



Office of Inspector General

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

**Office of Audits  
Middle East Region Operations**

**Evaluation of the Local Guard Force Contract  
for Embassy Islamabad and Consulates General  
Karachi, Lahore, and Peshawar**

**Report Number AUD-MERO-12-46, September 2012**

**~~Important Notice~~**

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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", written in a cursive style.

Harold W. Geisel  
Deputy Inspector General

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## Acronyms

A/LM/AQM	Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management
CB	chemical and biological
COR	contracting officer's representative
DS	Bureau of Diplomatic Security
EOBI	Employees' Old-Age Benefits Institution
FAH	<i>Foreign Affairs Handbook</i>
G4S	G4S Secure Solutions International Inc.
OIG	Office of Inspector General
RSO	regional security officer
SBU	sensitive but unclassified
U	unclassified

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## (U) Executive Summary

(U) The U.S. Mission Pakistan local guard force provides security to protect Embassy Islamabad and Consulates General Lahore, Peshawar, and Karachi against security threats, including Al-Qaida, elements of the Taliban, and other militant groups. The local guard force is responsible for preventing unauthorized access to the facilities, deterring criminal attacks against employees and dependents, deterring terrorist acts against all U.S. assets, and preventing damage to U.S. Government property.

(U) The Office of Inspector General (OIG) initiated this work under the authority of the Inspector General Act of 1978, as amended, to evaluate the U.S. Mission Pakistan local guard force contract. The evaluation objective was to determine whether

- (U) the local guard force contractor effectively managed its personnel,
- (U) the Department of State (Department) provided adequate contract oversight, and
- (U) the Department ensured that contractor invoices were properly reviewed and supported.

~~(SBU)~~ OIG determined that the local guard force contractor, G4S Secure Solutions International Inc. (G4S), did not provide Department-approved replacement guards during a June 2011 labor strike in Islamabad that lasted more than 3 days. The strike posed a security risk because the contractor did not have a contingency plan to replace the guards on strike and therefore used unapproved guards to cover the guard posts. (b) (5)

The contractor also did not enroll all of its employees in the Employees' Old-Age Benefits Institution (EOBI), a Pakistani retirement program, as required by the contract terms and conditions. Lastly, OIG evaluated the 12 G4S contract invoices for the period February 2010–January 2011 by selecting and reviewing 189 invoice line items. Since OIG found no errors during the review, OIG was able to conclude that the Bureau of Diplomatic Security (DS) had properly functioning internal controls in place to help ensure that invoices were accurate and supported with appropriate documentation.

(U) During the evaluation, OIG periodically briefed officials from the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM), and DS on the results of the evaluation. A/LM/AQM used those results to prepare the solicitation for the follow-on local guard force contract, which began on July 1, 2012. A/LM/AQM required the awardee to have a contingency plan to ensure that Department-approved replacement guards were available in the case of labor unrest, which was a positive step in addressing labor issues.

(U) OIG recommended that DS modify the program management reviews required by the Department's *Foreign Affairs Handbook*<sup>1</sup> (FAH) to address the terms and conditions of the contract. OIG also recommended that A/LM/AQM ensure that the contracting officer obtains documentation before contract closeout verifying that all guards working on the local guard force contract are enrolled in EOBI and that their accounts are credited with funds withheld from their paychecks while the guards were employed under the contract.

(U) In its August 27, 2012, response to the draft report (see Appendix B), DS requested two minor revisions to the report language but did not provide comments specific to Recommendation 1. The revisions requested by DS were incorporated into the report as appropriate. In its September 10, 2012, response to the draft report (see Appendix C), A/LM/AQM concurred with Recommendation 2, stating that it would ensure that all guards who worked on the local guard force contracts were enrolled in EOBI and that their accounts were properly credited.

(U) OIG does not consider DS's comments to be responsive. Therefore, Recommendation 1 is unresolved, and OIG requests that DS provide additional comments that specifically address the recommendation. OIG considers A/LM/AQM's comments to be responsive. Therefore, Recommendation 2 is resolved, and no additional comments are required. Recommendation 2 can be closed pending OIG's receipt and approval of documentation showing that all guards who had worked on the local guard force contracts were enrolled in EOBI and that their accounts were properly credited.

## (U) Background

(U) The U.S. Mission Pakistan local guard force provides security to protect Embassy Islamabad and Consulates General Lahore, Peshawar, and Karachi. Security threats to those posts include Al-Qaida, elements of the Taliban, and other militant groups. Terrorists have attacked civilian, government, and foreign targets in Pakistan, killing almost 1,200 people from 2007–2010. In 2011, attacks included armed assaults on heavily guarded sites, such as the Pakistani naval air base in Karachi, police offices in Lahore and Karachi, and military installations in Lahore.

(U) Terrorists have also attacked U.S. targets in Pakistan. In March 2006, a suicide bomber detonated a car packed with explosives, killing two people and wounding 50 people outside the U.S. Consulate General in Karachi.<sup>2</sup> In August 2008, gunmen attacked the vehicle of a senior consular official in Peshawar.<sup>3</sup> On April 5, 2010, terrorists attacked the U.S. Consulate General in Peshawar, killing several consulate guards and Pakistani security personnel.<sup>4</sup> On

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<sup>1</sup> (U) 12 FAH-7 H-230, "Program Management Review."

<sup>2</sup> (U) "Pakistan bomb kills US diplomat," BBC News, March 2, 2006, <[http://news.bbc.co.uk/2/hi/south\\_asia/4765170.stm](http://news.bbc.co.uk/2/hi/south_asia/4765170.stm)>, accessed on Nov. 8, 2011.

<sup>3</sup> (U) Saeed Shah, "US diplomat targeted in Pakistan militant attack," *The Guardian*, Aug. 26, 2008, <<http://www.guardian.co.uk/world/2008/aug/27/pakistan.usa>>, accessed on June 11, 2012.

<sup>4</sup> (U) Ismail Khan and Sabrina Tavernise, "U.S. Consulate in Pakistan Attacked by Militants," *The New York Times*, Apr. 5, 2010, <<http://www.nytimes.com/2010/04/06/world/asia/06pstan.html>>, accessed on June 11, 2012.

May 20, 2011, terrorists attacked a consulate general vehicle in Peshawar, killing one person and injuring 12 people, including two consular employees.<sup>5</sup>

**(U) Pakistan Local Guard Force Contract**

(U) On June 1, 2007, A/LM/AQM awarded the Embassy and Consulate Security Forces in Pakistan contract (No. S-AQMPD-07-C0065) to G4S. The contract was a time and materials contract consisting of 1 base year and 4 option years, and it expired on June 30, 2012. A/LM/AQM issued a solicitation for the follow-on contract on December 8, 2011, and subsequently awarded that contract on March 21, 2012, to the contractor Torres Advanced Enterprise Solutions. The new contract began on July 1, 2012.

(U) Contract S-AQMPD-07-C0065 required the contractor to provide guard services “to prevent unauthorized access, protect life, maintain order, deter criminal attacks against employees, dependents and property, deter terrorist acts against all U.S. assets, and prevent damage to Government property.”<sup>6</sup> The contract also required the contractor to provide additional or emergency services as directed by the Department.

(U) During the period of performance, the contract increased in magnitude because of heightened security requirements and an increased number of embassy residences. As of March 1, 2012, the contractor was providing about 2,480 guards for 900 guard posts: 1,325 guards at 480 guard posts in Islamabad, 425 guards at 155 guard posts in Karachi, 220 guards at 70 guard posts in Lahore, and 510 guards for 195 guard posts in Peshawar. In 2012, guard hours were more than 6.5 million. Obligations for the contract by contract year are shown in Table 1.

**(U) Table 1. Obligations for Contract S-AQMPD-07-C0065 – July 1, 2007, to June 30, 2012**

<b>Year</b>	<b>Period of Performance</b>	<b>Obligations (in millions)</b>
Base year	7/01/2007 - 6/30/2008	\$4.2
Option Year 1	7/01/2008 - 6/30/2009	\$5.1
Option Year 2	7/01/2009 - 6/30/2010	\$6.9
Option Year 3*	7/01/2010 - 6/30/2011	\$9.4
Option Year 4	7/01/2011 - 6/30/2012	\$9.3

\*(U) The increase in obligations for Option Year 3 reflects the addition of 100 residences and other construction efforts to the contract scope.

(U) Source: OIG analysis of A/LM/AQM data.

<sup>5</sup> (U) Faris Ali, “Pakistan Taliban says attacked U.S. consulate convoy,” Reuters, May 20, 2011, <<http://www.reuters.com/assets/print?aid=USTRE74J0OW20110520>>, accessed on June 21, 2012.

<sup>6</sup> (U) Contract S-AQMPD-07-C0065, sec. C, p. 24, par. C.1, “Work Requirements.”

**(U) Contract Management and Oversight**

~~(SBU)~~ Contracting officers normally designate technically qualified personnel to assist in contract development and administration. These individuals are called “contracting officer’s representatives” (COR). DS’s Office of Overseas Protective Operations, Facility Protection Division, oversees all local guard force contracts, and the COR for the Pakistan local guard force is the division regional branch chief for the Near East and South Central Asia area. The COR is assisted by a security program officer, who is also a COR, and who reviews all invoices, conducts quarterly assistance visits, and trains and advises the assistant regional security officers (RSO) who are assigned as assistant CORs at the embassy and consulates. Local guard force coordinators, who are Pakistani nationals employed by the embassy, provide daily oversight of contractor performance. As part of their oversight responsibilities, the local guard force coordinators attend preshift briefings, visit guard posts to ensure contract compliance, verify that guards are on duty at the contractually required posts, and interact daily with contractor management.

**(U) Evaluation Objective**

(U) The evaluation objective was to determine whether

- (U) the local guard force contractor effectively managed its personnel,
- (U) the Department provided adequate contract oversight, and
- (U) the Department ensured that contractor invoices were properly reviewed and supported.

(U) Initially, OIG also planned to determine whether the contractor was in compliance with *Federal Acquisition Regulation* clause 52.222-50, “Combating Trafficking in Persons.” However, the contractor had only one management-level third-country national employee working on the contract, so OIG did not pursue this objective.



## **(U) Evaluation Results**

### **(U) Finding A. Department-Approved Replacement Guards Were Not Provided During a Strike**

(U) In June 2011, the contractor, G4S, did not provide Department-approved replacement guards during a local guard force strike in Islamabad that lasted more than 3 days. The contractor did not provide approved replacement guards because the contract did not require the contractor to have an approved reserve guard force in the event of a strike or other work stoppage. After the June 2011 strike, the contracting officer issued a cure notice<sup>7</sup> requiring the contractor to submit a corrective action plan detailing how the contractor would avoid future strikes and meet contract personnel requirements in the event of a strike. The contracting officer and the contractor agreed that establishing an approved reserve guard force was a necessary solution, but the contracting officer did not modify the contract to require the reserve force. Although the contracting officer reduced the contractor's payments by \$80,600 for providing unapproved replacement guards during the June 2011 strike, security risks were increased because unapproved guards were on duty. Without a Department-approved reserve guard force, any future strikes or work stoppages could result in similar increased security risks.

(U) During the evaluation, OIG periodically briefed A/LM/AQM officials on the results of the evaluation, and A/LM/AQM officials used those results to prepare the solicitation for the follow-on local guard force contract, which began on July 1, 2012. The new contract requires the awardee to have a contingency plan for a reserve force, which was a positive step in addressing labor issues. Because A/LM/AQM fully addressed OIG's concerns, OIG is not making a recommendation on this issue.

### **(U) Local Guard Force Approval Requirements**

~~(SBU)~~ The local guard force contract requires the contractor to conduct background investigations on prospective guards and submit the investigation results for the Department's approval before the guards go on duty. The investigation must include proof of successful employment during the preceding 3 years with supervisor recommendations, a police check covering criminal and/or subversive activities, a residence check to verify the applicant's home address, and a credit check. When the investigation is complete, the contractor provides an investigation summary to the assistant RSO for review. The assistant RSO then approves or disapproves the guard for work on the contract based on a review of the investigation summary. The contract prohibits the contractor from using guards without this approval and also prohibits the U.S. Government from being billed for unapproved guards.

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<sup>7</sup> (U) 14 FAH-2 H-542, "Initiating Corrective Action," lists five progressive steps for taking corrective action. Step four occurs when the contracting officer sends "a letter pointing out the failure of performance and its importance to the Department, and directing that the deficiency be 'cured' within a specified time period—usually ten days. This letter is called a 'cure notice.'" Step five could result in the contracting officer's terminating the contract for default.

**(U) Approved Replacement Guards Not Provided**

(U) The contractor did not provide Department-approved replacement guards during a June 2011 local guard force strike in Islamabad. The strike began on June 6, 2011, when 52 mobile response team members and residential guards refused to go on duty, formed a picket line, and attempted to discourage other guards from boarding transportation to their guard posts. To replace the guards on strike, the contractor assigned guards from its commercial, non-U.S. Government contracts; however, the guards working on commercial contracts did not have Department approval to work on the local guard force contract. The total number of unapproved guards on duty varied during the strike, but on the second day of the strike, at least 37 (12 percent) of the 311 guards on duty at the Islamabad residential guard posts and in the mobile response teams were unapproved guards. The strike ended on June 9, 2011, when the contractor agreed to increase pay for the mobile response team members and residential guards by 1,500 and 1,000 Pakistani rupees, respectively.

**(U) Need for Approved Reserve Guard Force Not Required in Contract**

(U) Although the local guard force had previously threatened to strike and some guards had participated in a work stoppage for 3 hours in November 2010, A/LM/AQM did not modify the contract to require the contractor to have an approved reserve guard force in the event of a strike or other work stoppage. The contracting officer issued a cure notice on June 28, 2011, requiring that the contractor submit a corrective action plan that would reduce the possibility of labor unrest and ensure an approved reserve guard force of the appropriate size. Although the contractor agreed that establishing an approved reserve guard force was necessary, the contracting officer did not modify the contract to require a reserve force.

(U) The November 2010 work stoppage occurred at the U.S. Consulate General in Karachi when about 70 guards refused to go to their posts. After 2 hours, the assistant RSO convinced the guards to return to duty. Subsequently, the contractor agreed to train and obtain Department approval for commercial guards who could act as a reserve force in the event of a work stoppage or strike. Although the contracting officer agreed with this effort, the contract was never modified to include a requirement for a reserve force and the contractor did not establish a sufficient reserve force. Therefore, the contractor could not provide replacement guards for the local guard force personnel who went on strike in June 2011.


(U) Following the June 2011 cure notice, the contractor submitted a corrective action plan that stated that the contractor would initiate a pay increase and conduct biannual pay reviews. The corrective action plan also stated that the contractor would select a reserve guard force from its non-U.S. Government contracts and obtain COR approval of the guards so that they could be used on the contract during emergencies.

(U) After reviewing the corrective action plan, the contracting officer determined that the plan was insufficient for preventing or reacting to further strikes. The contracting officer noted that the proposed changes in pay allowances that were to be included in the contractor's corrective action plan did not match what the contractor said would be done regarding pay during and after the June 2011 strike. There were also e-mails that discussed the appropriate size

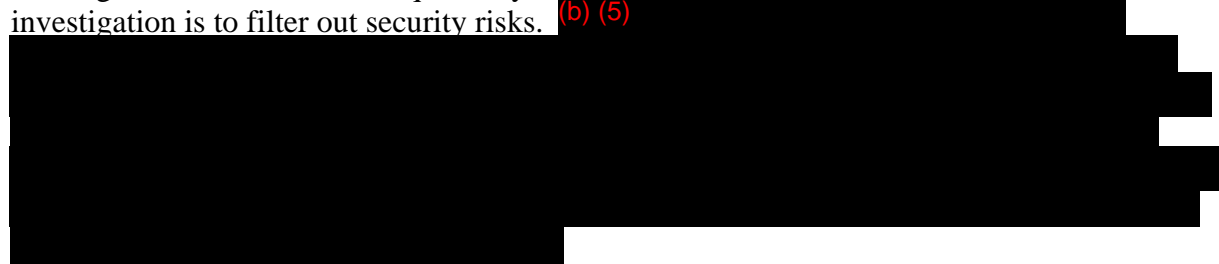
of the contingency guard force that G4S would provide from its other contracts, obtain COR approval for, and train to local guard force standards. While the contractor initially committed to having 130 contingency personnel in all four locations, information in the e-mails increased the commitment to 302 personnel. As of March 31, 2012, the contractor had made some progress in creating a reserve force; specifically, 80 of 302 agreed-upon contingency guards had been trained and approved.

**(U) Increased Security Risk**

~~(SBU)~~ Although A/LM/AQM correctly reduced the contractor's payments by \$80,600 for providing unapproved guards during the June 2011 strike, the use of unapproved guards was a security risk. The mobile patrol guards and residential guards are important in ensuring the security of U.S. facilities and residences. The mobile patrol guards are responsible for denying unauthorized persons access to U.S. facilities and stopping crimes in progress against U.S. property or personnel. Mobile patrols also respond to vehicle accidents, rendering assistance until investigating authorities arrive and then accompanying U.S. personnel to the local police station to assist in preparing required police reports. The residential guards also fulfill critical functions ~~(b) (5)~~



~~(SBU)~~ The replacement guards did not have Government-approved background investigations and checks as required by the contract. The intent of the required background investigation is to filter out security risks. ~~(b) (5)~~



**(U) Management Actions**

(U) During the evaluation, OIG periodically briefed A/LM/AQM officials on the results of the evaluation, and A/LM/AQM officials used the results of the evaluation to prepare the solicitation for the follow-on local guard force contract, which began on July 1, 2012. A/LM/AQM required the awardee to have a contingency plan for a reserve guard force to ensure the security of the embassy. Because A/LM/AQM has taken actions to address OIG's concerns, OIG is not making any recommendations on this issue.

## **(U) Finding B. Contractor Did Not Comply With All Contract Terms and Conditions**

(U) DS did not ensure that the contractor had complied with all contract terms and conditions. Specifically, DS did not ensure that the contractor

- (U) properly trained the local guard force in CB threats and the use of deadly force, and
- (U) enrolled all the local guard force in the EOBI (a Pakistani retirement program).

(U) DS did not ensure that the contractor conducted these activities because the COR was conducting quality assurance reviews using checklists derived from general guidance in the FAH<sup>8</sup> rather than the more specific standards contained in the contract. The use of unapproved guards and the lack of proper training (b) (5)

Not enrolling local guard force members in the EOBI could result in the members' not receiving full benefits and therefore could serve (by itself or in part) as a catalyst for employee strikes or work stoppages (see Finding A).

### **(U) Chemical and Biological Threats Training**

(U) The contractor was not providing CB training, as was required in the contract. The contract requires the Department to provide, on a one-time basis, an overview of CB awareness and countermeasures and the contractor to provide refresher CB training annually. Although the Department provided the "one-time" training in February 2010 and again in October 2011, the contractor stated that it was not providing the required refresher training because the contractor considered it a "grey area in the contract."

(U) During the evaluation, OIG interviewed 99 guards and asked 41 true or false questions on subjects that included CB hazards, fire response, use of deadly force, and civil disturbances. OIG asked guards one of three sets of questions on CB hazards.<sup>9</sup> One set of questions involved what to do if a CB bomb exploded, the second set involved indications of a CB attack, and the third set involved medical symptoms experienced by victims of a chemical attack. (b) (5)

(b) (5)

<sup>8</sup> (U) 12 FAH-7 H-230.

<sup>9</sup> (U) OIG did not ask every guard the same set of questions. Therefore, the number of guards responding to each of the CB questions was fewer than 99 guards.

<sup>10</sup> (U) All CB questions except question 5 were based on Contract S-AQMPD-07-C0065, ex. B, pp. 71-73, par. 20, "Chemical or Biological Attack."

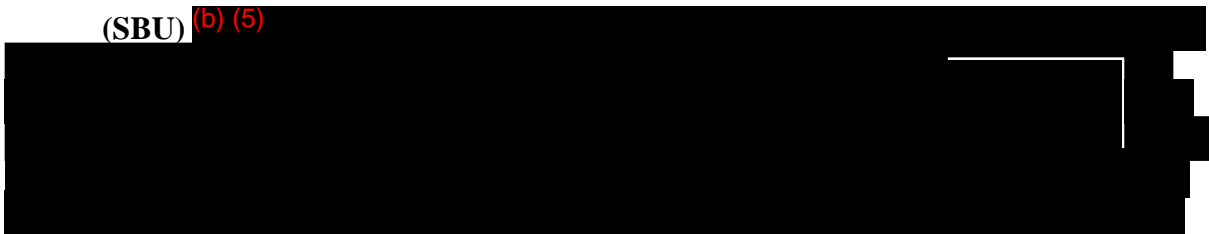
(b) (5)

(b) (5)



**(U) Use of Deadly Force Training**

(SBU) (b) (5)



(b) (5)



(b) (5)



~~(SBU)~~ OIG asked guards who were armed with shotguns one set of questions about the use of deadly force and asked guards who were armed only with batons another set of questions.

(b) (5)



(b) (5)



**(U) Employees' Old-Age Benefit Institution**

(U) The contractor generally did not enroll guards in the Pakistani EOBI retirement program.<sup>13</sup> Section 652-242-73, "Authorization and Performance," of the Department of State

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<sup>13</sup> (U) The Government of Pakistan's Employees' Old-Age Benefits Act of 1976.

Acquisition Regulations, which was incorporated into paragraph I.1.3 of the contract, requires the contractor to “comply fully with all laws, decrees, labor standards, and regulations of said country or countries during the performance of this contract.” In addition, paragraph H.7.3 of the contract, “Employee Salary Benefits,” states, “Where local law requires payments for social security, pensions or any other benefit, the Contractor is responsible for these payments.”

(U) During interviews, OIG identified the lack of enrollment in the EOBI program as a concern among guards. OIG reviewed contractor invoices for the period February 2010–January 2011 and determined that 1,855 (70 percent) of 2,660 guards were not enrolled during that timeframe. The program requires an employee to contribute 70 rupees per month, and, during that timeframe, about 1,100,000 rupees, or \$13,000, were deducted from the paychecks of the guards who were not enrolled in the program. As of March 31, 2012, according to the contractor, 768 (31 percent) of 2,480 guards employed under the local guard force contract were still not enrolled in the EOBI. Since the contractor bills the Government a fixed rate for each hour guards and other personnel work directly on the contract, the contractor did not bill the Government directly for the \$13,000 that was deducted from the guards’ paychecks. The \$13,000 is owed to the guards’ retirement accounts and not to the Government. A/LM/AQM should ensure that prior to contract closeout, the contractor enrolls all of the guards in the EOBI program so that their retirement accounts are appropriately credited with the money deducted from their paychecks.

#### **(U) Quality Assurance Inspections**

(U) DS did not consider all of the terms and conditions of the contract when it conducted quality assurance reviews. Specifically, DS officials conducted the quality assurance reviews through two methods. First, the assistant CORs at post used the 12 goals and performance standards that were contained in the contract’s Quality Assurance and Surveillance Plan exhibit. The 12 goals and standards included checking for deficiencies such as unmanned posts, sleeping on duty, and a lack of supervisory inspections. Second, DS officials working for the COR conducted program management reviews based on DS standards contained in the FAH,<sup>14</sup> which did not always match the specific contract terms and conditions.

(U) For example, the DS program review contains a checklist question regarding weapons of mass destruction training,<sup>15</sup> which is not as specific as the requirements contained in the contract terms and conditions. The checklist question asks whether weapons of mass destruction training requirements are being met, and it references the section of the FAH<sup>16</sup> that does not specify whether the U.S. Government or the contractor is to provide the CB training. Since the U.S. Government provided the CB training, the reviewer rated the contractor as being in compliance. However, the contractor was not in compliance because the contract terms required the contractor to provide CB training, which it had not done.

(U) The program review checklist also did not include any standards of compliance to local labor law or the EOBI program. For example, during a program management review, the

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<sup>14</sup> (U) 12 FAH-7 H-230.

<sup>15</sup> (U) CB training is a component of the overall weapons of mass destruction training.


<sup>16</sup> (U) 12 FAH 7 H-550, “Chemical and Biological (CB) Countermeasures Training.”

RSO in Islamabad expressed concern that the contractor was unable to obtain EOBI cards for the guards. On the checklist, the program management review did not recommend that this issue be addressed but instead rated the concern as not applicable to contract compliance.

(U) Adequate oversight for the follow-on contract requires quality assurance that applies standards that are specific to the terms and conditions of the contract. The FAH<sup>17</sup> provides general standards that apply to local guard force programs. However, local guard force contracts vary and require post-specific standards. DS could ensure more adequate oversight by modifying program management reviews to address the specific terms and conditions of the local guard force contract.

**(U) Guard Force Preparation and the Potential for Labor Unrest**

~~(SBU)~~ The lack of proper training increases the risk of casualties during an attack and the unwarranted use of deadly force. (b) (5)



(U) Regarding the EOBI program, not providing employees with full benefits could serve (by itself or in part) as a catalyst for employee strikes or work stoppages (see Finding A). Many of the guards not enrolled in the EOBI program have worked on the contract for up to 5 years, and money has been withheld from their paychecks during this time.

**(U) Recommendation 1.** OIG recommends that the Bureau of Diplomatic Security modify its program management reviews of local guard force contracts to ensure that contract terms and conditions are included in those reviews.

**(U) Management Response:** The Bureau of Diplomatic Security requested two minor revisions to the report language.

**(U) OIG Reply:** OIG considers the recommendation unresolved because the Bureau did not specifically address the recommendation. OIG made the revisions requested by the Bureau as appropriate.

**(U) Recommendation 2.** OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, require the contracting officer to ensure, during the contract closeout review, that all guards working on the Pakistan local guard force contracts are enrolled in the Employees' Old-Age Benefits Institution and that their accounts are credited with funds withheld from their paychecks while they were employed on the contract.

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<sup>17</sup> (U) 12 FAH-7 H-220, "Program Design and Approval."



**(U) Management Response:** The Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, concurred with the recommendation, stating that it would ensure that all guards who had worked on the local guard force contracts were enrolled in the Employees' Old-Age Benefits Institution and that their accounts were credited with the proper amounts.

**(U) OIG Reply:** OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation showing that all guards have been enrolled in the Employees' Old-Age Benefits Institution and that their accounts were properly credited.

## **(U) Finding C. Invoices Reviewed Were Accurate and Supported With Appropriate Documentation**

(U) DS established processes to ensure that contractor invoices were accurate and were supported by proper documentation. OIG reviewed 189 line items from 12 contractor invoices dated February 2010–January 2011 to determine whether the invoices were accurate and fully supported by documentation and found no discrepancies. OIG concluded that internal controls were in place and were functioning properly to help ensure that invoices were accurate and supported with appropriate documentation.<sup>18</sup> DS was able to determine this accuracy through two means. First, the security program manager, who worked for the COR, reviewed invoices to ensure that the contractor was paid only for work that was completed and that deductions were taken when instances of contract noncompliance occurred. Second, the assistant RSOs at Embassy Islamabad and the three consulates acted as assistant CORs. These assistant CORs helped monitor contract performance at those locations by ensuring that guards were on duty and had the proper equipment required for them to perform their duties.

### **(U) OIG Invoice Review**

(U) OIG selectively reviewed the 12 invoices dated February 2010–January 2011 to verify DS’s internal controls and contract oversight. Specifically, OIG combined 9,525 invoice line items for standard services and the 884 invoice line items for additional and emergency services from the 12 invoices into a single database. OIG then reviewed 99 of the standard service invoice line items and 90 of the additional and emergency services invoice line items. OIG then compared the invoice line items with the supporting documentation, such as guard time sheets, assistant COR requests for additional and emergency services, and guard personnel rosters, to determine whether each line item was supported by appropriate documentation. OIG also reviewed the COR checklists, which indicated that the assistant CORs were providing onsite monitoring of the guard personnel. The monitoring included random verification that guards were on duty, were armed if required, and had the equipment required by the contract. In total, OIG reviewed the 189 invoice line items and found no exceptions. Consequently, OIG concluded that internal controls were in place and properly functioning to help ensure that invoices were accurate and supported with appropriate documentation. OIG excluded vehicle charges from review because those charges represented less than 1 percent of the total invoice charges.

### **(U) Security Program Officer Responsibilities**

~~(SBU)~~ The COR has responsibility for the local guard, surveillance detection, and residential security programs at 39 different embassies and consulates, so the COR assigned oversight duties, including review of invoices, to a security program officer working in Virginia and to the assistant CORs. For the invoice line items that OIG reviewed, the security program officer had conducted a comprehensive review of the contractor invoices by checking line items

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<sup>18</sup> (U) OIG found that the invoices were properly documented, even though guards were not enrolled in the EOBI because the contract did not require the contractor to submit proof of such payments with invoices. Compliance with local labor laws should have been identified during the quarterly program management reviews rather than the monthly invoice reviews.

against supporting documentation such as time sheets and materials requisitions. The security program officer also required the contractor to correct the invoices when discrepancies were identified. In addition, assistant CORs verified that guards and their supervisors performed their duties appropriately. This verification included inspecting uniforms, weapons, radios, and other miscellaneous guard equipment to ensure that these items were in compliance with the contract.

**(U) Contract Payment Deductions Taken**

(U) OIG identified numerous examples in which the assistant CORs determined that the contractor was not complying with the contract terms. These instances resulted in 134 deductions, totaling about \$496,000, from contract payments over the course of the contract. Most deductions were for deficiencies such as guards not being able to comprehend English, guards who were otherwise unqualified, and posts that were not staffed and for the labor actions that occurred in June 2011. Deductions for these deficiencies are summarized in Table 4.

**(U) Table 4. Contract Deductions--June 1, 2007--  
January 30, 2012**

<b>Year</b>	<b>Period of Performance</b>	<b>Deductions (in Thousands)</b>
Base year	7/01/2007 - 6/30/2008	\$ 97.9
Option Year 1	7/1/2008 - 6/30/2009	133.3
Option Year 2	7/01/2009 - 6/30/2010	11.5
Option Year 3	7/01/2010 - 6/30/2011	134.6
Option Year 4	7/01/2011 - 1/30/2012	\$118.4

(U) Source: OIG analysis of DS data.

(U) OIG concluded that internal controls were in place and were functioning properly to help ensure that invoices were accurate and supported with appropriate documentation. Therefore, OIG is not making any recommendations on this issue.

## **(U) Scope and Methodology**

(U) The Office of Inspector General (OIG) initiated this work under the authority of the Inspector General Act of 1978, as amended, to evaluate the local guard force contract for Embassy Islamabad and Consulates General Karachi, Lahore, and Peshawar.

(U) To accomplish the objective, OIG reviewed the contract, quarterly post assistance visit trip reports, and embassy and consulate general Emergency Action Plans. OIG also examined monthly contracting officer's representative checklists and developed a multiple choice questionnaire to test guard knowledge and training. In Washington, DC, and Virginia, OIG interviewed officials from the Bureau of South and Central Asian Affairs; the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management; and the Bureau of Diplomatic Security. In Pakistan, OIG interviewed embassy and consulate officials, including the regional security officer (RSO), assistant RSOs, and local guard force coordinators. OIG also interviewed managers from the company G4S Secure Solutions International Inc., local guard force commanders, and shift supervisors.

(U) OIG interviewed guards using a predetermined set of questions to determine whether the guards had adequate knowledge in subject areas required by the contract. OIG also asked guards a predetermined set of questions to determine whether they believed they were being treated fairly, were affected by terrorism, and had the necessary training and equipment. In addition, OIG staff visited the contractor training site in Karachi, Pakistan, where they reviewed the curriculum; interviewed the staff, including selected instructors; and observed the training as it was being conducted.

(U) OIG conducted this performance evaluation from March 2011–July 2012. The Pakistan fieldwork took longer than anticipated because the Government of Pakistan took more than 4 months to issue visas to the evaluation team.

### **(U) Review of Internal Controls**

(U) OIG performed steps to assess the adequacy of internal controls related to invoices, guard readiness, and training. For example, the OIG team reviewed the checklists of the contracting officer's representative that were completed by assistant RSOs to document the monitoring of guard equipment and training. OIG also reviewed documentation used by the contracting officer's representative to ensure that invoice payments were made properly.

### **(U) Use of Computer-Processed Data**

(U) OIG assessed the reliability of computer-generated data by comparing selected data in contractor invoices with documentation of guard timesheets, requests for additional services, and contracting officer's representatives' checklists. From these comparisons, OIG determined that the data were sufficiently reliable to support the conclusions and recommendations in this report.

**(U) Review of Invoices**

(U) OIG reviewed 189 invoice line items and found no exceptions. Consequently, OIG concluded that internal controls were in place and were properly functioning to help ensure that invoices were accurate and supported with appropriate documentation. OIG reviewed contractor invoices consisting of Microsoft Excel spreadsheets generated by the contractor following the format specified in the contract. Each invoice billed a fixed price for the number of hours of standard and additional and emergency guard services and for reimbursable charges for vehicles and radios. OIG reviewed 99 charges for standard services and found that all of the charges were appropriately supported. In addition, OIG reviewed 90 additional and emergency guard services charges for the same time period and found that these were also supported. OIG did not review the vehicle charges, which represented less than 1 percent of the total invoiced.

**(U) Review of Invoices for Standard Services**

(U) OIG reviewed 12 months of contractor invoices from February 2010–January 2011 and determined that the invoices contained 9,525 charges for standard services. Each invoice contained approximately 800 charges for standard services; therefore, OIG determined that reviewing all the charges on a particular invoice would be impractical. OIG combined the 12 months of invoices into a single database and reviewed 99 of these transactions. OIG found no exceptions. Consequently, OIG concluded that internal controls were in place and were properly functioning to help ensure that invoices were accurate and supported with appropriate documentation.

(U) Each transaction consisted of the charge for a single guard post, authorized by Exhibit A of the contract for the month invoiced. For example, in January 2011, one contractor invoice included charges for the senior guard hours dedicated to guard post C-7, which was located in the main gate control room at Consulate General Lahore. A review of the Bureau of Diplomatic Security’s invoices included selecting some of these charges and verifying that guard timesheets showed that guards had been paid to work the hours reflected on the invoice. OIG’s review of 99 of these transactions found that all the transactions were supported. The invoice review is summarized in Table 1.

**(U) Table 1. Standard Service Invoice Charges – February 2010–January 2011**

	Islamabad	Karachi	Lahore	Peshawar	Total
Universe					
Amount (Thousands)	\$3,388	\$1,063	\$440	\$1,574	\$6,466
Number	4,677	1,694	752	2,402	9,525
Percent of Total	49	18	8	25	100
Sample					
Amount (Thousands)	\$38	\$10	\$4	\$14	\$66
Reviewed	51	19	7	22	99
Percent of Total	52	19	7	22	100
Supported	51	19	7	22	99

(U) Source: OIG analysis of G4S contractor invoices.

**(U) Review of Invoices for Additional and Emergency Services**

(U) OIG reviewed contractor invoices from February 2010–January 2011 and found that they contained 884 charges for additional and emergency services. Each invoice contained approximately 75 charges for additional and emergency services; therefore, OIG determined that a review of all charges on a particular invoice would be impractical. OIG reviewed 90 of the 884 invoice line items and found no exceptions. Consequently, OIG concluded that internal controls were in place and were properly functioning to help ensure that invoices were accurate and supported with appropriate documentation.

(U) Additional and emergency services charges could be for new requirements not specified in the contract’s Exhibit A or charges for emergency or nonrecurring events. For example, in January 2011, the contractor invoiced for an additional 1.5 hours for a receptionist at the Consulate General in Karachi. The receptionist was required because of an after-hours event for the U.S. Agency for International Development.

(U) The terms and conditions of the contract specify that each charge be supported by a letter signed by an assistant COR requesting the service. OIG reviewed 90 of these transactions and found that all were so supported. The invoice review is summarized in Table 2.

**(U) Table 2. Additional and Emergency Invoice Charges – February 2010–January 2011**

	Islamabad	Karachi	Lahore	Peshawar	Total
Universe					
Amount (Thousands)	\$32.1	\$17.9	\$0.2	\$9.8	\$60.0
Number	296	439	6	143	884
Percent of Total	33	50	1	16	100
Sample					
Amount (Thousands)	\$3.7	\$3.4	\$0.0	\$1.1	\$8.2
Reviewed	28	43	1	18	90
Percent of Total	31	48	1	20	100
Supported	28	43	1	18	90

(U) Source: OIG analysis of G4S contractor invoices.



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Washington, D.C. 20520


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AUG 27 2012

~~SENSITIVE BUT UNCLASSIFIED~~

(Unclassified when separated from attachment)

**INFORMATION MEMO TO OIG – ASSISTANT INSPECTOR GENERAL  
FOR AUDITS EVELYN R. KLEMSTEIN**

FROM: DS – Eric J. Boswell 

SUBJECT: DS Comments on Draft Report – Evaluation of the Local Guard Force  
Contract for Embassy Islamabad and Consulates General Karachi,  
Lahore, and Peshawar (AUD/MERO-12-XX, July 2012)

(U) Attached are the Bureau of Diplomatic Security's comments to the draft  
subject report.

Attachment:

As stated.

~~SENSITIVE BUT UNCLASSIFIED~~

(Unclassified when separated from attachment)

SENSITIVE BUT UNCLASSIFIED

**Evaluation of the Local Guard Force Contract for Embassy Islamabad and  
Consulates General Karachi, Lahore, and Peshawar  
(AUD/MERO-12-XX, July 2012)**

(b) (5)



(U) DS is also providing the following documentation for the OIG's review and incorporation into the final Audit Report:

- 1) Copy of the Deadly Force Policy Acknowledgment Form signed by all guards.
- 2) Copy of correspondence between the A/CORs and G4S concerning the lack of payment into the EOBI (Pakistani Social Insurance)

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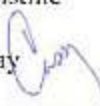


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
September 10, 2012

UNCLASSIFIED  
MEMORANDUM

TO: OIG/AUD – Evelyn R. Klemstine

FROM: A/LM – Catherine Ebert-Gray 

SUBJECT: Draft Report on Evaluation of the Local Guard Force Contract for Embassy Islamabad and Consulates General Karachi, Lahore, and Peshawar

Thank you for the opportunity to review and comment on the draft report addressing Evaluation of the Local Guard Force Contract for Embassy Islamabad and Consulates General Karachi, Lahore, and Peshawar. (b) (6) is the point of contact on this audit and (b) (6) can be reached at 571-345-

The following are the Bureau of Administration's comments on Recommendation 2 of the subject draft audit report.

**Recommendation 2:** The Office of Inspector General recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, require the contracting officer to ensure, during the contract closeout review, that all guards working on the Pakistan local guard force contract are enrolled in the Employees' Old-Age Benefits Institution and that their accounts are credited with funds withheld from their paychecks while they were employed on the contract.

**The Office of Acquisitions Management response (08/28/12):** The Bureau of Administration, Office of Acquisitions Management (A/LM/AQM) concurs with this recommendation and will ensure that all guards working on the prior and current Pakistan local guard contracts are enrolled in EOBI and that the guards' accounts are properly credited.

UNCLASSIFIED

**(U) Major Contributors to This Report**

(U) Carol Gorman  
Deputy Assistant Inspector General  
Middle East Region Operations

(U) James Pollard, Audit Director  
Middle East Region Operations

(U) David Chappell, Supervisory Auditor  
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BCP International, LTD

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