



United States Department of State

Washington, D.C. 20520

March 10, 2008

MEMORANDUM
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TO: A/LM/AQM – James S. Rogers
Contracting Officer

FROM: DS/IP/OPO – Heidi McMichael
Contracting Officer's Representative

SUBJECT: Ongoing Concerns Regarding Armor Group North America's
Performance

References: A. Contract No. S-AQMPD-07-C0054 (Kabul Embassy
Security Force)
B. Cure Notice issued to AGNA dated July 19, 2007
C. AGNA's Corrective Action Plan dated August 3, 2007

A Cure Notice (Ref B) was issued to Armor Group North America (AGNA) on July 19, 2007. Since that time, the USG has worked with AGNA to ensure that all concerns were addressed according to AGNA's Corrective Action Plan (Ref C). Instead of being resolved in a satisfactory manner, there are a number of issues that remain open and a number of new ones too. This information is provided for your action as you deem appropriate.

Recurring/Unresolved Issues Identified in Cure Notice

(NOTE: numbering corresponds to numbers used in Cure Notice.)

#1: Continued late submission of deliverables. From the time the Cure Notice was issued, this has remained unresolved. A Contracting Officer (CO) letter was issued to AGNA on January 7, 2008 reminding AGNA again of the contractual requirement of timely submission of deliverables. As recently as March 5, 2008, DS/IP/OPO provided a list of outstanding deliverables to AGNA.

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#4: Failure to submit Moderate Risk Public Trusts (MRPT) in a timely manner for new hires. The Cure Notice stated that this failure had created operational problems as AGNA was unable to meet staffing requirements in a timely manner. AGNA's Corrective Action Plan (CAP), 4.4 stated that this problem would be addressed by ensuring that the HR Director would have a staff of seven and three (domestically and in Kabul). DS/IP/OPO does not believe that AGNA has provided these personnel to assist with ongoing HR concerns despite repeated assurances to the USG that they would do so. AGNA also stated in the CAP that the issue of MRPTs would be resolved by September 30, 2007. Instead, this issue continued through the January 2008 training class, delaying individual deployments by 2 – 4 weeks.

#13: Vehicle maintenance facility. The facility was not provided at Camp Anjuman as promised in AGNA's initial proposal. AGNA asked for and received permission to renovate a facility for this purpose on Camp Sullivan. AGNA's CAP stated that the renovation would be completed by August 30, 2007. The facility was completed on December 20, 2007, more than three months later than promised.

#14: Lack of thorough familiarity with terms and conditions of contract by Program Manager and other senior operations personnel. Given AGNA's repeated failure to meet various contract terms and conditions outlined above and below, it is reasonable to believe that this issue remains unresolved.

CN#: AGNA's failure to provide relief guards in accordance with contract requirements. AGNA's CAP 3.4 notes again that the HR Director will be given seven and three personnel ensuring that this matter is not overlooked again and that adequate staff are available to provide sufficient relief guards. AGNA did not resolve this issue and in fact was unable to provide proper relief guards from December 2007 – February 2008, as well as the timeframe addressed by the Cure Notice.

Other Concerns

Staffing/Personnel: While AGNA had some difficulty in properly staffing positions during the transition period of the contract, the problem has become increasingly troubling.

- There are continued problems with open posts due to US/Expat shortages (nearly 90% of the incumbent US/Expats left within the first six months of contract performance).
- There has been a 75% shortage of EMTs from December 2007 – March 2008.
- The EDD (subcontracted dog handlers) worked 31 days per month July – December 2007 with no relief.
- AGNA has been unable to fill posts with resume-qualified individuals, to include the Key Personnel positions of Deputy Program Manager, Supervisory and ERT positions, including ERT and DDM positions.
- There have been extended periods of time when the Armorer, Radio Technician and Medic positions have been vacant.
- AGNA is unable to maintain an accurate personnel roster.

Contractor Furnished Equipment: Despite stated intentions in the proposal, and repeated assurances that equipment will be delivered “very soon”, there are several significant equipment issues that AGNA has failed to adequately address.

- AGNA is required to provide [REDACTED] for requalification and training purposes in Kabul. During the transition period the government allowed AGNA to use its weapons for the purposes of expediting the transition process. In January 2008, the government became aware that AGNA had not even ordered their own training weapons, were continuing to use the government’s weapons without requesting a waiver/authorization to do so, and had not informed the government of the situation. A CO letter was issued to AGNA on January 23, 2008 addressing this matter. At that

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time, the government was informed that the weapons would be ordered immediately. Upon further questioning recently, the government learned that the weapons were in fact purchased on February 29, 2008. AGNA failed to notify the government that there was a delay or to provide a satisfactory explanation for the situation. AGNA advised that it may be another 180 days before the weapons arrive.

- AGNA supplied armored troop transport vehicles for movement of guards to and from the Embassy compound. AGNA initially provided armored escort vehicles for convoy security, but were not satisfied with those vehicles. AGNA has been using USG provided armored escort vehicles to enhance the safety of the guards. AGNA has advised the government for months that its vehicles would be delivered shortly. The latest estimate for shipment date is March 28, 2008 meaning that AGNA has used the government's vehicles, without providing consideration to the government, for eight months.
- AGNA is responsible for providing uniforms, including boots, for the guards. AGNA ordered winter boots for the guard force that were issued on February 13, 2008, well in to winter in Kabul and months later than promised.
- AGNA was authorized by the USG in November 2007 to purchase replacement gym equipment. AGNA stated at that time that this was a priority for the morale of the guard force. As of March 5, 2008 RSO personnel advised that they have signed for only a fraction of the authorized gym equipment (to clear through customs). On March 6, 2008 AGNA was unable to provide any additional information.
- AGNA advised in the January 23, 2008 weekly meeting that it had reason to believe that the Logistics Manager in Kabul was improperly procuring items to be used on the Kabul Embassy Security Force contract and further that some of the items may be counterfeit. AGNA stated that the logistics manager would be removed from the procurement process immediately pending an investigation. AGNA advised that a complete report would be provided to the USG upon completion of the investigation. In early February, AGNA advised the USG that the logistics manager had resigned, but that the investigation was ongoing. At a meeting on February 20, 2008 AGNA was asked the status of the new logistics manager and advised that

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one had not been selected yet, but that everyone in Kabul was "pitching in" to assist. On February 25, 2008 AGNA President advised USG that the items were indeed counterfeit and a report would be forthcoming. On February 27, 2008 based on information received from Post, USG asked AGNA if the logistics manager was still working and they confirmed that he was, but not on procurement. Asked why the USG was informed he resigned, AGNA had no response. On March 5, 2008 AGNA informed USG that the logistics manager is no longer working for AGNA. The USG has still not received written documentation of any of this and AGNA could not advise when this information might be forthcoming.

Camp Sullivan: Although the camp is USG leased, AGNA is contractually responsible for Camp Sullivan's Operations and Maintenance (O&M).

- There are five generators that provide power for the camp, at least three must be running at once to ensure an adequate power supply to the camp. AGNA has continually had at least one, and at times two or three, generators down for maintenance or repair. On September 4, 2007, USG provided \$29,570 to repair the generators, stating that going forward AGNA would be responsible for all repairs. AGNA has stated that it believed the continued maintenance issues were due to improper installation or maintenance by the previous contractor, meaning the USG would be liable for replacement or repair. USG asked that AGNA have factory certified engineers/inspectors look at the generators to make a determination as to the cause of the problem. AGNA had engineers inspect the generators in December 2007. In February 2008, AGNA submitted a letter stating that the USG was indeed responsible and presenting several options for replacing the current generators. The letter included a one page report on plain paper (no company letterhead) and typed stating the conclusion that the generators should be replaced. They did not definitively state what caused the issue in the first place. The letter included maintenance records up to June 26, 2007, but contained none from the time period that AGNA has been responsible for the camp (July 1, 2007 – present). In short, there was not sufficient documentation to evaluate AGNA's request for USG to pay for replacement generators. USG explained in detail what was required to make a determination. AGNA has failed to provide any further information. AGNA has advised that two generators are currently down for repairs.

- AGNA requested and received authorization to implement several physical security and other improvements at the camp. AGNA significantly delayed implementation of any improvements due to its inability to present a thorough proposal. Each project was completed months after its original completion date. One project in particular, repairing trailer roofs within the camp was critical given the winter weather in Kabul. AGNA used its subcontractor to complete the project. AGNA advised that the roof work was completed in December 2007. In late January 2007, AGNA advised that there were some trailers that had leaky roofs. Despite repeated requests for a thorough report detailing the problem and AGNA's proposed solution, the USG received no further input from AGNA until March 7, 2008. AGNA submitted a letter stating that all roof work was complete, that the RSO had signed off on the work, and that the issue would be readdressed in the spring.

Invoices: Contract performance began on July 1, 2007 yet AGNA failed to submit an invoice until September 2007. At that time, they were unable to gather proper documentation to submit a complete invoice and instead submitted several invoices for one month. In an effort to assist AGNA in receiving payment, the USG advised that through December 2007, AGNA was authorized to submit two invoices, one for fixed cost items and one for all other charges. Despite discussing invoice issues in the majority of weekly meetings and having several separate meetings to address only invoice concerns, AGNA continues to have significant difficulties submitting timely, accurate invoices complete with appropriate supporting documentation.

- AGNA consistently submits invoices up to 30 days after the end of the previous month.
- AGNA has had numerous invoices rejected due to billing for personnel who had been denied MRPTs, over-billing, billing for personnel unqualified for positions filled, billing for overhead personnel, and lack of correlation between timesheets, SSI build up, guard schedule sign-in sheets, and summary sheets.
- The December invoice was rejected twice by USG. The third submission was accepted, but still resulted in significant errors and short pays.

Contract Non-compliance: Aside from the obvious concern of staffing non-compliance, AGNA is deficient in several other areas.

- AGNA is required under the contract to comply with all applicable licensing and registration requirements, both within the U.S. and Afghanistan. AGNA ships weapons from the U.S. to Kabul and trains foreign nationals on the use of these weapons. To legally undertake these activities, an ITAR certification is required. AGNA failed to realize that its license had expired and did not have it renewed for approximately 45 days.
- AGNA has failed to provide guard orders for all posts established on November 1, 2007 and has failed to provide guard orders translated in to Nepalese on many posts.
- The contract requires that the TCN guards be able to speak English at a level 2 or level 3 depending on their position. Because AGNA failed to account for relief guards, it severely understaffed the TCN guards at the beginning of the contract. At AGNA's request and with thought given to the well-being of the current TCN guards, the USG authorized AGNA to hire 37 TCNs that did not meet the level 2 language requirement. AGNA requested and was given a waiver of 120 days in which the guards must be trained and reach the level 2 standard. On March 3, 2008, upon the expiration of the waiver, AGNA informed the USG that it would not be able to meet the terms of the waiver, in fact none of the guards had reached the required level. AGNA proposed that the current labor rate for a guard be discounted 30% and stated that they would meet the language requirement within another 12 weeks. AGNA also verbally told the USG that the language instructor that was to have been conducting language training over the four month period, was only in Kabul for two weeks in January. No other training was conducted.

Please do not hesitate to contact me if you require additional information.

cc: A/LM/AQM – Paul Desilets
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