

Opening Statement
of
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Committee on Homeland Security and Governmental Affairs
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Chairman McCaskill, Ranking Member Collins and Members of the Committee, thank you for the opportunity to appear before you today to discuss the Department of State's management of contracts to provide security services at the U.S. Embassy in Kabul, Afghanistan.

The Department of State has extensive experience with procuring services to protect our overseas diplomats and facilities. Diplomatic activity is ever-changing to meet the needs of our country amid evolving world events.

In today's testimony I will address the performance of ArmorGroup, North America as the provider of static guard services for our Embassy in Kabul as well as the State Department's oversight of this contract.

Because of the dangerous and unique environment, acquiring guard services for our mission in Kabul is challenging. However, by staying focused on the number one priority, the security of the embassy, complemented by effective contract management, the Department of State has successfully balanced its security requirements and contract compliance.

Indeed, improving the world wide program for procuring guard services is a Department priority. The Department established an embassy guard branch in the Office of Logistics Management to consolidate, streamline and regionalize these contracts previously administered individually by posts. We believe that these complicated contracts should be centralized so that they receive the attention from procurement professionals that they deserve. We have grown to administer 53 contracts worldwide.

This transition has not been without some growing pains, including a backlog of price adjustments and change management with posts. However, we already see that centralizing of the contracting program has achieved results that individual posts could not achieve.

I would like to go into more detail about security services at our U.S. Embassy in Kabul, Afghanistan. We have met with your staffs three times in the past three weeks. We believe these meetings have been extremely productive. The Department presented historical background, described the on- the- ground conditions in Kabul, and outlined the many steps taken to ensure appropriate oversight of the ArmorGroup, North America contract.

Prior to the award of ArmorGroup, North America, the Department had terminated a contract with MVM due to the contractor's failure to meet contract requirements. In March 2007, a new guard contract was awarded to Armor Group, North America. As required by law, this contract was awarded based on the lowest price, technically acceptable offer. The award was for one base year and four option years. The Department is currently in the first option year.

As with all guard contracts, there is constant communication with and collaborative efforts by the contracting officer and Diplomatic Security in Washington, and the Regional Security Officer on the ground in Kabul. For the ArmorGroup, North America contract, weekly meetings, and at times, daily meetings are held on contract performance. At the end of the first contract year, Diplomatic Security and the contracting officer completed a thorough evaluation. In addition, the Bureau of Diplomatic Security has

conducted 14 program management reviews since contract award. Through this constant oversight, the Department identified several issues and deficiencies and worked to correct them with Armor Group, North America. However, at no time was the security of American personnel at the U.S. Embassy compromised. Indeed, one of my priorities in traveling to Afghanistan last week was to have discussions with the Regional Security Officer and Senior Post Management to confirm this fact.

During the 2007 transition to ArmorGroup, North America the Department identified deficiencies in personnel, training, equipment, and performance. The contracting officer and the program manager issued several deficiency letters, a cure notice, a show cause notice and carefully monitored ArmorGroup, North America's corrective action plans. During this monitoring, we discovered other deficiencies concerning reporting, invoicing, and weapons for training. The most serious of our concerns were manning deficiencies that the contractor covered by the use of overtime hours. The Department always took appropriate deducts from its payments to ArmorGroup, North America to ensure that the U.S. Government was compensated for less than full compliance with contractual terms. At the same time, we worked with ArmorGroup, North America to correct these problems.

Through this difficult period of contract administration, we have always remained focused on what counts the most – the security of our personnel and facilities in Kabul. The Regional Security Officer in Afghanistan has always reported that despite the contractual deficiencies, the performance on the ground by ArmorGroup, North America has been and is

sound. The Regional Security Officer and senior officials in the Kabul Embassy reaffirmed this to me last week.

Effective contract administration in a war zone is challenging. However in this case, we feel we found the right balance of enforcing contract compliance without losing sight of protecting our people and facilities in Kabul.

I look forward to your questions and thank you for the opportunity to address the members of the committee.

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