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United States Department of State  
and the Broadcasting Board of Governors  
Office of Inspector General

## Middle East Regional Office

# Review of Diplomatic Security's Management of Personal Protective Services in Iraq

Report Number MERO-IQO-09-02, January 2009

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*Office of Inspector General*

PREFACE

This report was prepared by the Office of Inspector General (OIG) pursuant to the Inspector General Act of 1978, as amended, Section 209 of the Foreign Service Act of 1980, the Arms Control and Disarmament Amendments Act of 1987, and the Department of State and Related Agencies Appropriations Act, FY 1996. It is one of a series of audit, inspection, investigative, and special reports prepared by OIG periodically as part of its oversight responsibility with respect to the Department of State and the Broadcasting Board of Governors to identify and prevent fraud, waste, abuse, and mismanagement.

This report is the result of an assessment of the strengths and weaknesses of the office, post, or function under review. It is based on interviews with employees and officials of relevant agencies and institutions, direct observation, and a review of applicable documents.

The recommendations therein have been developed on the basis of the best knowledge available to the OIG, and have been discussed in draft with those responsible for implementation. It is my hope that these recommendations will result in more effective, efficient, and/or economical operations.

I express my appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in black ink, appearing to read "H.W. Geisel".

Harold W. Geisel  
Acting Inspector General



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## KEY FINDINGS

- The Bureau of Diplomatic Security (DS) has been highly effective in ensuring the safety of chief of mission personnel in Iraq.
- DS does not have a strong control environment to ensure the World Wide Personal Protection Services (WPPS) contract is effectively managed, assets are safeguarded, and laws and regulations are in compliance due to:
  - Frequent changes in management personnel and staff turnover;
  - Rapid expansion of activities;
  - Understaffing and drastic increase in workload, as well as staff having difficulties handling operational workload;
  - Lack of operating policies and procedures; and
  - Staff frustrated by requests for information, and inability to provide information.
- Analysis of personnel rosters (muster sheets) revealed the three WPPS contractors had recurring difficulties maintaining required staffing for critical labor categories. There is no attempt to ensure the accuracy of muster sheets at their origin in the field, and therefore, no means to verify personnel labor costs.
- Embassy Baghdad's use of contractors to manage and control government-furnished equipment may violate Federal Acquisition Regulation policy that contractors shall not be used for the performance of "inherently governmental" functions.
- The security footprint of the three WPPS contractors in Iraq is a legacy of the Coalition Provisional Authority period.
- There have been no assessments or analysis to determine the personal protective service requirements in Iraq, including how many security personnel to employ, where they should be deployed, or the level and manner of protection given the threat in particular locations. The Office of Inspector General (OIG) noted several instances that raised concerns over the efficient deployment of contractor security assets.





## INTRODUCTION

The employment of private security contractors in Iraq has become a critical Department tool for providing personal protection since Embassy Baghdad opened in July, 2004. Contractors working under the WPPS contract provide security for officials who fall under chief of mission authority, as well as site security at the Embassy and other facilities in Iraq. In June 2005, Blackwater USA, Dyncorp International, and Triple Canopy were awarded indefinite-delivery/indefinite-quantity contracts (one base + four option years) under what is now known as the WPPS II contract. The Department has obligated nearly \$2 billion under WPPS II for fiscal years 2005-2008, and had 1,290 security contractors operating in Iraq, as of September 1, 2008. The Department is currently drafting contract specifications and plans to open a competitive bidding process in early 2009 for WPPS III.

OIG initiated this work under the authority of the Inspector General Act of 1978, as amended<sup>1</sup>, due to concerns about the Department's exercise of control over the performance of security contractors in Iraq, and to provide information to guide the award and management of WPPS III. This report provides information on (1) whether DS is effectively managing the security program in Iraq; (2) how the security requirements in Iraq were determined; and (3) what factors were considered for the geographical array of security contractors, DS staff, and equipment within Iraq.

This report is the second in a series on the Department's management of the personal protective security program in Iraq.<sup>2</sup> OIG is in the process of completing two reports on the contract performance of DynCorp International and Triple Canopy and will report these findings in early 2009. In making this assessment, OIG met with officials from DS, the Office of Acquisitions Management, Embassy Baghdad, Multi-National Forces-Iraq, and the three security companies under contract to provide protective services to the Department. In addition, OIG visited sites throughout Iraq where private security contractors provide movement and personal protection for U.S. mission personnel, including Erbil, Kirkuk, Hillah, Tallil, and Basra.

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<sup>1</sup>5 USC App. 3.

<sup>2</sup>See *Status of the Secretary of State's Panel on Personal Protective Services in Iraq Report Recommendations*, MERO-IQO-09-01, December 2008.



## EXECUTIVE SUMMARY

### RESULTS

The Department's security operation in Iraq has been highly effective in ensuring the safety of chief of mission personnel. However, the rapid rise in use and scale of private security contractors has strained the Department's ability to effectively manage them. The Department's management of the security program in Iraq has been undermined by frequent staff turnover, understaffing, increased workload, and the lack of standardized operating policies and procedures.

The Bureau of Administration's Office of Acquisitions Management (AQM), located in Washington, DC, has had six different contracting officers responsible for administering the WPPS contracts since July 2004. In addition to the disruption caused by this significant turnover, senior AQM officials report that manpower shortages prevent the office from effectively managing and performing contract oversight, such as ensuring the costs incurred by contractors are proper. As a result, AQM relies on the DS Office of Overseas Protective Operations (OPO) to monitor contractor performance and costs. However, OPO also suffers from high staff turnover, with more than 150 percent turnover in contract support staff since December 2006.

DS, in an effort to enhance contract oversight in Iraq, began assigning special agents in December 2007 the responsibility for supervising contractors to assure compliance with the WPPS II contract terms and conditions. However, OIG found the high operational tempo in Iraq requires special agents to focus on the planning and execution of protection missions with little time for contract administration. A senior security officer told OIG the Embassy relies on the contractors to manage their own staff and property. Special agents reported they have excellent awareness of how the contractors perform their protection duties, but minimal insight regarding how the contracts are managed and whether costs are properly allocated. For example, these special agents were not verifying contractor personnel rosters (muster sheets) or the maintenance of property control systems for government-furnished equipment.

Effective oversight of the private security contractors is also hindered by the frequent turnover of staff in Iraq. Special agents serve on a 12-month rotational schedule, which includes nearly two months of R&R time away from post. The OIG team also noted that the Embassy and field sites were not maintaining, or had limited, contractor files as required by Federal Acquisition Regulation (FAR) policy. The lack of contractor files presented an unnecessary burden for newly arriving special agents who need to quickly get up to speed on contract requirements and program practices and procedures. Special agents were further hindered by the lack of written Department standards, policies, and procedures for managing private security contractors. Finally, the only training special agents assigned WPPS oversight responsibilities receive is a basic 40-hour contracting officer representative course. Special agents told the OIG team that the training was too generic to adequately prepare them for the scope and complexity of the WPPS II contract.

The WPPS II contract requires that the security contractors submit muster sheets to document that staffs are present and available for work. OIG's analysis of the muster sheets revealed the three WPPS II contractors had recurring difficulties maintaining required staffing for three critical labor categories: emergency medical technicians, designated marksmen, and interpreters. The Department had not invoked the financial deduct penalty clause for this violation. Furthermore, there was no attempt to ensure the accuracy of muster sheets at their origin in the field. OIG concludes there is no assurance that the personnel staffing data as represented by the muster sheets is complete and accurate.

Embassy Baghdad's Regional Security Office (RSO) Logistics Office is responsible for managing and controlling government-furnished equipment provided under the WPPS II contract. The office is directed by a Department-hired personal services contractor (PSC), who in turns manages six Blackwater administrative logistics security specialists. OIG believes the use of a PSC to direct—and Blackwater administrative specialists to carry out—the Logistics Office's mission to manage and control government-furnished equipment is a poor management practice, and may violate FAR policy that dictates that contractors shall not be used for the performance of "inherently governmental" functions. This arrangement is particularly troubling because Blackwater personnel have inspected their own company.

There have been no assessments or analyses to determine the personal protective service requirements in Iraq, including how many security personnel to employ, where they should be deployed, or the level and manner of protection given the threat in particular locations. OIG noted several instances that raised concerns over the efficient deployment of contractor security assets. For example, in Tallil in 2007, there were no security protection movements for more than six consecutive months

despite having between 30 to 53 security specialists stationed there. At Basra, chief of mission personnel conducted only five security protection movements outside the Basra Air Base since January 2008. With regard to this issue, Embassy officials told OIG it would be premature to assess the chief of mission's security posture while the Status of Forces Agreement was still being negotiated and there is the possibility of military units departing Iraq. Department security officials stated there were no plans to conduct an overall assessment of the security requirements in Iraq before the solicitation and awarding of WPPS III.

The geographical footprint of the three WPPS security contractors in Iraq is a legacy of the Coalition Provisional Authority period when DynCorp was awarded protection duties in the northern region and the major cities of Erbil and Kirkuk, and Triple Canopy in the port city of Basra and the southern region. The decision to award Blackwater the central region, including Baghdad, was based upon a determination that DynCorp and Triple Canopy did not have the capacity to meet the full requirements of the expanding mission. Though the Department had originally envisioned only one security contractor to service Iraq for management convenience and lower administrative costs, officials decided to maintain three security contractors viable and operating in Iraq because (1) no one company had the capacity to undertake the entire security mission, (2) three viable contractors provided a level of assurance in case one of the contractors was no longer able or willing to continue operations, and (3) continued competition among the contractors provides the U.S. Government the best value.

## ADDITIONAL ISSUES FOR CONSIDERATION

DS conducts periodic program management reviews (PMR) to determine how effectively programs are being administered, and whether funds are being used judiciously and for the purposes for which they are allotted.<sup>3</sup> During the course of this evaluation, the OIG team reviewed more than twenty-five PMRs related to the WPPS program. The PMR can be an enormously valuable tool when conducted with sufficient depth and independence. However, the checklist approach used by the PMR teams does not provide insight into the contractor performance, or whether the objectives of the program are being met. The OIG team noted that verbal briefings by PMR teams in the field provided more insight and analysis into the status of the programs than the subsequent written report. Current and former DS PMR team members told OIG that written reports were tempered so as to not embarrass the

<sup>3</sup>12 FAH-7 H-231.

Bureau. Consideration should be given to (1) expanding the depth of PMR reporting to include contractor performance and program outcomes; (2) appointing independent team leaders; and (3) widening distribution of reports to include policy-makers and program managers throughout the Department.

## RECOMMENDATIONS

**Recommendation 1:** The Bureau of Diplomatic Security should develop a workforce plan for the High Threat Protection Division to fill staff vacancies and encourage retention of staff responsible for administering the WPPS contract. (Action: DS)

**Recommendation 2:** The Bureau of Administration should develop a workforce plan for the Acquisitions Management Division to ensure sufficient staff to oversee the WPPS contract, including assigning a dedicated contracting officer to Embassy Baghdad to provide proper oversight of WPPS contractor activities. (Action: Bureau of Administration)

**Recommendation 3:** The Bureau of Diplomatic Security should assign dedicated contracting officer representatives to Embassy Baghdad and Regional Embassy Offices to provide proper oversight of WPPS contractor activities. (Action: DS)

**Recommendation 4:** The Bureau of Diplomatic Security should develop and publish standards, policies, and procedures for managing private security contractors in the Foreign Affairs Handbook, similar to those created for Local Guard and Residential Security programs. (Action: DS)

**Recommendation 5:** Embassy Baghdad should assign a U.S. Government direct-hire employee to supervise and approve the work completed by the RSO's Logistics Office. (Action: Embassy Baghdad)

**Recommendation 6:** The Bureau of Diplomatic Security should conduct an assessment to determine the personal protective service requirements in Iraq to include how many security personnel to employ, where they should be deployed, and the level and manner of protection given the threat in particular locations. (Action: DS)

## MANAGEMENT COMMENTS AND OIG RESPONSE

The OIG team received written comments and updates from Embassy Baghdad's RSO office and DS on a draft of this report. Since Embassy Baghdad's comments were in e-mail exchanges and DS' comments were in track changes format on a report draft and were technical in nature, they were not included in the appendix of this report. Both Embassy Baghdad and DS technical comments and updates were incorporated throughout the report, as appropriate. The team also met with Embassy Baghdad security officials to discuss their comments and observations.

Embassy Baghdad concurred with the report's assessments and recommendations, citing those recommendations directed to OPO as especially significant. Embassy Baghdad highlighted the need to establish support positions with personnel possessing professional backgrounds in logistics, budget, and finance.

DS did not provide comments on recommendations 1, 2, 4, and 6. In regard to recommendation 3, DS responded that it will begin sending direct hire/PSC personnel to Iraq on a long-term temporary duty (TDY) basis to provide COR oversight to the ground task orders in Iraq. DS is in the process of hiring PSC personnel, and has requested an additional special agent for this purpose. DS noted that it already oversees the aviation task order by having a program manager/COR in-country on long-term TDY and hired a deputy program manager who will alternate with the program manager to maintain a full-time presence.

Concerning recommendation 5—related to assigning a direct-hire U.S. Government employee to supervise and approve the work completed by the RSO's Logistics Office—DS indicated that, since the OIG site visit was conducted, DS has assigned a DS special agent to directly manage and oversee the RSO Logistics Office. DS noted, however, that the Department disagrees with the OIG's proposition that PSCs cannot perform "inherently governmental" functions with regard to the disposal of government property. The Department further avers that PSCs are U.S. Government

employees under common-law master-servant tests, and that the Office of Federal Procurement Policy has advised the Department that PSCs may perform inherently governmental functions to the extent consistent with the statutory authority under which their services are retained. Although DS has not cited specific statutory provisions that authorize these particular PSCs to perform the referenced inherently governmental functions, DS believes that the current staffing structure and operation of the RSO Logistics Office is consistent with federal regulations. The OIG team considers the assigning of a special agent to directly manage the Logistics Office responsive to the intent of the recommendation, and is pleased to further learn of DS' stated plan to review options to enhance management and control of government-furnished equipment, including the use of non-WPPS contract personnel to perform this function.



# BACKGROUND

In March 2000, the Department developed and awarded the first iteration of the WPPS contract to DynCorp International to provide protective services in areas of the former Yugoslavia, and was subsequently expanded to provide protective services in the Palestinian Territories (July 2002) and Afghanistan (November 2002). In 2004, task orders under the WPPS contract were issued to provide for personal protective services for Embassy Baghdad when it opened in July 2004. DynCorp was unable to meet the full requirements of the expanding mission and a second service provider was established through a contract with Blackwater USA. Subsequently, a contract was awarded to Triple Canopy to provide protection at the Regional Embassy Office in Basra, Iraq.

In 2005, a new contract (referred to as WPPS II) to replace the original WPPS contract was awarded to Blackwater, DynCorp, and Triple Canopy to provide protective services in three separate geographical areas in Iraq. Due to the changing requirements in Iraq's combat environment, personnel qualifications, training, equipment, and management requirements were upgraded under WPPS II. The WPPS II contract has a ceiling of \$1.2 billion per contractor over five years--one base year and four option years. There are currently eight active task orders under WPPS II, including five specific to Iraq, and individual task orders for Jerusalem and Afghanistan. These task orders are set to expire from May through September 2009. Table 1 provides information on the contractor locations and their work requirements.

Table 1: WPPS II Task Orders – Contractor and Work Requirements

Task Order	Contractor	Description of Work
1	Blackwater, DynCorp, and Triple Canopy	Provide contractors' local program management offices in Washington D.C. area.
2	Triple Canopy	Provide personal protective services in Israel.
3	Triple Canopy	Provide personal protective services in Haiti. (Closed)
4	Blackwater	Provide personal protective services in Afghanistan.
5	DynCorp	Provide personal protective services in Bosnia. (Closed)
6	Blackwater	Provide personal protective services in Baghdad, Ramadi, and Baqubah, Iraq.
7	Triple Canopy	Provide protective security services for the south Iraq region, including Tallil and Basra.
8	Blackwater	Provide protective security services for Hillah, Karbala, and Najaf, Iraq.
9	DynCorp	Provide protective security services for the north Iraq region, including Kirkuk, Erbil, Sulaymaniyah, and Kirkuk Air Base.
10	Blackwater	Provide aviation transportation services for search and rescue and medical evacuation, transporting quick reaction forces to respond to incidents and provide limited air transportation for chief of mission personnel for official business.

Source: Department of State, Office of Acquisition Management, October 2008.

Collectively, the three private security contractors provide more than 1,000 armed personal security specialists and guards in Iraq. In addition, the contractors have approximately 257 administrative and support staff in Iraq. It is worth noting that the number of private security contractors working under the WPPS contract in Iraq is roughly equivalent to the number of DS special agents serving worldwide. Table 2 provides information on the number of WPPS personal security specialists, support staff, and guard force operating in Iraq.

Table 2: WWPS Personnel in Iraq, September 1, 2008

<b>Company</b>	<b>Personal Security Specialists</b>	<b>Administrative and Support Staff</b>	<b>Guard Force</b>	<b>Total</b>
<b>Blackwater</b>	601	205 <sup>a</sup>	162	968
<b>DynCorp</b>	78	23	52	153
<b>Triple Canopy</b>	80	29	60 <sup>b</sup>	169
<b>Total</b>	759	257	274	1290

Source: OIG analysis of Bureau of Diplomatic Security data.

Note:

<sup>a</sup>Includes 108 aviation support personnel.

<sup>b</sup>Guard force is authorized at 166, but currently staffed at 60 due to transition to Basra Air Station.

## MANAGING IRAQ'S PROTECTION SECURITY PROGRAM

The Department's security operation in Iraq has been highly effective in ensuring the safety of chief of mission personnel. For over five years, and during thousands of movement missions in Iraq's chaotic and complex security environment, Embassy, executive agency, and congressional officials have maintained continual diplomatic engagement at all levels with the Iraqi Government and society. However, the rapid rise and scale in the use of private security contractors has strained the Department's ability to effectively manage the contract. Furthermore, the drawdown of U.S. and coalition military forces in Iraq is likely to create increased requirements for personal protective services.

The Department employs a two-part administrative structure to oversee and manage WPPS contractors. In Washington, DC, the Bureau of Administration's Office of Acquisitions Management (AQM) is responsible for contract management services including acquisition planning, contract negotiations, cost and price analysis, and contract administration. DS/OPO provides overall management oversight, operational guidance, and funding for the WPPS contract. Within OPO, the High Threat Protection Division provides the daily financial and contractual management oversight, personnel, training, and operational guidance for the WPPS contractors. In Iraq, the RSO and special agents assigned in Erbil, Kirkuk, Hillal, Tallil, and Basra provide general oversight and manage day-to-day security operations in the field.

OIG's assessment of the internal control environment for the WPPS program revealed numerous "red flags"<sup>4</sup> that indicate the Department does not have adequate internal controls. Internal controls are an integral part of the Department's management of the program, and should provide reasonable assurance that the WPPS program is effectively and efficiently managed; is in compliance with federal laws and regulations; and that its assets are safeguarded. The Department's management of Iraq's security program has been undermined by:

- Frequent changes in management personnel;
- Rapid expansion of activities;

<sup>4</sup>See OMB Circular A-123, *Management Responsibility for Internal Control and Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1, November 1999.

- Understaffing and drastic increase in workload, and staff difficulties handling operational workload;
- Lack of standardized operating policies and procedures; and
- Staff frustrated by requests for information from the Department and Congress, and their inability to provide information.

## WASHINGTON MANAGEMENT ISSUES

AQM assigns the contracting officer who has authority to enter into, administer, and terminate the WPPS contracts and is responsible for a variety of tasks, including ensuring compliance with task orders, and safeguarding the interests of the Department in its contractual relationship with the security contractors. Since July 2004, there have been six contracting officers responsible for the WPPS contract. Similarly, OPO officials report more than 150 percent turnover in their contract support staff since December 2006. According to current and former DS officials, this high rate of staff turnover has significantly undermined the administration and oversight of WPPS contractors' activities.

In addition to high staff turnover, officials cite a shortage of staff to manage and oversee contractors' performance. The contracting officer told the OIG team that AQM lacks the manpower to review contractor invoices, including personnel muster sheets. Therefore they were unable to determine if the costs incurred and charged by the contractors are proper. The contracting officer noted the size and complexity of the WPPS II contract exceeds the office's ability to effectively manage and perform due diligence on contract oversight. As a result, the contracting officer stated AQM focuses on administering the technical aspects of the WPPS contracts and leaves the monitoring of performance and costs to OPO and Embassy Baghdad.<sup>5</sup>

OPO's High Threat Protection Division over the years has suffered from a shortage of personnel to administer the WPPS contract, but has taken recent steps to bring in additional staff to oversee the WPPS contract and review invoices for errors in the scope of the contract and overcharging. An OIG/Inspection team noted staff shortages in December 2005 and recommended that steps be taken to obtain additional staff to oversee the WPPS contract.<sup>6</sup> In mid-November 2008, OPO created a new branch under the High Threat Protection Division by merging one direct-hire program analyst and seven contract specialists from its Operational Sup-

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<sup>5</sup>OIG noted that the last contracting officer to visit Iraq was in March 2006.

<sup>6</sup>OIG Report No. ISP-I-06-03, *Inspection of the Bureau of DS Directorate for International Programs*, December 2005.

port Division for a newly combined division total of 26 staff. However, OIG noted that four of these positions were vacant. A senior OPO official told the OIG team he now believes the office has sufficient staff to administer the contract. However, this official further noted that a greater concern is the quality of the personnel and the high rate of staff turnover. Many of these positions are filled through a staffing contract and are not U.S. Government direct-hire personnel with government contract experience.

## IRAQ MANAGEMENT ISSUES

OPO's High Threat Protection Division chief, based in Washington, is the primary contracting officer representative (COR). The COR is responsible for assuring, through liaison with the contractors, that the contractors accomplish the technical and financial aspects of the contract. In an effort to enhance contract oversight, DS began assigning COR responsibility to special agents in December 2007 to certify performance and receipt of services in Iraq. However, the OIG team observed that some of these assignments were conducted without the required authorization and knowledge of the contracting officer, and briefed this fact to embassy officials.<sup>7</sup> OIG was pleased to learn that in late-September, these special agents were officially re-designated government technical monitors (GTM) by the contracting officer. A COR and two assistant CORs have been appointed within the Baghdad RSO office to oversee all Iraq task orders. The GTMs, appointed at locations outside Baghdad where WPPS contractors operate, report to the COR, and are authorized to monitor and inspect the contractor's progress and performance to ensure compliance with the contract terms and conditions.

Despite assigning special agents oversight responsibilities for security contractors, the OIG team found significant problems in the Embassy's ability to effectively monitor the WPPS contracts. The high operational tempo in Iraq requires special agents to work 12-14 hour days, seven days a week. The senior security officer told the OIG team the priority task for special agents is the protection and safety of personnel who fall under chief of mission authority; contractor oversight is a collateral duty. Special agents in Baghdad, Erbil, Kirkuk, Hillah, and Basra, told the OIG team their focus is on the planning and execution of the protection missions and that they have little time for contract administration. A senior security officer told OIG the Embassy relies on the contractors to manage their own staff and property. Special agents reported they have excellent awareness of how the contractors perform their

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<sup>7</sup>The authority to appoint CORs rests with the contracting officer. See 14 FAH-2 H-141.b(4).

protection duties but minimal insight regarding how the contracts are managed and whether cost is properly allocated. For example, these special agents were not verifying contractor muster sheets or the maintenance of the property control system for government-furnished equipment.

Effective oversight of private security contractors is also hindered by the frequent turnover of staff in Iraq. Special agents serve on a 12-month rotational schedule, which includes nearly two months of R&R time away from post. Moreover, assignment transfer dates for most special agents are during the summer months, resulting in a lack of continuity and gaps in the transfer of institutional knowledge. The OIG team also noted that the Embassy and field sites were not maintaining, or had limited, contractor files as required by FAR policy,<sup>8</sup> including:

- Copies of contractor's approved work plan;
- Copies of contract and all modifications;
- Copies of progress reports;
- Copies of correspondence;
- Documentation of acceptability/unacceptability of deliverables; and
- Copies of invoices and vouchers.

The lack of contractor files presents an unnecessary burden for newly arriving special agents who need to quickly learn and understand contract requirements and program practices and procedures. Finally, the only training for special agents assigned WPPS oversight responsibilities is the completion of a basic 40-hour contracting officer representative course. Special agents told the OIG team that the training was too generic to adequately prepare them for the scope and complexity of the WPPS contract.

OIG believes overall management of the WPPS program could be improved by developing and publishing standards, policies, and procedures for managing private security contractors in the Foreign Affairs Handbook (FAH), similar to those created for the DS Local Guard<sup>9</sup> and Residential Security<sup>10</sup> programs. The Handbook provides useful information on roles and responsibilities, including background information and reference sources. The Handbook also provides guidance on program management, determining requirements, and procedures related to funding and staffing.

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<sup>8</sup>FAR 4.801.

<sup>9</sup>12 FAH-7.

<sup>10</sup>12 FAH-8.

## VERIFYING PERSONNEL LABOR COSTS

The WPPS contract requires that the three personal security contractors submit personnel rosters (muster sheets) to document that staffs are present and available for work. The muster sheets list the names, labor category, and dates the contractor staffs are present and available for work. The OIG team observed the muster sheets were not being certified by the contractors' program managers, nor were RSO agents reviewing or verifying the accuracy of the muster sheets in the field. The muster sheets are then sent to the contractors' corporate offices where they are reviewed, adjusted, and certified before submission to DS for payment. At DS headquarters, the muster sheets are reviewed to ensure the labor category and pay rates are correct and properly calculated. The muster sheets are also cross-checked against travel receipts to identify any unexplained gaps for personnel out of country.

OIG's analysis of the muster sheets revealed the three WPPS II contractors had recurring difficulties maintaining required staffing for three critical labor categories—emergency medical technicians, designated marksmen, and interpreters. OIG noted that the Department and the contracting officers never invoked the financial deduct penalty clause for this violation.<sup>11</sup> Moreover, while OIG observed that DS puts great effort into ensuring the mathematical accuracy of the personnel invoices, there was no attempt to ensure the accuracy of muster sheets at their origin in the field. Therefore, OIG concludes there was no assurance that the personnel staffing data, as represented by the muster sheets, is complete and accurate. Furthermore, there is no evident or documented statement of responsibility for the accuracy of this information by contractor personnel or Embassy officials in Iraq.

OIG is completing work on two reports on the contract performance of DynCorp International and Triple Canopy, and will address the issue of verifying labor costs in greater detail in those reports.

## MANAGING GOVERNMENT-FURNISHED EQUIPMENT

Embassy Baghdad's RSO Logistics Office is responsible for managing and controlling government-furnished equipment provided under the WPPS II contract. The office is directed by a Department-hired personal services contractor (PSC), who in

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<sup>11</sup>In comments to a draft of this report, DS noted the Department reconstituted its right to take deductions on June 1, 2008. Since then, deductions have been assessed to June through September invoices that have surpassed the maximum vacant days allowable, according to the terms and conditions of Section H.15 of the WPPS II base contract.

turns manages six Blackwater administrative logistics security specialists. A deputy RSO is responsible for overseeing the Logistic Office's operations; however, OIG noted, and an internal DS Program Management Review report confirmed, that the neither the deputy RSO nor a U.S. direct-hire conducted oversight of WPPS inventories. The Logistics Office carries out quarterly inventories of WPPS equipment at seven sites throughout Iraq, including Blackwater's aviation operations under Task Order Number 10. According to Embassy officials, there are more than 500 vehicles, 7,500 weapons, \$4 million in annual ammunition purchases (including training), personal protective equipment, and sensitive communication items to be managed and controlled under the WPPS II contract in Iraq. As a practical matter, verification of the existence, location, custody, and control of government-furnished property through physical inventories must be an "inherently governmental" function when validating the existence of property with a private contractor.<sup>12</sup>

The Logistics Office does have some internal controls in place, including three federal approvals that are required prior to the disposal of government property; however, there is no indication that there are similar controls in place for the Logistics Office's other functions.<sup>13</sup> On paper, this process appears to satisfy the requirements of the FAR<sup>14</sup> and to avoid the problems of the PSC performing "inherently governmental" functions with regard to this discrete function. However, even in this particular instance, the vulnerability lies in the fact that each office involved in the approval chain also employs PSCs, so potentially all of the documents could be processed by PSCs. Moreover, the apparent lack of internal controls in other areas handled by the Logistics Office greatly concerns OIG.

OIG is particularly concerned about the following functions performed by the Logistics Office contractors:

- Services that involve or relate to the evaluation of another contractor's performance;<sup>15</sup>

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<sup>12</sup>Anything else would place subordinate contractors into the insuperable position of verifying whether their employer actually had the property on hand it claimed to have; in essence, the awkward position of employees auditing their employer.

<sup>13</sup>The three levels of approval include the following steps: (1) the Defense Contracting Management Activity (DCMA) sends a letter based on Kellogg, Brown, & Root's (KBR) recommendation indicating that a government vehicle has outlived its usefulness, is mechanically unsound, or prohibitively expensive to repair; (2) the Logistics Office PSC then drafts a cable to the Department of State Defensive Equipment Armored Vehicle Division (DEAV) requesting permission to demilitarize/cannibalize the vehicle in question, and DEAV will reply granting permission to process; (3) the Deputy RSO for Protective Operations also provides the Logistics Office with the approval to dispose of the vehicle in accordance with the FAM, which takes place before DEAV's permission has been requested for cannibalization.

<sup>14</sup>FAR Section 7.503(c)(11)-(12)(i).

<sup>15</sup>FAR Section 7.503 (d)(5).



- Services in support of acquisition planning;<sup>16</sup>
- Contractors providing assistance in contract management (such as where the contractor might influence official evaluations of other contractors);<sup>17</sup>
- Contractors participating in any situation where it might be assumed that they are agency employees or representatives; and<sup>18</sup>
- Contractors providing inspection services.<sup>19</sup>

In light of the totality of the circumstances under which these functions are carried out, OIG believes the use of a PSC to direct—and Blackwater administrative specialists to carry out—the Logistics Office’s mission to manage and control government-furnished equipment is, at best, a poor management and internal control practice, and at worst, may violate FAR policy which mandates that contractors shall not be used for the performance of “inherently governmental” functions.

The use of contractor staff to carry out functions that “approach”<sup>20</sup> being “inherently governmental,” without direct supervision from a U.S. Government direct-hire employee, violates the “inherently governmental” function provision of the FAR.<sup>21</sup> This is particularly evident—and troubling—with regard to those tasks that require Blackwater personnel to serve in an inspection capacity involving their own company and the government-furnished equipment it has received and for which it is accountable. Therefore, OIG recommends that this process be altered to include a U.S. Government direct-hire employee who supervises and approves the work that is completed by the Logistics Office.

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<sup>16</sup>FAR Section 7.503 (d)(6).

<sup>17</sup>FAR Section 7.503 (d)(7).

<sup>18</sup>FAR Section 7.503 (d)(13).

<sup>19</sup>FAR Section 7.503 (d)(17).

<sup>20</sup>FAR Section 7.503(d).

<sup>21</sup>If Embassy Baghdad had not had the three levels of U.S. Government direct-hire approval (described above in footnote 12) involvement with Logistics Office contractors when determining whether government property was to be disposed of or supplies acquired, this would have been a direct violation of FAR Section 7.503(c)(11) and 7.503(c)(12)(i).



## SECURITY REQUIREMENTS

Neither DS nor Embassy Baghdad has conducted any assessments or analyses to determine the personal protective service requirements in Iraq. Department security officials acknowledge there have been no studies to determine how many security personnel to employ, where they should be deployed, or the level and manner of protection given the threat in particular locations. According to Department security officials and contractor representatives, the current private contractor security footprint in Iraq dates back to the period when the Coalition Provisional Authority (CPA) was dissolved in June 2004.

According to officials from DS's Overseas Protection Office their office does not conduct security needs assessments and rely on the embassies to report their individual security requirements. OPO officials stated that thus far they have not received reporting from Embassy Baghdad or other sites in Iraq of changed security requirements. OIG's analysis of WPPS II revealed that over the course of the contract there have been only small incremental changes in the tasks orders.

Embassy security officials told OIG that they inherited the current private security set-up—contractors, number of security specialists, and protection locations—from their predecessors and proceeded on that basis. The officials explained the high operational tempo in Iraq limited their ability to make an in-depth assessment of security requirements and determine whether the current configuration of security assets still made sense. These officials further stated that they lacked the manpower and skill sets to conduct such an assessment. Finally, security officers in Iraq serve 12-month tours and spend their initial months getting up to speed on their assignment tasks and responsibilities within a challenging security environment, and rotate out before they develop a country-wide institutional security perspective.

OIG noted several instances that raised concerns over the efficient deployment of contractor security assets.<sup>22</sup> At Tallil Airbase in 2007, headquarters to three Provincial Reconstruction Teams, there were no security protection movements for more than six consecutive months despite the 30 to 53 security specialists stationed

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<sup>22</sup>In December 2008, OIG will initiate an audit examining the role, staffing, and effectiveness of Regional Embassy Offices in Iraq.

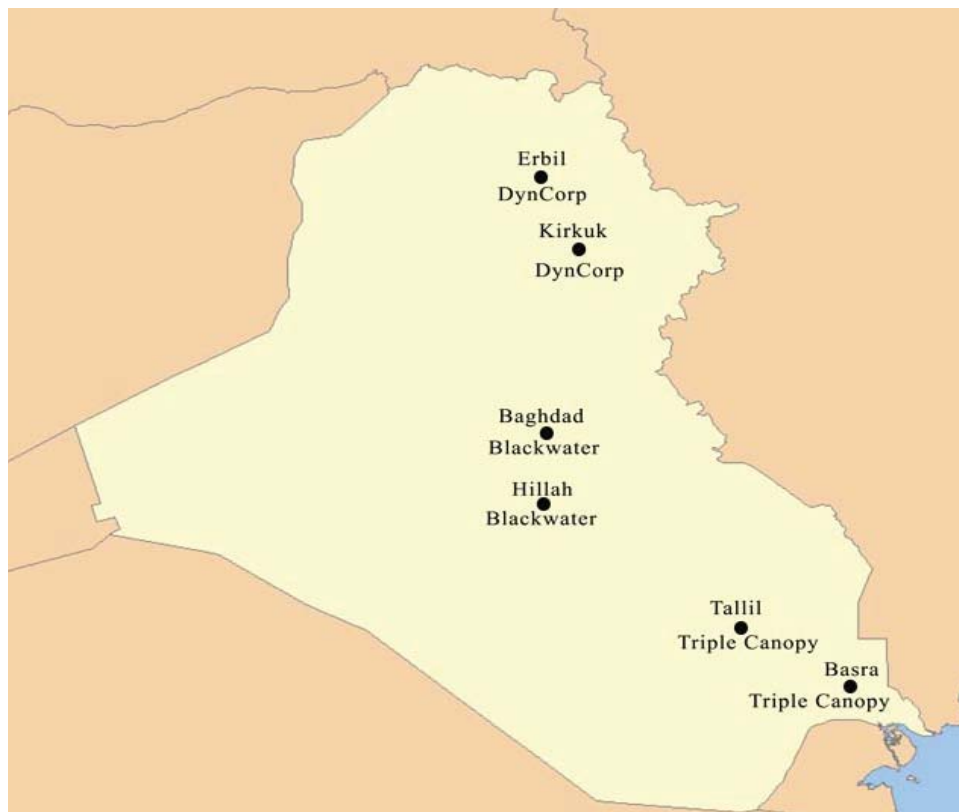
there. In August 2008, at the mostly vacated Kirkuk Regional Embassy Office, the OIG team observed that fourteen private security specialists and guard force personnel were assigned to protect one Foreign Service administrative officer. At the Basra Regional Embassy Office, chief of mission personnel had engaged in five security movements since January 2008 off the Air Base, and as of late-September 2008, approximately 113 security specialists, support staff, and guard force personnel were assigned there.

Department security officials stated there are no plans to conduct an overall assessment of the security requirements in Iraq before the solicitation and awarding of WPPS III. Embassy officials stated it would be premature to discuss chief of mission's security posture while the Status of Forces Agreement is still being negotiated, changes in the International Zone (pink vs. red zones) are still being decided upon, and there is uncertainty on a timeframe for the repositioning and departure of military units. The Embassy also reported to the OIG team an initiative to integrate Iraqi police into chief of mission motorcades to provide movement protection for U.S. personnel. The OIG team appreciates the complex and uncertain political and security environment in Iraq. Nonetheless, OIG believes the Department would benefit from a thorough review of the private security program to determine if the current number and placement of private security assets remains appropriate given shifting workloads, a changed security environment, and future requirements.

## DETERMINING CONTRACTOR WORK LOCATIONS AND RESPONSIBILITIES

The current geographical placement of the three WPPS security contractors in Iraq is a legacy of CPA period when DynCorp International was awarded protection duties in the northern region and the major cities of Erbil and Kirkuk, and Triple Canopy in the port city of Basra and the southern region. (see fig. 1) According to Department officials knowledgeable of this time period, it made programmatic sense to keep the security contractors in their present locations and take advantage of their familiarity with local officials and conditions. The decision to award Blackwater the central region, including Baghdad, was based upon a determination that DynCorp and Triple Canopy did not have the capacity to meet the full requirements of the expanding mission.

Figure 1: Iraq – Location of WPPS Private Security Contractors' Operations



Source: OIG analysis of Department data

According to Department officials involved in the award and management of the WPPS II contract, Blackwater was awarded the largest percentage of WPPS II activities in Iraq because the company was more cost competitive than the other firms, and it had the capacity to ramp up operations quickly and take on larger security responsibilities. These officials stated further that DynCorp and Triple Canopy were fully extended and operating at capacity.

DS officials told the OIG team they originally wanted only one security contractor to service Iraq under the WPPS contract; similar to Afghanistan, where Blackwater is the sole contractor, and Jerusalem, where Triple Canopy provides security. From a management perspective, one contractor is easier to direct and there are fewer administrative costs involved. However, the DS officials stated there was consensus that they did not want to put all their “eggs in one basket” and sought to mitigate the risk of dependence on a single contractor. Specifically, OIG was told that DS wanted to keep all three contractors viable and operating in Iraq because: (1) no one company had the capacity to undertake the entire security mission; (2) three viable contractors provided a level of assurance in case one of the contractors was no longer able or willing to continue operations and (3) continued competition among the contractors provides the U.S. Government the best value.

## LIST OF RECOMMENDATIONS

- Recommendation 1:** The Bureau of Diplomatic Security should develop a workforce plan for the High Threat Protection Division to fill staff vacancies and encourage retention of staff responsible for administering the WPPS contract. (Action: DS)
- Recommendation 2:** The Bureau of Administration should develop a workforce plan for the Acquisitions Management Division to ensure sufficient staff to oversee the WPPS contract, including assigning a dedicated contracting officer to Embassy Baghdad to provide proper oversight of WPPS contractor activities. (Action: Bureau of Administration)
- Recommendation 3:** The Bureau of Diplomatic Security should assign dedicated contracting officer representatives to Embassy Baghdad and Regional Embassy Offices to provide proper oversight of WPPS contractor activities. (Action: DS)
- Recommendation 4:** The Bureau of Diplomatic Security should develop and publish standards, policies, and procedures for managing private security contractors in the Foreign Affairs Handbook, similar to those created for Local Guard and Residential Security programs. (Action: DS)
- Recommendation 5:** Embassy Baghdad should assign a U.S. Government direct-hire employee to supervise and approve the work completed by the RSO's Logistics Office. (Action: Embassy Baghdad)
- Recommendation 6:** The Bureau of Diplomatic Security should conduct an assessment to determine the personal protective service requirements in Iraq to include how many security personnel to employ, where they should be deployed, and the level and manner of protection given the threat in particular locations. (Action: DS)





## ABBREVIATIONS

AQM	Office of Acquisition Management
COR	Contracting Officer Representative
DS	Bureau of Diplomatic Security
FAH	Foreign Affairs Handbook
FAR	Federal Acquisition Regulation
FSI	Foreign Service Institute
GTM	Government Technical Monitor
MERO	Middle East Regional Office (Office of Inspector General)
OIG	Office of Inspector General
OPO	Overseas Protective Operations (Bureau of Diplomatic Security)
PMR	Program Management Review
PSC	Personal Service Contractor
RSO	Regional Security Officer
WPPS	Worldwide Personal Protective Services



## APPENDIX I - PURPOSE, SCOPE, AND METHODOLOGY

The Middle East Regional Office (MERO), Office of Inspector General initiated this evaluation on June 19, 2008 to determine (1) whether DS is effectively managing the WPPS program, (2) how security requirements in Iraq were determined, and (3) what factors were considered for the geographical array of security contractors, DS staff, and equipment within Iraq.

To examine the progress made and the challenges faced by the Department in managing the protective security program in Iraq, OIG analyzed the WPPS II contract and task orders against requirements within the Federal Acquisition Regulations and the Federal Acquisition Handbook. OIG tested the Department's internal controls based upon requirements established in OMB Circular A-123 and standards set forth by the U.S. Government Accountability Office. In addition, the OIG team obtained and reviewed program planning, resource, staffing, and evaluation documents, including DS internal Program Management Reviews. OIG also met with the following officials to discuss the Department's management of the Iraq security program:

- In Washington, DC, OIG met with senior officials from the Bureaus of Diplomatic Security, Administration, and Near East Asia associated with the personnel protection contracts, as well as the corporate representatives from Blackwater USA, DynCorp International, and Triple Canopy. Within the Bureau of Diplomatic Security, OIG met with officials from International Programs Directorate, which includes the Overseas Protective Operations, High Threat Protection Division, and Office of Regional Directors Near East Asia-Iraq. OIG met with several contracting officers and specialists from the Bureau of Administration, Office of Logistics Management, and the Office of Acquisitions. Finally, the OIG team met with current and former DS contracting officer representatives.

- In Iraq, OIG held extensive discussions with senior embassy officials, including the Deputy Chief of Mission and the Counselors for Regional Security, Management, and Office of Provincial Affairs. The OIG team met with senior military leaders from Multi National Forces-Iraq. OIG visited all the sites in Iraq where personal security contractors are assigned, including Baghdad, Erbil, Kirkuk, Hillah, Tallil, and Basra. The team interviewed deputy regional security officers and special agents,

regional embassy officers and Provincial Reconstruction Team officials. It also met with the in-country program managers, team leaders, and security specialists from Blackwater, DynCorp, and Triple Canopy. Finally, the OIG team assessed contract performance by reviewing personnel, training, and movement mission documentation, and conducted inventories of U.S. government furnished equipment, vehicles, and weapons.

OIG conducted this evaluation from June to November 2008. OIG used a limited amount of computer-processed data to perform this evaluation. The auditors assessed the sufficiency and appropriateness of the computer-processed information provided to the auditors and found it to be sufficient and appropriate to provide a reasonable basis for supporting conclusions within the context of our audit objective. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The report was prepared under the direction of Richard “Nick” Arntson, assistant inspector general for MERO. The following staff members conducted the evaluation and/or contributed to the report: Patrick Dickriede, Christine Grauer, Kristen Jenkinson, Katherine Klegin, and Judith Morsy.

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