

UNCLASSIFIED



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

MIDDLE EAST REGIONAL OFFICE

Performance Evaluation of PAE Operations and Maintenance Support for the Bureau of International Narcotics and Law Enforcement Affairs' Counternarcotics Compounds in Afghanistan

Report Number MERO-I-11-02, February 2011

~~IMPORTANT NOTICE~~

~~This report is intended solely for the official use of the Department of State or the Broadcasting Board of Governors, or any agency or organization receiving a copy directly from the Office of Inspector General. No secondary distribution may be made, in whole or in part, outside the Department of State or the Broadcasting Board of Governors, by them or by other agencies or organizations, without prior authorization by the Inspector General. Public availability of the document will be determined by the Inspector General under the U.S. Code, 5 U.S.C. 552. Improper disclosure of this report may result in criminal, civil, or administrative penalties.~~

UNCLASSIFIED



**United States Department of State
and the Broadcasting Board of Governors**

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, and Section 209 of the Foreign Service Act of 1980, as amended. It is one of a series of audit, inspection, investigative, and special reports prepared by OIG periodically as part of its responsibility to promote effective management, accountability and positive change in the Department of State and the Broadcasting Board of Governors.

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, as appropriate, 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
Deputy Inspector General

TABLE OF CONTENTS

KEY FINDINGS.	1
INTRODUCTION.	3
EXECUTIVE SUMMARY.	5
Results	5
Issues for Further Consideration	7
Recommendations.	8
Management Comments and OIG Response.	9
BACKGROUND.	11
CONTRACT OVERSIGHT BY THE BUREAU OF INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT AFFAIRS.	13
Strategic Planning.	13
Quality Assurance Surveillance Plan	15
Invoicing.	16
Contracting Officer’s Representatives	17
PAE PERFORMANCE.	19
Fuel Operations.	19
Food Service	20
Security.	20
U.S. Government-Furnished Property	21
Life Support Services.	22
Performance at the Kunduz Regional Site	23
Facility Maintenance	24
Food Service.	25
Security	25
Trafficking in Persons.	26
ABBREVIATIONS.	27
APPENDIX I – PURPOSE, SCOPE, AND METHODOLOGY.	29
APPENDIX II – COMMENTS FROM THE BUREAU OF INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT AFFAIRS.	31
APPENDIX III – COMMENTS FROM EMBASSY KABUL	35

KEY FINDINGS

- Weaknesses in the Bureau of International Narcotics and Law Enforcement Affairs' (INL) oversight of the base contract and subsequent task order with PAE have negatively affected the contractor's ability to adequately perform operations and maintenance support at the Kabul and Kunduz compounds. These weaknesses include:
 - Lack of a strategic acquisition plan to award and modify operations and maintenance support contracts and task orders;
 - An inability to efficiently modify the task order to reflect changing requirements or fund changes in PAE's efforts;
 - Failure to use the quality assurance surveillance plan (QASP) to measure contractor performance;
 - Difficulties clearing invoices and paying invoices on time; and
 - Failure to assign enough dedicated contracting officer's representatives (COR) to effectively oversee the task order.
- PAE has generally provided satisfactory operations and maintenance support, including life support services, at the counternarcotics compound in Kabul, but OIG identified the following weaknesses:
 - Invoiced fuel costs that cannot be properly substantiated because there is no meter to measure the amount of fuel offloaded by the vendor into the tanks;
 - Problems with food service subcontractor performance, as well as failure to properly inspect food preparation, monitor food service staff medical clearances, and complete appropriate documentation; and
 - Three physical security vulnerabilities—insufficient perimeter security, housing located near an unrestricted access road, and the need for enhanced protection at the compound entrance.
- PAE has generally provided satisfactory operations and maintenance support at the Kunduz counternarcotics compound, but OIG identified the following:
 - Problems with construction and the structural integrity of buildings, sewage leach (drainage) fields, and diesel-powered electric generators;
 - Weak oversight of the food service subcontractor; and
 - A guard force that is unfamiliar with standard operating procedures, as well as guards who are working 7 days a week.

INTRODUCTION

In March 2004, the Department of State (Department) awarded a contract to a U.S.-based joint venture partnership between Pacific Architects and Engineers, Inc. (PA&E, now called PAE)¹ and Homeland Security Company LLC, to assist in implementing INL's program. An additional task order was added to the contract in February 2007 to provide operations and maintenance support at two compounds used by specialized units within the Afghan counternarcotics police force which conduct sensitive investigations of major narcotics production and distribution networks. From February 2007 through July 2010, INL obligated \$60 million to PAE for operations and maintenance support at these two compounds.

The Middle East Regional Office (MERO) of the Office of Inspector General (OIG) initiated this evaluation under the authority of the Inspector General Act of 1978, as amended, because of concerns about the Department's control over the performance of contractors. Specifically, the objectives of this evaluation were to determine: (1) the requirements and provisions of the contract and task orders; (2) the amount of funding the Department has obligated and expended to provide operations and maintenance; (3) the effectiveness of PAE's contract performance in providing operations and maintenance support to the counternarcotics compounds in Kabul and Kunduz; (4) how well the Department administers and manages the contract and task orders to provide oversight of PAE's performance in Afghanistan; (5) how the Department ensures that costs are properly allocated and supported; and (6) whether the Department contract includes *Federal Acquisition Regulation* (FAR) clause 52.222-50, which provides administrative remedies if, during the term of the contract, the contractor or subcontractor engages in severe forms of trafficking in persons.²

In developing this evaluation, OIG met with Department officials from INL, the Office of Acquisition Management (AQM), personnel from various sections of Embassy Kabul, and with PAE management and service technicians at the Kabul and Kunduz compounds. In Kabul and Kunduz Province, the OIG team reviewed program documents, financial reporting data, invoices and vouchers, and quality

¹ The former PA&E is now a wholly-owned subsidiary of Lockheed Martin Corporation and is called PAE, a Lockheed Martin Company (PAE).

² 22 U.S.C. § 7104 (g) Termination of certain grants, contracts and cooperative agreements

The President shall ensure that any grant, contract, or cooperative agreement provided or entered into by a Federal department or agency under which funds are to be provided to a private entity, in whole or in part, shall include a condition that authorizes the department or agency to terminate the grant, contract, or cooperative agreement, without penalty, if the grantee or any subgrantee, or the contractor or any subcontractor

- (i) engages in severe forms of trafficking in persons or has procured a commercial sex act during the period of time that the grant, contract, or cooperative agreement is in effect, or
- (ii) uses forced labor in the performance of the grant, contract, or cooperative agreement.

assurance and maintenance service reporting documents. The team evaluated the quality of the services provided by PAE to determine whether they met contract specifications, such as fuel operations, food service, security, and life support services (fire protection, housing, internet and phone service, laundry facilities, electric power generation, sanitation, and water supply). The team also inventoried U.S. Government-furnished property. OIG conducted this performance evaluation in accordance with the quality standards for inspections and evaluations issued in January 2005 by the Council of Inspectors General on Integrity and Efficiency.

EXECUTIVE SUMMARY

RESULTS

PAE's ability to provide adequate operations and maintenance support at the counter-narcotics compounds in Kabul and Kunduz has been negatively affected by weaknesses in INL's oversight of the base contract and subsequent task order. Task order management and oversight have been weakened by the lack of an acquisition plan for operations and maintenance support, delays in signing and funding modifications, the lack of a QASP, late payment of invoices, and inadequate oversight and management by INL CORs.

The Department lacks a strategic acquisition plan for INL and AQM to award and modify contracts to support operations and maintenance activities at these counter-narcotics facilities. Furthermore, delays in completing task order modifications have hindered PAE's ability to develop and implement an overarching strategic operations and maintenance plan. New projects at the Kabul compound, such as security upgrades to the compound perimeter and construction of segregated areas for U.S. Government-furnished property in the warehouse, have been delayed. OIG found eight of 11 task order modifications were completed after the performance period they were meant to cover had already begun. In these cases, PAE sometimes began work without signed modifications, prepared to downsize, or at times performed tasks without funding. Renovations, upgrades, and needed expansion of services have also been delayed. Uncertainty in the scheduling of work and staff leave has added to U.S. Government costs.

More than 2 years after the start of the task order, INL put in place a QASP to define contractor performance requirements, ensure quality services, and confirm payment only for an acceptable level of services. However, the current COR has not used the QASP to oversee PAE operations and maintenance support. OIG also found little documentation on surveillance of subcontractors. Contract files from 2007 to 2009 lack adequate documentation of PAE performance, making it difficult to determine what INL has done to evaluate such performance.

OIG's review of INL files and invoices revealed a longstanding pattern of difficulties both clearing invoices and paying invoices on time. Invoices were rejected and thus not paid in a timely manner, but there was limited documentation to explain the reason for these rejections. In one case, the lack of an approved cost proposal

associated with a task order modification precluded accurate billing. Insufficient instruction to the contractor on the structure, content, and procedures for invoicing has led to a problem with timely payment of invoices.

OIG believes INL has assigned an insufficient number of dedicated CORs in-country to effectively oversee INL's task order with PAE. The current COR was not assigned to this task order until 2010, and has only spent 26 percent of the last 36 months in Afghanistan. The lack of dedicated CORs has led to confusion among the contractor, subcontractors, and U.S. and Afghan Government clients, as well as inadequate quality assurance. Frequent turnover of CORs has resulted in a lack of coordination and institutional memory. Furthermore, OIG estimates that prior to August 2009, PAE purchased more than \$1.7 million worth of items without the prior approval of a COR, and the current COR stated that CORs had not been reviewing PAE invoices.

PAE has generally provided satisfactory operations and maintenance support at both of INL's counternarcotics compounds, but there are weaknesses in its performance at both facilities. In Kabul, OIG found issues with PAE's fuel operations, food service, and security. Because PAE relies on the Afghan vendor's own meter to record fuel that is offloaded into fuel tanks, the amount of fuel cannot be verified and invoices cannot be substantiated. In addition, the fuel pumps have not been calibrated and may be inaccurately measuring fuel amounts. Over the past 3 years, PAE has had four food service subcontractors, and has had to terminate three contracts. Subcontractors have provided poor quality food and service and failed to meet medical screening requirements or maintain up-to-date medical certification. PAE's inspections and monitoring of food service have been sporadic and not properly documented. OIG also confirmed three security vulnerabilities at the compound including needed upgrades to the perimeter, housing located next to an unrestricted access road, and a need for machine guns and fortified fighting positions at the compound entrance. PAE has provided adequate life support services at the Kabul compound. The contractor effectively safeguards U.S. Government-furnished property, and is constructing segregated storage areas for in the warehouse where property from three different agencies has been intermingled. Finally, because of subcontractors' access, U.S. Drug Enforcement Administration (DEA) officials expressed concern about the security of sensitive information in the local area computer network.

At the Kunduz compound, weaknesses were identified in facility maintenance, food service, and security. The compound has had longstanding difficulties with its buildings related to unstable soil that affects their structural integrity, sewage leach (drainage) fields, and diesel-powered electric generators. Although repeatedly cautioned about construction practices and defects, there are still problems with the safety and condition of the laundry facility and kitchen and leach fields, as well as insufficient planning for replacement of three diesel generators. The food service subcontractor

has not been following standard operating procedures in food preparation, and PAE's oversight of dining facility operations has been insufficient. Finally, the guards at Kunduz are unfamiliar with standard operating procedures including what to do in case of injury and how to plan a coordinated compound defense. Guards have not been trained in medical evacuation procedures, contingency plans for mass casualties, or procedures in case of attack. The guards have been working every day of the week, which could lead to fatigue and increase the risk of a security breach of the compound.

ISSUES FOR FURTHER CONSIDERATION

The Department could realize cost savings by converting from PAE's diesel fuel-generated electric power system to the Kabul City Power (KCP) grid to meet electricity needs at the Kabul compound. To lessen air pollution in Kabul, the Afghan Government has requested that embassies and other organizations convert from diesel generators to KCP's electric power grid. In its review of the Embassy Kabul operations and maintenance contract,³ OIG determined that KCP should currently be able to provide reliable and adequate electricity to meet the embassy's current and future needs, and that the conversion to KCP's grid is feasible. For the counternarcotics compound in Kabul, OIG estimates annual savings of approximately \$250,000 in fuel and generator maintenance costs. PAE's operation and maintenance expenses could be substantially reduced; however, INL would still incur the expense of maintaining its diesel generators to back up the electric power system.

The U.S. Government has been involved in counternarcotics in Afghanistan for over 20 years through various agreements to suppress the production, distribution, and use of illicit drugs. In the past 5 years, the Department has spent approximately \$2 billion on counternarcotics programs in Afghanistan. Since 2007, the Department has spent approximately \$60 million for PAE's operations and maintenance support at the two counternarcotics compounds near the Kabul airport and in Kunduz Province. Based upon numerous interviews with Department and Embassy Kabul officials there is consensus on the need to transition responsibilities and "ownership" of the counternarcotics effort to the Afghan Government. The Department, however, has not addressed how and when the Afghan Government will be able to assume control and sustain day-to-day operations. OIG believes it would be beneficial to initiate a feasibility study of integrating Afghan nationals into the operations and maintenance support for the two counternarcotics compounds. Employing Afghan nationals would cost less than employing U.S. and third-country nationals. In

³ See *PAE Operations and Maintenance Support at Embassy Kabul, Afghanistan, Performance Evaluation*, MERO-I-11-05, December 2010

addition, transitioning positions to Afghans would further the U.S. Government goal of a smaller, more normalized diplomatic presence and ensure a stable local security force.

RECOMMENDATIONS

Recommendation 1: The Office of Acquisition Management, in coordination with the Bureau of International Narcotics and Law Enforcement Affairs and Embassy Kabul, should develop a strategic and integrated acquisition plan with appropriate timelines for task order modifications for all operations and maintenance support contracts in Afghanistan. (Action: AQM, in coordination with INL and Embassy Kabul)

Recommendation 2: The Bureau of International Narcotics and Law Enforcement Affairs should implement a quality assurance surveillance plan to evaluate and measure overall contractor performance and the performance of subcontractors in operations and maintenance support against the contract and task order to determine if the contractor and subcontractors are providing the required services. (Action: INL)

Recommendation 3: The Bureau of International Narcotics and Law Enforcement Affairs should ensure that a sufficient number of dedicated contracting officer's representatives are physically present in Afghanistan to provide proper oversight of the contracts for operations and maintenance support at the counternarcotics compounds. (Action: INL)

Recommendation 4: The Bureau of International Narcotics and Law Enforcement Affairs should develop procedures to accurately measure the receipt and issuance of fuel purchased for operations and maintenance support of the counternarcotics compound in Kabul. (Action: INL)

Recommendation 5: The Bureau of International Narcotics and Law Enforcement Affairs should develop procedures to ensure quality control of food preparation and effective monitoring of medical clearances of food services personnel at the counternarcotics compound in Kabul. (Action: INL)

Recommendation 6: The Bureau of International Narcotics and Law Enforcement Affairs, in coordination with Embassy Kabul, and in consultation with the Drug Enforcement Administration, should evaluate the physical security requirements at the Kabul counternarcotics compound. (Action: INL, in coordination with Embassy Kabul)

Recommendation 7: The Office of Acquisition Management should require PAE to incorporate engineering data into the maintenance and operations support plan for the counternarcotics compound in Kunduz, resolve construction deficiencies in the laundry facility and kitchen, and assess the electric power needs of the compound before purchasing new diesel generators. (Action: AQM)

Recommendation 8: The Bureau of International Narcotics and Law Enforcement Affairs should ensure that PAE and its food service subcontractor are complying with appropriate food service standards and monitoring the provision of service as required by the task order. (Action: INL)

Recommendation 9: The Bureau of International Narcotics and Law Enforcement Affairs should ensure all guards at the counternarcotics compound in Kunduz are familiar with standard operating procedures for security, and that guards are getting sufficient rest and days off. (Action: INL)

MANAGEMENT COMMENTS AND OIG RESPONSE

INL and Embassy Kabul provided formal written management comments to this report, which are included verbatim in Appendix II and Appendix III, respectively. AQM did not provide comments. Both INL and the embassy generally concurred with OIG's recommendations, and both noted they have begun resolving issues raised in this report.

In its comments, INL noted its support of OIG's efforts to improve performance of its programs and further reported it has already taken action on the majority of the recommendations. Regarding actions taken thus far, INL included the following examples. The bureau has been progressively increasing the number of CORs in Afghanistan, has developed procedures and instructed the contractor to monitor and verify fuel delivery, and will continue its effort to ensure PAE performs services acceptably. Embassy Kabul also noted its support of OIG's efforts and reported it is working with INL and AQM to continue to provide oversight and support of PAE's performance. OIG appreciates the information and updates provided by INL and Embassy Kabul.

BACKGROUND

In February 2007, the Department modified an existing \$3.5 billion counternarcotics program contract with PAE with a task order to assist INL by providing operations and maintenance support to the Afghan counternarcotics police force. Since February 2007, INL has obligated approximately \$60 million for the PAE task order. Under this task order, PAE operates and maintains the utility systems for a counternarcotics compound near the Kabul airport and a second regional compound in Kunduz Province. The Kabul compound is home to two specialized Afghan counternarcotics units—the National Interdiction Unit and the Specialized Investigative Unit—and is designed to support up to 400 Afghan counternarcotics agents to work, train, and live while on duty. The specialized units are mentored by teams of DEA special agents and intelligence research specialists who assist in conducting investigations to identify and dismantle drug trafficking and money laundering organizations operating throughout the region. A small group of U.S. advisors from INL as well as PAE contractors also reside on the Kabul compound.

In September 2008, the task order was expanded and PAE was directed to provide operations and maintenance support to a regional compound in Kunduz Province in northern Afghanistan. PAE currently provides life support services for approximately 40 personnel from DEA and PAE in Kunduz. According to Embassy Kabul officials, three additional regional sites will be phased in over the next few years in the cities of Jalalabad, Kandahar, and Mazar-e-Sharif. The map in Figure 1 shows the two current operational sites in Kabul and Kunduz and the three planned future locations.

Figure 1: Current and Future Bureau of International Narcotics and Law Enforcement Affairs' Counternarcotics Compounds in Afghanistan



Source: OIG analysis of INL information

At both compounds, PAE provides support services for electric power generation and distribution; heating, cooling, and ventilation of buildings; water supply purification and distribution; fire protection; sewage and waste water treatment; fuel storage and distribution for diesel-powered electric generators and vehicles; maintenance of facilities, roads, walkways, and grounds; snow removal; and janitorial services. The task order also requires PAE to provide: shipping container-type housing units; armed perimeter security with guard towers, weapons, and ammunition; vehicle fleet management; communications (phone and internet service); a U.S. Government-furnished property inventory system; food service; and domestic services (housekeeping). PAE is also required to purchase, deliver, and install furniture and fixtures to outfit the compounds.

Funding for the task order supports major purchases of equipment, furniture, computer systems, renovation and construction projects, and personnel costs for life support services at the compounds. Table 1 below shows Department funding for the task order awarded to PAE for operations and maintenance support at the Kabul and Kunduz counternarcotics compounds.

Table 1: Department of State Funding for PAE Operations and Maintenance Support, February 2007 – July 2010

Category of Expense	Obligated by the Department (in millions)
Renovation and Construction Support	\$35.38
Salaries	\$8.39
Administrative and Life Support Services	\$5.61
Security and Vehicle Leases	\$4.09
Danger and Hazard Pay	\$3.62
Insurance, Travel, and Housing	\$1.99
Program Management	\$0.67
Medical Support	\$0.59
TOTAL	\$60.34

Source: OIG analysis of AQM contract data

CONTRACT OVERSIGHT BY THE BUREAU OF INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT AFFAIRS

Weaknesses in INL's oversight of the base contract and subsequent task order with PAE have negatively affected the contractor's ability to adequately perform operations and maintenance support at the Kabul and Kunduz facilities. PAE serves three clients at these counternarcotics facilities—representatives from INL, DEA, and the Afghan Government are collocated at both compounds. Although the contract and task order for operations and maintenance support are between INL and PAE, DEA determines who can access the facilities, the security level, and the use of land. DEA also identifies its day-to-day requirements to PAE in a fast-paced, constantly changing environment. The Afghan Government owns both facilities, and has the largest number of personnel living and working there. This complex situation demands strong contract management and oversight by INL. Instead, management and oversight of the contract have been weakened by the lack of an acquisition plan for operations and maintenance support, delays in signing and funding task order modifications, the lack of a QASP, late payment of invoices, and inadequate oversight and management by INL CORs.

STRATEGIC PLANNING

PAE's ability to perform adequately is hindered by the Department's lack of a strategic acquisition plan for these facilities, and its inability to make timely modifications to the task order. INL and AQM do not have an acquisition plan⁴ for awarding and modifying contracts to support operations and maintenance activities at the counternarcotics facilities in Afghanistan. Furthermore, the Department has been unable to efficiently modify the task order to reflect changing on-site requirements or fund changes in the contractor's efforts. Delays in completing task order modifications

⁴ According to FAR 7.102(b), "The purpose of this planning is to ensure that the Government meets its needs in the most effective, economical, and timely manner..." Per FAR 7.103 (d), "The agency head or a designee shall prescribe procedures for...establishing criteria and thresholds at which increasingly greater detail and formality in the planning process is required as the acquisition becomes more complex and costly, specifying those cases in which a written plan shall be prepared."

have forced PAE to perform numerous short-term operations and maintenance tasks rather than execute comprehensive maintenance and facilities upgrades, including construction of new perimeter security barriers and provision of secure, segregated storage areas for U.S. Government-furnished property. In the past 3 years, the Department has made 11 task order modifications for operations and maintenance support. OIG found that in eight cases, task order modifications were completed after the performance period they were meant to cover had already begun. In some cases, the contractor started performing tasks without completed, Department-signed modifications; in other cases, PAE prepared to downsize its workforce due to the lack of completed modifications. In addition, PAE has sometimes performed tasks without funding, forcing the contractor to assume the risk of working without an approved task order or pricing instrument.⁵

Using modifications to extend the task order⁶ for short time periods has hindered PAE's ability to develop and implement an overarching strategic operations and maintenance plan, delayed the start of new projects, and adds to U.S. Government costs. The lack of timeliness in completing modifications that added performance requirements has adversely affected the contractor's ability to renovate, upgrade, and expand services needed by INL and DEA. For example, INL decided to add a task order modification for operations and maintenance support of the Afghan counter-narcotics police force headquarters building adjacent to the Kabul facility (modification 15 or M015). It took more than 6 months after the requirement was identified to complete the modification, and PAE could not begin planning or working on the project until it was authorized to proceed under a completed task order modification. In addition, because of uncertainty regarding the timing of tasks, contractors often are required to wait to purchase higher-priced airline tickets to conduct site work or for staff leave, adding to the Department's costs. Finally, although PAE submits cost proposals for tasks to be completed under modifications, work sometimes begins without an approved cost proposal. This situation has led to a lack of clear billable rates for invoicing. Table 2 summarizes the task order modifications that affected performance periods.

⁵ FAR Subpart 32.7 – Contract Funding, 32.704 Limitation of Cost or Funds (a)(1)(iv)(C).states, “Any work beyond the funding or cost limit will be at the contractor's risk.”

⁶ While most modifications were used to extend the contract and address periods of performance, some were used to change or add performance requirements.

Table 2: Summary of Task Order Modifications to the PAE Contract

Modification Number*	Date Signed	Performance Period	Days in Performance Period
0	2/16/07**	1/25/07 - 3/24/07	58
M001	3/24/07	3/25/07 - 3/24/08	365
M003	12/06/07**	10/04/07 - 3/24/08	172
M004	9/13/08**	3/24/08 - 8/24/08	153
M006	9/30/08**	8/25/08 - 2/24/09	183
M007	3/17/09**	2/25/09 - 8/24/09	180
M010	8/18/09	8/25/09 - 9/24/09	30
M011	9/21/09**	8/25/09 - 2/24/10	183
M013	3/23/10	2/25/10 - 6/24/10	120
M014	3/30/10**	2/25/10 - 6/24/10	120
M015	7/23/10**	6/24/10 - 3/24/10	213

* Modifications 2, 5, 8, 9, and 12 are not included since they did not affect the performance period.

** These modifications were signed after the performance period had begun.

Source: *OIG analysis of AQM contract files*

QUALITY ASSURANCE SURVEILLANCE PLAN

For more than 2 years after the start of the task order in February 2007, INL lacked a QASP. A QASP defines contractor performance requirements in accordance with standards established by contract terms and conditions to ensure provision of quality services to the U.S. Government and payment only for an acceptable level of services.⁷ In late 2009, INL developed a QASP to monitor its counternarcotics and police training programs in Afghanistan. This QASP should be used to measure PAE’s performance against task order standards. However, the COR has not used the QASP in overseeing PAE operations and maintenance support for the facilities in Kabul and Kunduz. OIG also found little documentation of CORs’ quality assurance surveillance of PAE’s subcontractors’ internal controls. A lack of subcontractor surveillance means the U.S. Government cannot be assured it is receiving required or best quality goods and services from these subcontractors.

INL contract files from 2007 to 2009 for the PAE operations and maintenance support contract and task order lack sufficient documentation of performance as defined in the FAR.⁸ OIG found INL’s contract files lacked documentation, including records

⁷ 14 FAH-2 H-523 Quality Assurance.

⁸ FAR Subpart 4.8 - Government Contract Files.

of evaluations, monthly status reports, correspondence between INL and PAE, and requests for corrective action. In the absence of written records, it is difficult to determine what INL has done to evaluate overall contractor performance in providing security and food service, and in accounting for U.S. Government-furnished property. Finally, OIG found insufficient documentation on INL's quality assurance surveillance to determine the acceptability of products and services delivered by the contractor.

INVOICING

OIG conducted a limited review of INL invoices to determine the effectiveness of controls over INL's processing of PAE's invoices, which revealed a longstanding pattern of difficulties both clearing invoices and paying invoices on time. During its document review and through interviews with officials from the Afghanistan, Iraq, and Jordan support section (AIJS) of INL and PAE, OIG found three internal control vulnerabilities. First, invoices were not paid in a timely manner due to a high rejection rate by AIJS. Second, there was limited correspondence from AIJS to PAE explaining the reasons invoices were rejected.⁹ AIJS officials stated that invoices were most frequently rejected for labor costs, due to insufficient documentation of work hours or verification of time by supervisors. In July 2010, PAE instituted a new biometric timecard system with work hour documentation and verification. PAE employees now sign in and out using fingerprints, and supervisors sign timecards generated by the new system. Finally, the cost proposal for modification 15 (M015) of the task order for PAE support of the Afghan national counternarcotics police headquarters (February 2010-June 2011) was not approved before the performance period began, which precluded accurate billing. Although AIJS and PAE representatives meet weekly, billing and invoice issues have been a continuing problem throughout the life of the operations and maintenance support task order.

There has also been a long-term problem with timely payment of invoices by INL. OIG determined the late payment of invoices was caused in part by vague task order language for time, materials, and labor hours. The statements of work for the task order do not specify the necessary format or content of invoice documentation, nor do they clearly identify the U.S. Government's criteria for payment. There are insufficient written instructions to the contractor, which should include clearly defined structure, content, and procedures for invoicing. The task order does include the FAR requirement to submit invoices with appropriate substantiation.¹⁰

⁹ According to OMB Circular A-123, *Management's Responsibility for Internal Control*, Revised December 21, 2004, Section II. Standards, D. Information and Communications, "Information should be communicated to relevant personnel at all levels within an organization. The information should be relevant, reliable, and timely. It is also crucial that an agency communicate with outside organizations as well, whether providing information or receiving it."

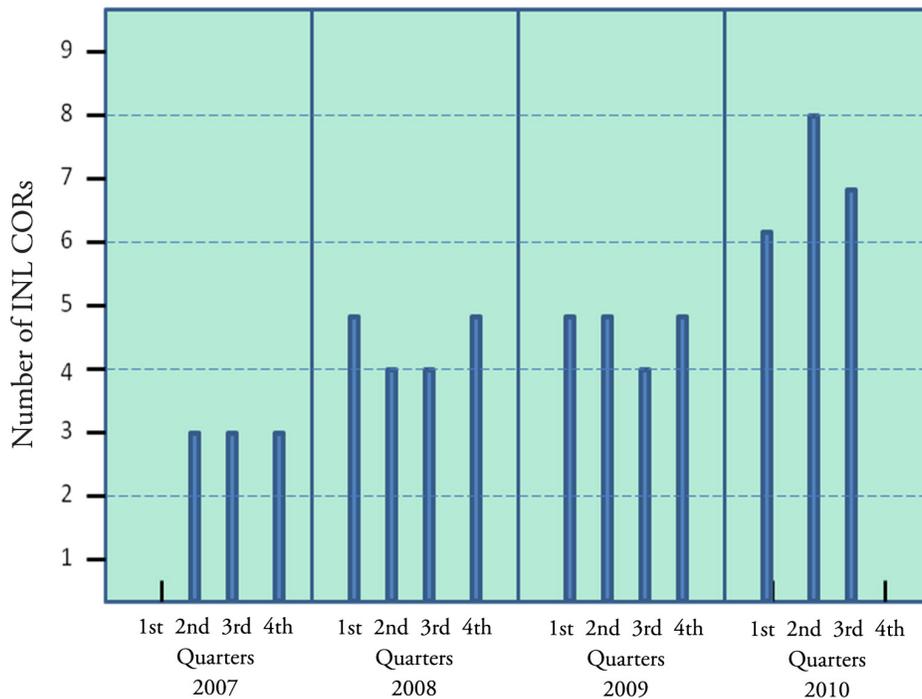
¹⁰ FAR Subpart 52.232.7(a)(5)(i-iii).

CONTRACTING OFFICER’S REPRESENTATIVES

OIG believes the Department does not have a sufficient number of CORs dedicated to this contract to effectively oversee INL’s task order with PAE. The current COR, who was assigned by INL as a dedicated COR to the PAE task order in 2010, shuttles between Washington, DC; Texas; and Afghanistan, and was in Afghanistan 239 out of 890 days or 26 percent of the last 36 months. During most of his assignment, this COR performed his duties long distance from Texas and Washington, DC, and actually covered several INL contracts in Afghanistan. The lack of oversight by an in-country COR has added to the confusion among the contractors, subcontractors, and U.S. and Afghan Government clients. For example, on numerous occasions in 2008, the lack of oversight resulted in PAE’s food service subcontractor providing meals in excess of the amount specified by the task order. OIG also determined that the number of CORs is not sufficient to effectively assure quality as required by the QASP. Frequent turnover of CORs has led to a lack of efficient coordination and loss of institutional memory, making quality assurance surveillance more difficult.

By 2010, INL had planned to have 11 CORs in Afghanistan to cover all of its programs. The number of CORs has increased from three in 2007 to between six and eight in the first 3 quarters of 2010. Table 3 below shows the number of INL CORs assigned in Afghanistan from 2007 to 2010.

Figure 2: Bureau of International Narcotics and Law Enforcement Affairs Contracting Officer’s Representatives Assigned in Afghanistan, 2007–2010



Source: OIG analysis of INL COR records

UNCLASSIFIED

From February 2007 until August 2009, OIG estimates that PAE purchased over 800 items valued at approximately \$1.7 million in reimbursable costs to the U.S. Government, without the prior approval of a COR. Although the *Foreign Affairs Handbook* (FAH) states that CORs are to review and approve contractors' vouchers,¹¹ only after the task order had been in place for more than 2 years did the CORs begin approving cost reimbursable items prior to purchase. The current COR told OIG that CORs had not been reviewing invoices submitted by PAE because of a lack of personnel.

¹¹ 14-FAH-2 H-142b.(14). Other COR duties are described in 14-FAH-2 H-142b.(1-17) and include monitoring the contractor's technical progress and reporting performance or schedule failures.

UNCLASSIFIED

PAE PERFORMANCE

PAE has generally provided satisfactory operations and maintenance support at INL's counternarcotics compounds in Kabul and Kunduz, but OIG found internal control weaknesses in PAE's fuel operations, food service, and security at Kabul, and in facility maintenance, food service, and the security guard force in Kunduz. At the Kabul compound, PAE cannot verify the amount of fuel received and therefore cannot ensure that the Department is receiving the contracted amount or is being properly invoiced for fuel. Over the past 3 years, PAE has had problems with the performance of its food service subcontractors in Kabul. (b) (2)

In Kunduz, OIG noted several issues with building construction, stemming in part, from PAE's lack of an operations and maintenance support plan. There are several weaknesses in food service, some of which could be leading to increased costs to the Department. Finally, the guards at Kunduz are unfamiliar with standard operating procedures.

FUEL OPERATIONS

PAE effectively manages and controls the distribution of fuel to vehicles at the Kabul compound, operates a secured fuel storage system, and maintains a safe work and fuel operations environment. However, PAE does not use its own meter to record the amount of fuel offloaded into the tanks by the vendor's fuel tankers and is unable to measure the quantity of fuel in the compound's fuel tanks. Thus, invoices for fuel deliveries cannot be substantiated, and the amount of fuel in the tanks is unknown. In addition, since the fuel pumps have not been calibrated, they may be inaccurately measuring fuel amounts.

PAE maintains a system that allows only authorized recipients to draw fuel for vehicles from the pumps. OIG observed that the pumps were locked to prevent unauthorized dispensing of fuel. Each vehicle operator signs for fuel received; PAE personnel record operator and vehicle information, volume of fuel pumped, date, and vehicle mileage in a logbook. The PAE vehicle fleet manager uses a key to turn the fuel pumps on in the morning and to lock the pumps when not in operation.

OIG observed that PAE lacks a system to ensure proper accounting of the amount of fuel received. The PAE fuel tanks do not have a meter to record the amount of fuel offloaded into the fuel pumps by the Afghan fuel vendor's tankers. Instead, PAE relies on the meter on the vendor's fuel tanker to record the amount of fuel provided. A PAE employee monitors the offloading of fuel from the vendor and issues a ticket

for the amount of fuel recorded by the vendor's meter. The PAE facilities maintenance manager then certifies the ticket and forwards it to PAE's procurement section for invoicing.

The fuel pumps do not have totalizers, which are meters that continuously record dispensed fuel, and thus, the pumps do not electronically record all issuance of fuel. Ideally, a manager or other appropriate PAE employee should routinely (for example, at the beginning or end of a work shift) record the amount fuel issued as shown by a totalizer. This amount would then be compared to paperwork showing fuel issued by the pump during the same timeframe to ensure that no unrecorded fuel was issued. PAE officials were uncertain when the pumps were last calibrated. Because of this lack of calibration, the pumps may not be accurately reflecting the amount of fuel issued.

FOOD SERVICE

PAE provides adequate, but not high quality, food service and has had difficulty with the performance of its subcontractors. Over the past 3 years, PAE has had four food service subcontractors, and has had to terminate three contracts because the subcontractors failed to meet the medical screening requirements for their employees, did not maintain up-to-date medical certification, and provided poor quality food and service. Failure to perform adequate medical screening and maintain medical certification could lead to the spread of communicable diseases such as tuberculosis, or result in contaminated food. PAE's quality control inspections of food preparation and its monitoring of food service staff medical clearances have been sporadic and not properly documented. OIG reviewed PAE's files to determine its oversight and management of subcontracted work and found incomplete documentation of sanitary conditions, food preparation oversight, and contractually required medical screening. DEA officials told the OIG team that at the beginning of the current subcontract, there was a significant amount of PAE supervision over the food service staff, but as the level of supervision has diminished, the food quality has lessened.

SECURITY

Global Strategies Group (GLOBAL), the subcontracted security force at the counter-narcotics compound in Kabul has ensured the safety of approximately 400 personnel. OIG observed the subcontractor's security force personnel had a professional demeanor, and the subcontractor has met all the terms of the contract. Although

DEA officials stated that PAE's oversight of security at the Kabul compound has been sufficient, (b) (2)

(b) (2)

PAE had failed to meet the contractual requirement of having the embassy regional security office vet its Afghan work force prior to employment. Since OIG's site visit, PAE has submitted the required vetting packets to the regional security office. However, as a result of the civilian uplift in Afghanistan and an increase in construction contractors, there is a 3-month backlog in embassy investigations.

U.S. GOVERNMENT-FURNISHED PROPERTY

PAE effectively safeguards U.S. Government-furnished property as required by the contract, with one exception at the Kabul compound that was being addressed. PAE maintains records for all U.S. Government-furnished property and operates a warehouse in Kabul. OIG conducted a statistical sampling and inventoried items at both the Kabul and Kunduz compounds. The team confirmed 134 items in Kabul and 127 items in Kunduz, which represent 39 and 46 percent, respectively of the total value of U.S. Government-furnished property in each location. At the beginning of its evaluation, OIG observed a large amount of unserviceable equipment requiring appropriate documentation occupying approximately one-quarter of the warehouse in Kabul. When OIG pointed out this issue during its evaluation, PAE properly deleted 247 unserviceable items valued at approximately \$28,000 from the property records.

At the warehouse in Kabul, U.S. Government-furnished property from three different U.S. Government agencies has been intermingled. Unregulated access to property belonging to these three agencies leaves it vulnerable to pilferage. PAE identified this

(b) (2)

problem to OIG in May 2009, but INL did not approve funding for PAE to build segregated storage areas and restrict access to designated areas until June 2010. The delay in approval was caused by restrictions in task order extensions and a lack of additional funding. During its field work, the OIG team observed construction of segregated storage areas.

Figure 3: The photo below shows intermingling of U.S. Government-furnished property at the PAE warehouse on the Kabul counternarcotics compound.



Source: OIG

LIFE SUPPORT SERVICES

PAE has provided adequate life support services including fire protection, housing, phone and internet service, laundry facilities, power generation, sanitation, and water supply as required by the task order.

The fire protection system meets the task order requirements and is provided through a system of approximately 25 fire hydrants on the Kabul compound. PAE maintenance staff noted they have been unable to locate a continuous leak in the fire hydrants' piping system. They have also been unable to find a local or regional vendor to repair the system, which was installed by the U.S. Army Corps of Engineers. To lessen water loss and monitor water pressure, PAE turns the water

source off temporarily and flushes the pipes daily. In case of a fire, the maintenance staff would manually turn on the hydrants' main water valve to make the hydrants fully operational.

OIG reviewed the housing logs and confirmed there is sufficient bed space as required by the task order.

In an OIG-administered customer satisfaction questionnaire, senior DEA officials expressed dissatisfaction with the task order terms of the computer network service and the network capacity of the internet service. DEA officials noted that internet service is "spotty and unreliable," and they would like the network to be more robust with a faster connection. They believe the task order should be expanded to include such a requirement. They also expressed concern about the security of the computer network system because subcontracted IT staff members have access to the sensitive Special Investigative Unit local area computer network.

OIG found PAE provides consistent electric power, water, and sewage service to the Kabul compound. The diesel generators and physical plant at Kabul were built by the U.S. Army Corps of Engineers and handed over to PAE for maintenance. The diesel generators provide electric power.¹³ Water is provided to the Kabul compound by a system of two deep well cisterns constructed by the U.S. Army Corps of Engineers. PAE is responsible for water quality, which is periodically tested by its maintenance staff and independent Department of Defense preventive medicine personnel. A PAE subcontractor provides sanitation through a septic collection and pump system as required by the task order.

PERFORMANCE AT THE KUNDUZ REGIONAL SITE

Since September 2009, PAE has provided operations and maintenance support at the regional site in Kunduz, 175 miles north of Kabul, a dangerous and isolated location that challenges the provision of this support.¹⁴ INL's oversight of PAE in Kunduz has not been sufficient to ensure adequate facility maintenance, food service, or security. The compound has been plagued by longstanding problems with the structural integrity of its buildings and issues with sewage leach (drainage) fields caused by unstable soil, as well as unreliable electric generators. The food service subcontractor is not following standard operating procedures in food preparation, and PAE's weak oversight of dining facility operations may be leading to increased costs to the

¹³ See earlier section, "Issues for Further Consideration" for discussion of electric power generation.

¹⁴ In July 2010, six militants armed with suicide bombs stormed the nearby compound of an American contractor working for the U.S. Agency for International Development, killing four security personnel in an assault that left all the attackers dead.

Department. (b) (2)

Facility Maintenance

During OIG's May 2010 site visit, the team noted that the contractor had recently discontinued using the leach fields, and sink holes had appeared throughout the compound. The building used for a kitchen had large cracks in the wall. A U.S. Government engineer twice visited the Kunduz compound, in 2008 and 2009, and reported construction deficiencies in the buildings. During his visit in 2008, the engineer determined that the kitchen and laundry facility buildings on the compound were unsafe and had been built without geotechnical reports; architectural and engineering drawings; or civil, structural, mechanical, or electrical specifications. The engineer noted that PAE had demolished the existing laundry facility and built another without prior approval, or a prior site or soil analysis. He recommended discontinuing work on the kitchen and the laundry facilities until an engineer reviewed drawings or plans. At that time, the engineer further recommended that PAE cease using a leach field on the compound. During a site visit in 2009, the same engineer reported that the corner of kitchen building was collapsing because PAE had not properly compacted the soil underneath the building's corner, or implemented any other remedy after removing a pump that had supported the corner. The engineer also found that the location and runoff from the septic system and leach field installed by PAE were contributing to soil erosion and the collapse of the kitchen.

Figure 4: The photo on the left shows cracks in a wall of the kitchen building. The photo on the right shows sink holes that have appeared in the Kunduz compound.



Source: OIG

When PAE assumed responsibility for operations and maintenance at the compound, three dilapidated diesel-powered generators were providing electricity. These generators are still in use, and only one runs at any given time. PAE is in the process of

buying new generators, but an engineer has not reviewed the site's electric power requirements to determine the necessary size of the new generators. PAE plans to replace the current generators with two large generators, one for power and one for backup. A PAE official told OIG he was not aware of any informed comparison between the camp's electric power requirements and the generators PAE plans to buy.

Food Service

Although an issue with a former food service subcontractor has been resolved, PAE needs to improve the performance of its current food service subcontractor, RA International Services (headquartered in Dubai, United Arab Emirates). In May 2009, OIG discovered during a review that, at INL's request, PAE was serving meals to Department of Defense personnel in Kunduz, which was not clearly identified in the task order and resulted in a cost overrun of several thousand dollars that was funded after the fact through a task order modification. To rectify the problem, PAE developed a more effective record keeping system, and the task order was modified again to ensure PAE properly estimates the cost of food service and provides the necessary documentation to recoup the cost of meals served to other U.S. Government agencies in both Kunduz and Kabul.

OIG's May 2010 review found four additional problems with PAE's food service. First, the food service subcontractor did not have standard operating procedures as required by the task order. Second, technical specifications in the task order require PAE to follow U.S. Army food service standards, but OIG found that cooking and dishwashing temperatures do not comply with the standards in the appropriate U.S. Army Technical Bulletin.¹⁵ Improper temperatures could lead to contaminated food. Third, although required by technical specifications, according to a representative from RA International Services, the PAE dining facility manager does not require the subcontractor to track or compare food purchased with food consumed. Finally, the subcontractor bills PAE for the meals it projects it will serve rather than the number of meals actually served.

Security

OIG identified several vulnerabilities in the security of the Kunduz compound. Guards have not been trained in medical evacuation procedures, contingency plans for mass casualties, or procedures in case of attack. OIG also determined that some guards often worked 7 days a week, which could lead to fatigue while on duty, especially at night, and increase the risk of a security breach of the compound.¹⁶

¹⁵ U.S. Army Technical Bulletin, TB MED 530, "Occupational and Environmental Health Food Sanitation," issued October 30, 2002.

¹⁶ OIG noted similar issues related to work hours and lack of rest in its report, *The Bureau of Diplomatic Security Baghdad Embassy Security Force*, MERO-A-10-05, issued in March 2010. The Bureau of Diplomatic Security resolved this issue by revising its guidelines on hours and required days of rest.

An OIG review conducted in August 2009 revealed illegal drug use by security guards at Kunduz. At the time, the Department mandated that the subcontractor stop working and conduct drug testing of all guard force personnel. For several days, physical protection of the compound was assumed by DEA agents, the U.S. military (soldiers), and security personnel flown in from Kabul. Nine of the 26 guards, or 34 percent of the security force tested positive for hashish, indicating a significant drug problem. PAE and the subcontractor took immediate corrective action and fired all guards who tested positive.

During its site visit in May 2010, OIG requested security standard operating procedures, but they were not made available at that time by the guard force. OIG's interviews with security personnel revealed a lack of knowledge about what guards should do in case of injury, where to evacuate casualties, and how guards should plan for a coordinated defense of the compound or act in defense. Following the visit, PAE management provided standard operating procedures that included instructions on evacuating injured personnel, responding to a mass casualty situation, and planning for an integrated defense of the compound. (b) (2)

Trafficking in Persons

The FAR requires that clause 52.222-50 (Combating Trafficking in Persons), be inserted into all contracts.¹⁷ The required contract clause outlining the administrative remedies for severe forms of trafficking in persons was added to the PAE task order in July 2009, after it had been in place for 6 months. OIG developed a questionnaire to determine if PAE has been complying with the terms of the clause. In structured interviews with third-country national PAE employees and guard force personnel at Kunduz, OIG found no indication or evidence that PAE employees or guards have been subjected to illegal trafficking in persons. The OIG team found no evidence that PAE was recruiting or maintaining labor through the use of force, fraud, or coercion.

¹⁷ FAR Subpart 22.17, with its associated clause at 52.222-50, became effective as a binding interim rule on April 19, 2006. This rule was applicable to contractors awarded service contracts (other than contracts for commercial items under FAR Part 12).

FAR 22.1705 Contract clause.

(a) Insert the clause at [52.222-50](#), Combating Trafficking in Persons, in all solicitations and contracts.

(b) Use the basic clause with its Alternate I when the contract will be performed outside the United States (as defined at [25.003](#)) and the contracting officer has been notified of specific U.S. directives or notices regarding combating trafficking in persons (such as general orders or military listings of "off-limits" local establishments) that apply to contractor employees at the contract place of performance.

ABBREVIATIONS

AIJS	Afghanistan, Iraq, and Jordan support (section)
AQM	Office of Acquisition Management
COR	contracting officer's representative
DEA	U.S. Drug Enforcement Administration
Department	Department of State
FAH	<i>Foreign Affairs Handbook</i>
FAM	<i>Foreign Affairs Manual</i>
FAR	<i>Federal Acquisition Regulation</i>
INL	Bureau of International Narcotics and Law Enforcement Affairs
KCP	Kabul City Power
MERO	Middle East Regional Office
OIG	Office of Inspector General
QASP	quality assurance surveillance plan

APPENDIX I – PURPOSE, SCOPE, AND METHODOLOGY

OIG's Middle East Regional Office initiated this performance evaluation under the authority of the Inspector General Act of 1978, as amended. The evaluation objectives were to determine: (1) the requirements and provisions of the contract and task orders; (2) the amount of funding the Department has obligated and expended to provide operations and maintenance; (3) the effectiveness of PAE's contract performance in providing operations and maintenance support to the counternarcotics compounds in Kabul and Kunduz; (4) how well the Department administers and manages the contract and task orders to provide oversight of PAE's performance in Afghanistan; (5) how the Department ensures that costs are properly allocated and supported; and (6) whether the Department contract includes FAR clause 52.222-50, which provides administrative remedies if, during the term of the contract, the contractor or subcontractor engages in severe forms of trafficking in persons.

To determine the requirements and provisions of the contract OIG analyzed the operations and maintenance contract and task orders, interviewed officials from INL, PAE, DEA, and the narcotics affairs section of Embassy Kabul. OIG also reviewed supporting documents including invoices, quality control reports, inventory adjustment documents, the FAR, and Department regulations.

To determine PAE's effectiveness in meeting the contract deliverables, OIG observed and documented key operations and maintenance activities including electric power generation, building integrity, water and sanitation, fire protection, climate control, road and walkway maintenance, grounds maintenance, snow removal, water drainage, sewage containment and removal, and janitorial service, provision of housing units, food service, armed perimeter security, weapons and ammunition, fleet management, fuel, and communication services.

To evaluate the Department's administration and oversight of the contract, OIG reviewed progress reports, minutes of meetings, and related correspondence; and held discussions with the COR and INL program managers in Washington, DC. The OIG team also met with the INL COR, and representatives from DEA, PAE, and Embassy Kabul.

To determine how the Department ensures that costs are properly allocated and supported OIG planned to do a complete review of invoices processed by AIJS for this task order. During the course of fieldwork, OIG decided to de-scope this objective for a future evaluation to determine whether costs are properly allocated and

supported for all INL contracts in Afghanistan. As necessary, the team relied on computer-processed data to examine evaluation evidence and conducted a vulnerability assessment in evaluating internal controls relating to the evaluation objectives. This evaluation was conducted from February through November 2010 in accordance with the quality standards for inspections and evaluations issued in January 2005 by the Council of Inspectors General on Integrity and Efficiency.

This 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: David Chappell, Patrick Dickriede, Kelly Herberger, Kristen Jenkinson, Gordon Parker, Ray Reddy, and Dev Sen.

APPENDIX II – COMMENTS FROM THE BUREAU OF INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT AFFAIRS



United States Department of State
Washington, D.C. 20520

January 12, 2011

UNCLASSIFIED

MEMORANDUM

TO: OIG/MERO – Mr. Richard G. Arntson
FROM: INL/RM – Robert S. Byrnes

SUBJECT: INL Comments on OIG Draft Report PAE Operations and Maintenance Support for the Bureau of International Narcotics and Law Enforcement Affairs' Counternarcotics Compounds in Afghanistan (Report No. MERO-I-11-02), January 12, 2011

INL appreciates the opportunity to comment on the draft OIG report. INL generally agrees with the recommendations in so far as their intent. However, it should be noted that INL has already taken action on the majority of the draft recommendations. Specifically, INL's responses to the revised draft's recommendations are as follows:

Recommendation 1: The Office of Acquisition Management, in coordination with the Bureau of International Narcotics and Law Enforcement Affairs and Embassy Kabul, should develop a strategic and integrated acquisition plan with appropriate timelines for task order modifications for all operations and maintenance support contracts in Afghanistan. (Action: AQM, in coordination with INL and Embassy Kabul)

INL Response (January 2011): INL will work with AQM on their efforts to address this recommendation.

Recommendation 2: The Bureau of International Narcotics and Law Enforcement Affairs should implement a quality assurance surveillance plan to evaluate and measure overall contractor performance and the performance of subcontractors in operations and maintenance support against the contract and task order to determine if the contractor and subcontractors are providing the required services. (Action: INL)

INL Response (January 2011): Beginning in early 2008, INL developed, completed and began implementing a Quality Assurance Surveillance Plan (QASP) policy document. With new contract administration leadership at post, there is a more aggressive QASP now in place.

Recommendation 3: The Bureau of International Narcotics and Law Enforcement Affairs should ensure that a sufficient number of dedicated contracting officer's representatives are physically present in Afghanistan to provide proper oversight of the contracts for operations and maintenance support at the counternarcotics compounds. (Action: INL)

INL Response (January 2011): INL has been progressively staffing up the number of In-country Contracting Officer's Representatives (ICORs) for Afghanistan. The specific number routinely fluctuates due to attrition. There were twelve 12 ICORs on the ground in Kabul in December 2010.

Recommendation 4: The Bureau of International Narcotics and Law Enforcement Affairs should develop procedures to accurately measure the receipt and issuance of fuel purchased for operations and maintenance support of the counternarcotics compound in Kabul. (Action: INL)

INL Response (January 2011): INL has developed procedures and has instructed the counternarcotics compound support contractor to verify, monitor and delivery of fuel purchases. The purchase request process is comprehensive and accurate with ICORs providing oversight of this process.

Recommendation 5: The Bureau of International Narcotics and Law Enforcement Affairs should develop procedures to ensure quality control of food preparation and effective monitoring of medical clearances of food services personnel at the counternarcotics compound in Kabul. (Action: INL)

INL Response (January 2011): INL has developed and will continue its effort to ensure PAE performs services contracted for in an acceptable manner. INL continues to hold its prime contractor responsible and accountable for any services subcontracted for.

Recommendation 6: The Bureau of International Narcotics and Law Enforcement Affairs, in coordination with Embassy Kabul, and in consultation with the Drug Enforcement Administration, should evaluate the physical security requirements at the Kabul counternarcotics compound. (Action: INL, in coordination with Embassy Kabul)

INL Response (January 2011): INL defers action on prospective security assessments to the Regional Security Office (RSO) and will undertake any recommendations from the same. In the meantime, INL will continue to enforce security terms outlined in the task order and pursue with PAE any noted deficiencies.

Recommendation 8: The Bureau of International Narcotics and Law Enforcement Affairs should ensure that PAE and its food service subcontractor are complying with appropriate food service standards and monitoring the provision of service as required by the task order. (Action: INL)

INL Response (January 2011): INL will continue its effort to ensure PAE performs the services contracted for in an acceptable manner. INL continues to hold its Prime Contractor responsible and accountable for any services subcontracted for.

Recommendation 9: The Bureau of International Narcotics and Law Enforcement Affairs should ensure all guards at the counternarcotics compound in Kunduz are familiar with standard operating procedures for security, and that guards are getting sufficient rest and days off. (Action: INL)

INL Response (January 2011): INL does not approve of any person working seven days per week or more than 12 hours per day. INL continues to enforce its security terms outlined in the task order and to pursue with PAE any noted deficiencies.

APPENDIX III – COMMENTS FROM EMBASSY KABUL



Embassy of the United States of America
Kabul, Afghanistan

January 13, 2011

UNCLASSIFIED

MEMORANDUM

TO: Assistant Inspector General Nick Arntson

FROM: Chargé E. Anthony Wayne

SUBJECT: Embassy Comments on OIG Draft Report on PAE Operations and Maintenance on INL Counternarcotics Compounds in Afghanistan – MERO-1-11-02

Embassy Kabul welcomes the opportunity to provide its own comments on this draft report, although we understand that they were directed primarily to INL Washington. The Embassy believes strongly in the importance of maximizing the effectiveness, efficiency, and proper execution of the Pacific Architects and Engineers, Inc. (PA&E, now called PAE) task orders so that we achieve maximum deliverables through INL's counternarcotics program.

The Embassy's comments on the specific recommendations cited in the draft report are outlined below. We also note that INL Washington will be providing its own comments, so please consider these comments as reflecting the Embassy's views only and as a supplement to the official response you will be receiving from INL Washington.

Recommendation 1: The Office of Acquisition Management, in coordination with the Bureau of International Narcotics and Law Enforcement Affairs and Embassy Kabul, should develop a strategic and integrated acquisition plan with appropriate timelines for task order modifications for all operations and maintenance support contracts in Afghanistan. (Action: AQM, in coordination with INL and Embassy Kabul)

- Strategic and integrated acquisition plans with appropriate timelines are developed months in advance by AQM and AIJS in Washington, DC in coordination with INL Program offices, with inputs from INL Kabul. The Office of Acquisition Management and INL Kabul are currently reviewing the overall organization and relationships between the INL Program, Contract Oversight (COR), and Acquisition Management offices.
- Included within strategic and integrated acquisition plans are elements of support, e.g., O&M, security, IT/Communications, etc. However, in a changing hostile environment, unprojected modifications are necessary: new construction, new projects/initiatives, changing priorities, new focus on program issues and the ever changing relationships between elements of the USG (DoS, DoD, DOJ, etc.) and the Government of Afghanistan. We seek to ensure that such modifications remain within the overall acquisition plans and timelines.

Recommendation 2: The Bureau of International Narcotics and Law Enforcement Affairs should implement a quality assurance surveillance plan to evaluate and measure overall contractor performance and the performance of subcontractors in operations and maintenance support against the contract and task order to determine if the contractor and subcontractors are providing the required services. (Action: INL)

- A Quality Assurance Surveillance Plan (QASP) has been developed and instituted, and INL Kabul has already executed some QASPs and has plans for others.

Recommendation 3: The Bureau of International Narcotics and Law Enforcement Affairs should ensure that a sufficient number of dedicated contracting officer's representatives are physically present in Afghanistan to provide proper oversight of the contracts for operations and maintenance support at the counternarcotics compounds. (Action: INL)

- The Afghanistan, Iraq, and Jordan Support (AIJS) office recently received approval for a total of 25 In Country Contract Officer Representatives ICORs (also referred to as Government Technical Monitors (GTM)). Eighteen were approved after the completion of the OIG inspection. Recruiting is underway. There is a significant lag time between selection, obtaining a security clearance, medical clearance, receiving training required by the COM before deployment and actually reporting to post. INL Kabul currently has eight ICORs on the ground, and efforts are continuing to provide adequate and sufficient ICOR staffing for INL Kabul.

Recommendation 4: The Bureau of International Narcotics and Law Enforcement Affairs should develop procedures to accurately measure the receipt and issuance of fuel purchased for operations and maintenance support of the counternarcotics compound in Kabul. (Action: INL)

- INL has instructed the counternarcotics compound contractor PAE to verify fuel purchases and deliveries. However, the contractor does not rely on fuel meters for deliveries, as the meters are usually not accurate or can be tampered with. Deliveries are measured with a calibrated dip stick device.

Recommendation 5: The Bureau of International Narcotics and Law Enforcement Affairs should develop procedures to ensure quality control of food preparation and effective monitoring of medical clearances of food services personnel at the counternarcotics compound in Kabul. (Action: INL)

- AIJS has a dedicated ICOR assigned to the Interdiction task order and will ensure that the QASPs (including meal service) are performed routinely and that they include a focus on both food preparation and monitoring of medical clearances of food services personnel at the counternarcotics compound in Kabul. This will include an effective monitoring of medical clearances of food services personnel in accordance with the U.S. Army's MED Technical Bulletin 530.

Recommendation 6: The Bureau of International Narcotics and Law Enforcement Affairs, in coordination with Embassy Kabul, and in consultation with the Drug Enforcement Administration, should evaluate the physical security requirements at the Kabul counternarcotics compound. (Action: INL, in coordination with Embassy Kabul).

- INL, in coordination with INL Kabul and the Embassy Kabul Regional Security Officer (RSO), has conducted an assessment of the physical security requirements of the counternarcotics compound and is continuing to apply RSO-required Chief of Mission security enhancements to the compound.

Recommendation 7: The Office of Acquisition Management should require PAE to incorporate engineering data into the maintenance and operations support plan for the counternarcotics compound in Konduz, resolve construction deficiencies in the laundry facility and kitchen, and assess the electric power needs of the compound before purchasing new diesel generators. (Action: AQM)

- INL Kabul has not yet received AQM's response on this recommendation.

Recommendation 8: The Bureau of International Narcotics and Law Enforcement Affairs should ensure that PAE and its food service subcontractor are complying with

appropriate food service standards and monitoring the provision of service as required by the task order. (Action: INL)

- AIJS has a dedicated ICOR assigned to the Interdiction task order and will ensure that QASPs (including meal service) are performed routinely and that they incorporate the provisions of the U.S. Army's MED Technical Bulletin 330.

Recommendation 9: The Bureau of International Narcotics and Law Enforcement Affairs should ensure all guards at the counternarcotics compound in Kunduz are familiar with standard operating procedures for security, and that guards are getting sufficient rest and days off. (Action: INL)

- AIJS does not sanction any guard working seven days per week or more than 12 hours per day, routinely, and will have a dedicated ICOR monitor the contractor timesheets through the QASP process. AIJS will ensure that the prime contractor complies with the contractor's security plan.

UNCLASSIFIED

**FRAUD, WASTE, ABUSE
OR MISMANAGEMENT**
of Federal programs hurts everyone.

Contact the
Office of Inspector General
HOTLINE
to report illegal or wasteful activities:

202-647-3320
800-409-9926

oighotline@state.gov

oig.state.gov

Office of Inspector General
U.S. Department of State
P. O. Box 9778
Arlington, VA 22219

Cables to the Inspector General
should be slugged "OIG Channel"
to ensure confidentiality.

UNCLASSIFIED