



DEFENSE SECURITY SERVICE

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JUN 09 2009

The Honorable Claire McCaskill
Chairman
Subcommittee on Contracting Oversight
United States Senate
Washington, D.C. 20510

Dear Ms. Chairman:

Thank you for the recent invitation to testify before the Subcommittee on Contracting Oversight at the hearing entitled, "Allegations of Waste, Fraud, and Abuse in Security Contracts at the U.S. Embassy in Kabul," on June 10, 2009.

I respectfully decline the invitation. However, I am available to brief committee Members or staff on the Defense Security Service's (DSS) role in overseeing the National Industrial Security Program (NISP) and in particular, its oversight of companies under foreign ownership control or influence. DSS administers the NISP on behalf of the Department of Defense and 23 other federal agencies, departments and offices (including the Department of State). DSS inspects approximately 12,500 contractor facilities that are cleared for access to classified information.

I would prefer to provide the Subcommittee with a briefing primarily because DSS has no information relevant on the stated purpose of this hearing, which is: "to examine concerns relating to the State Department's contract to acquire security services at the U.S. Embassy in Kabul. The Subcommittee has learned of allegations that the security of the Embassy may have been jeopardized over the last two years because of the contractor's failure to comply with U.S. laws and contract terms. The hearing will examine these allegations and explore potential abuses in the management and oversight of the contract."

In addition, it would be inappropriate for DSS to publicly discuss results of specific security inspections of industrial facilities. Doing so could publicly expose security vulnerabilities at particular companies.

In the interest of providing you with background information, ArmorGroup North America (AGNA), which seems to be of particular interest to the Subcommittee, was

awarded a State Department contract to provide security services at the U.S. Embassy in Kabul, Afghanistan. AGNA is a cleared facility under the NISP. From 2005 to 2008 AGNA operated under a proxy agreement mandated by DSS. This agreement was necessary as AGNA was a wholly owned subsidiary of Armor Group International plc, a UK company.

DSS records indicate that during the period from 2005 to 2008, AGNA was in full compliance with its responsibilities under the NISP and received satisfactory or higher ratings from DSS during oversight inspections. Further, DSS records indicate the AGNA Board's Government Security Committee, established under the terms of the proxy agreement, fulfilled its duties with due diligence. DSS has no indication that AGNA or the foreign parent violated the terms of the proxy agreement.

I look forward to briefing you at your convenience. My point of contact for any further information or to arrange briefings is Cindy McGovern, Office of Communications, at (703) 325-9546.

Kathleen M. Watson 6/19/09
Kathleen M. Watson
Director

cc:
The Honorable Susan Collins
Acting Ranking Member