

Testimony of Samuel Brinkley
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Chairman McCaskill, Acting Ranking Member Collins, Members of the Subcommittee, I appear before you today at the request of the Subcommittee to discuss performance of the contract to provide the protective force for the U.S. Embassy in Kabul, Afghanistan (the “Kabul Embassy Contract” or “Contract”).

This past year, our company, Wackenhut Services, Inc. (“WSI”), came to own ArmorGroup North America, Inc. (“AGNA”) – the contractor on the Kabul Embassy Contract. The events that led to our owning AGNA are circuitous. In May 2008, our parent, G4S plc (“G4S”), purchased the parent of AGNA, ArmorGroup International plc (“ArmorGroup”) in a friendly takeover on the London Stock Exchange. G4S purchased ArmorGroup for the purpose of acquiring ArmorGroup’s profitable operations in other parts of the world – not for any reason having to do with AGNA. AGNA was a troubled part of the broader ArmorGroup enterprise that came along with the acquisition of ArmorGroup.

At the time of G4S’s acquisition of ArmorGroup in May 2008, AGNA was subject to a notice to cure certain deficiencies and weaknesses that had been issued by the State Department on April 30, 2008. WSI has a strong reputation for effective performance of guard services at U.S. Government facilities – and our parent asked WSI if we would take responsibility for assessing AGNA’s problems on the Kabul Embassy Contract, and for ensuring that whatever needed to be done was done to come into full compliance with Contract requirements. With the concurrence of appropriate U.S. Government officials, ownership of the stock of AGNA was transferred to WSI in November 2008 – and we inherited AGNA and its problems.

Within WSI, I was given this responsibility for overseeing AGNA’s corrective actions and bringing AGNA into Contract compliance. I now have total operational responsibility for AGNA’s performance of the Kabul Embassy Contract.

During the past year, we have worked hard to correct the inherited deficiencies in AGNA’s performance of the Contract. We have brought to bear the extensive experience of WSI acquired over many years of successful performance of guard services contracts for the U.S. Government. I personally have worked with the forces on the ground at the Kabul Embassy and with the responsible parties in the State Department to address each weakness and deficiency. WSI has made appropriate personnel changes and has thoroughly re-done AGNA’s internal processes and procedures to attain and sustain Contract compliance.

We are proud to say that we now have addressed each weakness and deficiency in the performance on the Kabul Embassy Contract – and that today AGNA is in full compliance with the staffing and other major requirements of the Contract. The Kabul Contract has been fully-staffed since January 2009. Only two issues remain open: we are

awaiting manufacture of certain training weapons that AGNA was to provide (AGNA used Government-provided weapons for training rather than contractor-provided weapons); and a “relief” or “back-up” armorer is completing training and soon will be deployed to Kabul.

Included as Attachment A to my written testimony is a chart that shows the timing of our acquisition of AGNA, the ownership chain, and the timing of key Contract events since May 2008 when we stepped in to correct the weaknesses and deficiencies in AGNA’s performance.

I will address briefly our assessment of Kabul Embassy Contract performance by AGNA, our remedial measures, and how all of this relates to Contract compliance and to the security of the Embassy.

A. WSI Made an Independent Assessment of AGNA’s Performance of the Kabul Embassy Contract

In May 2008, WSI sent a senior management team to Kabul to make an on-the-ground assessment of Kabul Contract performance. WSI’s assessment team was comprised exclusively of non-AGNA employees, and was tasked with developing an objective assessment of performance, performance deficiencies, and the measures needed to become Contract compliant.

In CONUS, WSI reviewed AGNA’s export control compliance, financial status and Contract administration. We reviewed a March 2008 internal assessment that had been conducted by ArmorGroup. We also gave special attention to deficiencies and weaknesses identified previously by the State Department in its cure notice of July 19, 2007. In addition, WSI used as a punch list for our assessment the allegations made in a lawsuit filed by two former AGNA employees – who were the in-country program manager and deputy program manager during the transition period (*i.e., before* AGNA’s assumption on July 1, 2007 of responsibility for security of the Kabul Embassy).

WSI also contacted the DOS customer. We heard from the Regional Security Officer in Kabul that guard force operations were “executed well” and that AGNA was in “good standing” from the perspective of guard force operations. Thus, we came to understand that a distinction was being made between the operational security of the Embassy and compliance with all Contract requirements. The State Department was very dissatisfied with AGNA’s Contract compliance. AGNA was not complying with various requirements of the Contract. However, the view of the State Department was that AGNA’s non-compliance with these Contract requirements had not risen to the level of impairing protective force operations to the degree that the Embassy was not secure.

The State Department’s view that the Embassy was secure was an important part of our assessment. We had concerns about potential adverse effects on security because in the June 2007 cure notice (issued the year prior to our acquisition of AGNA) the State Department stated:

AGNA underestimated the difficulty that it would encounter accomplishing several tasks necessary to ensure full compliance with the contract terms and conditions as of July 1, 2007. This failure, as already addressed in this letter, places the U.S. Embassy at some additional security risk since AGNA is not fully compliance with all terms and conditions of the contract at this time.

However, this cure notice had to do with inadequacies in AGNA's transition of the contract prior to taking over security of the Embassy on July 1, 2007 – and left open a question as to whether the suggestion that there might be “some additional security risk” meant that security at the Embassy in fact had been impaired.

We were comforted to learn during our assessment in May 2008 that the State Department did not believe that AGNA's non-compliance with contract terms and conditions rose to the level of impairing operational security at the Embassy.

Our independent assessment confirmed that there were significant contract compliance deficiencies, and that AGNA's administration of the Contract was unsatisfactory. WSI also noted numerous structural and maintenance problems at Camp Sullivan (the Government-owned camp housing the Embassy's guard force).

In their April 30, 2008 notice, the State Department identified sixteen specific deficiencies and weaknesses under the Contract. We confirmed that the situation with regard to each of these was not good. The sixteen Contract deficiencies and weaknesses were as follows:

1. Failure to provide an armorer
2. Failure to provide relief guards
3. Failure to submit Moderate Risk Public Trust (MRPT) packages for new hires
4. Failure to obtain clearances for watch keepers/standers
5. Failure to provide required amounts of ammunition
6. Failure to provide deliverables on time and continued late submission of deliverables
7. Deficient employee DS/IP/OPO forms
8. Deficient staffing of open posts
9. Overuse of dog handlers
10. Provision of weapons for re-qualification and training
11. Deficient gym equipment
12. Deficient generators at Camp Sullivan
13. Leaky roofs at Camp Sullivan
14. Deficient invoicing
15. Failure to provide relief guards for posts stood up on Nov. 1, 2007
16. Failure of all guards to meet required language level

B. WSI Acted Promptly to Remedy the Identified Deficiencies and Weaknesses – and Has Successfully Brought AGNA to Contract Compliance

During our May 2008 assessment, we reviewed a corrective action plan that had been submitted by AGNA to the State Department. We were not impressed. We requested State Department permission to withdraw the corrective action plan and submit a new one – which we did.

On June 12, 2008, we submitted a new, comprehensive corrective action plan. We proceeded immediately to address each deficiency and weakness – and, more broadly, to make the changes on the ground in Kabul and at AGNA headquarters in the United States that were necessary to bring the company into Contract compliance.

We implemented, within AGNA and onto the Contract, approaches that WSI has developed – and that have proven effective – over WSI’s many years of providing high-quality guard services at U.S. Government facilities. Specifically:

- We changed and strengthened leadership on the ground in Kabul and at AGNA headquarters. In-country, I and other senior managers engaged directly with the guard force to define expectations. We underscored WSI’s commitment to professionalism and integrity – and provided training and practices with regard to the high level of performance that is expected of our people. Where appropriate, we made personnel changes to ensure a proper commitment to our high standards. We completely restructured AGNA management at its headquarters.
- We changed completely AGNA’s process and procedures relating to AGNA’s execution of the Kabul Contract – including: reporting, personnel forecasting, recruiting, and clearance processes.
- Staffing was a major problem on the Kabul Embassy Contract. In this area, we implemented WSI’s proven recruiting, screening and training procedures – and had certain of these functions performed by WSI who are experienced in recruiting quality personnel for projects of this nature. Screening and hiring of reliable personnel are essential to reduce turnover and ensure that those who are employed at the Embassy have personal characteristics and commitment that are consistent with static guard services work.

During the past year, we have met with the State Department frequently – usually weekly – to report on our progress in bringing AGNA into compliance with Contract requirements. These efforts have not been pleasant. The State Department has been diligent – even forceful – in holding AGNA accountable for Contract performance – and has given WSI little or no tolerance even though we came to the Contract only in the past year and have worked hard to set things right.

Since January 2009, the Kabul Contract has been fully staffed – even over-staffed according to the requirements of the Contract. We have additional personnel ready if needed – which creates the ability for guard force members to take unpaid leave when necessary. In addition, we have taken all steps necessary to close out the remaining two open issues.

- The armorer position is fully staffed. AGNA has a relief armorer in training, which will allow the full-time armorer to go on rest and recuperation. Training is scheduled to be complete by June 10, 2009.
- AGNA has obtained all government licenses and approvals (e.g. U.S. export, Afghani import, ATF, etc.) necessary for acquisition, transportation and deployment to Kabul of weapons used for training and re-qualification. Previously, AGNA has used Government-provided weapons for training. AGNA has an order pending with the manufacturer that will enable the contractor to provide training weapons. Weapons manufacture is subject to the Defense Priorities and Allocations System – and Department of Defense acquisitions may be given priority over AGNA’s pending order. At present, manufacture is scheduled for August 2009.

As we understand it, the State Department recognizes that we have been successful in bringing AGNA into Contract compliance. This past April, the State Department assented to our corrective measures.

Our people have worked smart and hard both here and in Afghanistan. As their leader, I want to express how proud I am of what they have accomplished in bringing the company into Contract compliance.

C. To WSI’s Knowledge, the Contract Non-Compliances Did Not Impair Guard Force Operations Such that the Embassy Was Not Secure

In no way do we minimize the significance of AGNA’s non-compliance with the Contract. AGNA’s compliance with and administration of the Contract was inadequate. Corrective measures were necessary – and important.

At the same time, it is important to recognize that AGNA’s non-compliance with Contract requirements did not result, to WSI’s knowledge, in impairment of guard force operations. Guards were equipped and on-post getting the job done. To our knowledge, at no time was the Embassy not secure.

During WSI’s involvement with the Contract, we have found nothing that is inconsistent with the State Department’s statement to us in May 2008 that guard force operations were sufficient to maintain security – notwithstanding the many frustrating Contract non-compliances and AGNA’s ineffective Contract administration.

During the months that followed, much work has been done to increase manning in accordance with Contract requirements – and to otherwise ensure that performance was in accordance with all Contract requirements. Throughout the correction of the Contract deficiencies and weaknesses, however, never to our knowledge was there not an adequate presence of well-equipped guards at their posts to keep the Embassy secure.

D. WSI and Its Parent Are Incurring Losses of Approximately \$1 Million Per Month to Ensure Security of the Kabul Embassy

An irony of the current situation is that WSI submitted a proposal for the Kabul Embassy Contract – and was not selected for award because WSI’s price was substantially higher than the price offered by AGNA. Now, WSI has come to own AGNA, and WSI is incurring huge losses as a result of AGNA’s unreasonably low price.

We feel we can safely say that adequate guard services for the Kabul Embassy cannot be provided for the Contract price. AGNA proved that it could not provide adequate services for the price. In our year on the Contract, I have become convinced that we cannot provide the services required by the Contract for the Contract price.

The Contract is structured such that the contractor bears the risk of any costs incurred above the Contract price. The Government pays a fixed price for day-to-day guard services (*i.e.*, Standard Services) – that is calculated by multiplying fixed hourly labor rates by a fixed number of hours (as set forth in Exhibit A to the Contract). The Government also pays a fixed monthly rate for operation, maintenance, repair, food services, medical services, vehicles and ammunition.

WSI’s costs of providing the services required under the Contract are exceeding the Contract price by approximately \$1 million per month – \$12 million per year with no profit.

Each continuing year of the Contract is awarded by means of the State Department exercising an option for that year. The option is the Government’s – not WSI’s. If the State Department exercises an option, AGNA must perform.

WSI and G4S have dutifully corrected the inadequacies in AGNA’s performance – and we dutifully continue to perform notwithstanding the mounting losses on the Contract. However, we would welcome any help that the Subcommittee might be able to provide to enable the Government to pay a more reasonable price for security for the Embassy.

Thank you. I would be pleased to respond to any questions.