



Oversight of Aegis's Performance on Security Services Contracts in Iraq with the Department of Defense

SIGIR-09-010

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Executive Summary

Introduction

This report pertains to the Department of Defense's (DoD) contracts with Aegis Defence Services, Limited (Aegis), in furtherance of a mandate in Section 842 of the National Defense Authorization Act for 2008 (Public Law 110-181), which requires the Special Inspector General for Iraq Reconstruction (SIGIR) to develop, in coordination with other audit agencies, a comprehensive plan of audits of private security functions in Iraq.

A major provider of security services to DoD in Iraq, Aegis had received \$624.4 million for those services, as of November 2008. From May 2004 through November 2008, approximately \$612.8 million (98% of those funds) was received for services rendered under three Reconstruction Security Support Services (RSSS) contracts. This report focuses on those three contracts, examining their costs, the government's process for awarding them, and the government's oversight of Aegis's bills, inventories, performance, and operations, including the reporting of serious incidents and compliance with the requirements of the Government of Iraq. The report also examines Aegis's personnel screening, selection, and training processes to determine whether they meet contract requirements.

The RSSS-I contract (W911S0-04-C-0003) was awarded in May 2004 and ended in November 2007. The RSSS-II contract (W91GDW-07-D-4021) was awarded in September 2007, but the start of performance was delayed to February 2008 because the award was protested with the Government Accountability Office. Because the RSSS-II contract was delayed, a separate contract (W91GDW-08-C-4003) was awarded to bridge the period during which the protest was considered.

Over the years, several organizations have been involved in managing the RSSS contracts. The Gulf Region Division (GRD) of the U.S. Army Corps of Engineers has oversight responsibility for the vast majority of services performed under the RSSS-II contract, but the Multi-National Corps-Iraq (MNC-I) is responsible for overseeing contractor personnel who assist in MNC-I operations centers. The day-to-day oversight of Aegis's performance is the responsibility of Contracting Officer Representatives (CORs) for GRD and MNC-I. The United Kingdom (U.K.) Ministry of Defence, Office of Defence Equipment and Support (DE&S), audits Aegis's invoices under a cooperative agreement between the United Kingdom and the United States. The Defense Contract Management Agency and the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) have assisted in contract administration and oversight.

Findings

The costs of the services that Aegis provided were substantial. As Table 1 shows, DoD had obligated \$679.7 million and spent \$612.8 million on the RSSS contracts, as of November 2008.

Table 1—Obligations and Expenditures for RSSS Contracts, as of November 2008 (\$ millions)

Contract	Contract Number	Obligations	Expenditures
RSSS-I	W911S0-04-C-0003	\$441.2	\$434.5
RSSS-II	W91GDW-07-D-4021	199.8	142.8
Bridge	W91GDW-08-C-4003	38.7	35.5
Total		\$679.7	\$612.8

Source: U.S. Army Corps of Engineers Financial Management System.

For all three contracts, most of the costs are for labor. For the RSSS-II contract, labor costs are projected to be about 97% of total costs for the base year. Other cost-reimbursable items include travel, materials, and equipment. In addition to the \$612.8 million in contract costs, the government provides life support services—food, water, shelter, etc.—and vehicles to Aegis personnel at substantial cost, estimated at more than \$57 million per year. The government also furnishes Aegis with other services and supplies—such as ammunition, vehicle maintenance, and fuel—at costs that are not readily available.

Under the RSSS contract, almost 1,400 Aegis personnel provide DoD with a variety of security services, including personal security, facilities security, and coordination and control of security detail movements. Aegis employs a mix of expatriates and Iraqis; most expatriates come from the United Kingdom, the United States, and Nepal.

SIGIR found well-supported contract awards to Aegis; appropriate government oversight of Aegis's bills, inventories, performance, and operations; and contract performance assessed as satisfactory to outstanding. For example:

- The two largest RSSS contracts were competitively awarded; the bridge contract, although noncompetitively awarded, was appropriately justified as a sole-source award.
- U.S. and U.K. agencies have provided appropriate oversight of Aegis's bills and have found that claims are well supported.
- U.S. agencies have monitored Aegis's controls of inventories and found them adequate to protect the U.S. government's interests.
- Aegis is adhering to its personnel screening and selection process, which should help to ensure that it hires personnel with the qualifications and personal qualities required by the contract.
- Aegis is adhering to its training program, which should help to ensure that personnel working on the contract are properly trained.

- As part of DoD's new process to coordinate private security operations with military units, Aegis personnel assisted in tracking more than 55,000 private security operations since February 2008.
- Aegis has reported about 80 of the 380 serious incidents reported by all security contractors since February 2008. Aegis is complying with requirements to coordinate its operations and report serious incidents involving attacks, injuries, and property damage. SIGIR plans to audit the incident reporting process.

SIGIR found that contract administration could be improved. Specifically:

- SIGIR noted that there is no central location for the contract-related electronic records that provide a history of Aegis's performance and government actions to oversee the performance of the contractor and, if needed, require changes to its performance. Instead, the numerous contracting officers and CORs for the RSSS contracts had maintained many of their contract files—especially those pertaining to contract oversight actions—in electronic formats in various computer directories. This lack of central records impeded SIGIR's ability to evaluate the strengths and weaknesses of Aegis's performance under the RSSS-I and bridge contracts and also to evaluate the adequacy of the government's oversight of Aegis's performance on those contracts. It may also impede the ability of follow-on contract managers to quickly understand the history of the contracts.
- Since 2004, the U.K. Ministry of Defence, Office of Defence Equipment and Support, has reviewed Aegis's invoices based on a verbal agreement with the Defense Contract Management Agency office in northern Europe. In 2005, responsibility for the RSSS contract was transferred to the Agency's Baghdad office. The audit team leader for DE&S stated that his office had not heard from the U.S. government about those reviews since 2005, and he did not know whether the Defense Contract Management Agency office in Baghdad received or used his reports. SIGIR confirmed that the Agency's office in Baghdad is receiving the reports.
- Security personnel working for Aegis have been involved in vehicle accidents that resulted in the loss of costly government-provided vehicles due to negligence on the part of the personnel. Although Aegis took corrective actions by terminating or fining the individuals, it did not pay for the government-provided vehicles because the contract does not require Aegis to reimburse the government for such losses. Because Aegis recruits, hires, and trains these personnel, SIGIR believes that Aegis shares the responsibility for their actions.

Recommendations

To improve contract administration and oversight, SIGIR recommends that the Commanding General of the Gulf Region Division, the Director of the Defense Contract Management Agency, and the Commander of the Joint Contracting Command-Iraq/Afghanistan direct that these actions be taken as they relate to their respective responsibilities under the contract:

1. Ensure that the electronic files pertaining to contract administration and oversight are better organized in a central depository within the program management office and are made available to contract managers and external contract reviewers.
2. Specify in writing the audit role it wants the DE&S to perform, which U.S. government organizations should receive its reports, and which U.S. government organization is responsible for maintaining contact with DE&S.

SIGIR also recommends that the Commanding General of the Gulf Region Division and the Commander of the Joint Contracting Command-Iraq/Afghanistan take this action:

3. Ensure that future contracts require that the government and contractors equitably share the cost of vehicles lost through the negligence of contractor personnel.

Management Comments and Audit Response

The Defense Contract Management Agency agreed and GRD generally agreed with the report recommendations. Specifically, GRD partially concurred with recommendation 1 and fully concurred with recommendations 2 and 3.

Concerning recommendation 1, GRD stated that it maintains Contracting Officer Representative evaluations on a shared network space and provides copies of all performance reports to the Defense Contract Management Agency. It also stated that organizing files in a central depository is a matter best left to the organizations involved in administration of the contract. SIGIR agrees that contractor evaluations should be shared and commends GRD for its actions in that regard. It does not agree that organizing contract files in a central depository is a matter best left to the organizations involved in contract administration. SIGIR believes that this approach has led to stovepipe recordkeeping in which each organization maintains its own set of files that do not provide a total picture of the contractor's performance in such areas as controlling inventories, recruiting and hiring appropriate personnel, and submitting fully supported invoices. SIGIR also believes that the program management office should maintain a central depository of contract-related electronic records that would provide contract administrators with a comprehensive picture of the contractor's performance. SIGIR modified the final recommendation to state that the program management office should have responsibility for maintaining the contract-related electronic records.

Concerning recommendation 2, GRD stated that it is open to establishing contact with the U.K. Ministry of Defence, Office of Defense Equipment and Support, if SIGIR can provide a point of contact to help facilitate this coordination. The point of contact within the Ministry is specified in each report on the Aegis contract submitted by Defense Equipment and Support to the Defense Contract Management Agency in Baghdad.

Concerning recommendation 3, GRD stated that it will discuss with Aegis the issue of contractor reimbursement for vehicles lost due to employee negligence as a possible modification to the current contract.

GRD also provided technical comments, which SIGIR incorporated as appropriate.