



United States Department of State
and the Broadcasting Board of Governors

Office of Inspector General

JAN 17 2012

Dear Mr. Chairman:

In compliance with Section 232 of the “William Wilberforce Trafficking Victims Protection Reauthorization Act of 2008,” Public Law 110-457 (December 23, 2008) (TVPRA), the Department of State (Department), Office of Inspector General (OIG), is pleased to submit this summary of activities and findings related to trafficking in persons (TIP) for the period January 1 through December 31, 2011.

OIG used a cross-disciplinary approach to oversee the Department’s efforts to enforce its zero-tolerance policy regarding TIP-related activities. All three of OIG’s action offices (Audits (AUD), Inspections (ISP), and Investigations (INV)), have performed audits, inspections, evaluations, and investigations. OIG’s published reports inform the Department, Congress, and the public on the status of human trafficking issues related to the Department of State.

Summaries of each office’s 2011 activities and findings related to TIP are as described.

Office of Audits (AUD)

In 2011, AUD issued three reports that specifically focused on TIP in the Middle East, South Asia, and the Asia-Pacific region. AUD also began incorporating TIP objectives into all audits and evaluations involving Department contractors and subcontractors in Afghanistan, Iraq, and Pakistan to address widespread concerns about trafficking in those countries. In 2011, AUD issued one Afghanistan contract report that included the new TIP objective.

The Honorable

John F. Kerry, Chairman,
Committee on Foreign Affairs,
United States Senate.

In January 2011, OIG issued the report *Performance Evaluation of Department of State Contracts To Assess the Risk of Trafficking in Persons Violations in Four States in the Cooperation Council for the Arab States of the Gulf* (MERO-I-11-06). The evaluation objectives were to determine whether (1) Department-funded contractors or subcontractors were engaged, knowingly or unknowingly, in acts related to trafficking in persons and (2) U.S. embassies were following Federal guidelines to effectively monitor Department-funded contractors and subcontractors for engagement in acts related to TIP.

During the evaluation, OIG found no direct evidence that contractors had violated the Trafficking Victims Protection Act of 2000 or *Federal Acquisition Regulation* (FAR) clause 52.222-50, "Combating Trafficking in Persons." However, using the International Labor Organization indicators for trafficking, OIG found several contractor practices that increased the risk of TIP. Specifically, OIG determined that some contractor employees paid recruiter fees to obtain their jobs, surrendered their passports to their employers, and lived in substandard housing. The report contained seven recommendations, six that addressed specific issues at the embassies visited (Abu Dhabi, Kuwait City, Muscat, and Riyadh) and one that addressed the Department's overall guidance and training for personnel who monitor contractor practices and activities for potential TIP violations.

In March 2011, OIG issued the report *Performance Evaluation of Department of State Contracts to Monitor Vulnerability to Trafficking in Persons Violations in the Levant* (MERO-I-11-07). The evaluation objective was to determine (1) whether Department-funded contractors or subcontractors were engaged, knowingly or unknowingly, in acts related to TIP and (2) whether U.S. embassies were following federal guidelines to effectively monitor Department-funded contractors and subcontractors and ascertain whether they were engaged in TIP-related activities. OIG evaluated 10 Department contracts at U.S. Missions to Israel, Jordan, Lebanon, and Syria and Consulate General Jerusalem and found no direct evidence that contractors had violated FAR clause 52.222-50 or that management had engaged in actions that would indicate a heightened risk of TIP activities. The report contained no recommendations and recognized Embassy Amman for its translation of the FAR clause into Arabic, Embassy Damascus for its screening for underage employees, and Embassy Tel Aviv for its investigation into whether any contractor had a history or ongoing suspicions of TIP problems.

In August 2011, OIG issued the report *DynCorp Operations and Maintenance Support at Camp Falcon in Kabul, Afghanistan* (MERO-I-11-12). One of the objectives of this evaluation was to determine whether DynCorp International, the contractor, complied with the terms of the FAR clause. OIG reviewed the DynCorp contracts and conducted structured interviews with third-country national guards and DynCorp staff members. Based on the document reviews and interviews with these individuals, OIG found no evidence that DynCorp had engaged in TIP.

In October 2011, OIG issued the report *Audit of Bureau of East Asian and Pacific Affairs Compliance With Trafficking in Persons Requirements* (AUD/IP-12-02). The audit objective was to determine to what extent Department employees in the Bureau of East Asian and Pacific Affairs (EAP) and the Asia-Pacific region were complying with laws, regulations, and policies established to prevent and detect TIP activities on Department-awarded contracts. OIG found no evidence of TIP-related activities involving Department employees or contractors in EAP. As part of the audit, OIG distributed a General Awareness Survey to Department contractors in the Asia-Pacific region to test the employees' awareness of TIP issues. The survey indicated that many employees were unaware of what constituted a TIP violation, the consequences for such violations, or to whom they should report TIP violations. The survey also indicated that many Department contractors were unaware that FAR clause 52.222-50 applied to them. OIG concluded that the lack of awareness may result in an underreporting of TIP violations. OIG also found that Department contracting officials either did not consistently include the FAR clause or included an incorrect version of the clause in their contracts. Embassy staff immediately responded to OIG's finding by initiating modifications to embassy contracts.

OIG recommended that the Department include a TIP policy section in the *Foreign Affairs Manual*, develop a code of conduct that strictly prohibits TIP activities, and designate an office where Department personnel can directly report suspected TIP violations. The Ambassador-at-Large for the Office of Monitor and Combat Trafficking in Persons (G/TIP) concurred with the recommendations.

In 2012, AUD will be conducting a compliance review to determine whether the Department took adequate corrective action in response to the recommendations made in the report *Performance Evaluation of Department of State Contracts To Assess the Risk of Trafficking in Persons Violations in Four States in the*

Cooperation Council for the Arab States of the Gulf (MERO-I-11-06). AUD will also continue to include a TIP objective in its contract audits. Further, AUD plans to begin conducting unannounced spot checks of the living and working conditions for third-country personnel employed on U.S. Government contracts. Because OIG has field offices in Afghanistan, Iraq, and Pakistan, OIG plans to conduct spot checks at these locations.

Office of Inspections (ISP)

ISP included TIP among its areas of emphasis for all embassy and consulate inspections conducted in FY 2011. Inspectors reviewed a sampling of contracts over \$2,500 at 15 posts to determine if FAR clause 52.222-50 was included in the contracts and if American officers responsible for overseeing the contracts were aware of or suspected trafficking activities. Eleven of 15 posts included the required FAR clause in contracts sampled by inspectors. Of those posts that did not include the clause, one post (Seoul) had the FAR clause in recent contracts but not in those contracts that were 2 years old and older. This observation was consistent with information contained in the report *Audit of Bureau of East Asian and Pacific Affairs Compliance With Trafficking in Persons Requirements* (AUD/IP-12-02). When the inspectors found contracts that did not include the clause (Embassies Copenhagen, Tel Aviv, and Seoul and the Regional Procurement Support Office Frankfurt), embassy staff immediately began the process of modifying the contract. Inspectors also found that American officers responsible for overseeing contracts (including general services officers, regional security officers, facilities managers, and Bureau of Overseas Buildings Operations program managers) at those 15 posts were not aware of nor suspected any trafficking activities.

Inspectors also queried the chairs of Foreign Service National Committees at those 15 posts to determine if any were aware of or suspected trafficking activities. None had. Similarly, none of the regional security officers performing background checks on contract employees at those 15 posts had come across information leading them to suspect the contract employees had been subjected to trafficking activities.

In FY 2012, ISP inspection teams will continue to review contracts for the appropriate clauses, as well as assess contract oversight, in those cases where third-country nationals are hired. ISP will also conduct an inspection of the Office to Monitor and Combat Trafficking in Persons to assess its role, particularly with its broader mission of working with embassies to provide input to the annual Department TIP report.

Office of Investigations (INV)

Recognizing the importance of combating global TIP, INV began a proactive effort to engage the broader Federal law enforcement community in pursuing TIP referrals and allegations abroad. INV coordinated with the Department of Justice (DOJ) Human Trafficking Prosecution Unit, as well as with fellow Federal investigative organizations with TIP responsibilities, to determine current law enforcement involvement and determine ways to broaden law enforcement involvement in combating TIP. INV also participated in G/TIP briefings external to the law enforcement community to gain a broader perspective on the issues. INV established a partnership with the Department's Office of the Procurement Executive, as well as with the Bureau of Diplomatic Security, to ensure Department TIP-related allegations are brought to the attention of the appropriate law enforcement entity. INV also joined a TIP working group in Baghdad, which includes members from other Department entities, DOJ, the International Organization for Migration, and non-governmental organizations.

INV undertook an effort to educate the law enforcement community about TIP investigations and prosecutions, collaborating with the International Contract Corruption Task Force to sponsor a multi-agency briefing by DOJ's Human Trafficking Prosecution Unit. OIG's effort was designed to motivate the broader Federal investigative community into becoming more engaged in this area.

During this reporting period, INV actively pursued investigative leads and referrals related to suspected TIP violations and established internal policy requiring its Fraud Division to conduct preliminary investigations into suspected TIP violations because of the propensity of such activity to be related to other criminal activity and/or FAR violations, particularly false claims.

During calendar year 2011, INV initiated four investigations regarding alleged TIP violations by both contractor and Department personnel, three of which are ongoing. On June 30, 2011, as a result of an OIG investigation, a company providing security services to Embassy Kabul entered into a civil settlement agreement with DOJ in the amount of \$7.5 million to settle allegations that the company had engaged in multiple contract violations, including violating the FAR provisions on Combating Trafficking in Persons. As part of the settlement, the contractor specifically admitted that it had not implemented the required FAR policies on TIP, failed to prevent its personnel who were working on the contract from procuring commercial sex acts, and submitted claims for payment of guard services by guards who procured commercial sex acts.

OIG remains committed to providing vigorous oversight of the Department's efforts to combat TIP-related activities and to investigate TIP-related violations.

Sincerely,

A handwritten signature in black ink, appearing to read "H. Geisel", written in a cursive style.

Harold W. Geisel
Deputy Inspector General