800 a  
25 month, yes.



# UNOFFICIAL TRANSCRIPT

1           Senator McCaskill. And the local nationals, which you  
2 have some working on this contract, make \$2 an hour?

3           Mr. Brinkley. That is correct.

4           Senator McCaskill. Thank you.

5           Senator Collins?

6           Senator Collins. Thank you.

7           Mr. Brinkley, I want to go back to the letter that the  
8 Chairman mentioned that was sent on March 30 of this year,  
9 so this is when the obligations are at this point firmly  
10 under WSI's control, talking about the Kabul staffing issues  
11 and listing the areas where there appeared to be vacant  
12 guard posts over a period of, I guess it is just two days.  
13 Now, it is evident that the 19 posts that were identified  
14 were not vacant all at the same time, correct?

15          Mr. Brinkley. That is correct.

16          Senator Collins. But what is disturbing to me is this  
17 was a spot check over two days and it found so many  
18 vacancies. So to me, what you have here is a pattern that  
19 is disturbing and it isn't as if these guard posts were  
20 vacant just for a few moments. They were vacant for long  
21 periods of time. For example, in one case, they are vacant  
22 from 11 p.m. to 2:30 a.m., 210 minutes. In another case,  
23 they are vacant for 76 minutes. So it is not as if just for  
24 a few minutes these were vacant. And while I understand  
25 that not all 19 were vacant at the same time, to me, it is

# UNOFFICIAL TRANSCRIPT

1 more troubling that there was a pattern each day of  
2 vacancies. Has this problem been remedied?

3 Mr. Brinkley. Senator Collins, the answer to that is  
4 yes. We were disturbed with that, as you would think we  
5 would be. We obviously debriefed and have talked to the  
6 actual inspector. We have made sure we understood clearly  
7 how it was done and the problems, and where we needed to  
8 take corrective action with supervisors that were necessary,  
9 they have been removed from their post and different  
10 supervisors have been placed. I have personally talked to  
11 the program manager about that issue and we know that they  
12 have taken corrective actions and we believe that that will  
13 not be a reoccurring theme.

14 Senator Collins. I discussed with Mr. Moser the  
15 initial award of the contract to AGNA and he told me that  
16 WSI had bid on the contract but that you had not been found  
17 to be technically acceptable. Is that accurate?

18 Mr. Brinkley. I was not in the debrief of WSI from the  
19 selection. I was part of the operations advisors on  
20 building the contract, or on our submittal. So I believe  
21 from my perspective I was most focused on the price  
22 difference. If there was a technical part of the proposal  
23 in which WSI was found not technically acceptable, I am  
24 unaware of what exactly what that might be.

25 Senator Collins. I would like you to get back to me on

# UNOFFICIAL TRANSCRIPT

1 that issue because your testimony says that it was a matter  
2 of cost, not technical qualifications. Mr. Moser says that  
3 it wasn't a difference in the price but rather that WSI was  
4 not found to be technically acceptable. So I am going to  
5 ask both of you to get back to me on that issue.

6 Mr. Brinkley. Yes, ma'am. We will take that for the  
7 record and we will get back.

8 Senator Collins. You have mentioned in your testimony  
9 and confirmed to Senator McCaskill that you are losing \$1  
10 million a month on this contract, which does raise the issue  
11 of why you would want to continue the contract in the next  
12 option year. That seems very odd to me. Could you expand  
13 on your answer on that?

14 Mr. Brinkley. Yes, Senator. As I described to the  
15 Chairman, it falls into two areas. A, operationally, we  
16 take great pride in being able to perform very complex,  
17 complicated contracts and doing them very well, and we have  
18 a long history of being able to do that in WSI. We bid on  
19 this contract because we knew we could do this contract and  
20 we knew we could do it well. We now have assumed this  
21 contract and it has been a difficult, not without a lot of  
22 work on some very hard-working professionals, we have become  
23 contract compliant. And so from that perspective, it would  
24 be very difficult for me to sit here, knowing how hard  
25 everyone has worked to get here, to say we would not want to

# UNOFFICIAL TRANSCRIPT

1 continue to do it and do it well.

2 On the other side, from the business side, of course,  
3 we would like to get paid for what it costs us to do it  
4 well. And as my testimony indicates, I am convinced after a  
5 year that we cannot do it contractually compliant and meet  
6 the statement of work requirements with the initial bid.

7 Senator Collins. Which I guess gets me back to the  
8 issue I raised with Mr. Moser about the statutory  
9 requirement that is clearly well intended--I hope I don't  
10 find out later that I actually wrote it--

11 [Laughter.]

12 Senator Collins. --that says that it ought to be the  
13 lowest bid of the technically acceptable contractors. That  
14 makes perfect sense. We want competition. We want the  
15 lowest price. But it looks to me like there was a pattern  
16 here of underbidding to try to secure the contract in the  
17 first place and then a failure to perform.

18 So I am going to ask you this question. Is WSI  
19 financially secure enough to fulfill the contractual  
20 obligations, such as providing all of the necessary, legally  
21 obligated equipment, staffing, supplies, training, for the  
22 employees who are working on this contract and continue to  
23 lose \$1 million a month?

24 Mr. Brinkley. Senator, I can assure you that we are  
25 financially capable of fulfilling all of the requirements of

# UNOFFICIAL TRANSCRIPT

1 this contract.

2 Senator Collins. Thank you. Thank you.

3 Senator McCaskill. Well, let me just step back and  
4 take a broad view. We have got thousands and thousands of  
5 men and women in uniform in Afghanistan. We all know the  
6 challenges Afghanistan represents in terms of our military  
7 mission. We know that the option of hiring local nationals  
8 was not an option because of the issues of security  
9 surrounding local nationals.

10 You are a former Marine, and thank you for your  
11 service. I am looking at a security contract where we are  
12 paying some people as little as \$2 an hour to guard the  
13 embassy. The majority of the people guarding the embassy  
14 are making a little over \$5 an hour. And the company that  
15 is providing this is telling the United States Congress that  
16 they are losing \$1 million a month on the deal. I don't  
17 want to impugn in any way your company's integrity. I am  
18 sure you have every intention of complying with this  
19 contract over the year, but losing \$1 million a month is  
20 pressure.

21 I am asking you now, should we be hiring private  
22 contract firms such as yourself to guard embassies in this  
23 situation or should we as a Nation begin to contemplate the  
24 notion that when we are in theater, the embassy in theater  
25 should, in fact, be guarded by our own military?

# UNOFFICIAL TRANSCRIPT

62

1           Mr. Brinkley. I will defer the answer on the latter to  
2 the force capabilities for the Department of Defense to  
3 determine whether or not they have the resources to do that  
4 or not and their view of that. Can we as private security  
5 do this job? Oh, yes, absolutely. There is not an issue  
6 here. I mean, we are doing it now and we are doing it well.  
7 Some of the issues associated with our--the cost issues are  
8 really based upon how the proposal itself was structured.

9           There are two issues, as you would know, in a firm-  
10 price--let me put it this way. In some competitive markets,  
11 the requirements that people think are necessary to get the  
12 work can drive people to do things that are unreasonable in  
13 the price and they will lose money on it. People make bad  
14 business decisions. In this case, we know that it takes  
15 more than this proposal was initially bid for, not  
16 necessarily because of the price for the salaries, but how  
17 it was structured--the manning factors, the number of people  
18 that it takes to actually meet the contract requirements.  
19 So the structure of the contract or the bid itself is  
20 significant in what the losses are.

21           We have applied all the resources necessary to ensure  
22 that we are fully contractually compliant, can handle people  
23 on emergency leave, can handle people that are delayed  
24 coming back from R&R. That takes additional manning on the  
25 ground. Many of those cases that financially drive that are

# UNOFFICIAL TRANSCRIPT

63

1 the U.S. personnel that are required on this contract  
2 because they are not \$800 a month people.

3 Let me go to the \$800 or the \$2 an hour person. The  
4 local nationals, as anyone would know, and I am sure even on  
5 the ground at the embassy, are getting paid prevalent wages  
6 that are for that particular area. I will tell you, because  
7 I have been on the ground and I have talked to the senior  
8 local national that is our interpreter and works with all  
9 the local nationals, the pay that we get them makes some of  
10 those local nationals some of the higher-paid people in  
11 Afghanistan. They are loyal. They have been with this  
12 contract for a long time. They come to work every day and  
13 they are very dedicated to doing this well.

14 The \$800 that we pay the Gurkhas, and that is the  
15 minimum level for a level guard. That is not the  
16 leadership. That number is significantly different for the  
17 senior guy who is a retired sergeant major of British Army  
18 experience Gurkha. This is a prevalent wage. It is  
19 competitive. That wage itself is higher than we pay for the  
20 guards, the Gurkha guards that are in the embassy in  
21 Bahrain. It is higher than the Gurkha guards that are  
22 standing duty on the naval support activity in Bahrain. And  
23 it is competitive with the salaries according to the Gurkhas  
24 that are protecting the British Embassy in Kabul. And many  
25 of those Gurkhas have been out there for any number of

# UNOFFICIAL TRANSCRIPT

1 years. It is competitive. They are very talented,  
2 dedicated people who come to work every day and do their  
3 jobs very well.

4 So it is difficult for me to, at times, make you think  
5 that it is the cost per hour versus it is the problem that  
6 we are not getting value for the people that we pay those  
7 wages to, because that is not correct. And in that, we  
8 should not be, in my view, using as the standard from which  
9 we judge the security of the embassy.

10 Senator McCaskill. Okay. The contracts you just  
11 referred to, does your company have all those contracts?

12 Mr. Brinkley. I have oversight of the security for the  
13 naval support activity in Bahrain. I do have--

14 Senator McCaskill. And for the British Embassy in--

15 Mr. Brinkley. The British Embassy does not fall under  
16 my responsibility, but it does fall under a part of Group 4  
17 Securicor.

18 Senator McCaskill. So it is your company?

19 Mr. Brinkley. The parent company on the latter.

20 Senator McCaskill. Okay. So are those contracts  
21 profitable?

22 Mr. Brinkley. I am not clear. I don't know the answer  
23 to that. The naval support activity in Bahrain, the answer  
24 is yes. I have that contract, so I know that that contract  
25 is profitable.



# UNOFFICIAL TRANSCRIPT

1           Senator McCaskill. Well, I would be interested--and  
2 you can take this question for the record--I would be  
3 interested in your answer as to why the contract that you  
4 have in Bahrain, why it is profitable and why this one isn't  
5 and what are the differences between the two contracts that  
6 make one profitable and one not.

7           I am going to continue to be troubled by the notion  
8 that you can be fully compliant on a contract that you are  
9 losing significant money on. I think we have got to figure  
10 out a way to resolve that, because there are two more years  
11 of options on this contract. So are you signing up to lose  
12 \$12 million a year for the next three years? And if so, I  
13 just think that defies common sense, and generally when we  
14 are defying common sense, something happens that shouldn't  
15 happen.

16           So I would like you, Mr. Brinkley, to go back and take  
17 a look at that proposition and give us some information for  
18 the record comparing these contracts that your company has  
19 where you are essentially providing third-country national  
20 guards for the United States Government for security  
21 purposes so that we can try to get to the bottom of it from  
22 an oversight perspective.

23           Mr. Brinkley. We will be glad to do that, Senator.

24           Senator McCaskill. Thank you very much.

25           Senator Collins. I have no further questions.

# UNOFFICIAL TRANSCRIPT

1           Senator McCaskill. I thank you and Mr. Moser and the  
2 State Department for the hearing today. I think we have  
3 learned some things about contract oversight as it relates  
4 to guarding our embassy in theater. I think we have got  
5 some issues that we need to talk about in terms of going  
6 forward. I greatly appreciate the cooperation that was  
7 shown to the Committee and I look forward to even greater  
8 cooperation, and maybe I can talk you guys into sitting at  
9 the same table next time.

10           Thank you all very much. This hearing is adjourned.

11           [Whereupon, at 4:02 p.m., the Subcommittee was  
12 adjourned.]