United States Senate
Committee on Homeland Security & Governmental Affairs
SUBCOMMITTEE ON CONTRACTING OVERSIGHT

NEW INFORMATION ABOUT THE GUARD FORCE CONTRACT AT THE U.S. EMBASSY IN KABUL

Majority Staff Analysis
Prepared for Chairman Claire McCaskill

Executive Summary

On March 12, 2007, the State Department awarded a $189 million contract to provide security services at the U.S. Embassy in Kabul, Afghanistan, to ArmorGroup North America, Inc. ("AGNA"), a subsidiary of the British-owned ArmorGroup International. Under the contract, AGNA is required to provide "a highly-trained, professional security force" to "protect life and property, prevent unauthorized access, maintain order, and deter criminal activity in and around the U.S. Mission in Afghanistan."

At the request of Chairman Claire McCaskill and Acting Ranking Member Susan Collins, the Subcommittee initiated an investigation into the management, oversight, and performance of the Kabul embassy contract. In the course of the investigation, the Subcommittee has received 3,166 pages of documents from AGNA and four binders containing official contract correspondence from the State Department. All information cited herein is based on documents provided by the State Department and AGNA in response to the Subcommittee's May 19, 2009 Requests for Information. Subcommittee staff has also met several times with the State Department, ArmorGroup and Wackenhut officials, and former contractor employees. This staff analysis summarizes the information received by the Subcommittee.

The Kabul embassy contract can be viewed as a case study of how mismanagement and lack of oversight can result in poor performance. The record before the Subcommittee shows that AGNA's performance on the Kabul embassy contract has been deficient since the start of the contract in July 2007. The result is that, at times, the security of the U.S. Embassy in Kabul may have been placed at risk.

- In July 2007, the State Department contracting officer issued a cure notice, a formal advisory that the contractor had failed to meet major contract requirements. The contracting officer told AGNA: "I consider the contract deficiencies addressed below to endanger performance of the contract to such a degree that the security of the US Embassy in Kabul is in jeopardy."

- In September 2008, AGNA's performance problems had grown so severe that the State Department advised AGNA that the State Department was considering terminating the contract. According to the State Department, AGNA's failure to provide sufficient guards "has negatively impacted the security posture of the Local Guard Program for the U.S. Mission to Kabul. ... [T]he staffing situation has further deteriorated to a level that … gravely endangers performance of guard services in a high-threat environment such as Afghanistan."

- In March 2009, the State Department informed AGNA that it had "grave concerns" relating to AGNA's continuing failure to provide sufficient guards. In inspections of the guard force operations, the State Department observed that at least 18 guards were absent from their posts at the embassy. In response, AGNA stated that the guards' absences were due to "supervisory personnel negligence."

Documents and information received by the Subcommittee also show that AGNA acquired over $130,000 in counterfeit goods from a company owned by the AGNA logistics manager's wife.

In meetings with Subcommittee staff, the State Department has insisted that the U.S. Embassy in Kabul was never in any actual danger. State Department officials informed staff that the Department's security officials in Kabul provided diligent oversight of the contractors at all times and determined that the embassy's "operational" security has never been at issue. The State Department and AGNA have also advised that the contractor is now fully compliant with requirements relating to staffing.

Background

At most U.S. embassies around the world, the embassy security force is recruited from the local population. In certain high-risk threat environments, including Iraq and Afghanistan, the State Department has determined that the embassy guard force should be comprised of Americans and third-country nationals.

On March 12, 2007, the State Department awarded a contract to provide security services at the U.S. Embassy in Kabul, Afghanistan to ArmorGroup North America, Inc. ("AGNA"), a subsidiary of the British-owned ArmorGroup International. The contract was awarded for one base year and up to four additional option years, with a potential value of $189.3 million for all five years.[1] Under the contract, AGNA is required to provide "a highly-trained, professional security force" to "protect life and property, prevent unauthorized access, maintain order, and deter criminal activity in and around the U.S. Mission in Afghanistan."[2]

AGNA's responsibilities include program management; recruiting, managing and training the guard force, including relief guards; operating and maintaining the guards' living quarters at Camp Sullivan, a facility located approximately 3 miles from the embassy; and transporting the guards from Camp Sullivan to the embassy.[3]

In early 2008, Danish-owned security giant G4S acquired ArmorGroup. In May 2008, Wackenhut Services, Inc., a U.S.-based G4S subsidiary with federal contracts to provide guard services, told the State Department that it had taken over responsibility for AGNA's Kabul embassy contract. The G4S/Wackenhut acquisition was completed in November 2008.[4]

Inadequate Contract Performance

Documents and information received by the Subcommittee show that AGNA's performance on the Kabul embassy contract has been deficient since the start of the contract in July 2007. At times, AGNA's failure to meet contract requirements was so severe that the security of the U.S. Embassy may have been placed at risk.

AGNA assumed responsibility for the Kabul embassy guard force on July 1, 2007. On July 19, 2007, the State Department issued a cure notice, a formal advisory that the contractor's deficiencies were endangering the performance of the contract. In the cure notice, the State Department contracting officer addressed 14 performance deficiencies, including the failure to provide adequate guards, relief personnel, and armored vehicles.[5]

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[1] Contract No. S-AQMPD-07-C0054 (March 12, 2007).

[2] Contract No. S-AQMPD-07-C0054 (March 12, 2007).

[3] Contract No. S-AQMPD-07-C0054 (March 12, 2007).

[4] Wackenhut Services, International/ArmorGroup North America Briefing for Subcommittee Staff (June 2, 2009).

[5] Letter from James S. (Steve) Rogers, Senior Contracting Officer, U.S. Department of State, to AGNA President Karl Semancik (July 19, 2007) (incorrectedly dated June 19, 2007).

The deficiencies were so severe that the contracting officer warned that the contractor's failure placed the U.S. Embassy at additional security risk.[6] According to the contracting officer:

> I consider the contract deficiencies addressed below to endanger performance of the contract to such a degree that the security of the US Embassy in Kabul is in jeopardy.[7]

In the year following the cure notice, the State Department found numerous other problems with AGNA's performance, including lack of English language proficiency among the guard force and lack of a contingency plan. AGNA also failed to correct many of the deficiencies from the cure notice, including those relating to staffing and training.[8]

On April 30, 2008, State sent AGNA a letter summarizing the contractor's ongoing problems with performance. An attachment listed 15 recurring or ongoing deficiencies since the start of the contract and 4 additional deficiencies that arose after the July 19, 2007 cure notice. The State Department informed AGNA that, due to its continued weaknesses and deficiencies, the Department was considering whether to exercise the contract's first option year.[9]

Despite AGNA's continuing problems, in July 2008 the State Department decided to exercise the contract's first option year. In a performance evaluation submitted on June 12, 2008, the State Department noted that, based on satisfactory meetings with the incoming G4S/Wackenhut managers, it was "reasonable" to expect that all performance problems would be corrected by October 1, 2008.[10]

On August 22, 2008, however, the State Department told AGNA that it questioned the contractor's ability to provide security for the embassy in the hostile environment of Afghanistan.[11] According to the State Department:

> [T]he Government has serious concerns regarding AGNA's ability to respond in the aftermath of a mass casualty incident or an extreme loss of personnel due to mass resignation, hostile fire or loss of manpower due to illness. The Government is primarily concerned that AGNA has not effectively planned for such contingencies and does not have adequate staffing levels and resources should the aforementioned incidents occur. … Therefore, AGNA needs to come

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[6] *Id.*

[7] *Id.*

[8] Letter from Sharon James, Senior Contracting Officer, U.S. Department of State, to AGNA President Jerry Hoffman (April 30, 2008).

[9] *Id.*

[10] U.S. Department of State, Contractor Past Performance Evaluation for Contract No. S-AQMPD-07-C0054 (June 12, 2008).

[11] Letter from Joseph W. DeChirico, Contracting Officer, U.S. Department of State, to AGNA Vice President Mark Carruthers (Aug. 22, 2008).

> quickly to terms with contract requirements especially in light of the current incidents occurring in and around Kabul and the corresponding threat environment they pose.[12]

By September 2008, AGNA's performance problems had grown so severe that the State Department felt it had no option other than to issue a "show cause" letter. This letter advised AGNA that the State Department was considering terminating AGNA's contract due to AGNA's persistent failure to correct the various deficiencies identified during the first year of performance.[13]

The State Department told AGNA that its failure to remedy the staffing deficiencies for the guard force had endangered the performance of the contract and created an "unacceptable level of risk."[14] According to the State Department:

> AGNA's inability to permanently correct personnel staffing shortages has negatively impacted the security posture of the Local Guard Program for the U.S. Mission to Kabul. ... [T]he staffing situation has further deteriorated to a level that … gravely endangers performance of guard services in a high-threat environment such as Afghanistan.[15]

Since the "show cause" letter, the State Department and AGNA have worked together to resolve many of the contractor's deficiencies. In recent months, AGNA has made significant improvements to its performance. With respect to some of the deficiencies, however, the contractor is now in compliance only because the State Department changed the contract's requirements.[16] According to the State Department, the contractor has only three remaining deficiencies: the lack of a secondary armorer; inadequate English language proficiency among the guard force; and the lack of one variety of training weapon for the guard force.

Because of the continued problems with staffing and other deficiencies, the State Department deducted $2.4 million from AGNA's payments in 2007 and 2008.[17]

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[12] *Id.*

[13] Letter from Sharon James, Senior Contracting Officer, U.S. Department of State, to AGNA Vice President Mark Carruthers (Sept. 21, 2008).

[14] *Id.*

[15] *Id.*

[16] See, e.g. Contract No. S-AQMPD-07-C0054, Modification 4 (reducing hourly requirements for one ERT team from 24/7 to 12/7); Contract No. S-AQMPD-07-C0054, Modification 12 (eliminating an LN/Screener position); Contract No. S-AQMPD-07-C0054, Modification 13 (replacing one Senior Guard with one Guard position); Contract No. S-AQMPD-07-C0054, Modification 16 (eliminating two Emergency Medical Technician positions).

[17] U.S. Department of State, Briefing for Subcommittee Staff (June 4, 2009).

In meetings with Subcommittee staff, the State Department has insisted that the U.S. Embassy in Kabul was never in any actual danger. State Department officials informed staff that the Department's security officials in Kabul provided diligent oversight of the contractors at all times and determined that the embassy's "operational" security has never been at issue.[18] As detailed above, however, the Department's own statements call these conclusions into question.

Additional information regarding two recurring problems with the embassy guard force contract is below. These problems include:

- **Failure to Supply Adequate Number of Qualified Guards.** Documents and information received by the Subcommittee show that AGNA failed to provide an adequate number of qualified guards to meet the requirements for the embassy guard force. Despite assurances from the State Department and AGNA that all deficiencies were resolved in early 2009, the Subcommittee has learned that deficiencies with staffing have persisted until as recently as May 2009, the latest date for which documents have been produced.

- **Failure to Provide Sufficient Training for Guards.** Under the contract, AGNA is required to provide training for the entire guard force, and to supply weapons and ammunition for the training. AGNA has been unable to provide adequate weapons for training the guard force and instead has relied on government-furnished weapons since the beginning of the contract. AGNA has also failed to meet requirements relating to ammunition and weapons maintenance and repair supplies.

Failure to Supply Adequate Number of Qualified Guards

Documents and information received by the Subcommittee show that AGNA failed to provide an adequate number of qualified guards required for the Kabul embassy guard force. AGNA has failed to provide relief guards; failed to ensure that guards have clearances; failed to provide specialized personnel; and the failed to provide guards with adequate language skills. Some of these failures have persisted as late as May 2009.

The Kabul embassy contract requires that the contractor provide a sufficient number of trained professionals to fill 153 positions, approximately 47 of which are reserved for Americans or "Expats," individuals from a small list of approved countries including Canada and New Zealand. Nearly all of the remaining positions have been filled by Gurkhas from Nepal. A small number of local Afghans work in positions which do not require a weapon.[19]

Under the contract, no guard may work for more than 12 continuous hours per guard shift, including mandatory break periods, or for more than 60 hours per week.[20] In addition, all the embassy guards must undergo a background investigation and meet the State Department's

[18] U.S. Department of State, Briefing for Subcommittee Staff (June 4, 2009).

[19] Contract No. S-AQMPD-07-C0054, Exhibit A (March 12, 2007).

[20] Contract No. S-AQMPD-07-C0054, § H.6.2 (March 12, 2007) (limiting Americans and Expats to 54 hours per week).

"Moderate Risk Public Trust (MRPT)" standard or, in the case of the senior management positions, qualify for a security clearance. The contract also requires that members of the embassy guard force have an adequate knowledge of English.[21]

In the first months of the contract, the State Department found a number of deficiencies relating to staffing, including:

- *Failure to provide relief guards*. The contract requires relief guards to allow the duty guards to take regular breaks, including breaks for meals, to ensure that the guards stay alert throughout their shift. The State Department advised that it was "very disturbing" that AGNA had not provided sufficient relief guards.[22]

- *Failure to ensure guards have clearances.* The State Department told AGNA that its failure to submit MRPT packages for new guards had created an "operational problem" which greatly concerned the government. The State Department added that AGNA's failure meant that the company did not have sufficient guards to meet the contract requirements without working the Americans and Expats longer than the contractual limit of 54 hours per week and/or 12 hours per day. The State Department also warned AGNA that it could not deploy guards who had not yet obtained their clearances.[23]

- *Failure to provide guards with adequate language skills.* At AGNA's request, the State Department gave the contractor a temporary waiver to use guards who could not meet the language requirements of the contract. AGNA was given 120 days to bring the guards' language skills up to the required level of proficiency.[24]

In March 2008, the State Department found that AGNA had not resolved the issues relating to relief guards, clearances, and language proficiency. The State Department also reported a number of other concerns relating to staffing, including:

- "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)."

- "AGNA has been unable to fill posts with resume-qualified individuals, to include the Key Personnel positions […]."

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[21] Contract No. S-AQMPD-07-C0054, Exhibit A (March 12, 2007).

[22] Letter from James S. (Steve) Rogers, Senior Contracting Officer, U.S. Department of State, to AGNA President Karl Semancik (July 19, 2007).

[23] *Id.*

[24] Letter from James S. (Steve) Rogers, Senior Contracting Officer, U.S. Department of State, to AGNA Director of Operations James Gordon (Nov. 2, 2007).

- "There have been extended periods of time when the Armorer, Radio Technician and Medic positions have been vacant."[25]

On September 21, 2008, the State Department advised AGNA that it was considering terminating the contract due to AGNA's continued performance problems. In particular, the State Department told AGNA that its failure to remedy the staffing deficiencies for the guard force had endangered the performance of the contract and negatively affected contingency planning and capabilities, which "may place both personnel and property at an unacceptable level of risk."[26] According to the State Department:

> AGNA's inability to permanently correct personnel staffing shortages has negatively impacted the security posture of the Local Guard Program for the U.S. Mission to Kabul. .. [T]he staffing situation has further deteriorated to a level that … gravely endangers performance of guard services in a high-threat environment such as Afghanistan.[27]

On November 13, 2008, the State Department stated that it had concerns about AGNA's policy of working guards for longer than the 12-hour limit required by the contract. The State Department acknowledged that it had little choice in the matter, however, since AGNA could not provide enough guards without using overtime. The State Department told AGNA: "the decision to disapprove any extension of the use of overtime hours to augment staffing is not in the best interest of [the State Department RSO] and his attempt to maintain a secure Embassy." [28]

On January 24, 2009, after requesting and receiving multiple extensions from the State Department, AGNA declared that it was fully compliant with the contract's requirements relating to the numbers and qualifications of the guard force.[29]

On March 30, 2009, the State Department informed AGNA that it had "grave concerns" relating to AGNA's continuing failure to provide sufficient relief guards. In inspections conducted earlier in March, the State Department noted that at least 18 guards were absent from their posts at the embassy.[30] In response, AGNA stated that the guards' absences were due to

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[25] U.S. Department of State, *Memorandum: Ongoing Concerns Regarding ArmorGroup North America's Performance* (March 10, 2008).

[26] Letter from Sharon James, Senior Contracting Officer, U.S. Department of State, to AGNA Vice President Mark Carruthers (Sept. 21, 2008).

[27] *Id.*

[28] Letter from Joseph W. DeChirico, Contracting Officer, U.S. Department of State, to AGNA Vice President Mark Carruthers (Nov. 13, 2008).

[29] Letter from AGNA Vice President Mark Carruthers to Sharon James, Senior Contracting Officer, U.S. Department of State (Jan. 24, 2009).

[30] Letter from Sharon James, Senior Contracting Officer, U.S. Department of State, to AGNA Vice President Mark Carruthers (March 30, 2009) (attaching Corrective Action Plan Discussion March 10-13 2009).

"supervisory personnel negligence and not because of manpower shortages," adding that all the supervisors had since undergone counseling.[31]

On April 1, 2009, State denied AGNA's request for a waiver to meet contract language proficiency obligations, the third request of its kind.[32] The State Department said:

> [W]e are quite dismayed to learn that after nearly two years of contract performance, AGNA still has language deficiencies among [its] guard force. The Government also must wonder when this issue would have been discovered and addressed by AGNA, had the Government not brought it up. … Therefore, at this juncture the Government will not grant AGNA a waiver due to AGNA's inability to effectively establish and maintain quality control measures … to fully meet contractual requirements. AGNA took a huge risk in placing these individuals in positions for which they did not meet the full qualifications ... .[33]

On May 6, 2009, AGNA reported to the State Department that the deficiencies relating to language and relief post personnel issues had been resolved.[34] The State Department has informed Subcommittee staff that AGNA is currently fully staffed.[35]

Failure to Provide Training Weapons for Guards

The Kabul embassy contract requires AGNA to provide weapons training for the guard force.[36] The contractor is responsible for providing the training weapons and ammunition. Documents and information received by the Subcommittee show that AGNA has failed to provide the required training weapons and instead has used the government's weapons to provide training to the guard force.

The State Department first learned that AGNA was using the government's weapons for training in January 2008. At that time, the Department raised concerns that AGNA had failed to provide training weapons at any time since the beginning of the contract in July 2007, despite the contract's strict requirements that they do so and without seeking a waiver from the Department.[37] According to the State Department:

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[31] Letter from AGNA Vice President Mark Carruthers to Sharon James, Senior Contracting Officer, U.S. Department of State (April 1, 2009).

[32] Letter from Sharon James, Senior Contracting Officer, U.S. Department of State, to AGNA Vice President Mark Carruthers (April 1, 2009).

[33] *Id.*

[34] AGNA Corrective Action Plan Weekly Update (May 6, 2009).

[35] U.S. Department of State, Briefing for Subcommittee staff (June 4, 2009).

[36] Contract No. S-AQMPD-07-C0054, Exhibit D (March 12, 2007).

[37] Letter from James S. (Steve) Rogers, Senior Contracting Officer, U.S. Department of State, to AGNA Director of Operations James Gordon (Jan. 23, 2008).

> Given that the contract is over six months old, that AGNA made no effort to inform the U.S. Government that this was occurring, and that AGNA failed to request a waiver from the Contracting Officer, the U.S. Government can only conclude that this was an intentional, deceptive action.[38]

AGNA responded that it had used the weapons with the knowledge and consent of the State Department Regional Security Officer in Kabul.[39] AGNA also stated that it would immediately order weapons.[40] AGNA later informed the State Department that the weapons had been ordered on February 29, 2008, and might take as long as 6 months to arrive.[41]

On May 11, 2009, AGNA acknowledged in a letter to the State Department that it was still using the government's weapons to provide training for members of the guard force. Although AGNA had purchased some training weapons, additional weapons required or the guards were not expected to be delivered until late August or early September 2009.[42]

The State Department and AGNA have not yet resolved how much money (if any) will be charged to AGNA for its past and continuing use of the government's weapons for training.[43]

Product Substitution

On January 23, 2008, AGNA informed the State Department that it was conducting an internal investigation into allegations that the company improperly procured counterfeit goods for the embassy guard force.[44] Documents received by the Subcommittee indicate that boots, winter jackets, and gloves purchased by AGNA at a cost of more than $130,000 were in fact counterfeit.[45]

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[38] *Id.*

[39] Letter from AGNA Vice President Mark Carruthers to Sharon James, Senior Contracting Officer, U.S. Department of State (May 11, 2009).

[40] U.S. Department of State, *Memorandum: Ongoing Concerns Regarding ArmorGroup North America's Performance* (March 10, 2008).

[41] *Id.*

[42] Letter from AGNA Vice President Mark Carruthers to Sharon James, Senior Contracting Officer, U.S. Department of State (May 11, 2009).

[43] U.S. Department of State, Briefing for Subcommittee Staff (May 21, 2009).

[44] U.S. Department of State, *Memorandum: Ongoing Concerns Regarding ArmorGroup North America's Performance* (March 10, 2008).

[45] E-mails between AGNA President Jerry Hoffman and AGNA Director of Operations James Gordon (Feb. 15, 2008); E-mail from Jeff Jones, Altama Footwear, to AGNA Director of Operations James Gordon (Feb. 15, 2008).

AGNA's investigation also revealed that the AGNA logistics manager had acquired the counterfeit goods from a company owned and managed by his wife.[46] In total, the logistics manager purchased a total of $380,000 worth of equipment from his wife's company.[47] According to the AGNA program manager in Kabul, the State Department was aware of this arrangement.[48]

On January 24, 2008, the State Department requested that the logistics manager be removed from the contract.[49] In early February 2008, AGNA informed the State Department that the logistics manager had resigned.[50] On February 27, 2008, however, based on information received from State Department officials in Kabul, the State Department learned that the logistics manager was in fact still working on the contract in Kabul.[51] One week later, AGNA told the State Department that the logistics manager was no longer working for AGNA.[52]

Conclusion

The record before the Subcommittee indicates that the Kabul embassy contract can be viewed as a case study of how mismanagement and lack of oversight can result in poor performance. AGNA's performance on the Kabul embassy contract has been deficient since the start of the contract in July 2007. The result is that, at times, the security of the U.S. Embassy in Kabul may have been placed at risk.

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[46] ArmorGroup North America, *Memorandum: Investigation of Clothing Procurement USE in Kabul* (Jan. 30, 2008).

[47] E-mail from James S. (Steve) Rogers, Senior Contracting Officer, U.S. Department of State, to AGNA Director of Operations James Gordon and Heidi McMichael, Contracting Officer's Representative, U.S. Department of State (Jan. 24, 2008) .

[48] E-mail from AGNA Project Manager Nick Du Plessis to AGNA President Jerry Hoffman and AGNA Director of Operations James Gordon (Jan. 23, 2008) .

[49] E-mail from James S. (Steve) Rogers, Senior Contracting Officer, U.S. Department of State, to AGNA Director of Operations James Gordon and Heidi McMichael, Contracting Officer's Representative, U.S. Department of State (Jan. 24, 2008).

[50] Letter from AGNA Logistics Specialist Sean Garcia to AGNA Project Manager Nick Du Plessis (Feb. 5, 2008).

[51] U.S. Department of State, *Memorandum: Ongoing Concerns Regarding ArmorGroup North America's Performance* (March 10, 2008).

[52] *Id.*