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Office of Audits

September 2016

Additional Actions Are Needed To Fully Comply With Section 846 of the National Defense Authorization Act for Fiscal Year 2013 Concerning Critical Environment Contracting

MIDDLE EAST REGION OPERATIONS

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OIG HIGHLIGHTS

AUD-MERO-16-50

What OIG Audited

Congress included Section 846 in the National Defense Authorization Act for Fiscal Year 2013 (NDAA-13) to address concerns that operational and political risks associated with contractor performance in overseas contingency operations were not being adequately addressed. The statute requires the Department of State (Department) to conduct comprehensive risk assessments and develop a mitigating action for each high-risk area identified whenever contractors are involved in supporting overseas contingency operations. The Department created an office, the Critical Environment Contracting Analytics Staff (CECAS), and assigned it responsibility for developing, coordinating, and implementing the risk assessments and the mitigation plans.

The Office of Inspector General (OIG) conducted this audit to determine whether CECAS and the applicable stakeholders—the Bureau of Diplomatic Security and regional bureaus—conducted risk assessments, identified high-risk areas, and developed a corresponding mitigating action for each high-risk area identified for operational and political risks associated with contractor performance supporting contingency operations in Afghanistan and Iraq in accordance with the requirements and intent of Section 846.

What OIG Recommends

OIG made two recommendations to the Bureau of Administration, Office of Logistics (A/LM) to address the deficiencies identified in this report. Based on A/LM's response to a draft of this report (see Appendix F), OIG considers both recommendations resolved, pending further action. A/LM's response to the recommendations and OIG's replies follow each recommendation in the Audit Results section of this report.

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Middle East Region Operations

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What OIG Found

OIG reviewed the Department's risk assessments for Afghanistan and Iraq and nine risk mitigation plans to determine whether all high-risk areas identified had corresponding mitigating actions as required by Section 846. OIG found that CECAS and the stakeholders conducted comprehensive risk assessments for the two countries and identified high-risk areas that met Section 846 requirements. In total, the assessments identified 32 high-risk areas for Afghanistan and 52 high-risk areas for Iraq.

However, OIG's review of the risk mitigation plans found that CECAS and the stakeholders did not always develop mitigating actions for each high-risk area identified, as required by Section 846. Specifically, OIG could not identify mitigating actions for 14 of the 32 high-risk areas in Afghanistan and 32 of the 52 high-risk areas in Iraq. Of the high-risk areas for which mitigating actions were identified, most pertain to contractor safety. Other high-risk areas, such as the Government's oversight of contractor operations, received less attention. According to CECAS officials, mitigating actions were not developed for all high-risk areas identified because CECAS determined that some were outside the scope of the Section 846 requirements and some were not applicable to specific contracts. In addition, CECAS concluded some were Department-wide issues that were beyond its authority to resolve.

Section 846 also requires that each risk mitigation plan include measurable milestones for implementing the mitigating actions and a process for monitoring, measuring, and documenting progress of each mitigating action. However, OIG found that none of the mitigation plans reviewed had measurable milestones or identified a process for monitoring, measuring, and documenting progress. Although CECAS was responsible for developing, coordinating, and implementing the mitigation plans, CECAS believed that it was not responsible for the milestones and oversight processes. A May 2016 revision to 14 Foreign Affairs Manual 240 clarified that, although CECAS is responsible for coordinating the mitigation plans that include these requirements, the funding bureau or program office involved is responsible for developing the milestones and the oversight processes. Notwithstanding this clarification, as of May 2016, the mitigation plans have no milestones, nor do they identify processes for monitoring and measuring progress. As a result, the Department does not have evidence that its risks associated with contractor performance in Afghanistan and Iraq are effectively mitigated to the fullest extent.

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OBJECTIVE

The Office of Inspector General (OIG) conducted this audit to determine whether the Department of State (Department), in accordance with the requirements of Section 846 of the National Defense Authorization Act for Fiscal Year 2013 (NDAA-13), conducted risk assessments and developed risk mitigation plans for operational and political risks associated with contractor performance in support of overseas contingency operations. See Appendix A for the purpose, scope, and methodology of this audit.

BACKGROUND

Signed into law on January 2, 2013, NDAA-13 authorized military activities of the Department of Defense and for other purposes. Congress included Section 846 in NDAA-13 in response to concerns U.S. Government agencies were not adequately addressing operational and political risks associated with contractor performance of critical functions¹ in support of military contingency operations.² Accordingly, Section 846 mandates that the Department of State, the U.S. Agency for International Development, and the Department of Defense perform comprehensive risk assessments and develop risk mitigation plans whenever contractors support such operations.

The Department incorporated the requirements of NDAA-13, Section 846, in the Foreign Affairs Manual (FAM). Among other changes, 14 FAM 240, "Critical Environment Contracting," expanded the definition of contingency operations to include not only such operations that have been designated by the Secretary of Defense but also overseas critical environments determined by the Department of State's Under Secretary for Management.

This audit focuses on contingencies designated by the Secretary of Defense. As of June 1, 2016, there were two such ongoing contingency operations: Operation Inherent Resolve (to defeat the Islamic State of Iraq and the Levant) and Operation Freedom Sentinel (to train, advise, and assist Afghan security forces and conduct counterterrorism missions against the remnants of Al-Qaeda and affiliates in Afghanistan).

¹ NDAA-13, Public Law 112-239, Section 846, defines critical functions as the following: private security functions; training and advising government personnel, including military and security personnel, of a host nation; conducting intelligence or information operations; any other function that is closely associated with inherently governmental functions; and any other functions that are deemed critical to the success of the operation.

² Under Title 10, United States Code §101 (a)(13), the term "contingency operation" means a military operation that is designated by the Secretary of Defense as an operation in which members of the armed forces are or may become involved in military actions, operations, or hostilities against an enemy of the United States or against an opposing military force; or results in the call or order to, or retention on, active duty of members of the uniformed services under specified sections of the United States Code or any other provision of law during a war or during a national emergency declared by the President or Congress.

NDAA-13, Section 846, Scope and Requirements

NDAA-13, Section 846, imposes requirements on the Department: develop comprehensive risk assessments and develop risk mitigation plans for operational and political risks associated with contractor performance of critical functions in support of overseas contingency operations. These requirements apply to overseas contingency operations that are expected to continue for more than 1 year or the total amount of obligations for contracts in support of the operation for the Department exceeds \$250 million.

Comprehensive Risk Assessments

Under NDAA-13, Section 846(c), the Department must conduct comprehensive risk assessments that, at a minimum, consider risks relating to seven areas:

1. The goals and objectives of the operation (such as risks from contractor behavior or performance that may injure innocent members of the local population or offend their sensibilities).
2. The continuity of the operation (such as risks from contractors refusing to perform or being unable to perform when there are no timely replacements available).
3. The safety of military and civilian personnel of the United States if the presence or performance of contractor personnel creates unsafe conditions or invites attacks.
4. The safety of contractor personnel employed by the covered agency.
5. The managerial control of the Government over the operation (such as risks from over-reliance on contractors to monitor other contractors or inadequate means for Government personnel to monitor contractor performance).
6. The critical organic or core capabilities of the Government, including critical knowledge or institutional memory of key operations areas and subject-matter expertise.
7. The ability of the Government to control costs, avoid organizational or personal conflicts of interest, and minimize waste, fraud, and abuse.

To facilitate Department-wide implementation of NDAA-13, Section 846, the Department established an intradepartmental working group, chaired by the Office of Management Policy, Rightsizing, and Innovation (M/PRI). M/PRI developed a risk assessment tool and recommended establishing a centralized office—designated as the Critical Environment Contracting Analytics Staff (CECAS) within the Bureau of Administration, Office of Logistics—to develop, coordinate, and implement the risk assessments.

For each of the seven risk areas that must be considered, M/PRI's risk assessment tool identifies sub-order risks and considerations. CECAS and the stakeholders—the Bureau of Diplomatic Security (DS) and regional bureaus—review country-specific documents, receive a country threat briefing, and CECAS drafts an initial risk assessment that evaluates each potential risk for severity and the probability. CECAS and the stakeholders calculate potential severity and risk probability

as low, moderate, high, or critical.³ According to CECAS officials, these calculations are subjective decisions made by CECAS and the stakeholders. CECAS then submits the risk assessment for clearance by applicable Department bureaus and offices⁴ and for approval by the Under Secretary for Management.

In March 2015, CECAS and the stakeholders finalized the risk assessments for Afghanistan and Iraq, which were approved by the Under Secretary for Management. For Afghanistan, risk assessments were prepared for Kabul, Kandahar, Mazar-e-Sharif, and Herat. For Iraq, risk assessments were prepared for Baghdad, Erbil, and Basrah.⁵

Risk Mitigation Plans

Risk mitigation plans must identify specific actions to mitigate or reduce all high-level and critical risks identified in the comprehensive risk assessment. NDAA-13, Section 846(d), states that these plans shall include, for each high-risk area identified in the comprehensive risk assessment, at a minimum:

1. Specific actions to mitigate or reduce such risk, including the development of alternative capabilities to reduce reliance on contractor performance of critical functions.
2. Measureable milestones for the implementation of the planned risk mitigation or risk reduction measures.
3. A process for monitoring, measuring, and documenting progress in mitigating or reducing risk.
4. A continuing process for identifying and addressing new and changed risks arising in the course of the operation, including periodic reassessment of risks and the development of appropriate risk mitigation or reduction plans for new or changed high-risk areas identified.

Because mitigating actions vary depending on the specifics of the contract, CECAS developed a risk mitigation plan for each contract (or set of similar contracts); that plan was reviewed by the stakeholders. The plans include mitigating actions that can be incorporated into the contract as well as those that the Department itself can take. After preparing a plan, CECAS submits it for clearance through applicable Department bureaus and offices.⁶ Once the Under Secretary for

³ In the Iraq risk assessment, CECAS uses a methodology that ranks risks as "high" or "critical" to identify risks that require a mitigating action. In the Afghanistan risk assessment, a different methodology was used and risks that require a mitigating action are only identified as "high." In this report, high and critical risk areas are collectively referred to as "high-risk" areas.

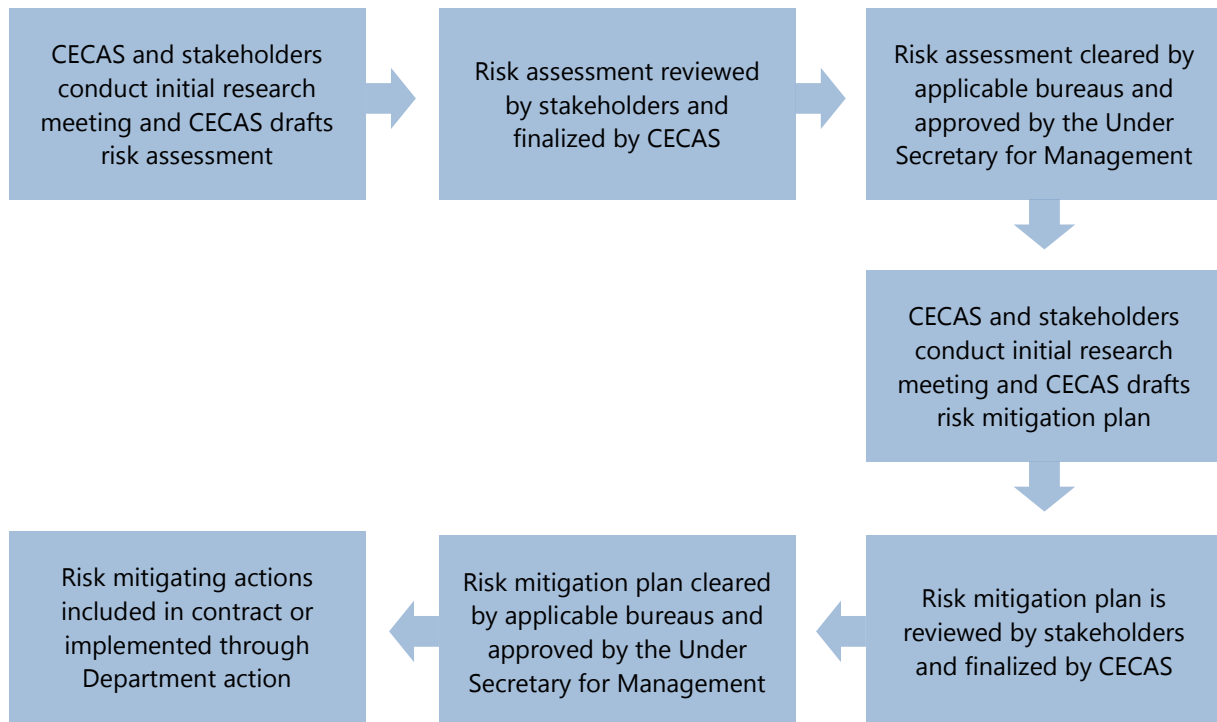
⁴ The risk assessment is cleared through DS/High Threat Post, Office of Logistics Management, M/PRI, Office of the Procurement Executive, Bureau of Management, and Bureau of Administration.

⁵ According to CECAS officials, the Kabul risk assessment was used to identify high-risk areas for the Afghanistan contracts we reviewed and the Baghdad risk assessment was used to identify high-risk areas for the Iraq contracts.

⁶ The mitigation plans are cleared through DS/High Threat Post, Office of Acquisitions Management, Office of the Deputy Assistant Secretary, M/PRI, Office of the Procurement Executive, Bureau of Management, and Bureau of Administration.

Management approves the mitigation plan, it is implemented through provisions in the contract or through Department action. At the start of this audit in January 2016, CECAS and the stakeholders had written 9 mitigation plans covering 15 contracts (5 plans for Afghanistan, and 4 for Iraq). See Appendix B for a list of the contracts covered by these plans. Figure 1 summarizes the Department's risk assessment and mitigation process.

Figure 1: Risk Assessment and Mitigation Process



Source: OIG analysis of Department's risk assessment and mitigation guidance.

Roles and Responsibilities for Risk Assessments and Mitigation Plans

14 FAM 240

Many Department bureaus and offices are involved in the management of risk assessment and mitigation plans. The Under Secretary for Management is responsible for major contingency contracting policy decisions, including final approval of all risk assessments and risk mitigation plans. CECAS and the stakeholders (DS and the regional bureaus) are tasked with implementing the requirements of NDAA-13, Section 846, as incorporated in 14 FAM 240. Further, CECAS is responsible for developing, coordinating, and implementing Department-wide risk assessments and risk mitigation plans for contractor support in designated contingency operations, as well as for addressing needs in other critical environments. In addition, CECAS is responsible for ensuring that the mitigation plans include measurable milestones and a process for monitoring, measuring, and documenting progress. For those actions mitigated through the contract, CECAS works with the Office of Acquisitions Management to ensure that the mitigating actions are included in each contract's terms and conditions. See Appendix C for a list of key stakeholders and their responsibilities.

Revision to 14 FAM 240

On May 11, 2016, the Department revised 14 FAM 240 and changed critical environment contracting responsibilities. Specifically, CECAS is no longer solely responsible for *developing or implementing* Department-wide risk assessments and risk mitigation plans. Instead, "CECAS is responsible for leading the Department-wide coordination to develop risk assessments and the resulting risk mitigation plans." CECAS is also responsible for continually identifying and addressing new and changed risks arising in the course of the contingency operation, including the periodic reassessment of risks and the development of appropriate risk mitigation or reduction plans for any new or changed high-risk area identified. The funding bureaus or program offices are now responsible for (1) developing alternative capabilities, as applicable, to reduce reliance on contractor performance of critical functions; (2) establishing measurable milestones to ensure the implementation of the risk mitigation plan; and (3) establishing a process for monitoring, measuring, and documenting the progress in mitigating or reducing risk.

Because the earlier version of 14 FAM 240 was the guidance in place during OIG's fieldwork, OIG evaluated CECAS's compliance with Section 846 based on the criteria in the earlier version of 14 FAM 240.

AUDIT RESULTS

Finding A: CECAS and the Stakeholders Identified Risks to Contractor Performance in Afghanistan and Iraq That Have Not Been Fully Addressed

OIG found that CECAS and the stakeholders conducted risk assessments for Afghanistan and Iraq in accordance with NDAA-13, Section 846, requirements. However, CECAS and the stakeholders did not always develop the required risk mitigation action for each high-risk area identified, as required by Section 846.

OIG reviewed the 9 mitigation plans covering 15 contracts in Afghanistan and Iraq that had been completed by January 2016. OIG found several high-risk areas did not have corresponding mitigating actions. According to CECAS officials, mitigating actions were not developed for all high-risk areas identified because CECAS determined that some were outside the scope of the Section 846 requirements and some were not applicable to specific contracts. In addition, CECAS concluded that some were Department-wide issues that were beyond its authority to resolve. As a result, several key risks inherent in overseeing contractor performance do not have mitigating actions.

In addition, Section 846 requires the Department to include in the risk mitigation plan measurable milestones and a process for monitoring, measuring, and documenting progress in implementing each mitigating action. However, OIG's review found that none of the mitigation plans met either requirement. During the fieldwork, CECAS was responsible for developing, coordinating, and implementing the mitigation plans, but CECAS believed it was not responsible

for developing milestones and the oversight process. Although a May 2016 revision to 14 FAM 240 clarified that the funding bureaus or program offices are responsible for meeting these two requirements, CECAS nonetheless has been and remains responsible for leading the Department-wide coordination to develop risk mitigation plans that include these requirements. At the time of this report, milestones and a process to monitor and measure the progress of mitigating actions had not been incorporated in any of the completed plans. As a result, the Department did not have evidence that its risks associated with contractor performance in Afghanistan and Iraq are effectively mitigated to the fullest extent.

CECAS and the Stakeholders Conducted Required Risk Assessments for Afghanistan and Iraq

CECAS and the stakeholders conducted risk assessments for Afghanistan and Iraq in accordance with NDAA-13, Section 846, and completed them in March 2015. OIG reviewed the risk assessments and found that CECAS and the stakeholders identified 32 high-risk areas in Afghanistan and 52 high-risk areas in Iraq.

CECAS and the Stakeholders Have Not Identified Actions To Mitigate All High-Risk Areas

Although CECAS and the stakeholders made significant progress in addressing risks dealing with contractor safety in Afghanistan and Iraq, they did not develop corresponding mitigating actions for all high-risk areas as required by NDAA-13, Section 846. Specifically, the mitigation plans that they completed by January 2016 did not have mitigating actions for several of the identified high-risk areas—14 of the 32 (44 percent) high-risk areas in Afghanistan,⁷ and 32 of the 52 (62 percent) high-risk areas in Iraq. In response to a draft of this report, A/LM disagreed that mitigation actions were not identified for these high-risk areas, stating that the number of unmitigated risks varies. CECAS provided OIG a document that identified the mitigating actions completed for the high-risk areas identified in the risk assessments. OIG reconciled the differences between the OIG analysis completed during audit fieldwork with the additional documentation CECAS provided and adjusted the numbers as appropriate. Table 1 shows the number of high-risk areas identified and corresponding mitigating actions for both Afghanistan and Iraq. See Appendices D and E for a list of high-risk areas identified in the two countries and the mitigating actions taken.

⁷ Four of the 5 mitigation plans for Afghanistan did not have mitigating actions for 14 of the 32 high-risk areas. The remaining mitigation plan did not identify mitigating actions for nine of the high-risk areas.

Table 1: High-Risk Areas Identified and With Corresponding Mitigating Action

Risk Considerations	Number of High-Risk Areas					
	Afghanistan			Iraq		
	Total Identified	Mitigating Action	No Mitigating Action	Total Identified	Mitigating Action	No Mitigating Action
1. The goals and objectives of the operation.	3	1	2	9	1	8
2. The continuity of the operation.	2	1	1	7	2	5
3. The safety of military and civilian personnel of the United States if the presence or performance of contractor personnel creates unsafe conditions or invites attacks.	5	5	0	6	5	1
4. The safety of contractor personnel employed by the covered agency.	7	7	0	7	6	1
5. The managerial control of the Government over the operation.	0	0	0	6	2	4
6. The critical organic or core capabilities of the Government, including critical knowledge or institutional memory of key operations areas and subject-matter expertise.	0	0	0	1	0	1
7. The ability of the Government to control costs, avoid organizational or personal conflicts of interest, and minimize waste, fraud, and abuse.	15	4	11	16	4	12
Totals	32	18	14	52	20	32

Source: CECAS risk assessments and mitigation plans for Afghanistan and Iraq.

High-Risk Areas Without Mitigating Actions

According to CECAS officials, some of the identified high-risk areas were outside the scope of the Section 846 requirements, some were not applicable to specific contracts, and “some were Department-wide issues that were beyond CECAS’s authority to resolve.” Therefore, CECAS did not develop mitigating actions for them.

Of the 14 high-risk areas in Afghanistan that did not have associated mitigating actions, CECAS officials stated that 7 did not have a mitigating action because the risks were outside the scope of NDAA-13. Of the 32 high-risk areas in Iraq that lacked mitigation actions, 2 did not have a mitigating action because CECAS considered them to be outside the scope of NDAA-13. Examples of risks CECAS considered outside the scope of NDAA-13 are “degree to which the mission is complex, inherently dangerous, or based on incomplete higher-level direction” and “increase in local employment or underemployment due to U.S. drawdown and subsequent recruitment by insurgent groups.” To address the problem with high-risk areas outside the scope of NDAA-13, CECAS revised its risk assessment in March 2015, ultimately eliminating most of the risk areas previously considered and adding 25 risks to assess. Nevertheless, as of May 2016, CECAS and the stakeholders have not updated the risk mitigation plans based on the new

risk assessments for Afghanistan and Iraq. He also emphasized that the risk assessment process is still evolving and there are likely to be further changes.

According to the CECAS director, other high-risk areas did not have mitigating actions because those risk areas did not apply to specific contracts. Of the 14 high-risk areas with no mitigating action in Afghanistan, 2 did not have a mitigating action because CECAS believed the risks did not apply to the specific contracts; of the 32 high-risk areas with no mitigating action in Iraq, 18 did not apply to specific contracts. As stated earlier, CECAS develops the risk mitigation plans by contract because risks require different mitigating actions depending on the specifics of the contract. For example, the inability to properly store and safeguard fuel resources and the inability to maintain quality control of delivered fuel did not apply to several contracts OIG reviewed; therefore, CECAS did not develop a mitigating action for these high-risk areas for those contracts.

Finally, CECAS and the stakeholders did not develop mitigating actions for 5 of the high-risk areas in Afghanistan and 12 of the high-risk areas in Iraq because CECAS believed they were Department-wide issues that were beyond its authority to resolve.

Table 2 shows the high-risk areas with no mitigating action based on the rationales CECAS provided.

Table 2: Number of High-Risk Areas With No Mitigating Action

Rationale	High-Risk Areas With No Mitigating Action		Total
	Afghanistan	Iraq	
Risks were outside scope of NDAA-13.	7	2	9
Risks did not apply to specific contracts.	2	18	20
Department-wide issues were beyond CECAS's authority to resolve.	5*	12	17
Total	14	32	46

* According to CECAS, not all high-risk areas applied to each contract in Afghanistan. Specifically, three mitigation plans did not identify mitigating actions for five risks because CECAS considered them to be "Department-wide issues [that] were beyond CECAS's authority to resolve." In addition, one risk mitigation plan did not identify mitigating actions for four risks for the same reason. The final risk mitigation plan mitigated all risks associated with the Department-wide issues that were considered to be beyond CECAS's authority to resolve.

Source: CECAS risk assessments and mitigation plans for Afghanistan and Iraq.

OIG does not agree with CECAS that risks outside of its authority to resolve do not require mitigating actions. Section 846 does not limit the Department's responsibility to address high-risk areas identified in the risk assessment to just those actions that can be resolved by CECAS. For example, CECAS and the stakeholders identified the lack of available acquisition workforce personnel as a high-risk area on the Iraq risk assessment; however, no mitigating action was

identified. Similarly, the risk of increased opportunity for waste and fraud was identified as a high-risk area in the Afghanistan risk assessment; however, no mitigating action was identified during the fieldwork of this audit. However, as the lead, CECAS should ensure that high-risk areas identified in the risk assessment have a corresponding mitigating action as required by Section 846. OIG acknowledges that developing mitigating actions can be challenging, but the statute requires that mitigation plans identify specific actions to mitigate or reduce each high-risk area and does not limit the Department's responsibility to only those actions that fall under the purview of CECAS.

OIG is particularly concerned with the absence of mitigating actions for high-risk areas pertaining to the Government's oversight of contractor operations. For example, CECAS and the stakeholders identified risks in Iraq related to having insufficient program managers, contracting officers, contracting officer's representatives, and acquisition workforce personnel to oversee the contracts. This lack of oversight is of concern to OIG because, in the last 2 years, OIG has issued reports identifying problems in these areas. These include:

- A February 2016 audit of the Bureau of Diplomatic Security's Worldwide Protective Services Contract task order to provide the security force for U.S. Embassy Baghdad found the contractor did not initially meet several contract requirements, such as staffing.⁸
- A July 2015 audit of the Bureau of International Narcotics and Law Enforcement's (INL's) Aviation Support Services contract in Iraq questioned \$932,644 in costs because INL's invoice review processes, methodologies, and staffing were insufficient.⁹
- A May 2015 audit of the U.S. Mission Iraq Medical Services contract found that, early in the contract, 1 person was overseeing 15 task orders, including monitoring contractor performance and reviewing and approving invoices.¹⁰
- An April 2016 audit of vehicle fueling controls at Embassy Kabul found that the embassy paid \$1.21 million in fuel invoices without proper supporting documentation, allowed contractors to accept fuel deliveries, and allowed unauthorized access to fuel.¹¹

High-Risk Areas With Mitigating Actions

Although CECAS and the stakeholders did not identify mitigating actions for several of the high-risk areas in the mitigation plans OIG reviewed, they did make significant progress in addressing risks dealing with contractor safety. For example, OIG's review of the five mitigation plans for Afghanistan found mitigating actions requiring contractor housing to be located on secure compounds to afford greater protection. Risk mitigation plans also included specific mitigation

⁸ OIG, *Audit of the Bureau of Diplomatic Security Worldwide Protective Services Contract Task Order 3 – Baghdad Embassy Security Force* (AUD-MERO-16-28, Feb. 2016).

⁹ OIG, *Audit of the Bureau of International Narcotics and Law Enforcement Affairs Aviation Support Services Contract in Iraq* (AUD-MERO-15-35, Jul. 2015).

¹⁰ OIG, *Audit of the U.S. Mission Iraq Medical Services Contract* (AUD-MERO-15-25, May 2015).

¹¹ OIG, *Audit of Vehicle-Fueling Controls and Operations and Maintenance Contract at Embassy Kabul, Afghanistan* (AUD-MERO-16-35, Apr. 2016).

actions intended to protect contractors while traveling. For example, INL's Afghanistan mitigation plan requires that contractors travel in fully armored vehicles and have a certain minimum number of armed individual in addition to the driver.

In Iraq, the mitigation plans also included actions to protect contractors' physical safety. According to Department officials, contractor personnel are housed at the Embassy Compound in Baghdad, the Consulates in Basrah and Erbil, or housed within the international zone. According to Department officials, security at these facilities is provided through the DS Worldwide Protective Services contract, and life support and medical support are provided through embassy contracts as well. Among other mitigating actions intended to address the risk of physical safety, contractor personnel receive pre-deployment health support and training on occupational and health risks while in Iraq. In addition, the mitigation plans state that contractor travel must adhere to Department mission travel requirements and travel policy.

To further ensure contractor safety, CECAS and the stakeholders developed mitigating actions that provide for contractors working in both Afghanistan and Iraq to receive training that is equivalent to either the Department's High Threat Security Overseas Seminar or the Foreign Affairs Counter Threat course. In addition, the mitigation plans require training on detecting insider threats and country/regional familiarization training that provides information on each country's customs, cultural norms, and physical environment.

Mitigation Plans Lack Milestones and a Monitoring Process

NDAA-13, Section 846, states that each risk mitigation plan shall include measurable milestones for implementing each planned risk mitigation or risk reduction measure and a process for monitoring, measuring, and documenting progress in mitigating or reducing risk. OIG found that none of the nine risk mitigation plans included measurable milestones for implementing risk mitigation or reduction measures, nor did any of them have a process for monitoring, measuring, and documenting progress in mitigating or reducing risk. Although the version of 14 FAM 240 in place at the time of the audit fieldwork assigned CECAS responsibility for developing, coordinating, and implementing mitigation plans, CECAS believed it was not its responsibility to develop milestones and oversight processes. The May 2016 revision to 14 FAM 240 clarified that the funding bureau or program office is responsible for these two requirements. However, CECAS remains responsible for coordinating the development of mitigation plans that include these requirements. Because these requirements were absent from the nine plans, the Department did not have evidence that its risks associated with contractor performance in Afghanistan and Iraq are effectively mitigated to the fullest extent.

CONCLUSIONS

OIG reviewed the risk assessments for Afghanistan and Iraq and found that CECAS and the stakeholders identified high-risk areas covering the seven areas required by NDAA-13. However, the differences between the risk assessments and the corresponding mitigation actions show that mitigating actions have not been identified for several high-risk areas. OIG is particularly

concerned about high-risk areas pertaining to Government oversight of contracts that were identified by both the risk assessment and prior OIG reports. CECAS officials stated that these are Department-wide problems that are beyond CECAS's authority to resolve. However, as the lead, CECAS should ensure that high-risk areas identified in the risk assessment have a corresponding mitigating action as required by Section 846. Notwithstanding the concerns identified above, OIG noted good effort in mitigating risks pertaining to contractor safety.

OIG also found that the mitigation plans do not include either measurable milestones for implementing each mitigating action or a process for monitoring, measuring, and documenting progress, as required by Section 846. Until these requirements are met, the Department is not well positioned to ensure inherent risks associated with contractor performance in Afghanistan and Iraq are effectively mitigated to the fullest extent.

RECOMMENDATIONS

Recommendation 1: OIG recommends that the Bureau of Administration, Office of Logistics, Critical Environment Contracting Analytics Staff develop a process to ensure that the risk mitigation plan for each high-risk area identified in a risk assessment has a mitigating action, as required by Section 846 of the National Defense Authorization Act for Fiscal Year 2013.

Bureau of Administration, Office of Logistics (A/LM) Response: A/LM explained that the unmitigated risks noted by OIG fall under the purview of different Department bureaus and offices. It also agreed that CECAS should take the lead in designing processes by which responsible entities can develop and document the mitigations.

OIG Reply: OIG considers this recommendation resolved because A/LM agreed that CECAS should take the lead in designing processes by which responsible entities can develop and document the mitigations. This recommendation will be closed when OIG receives and accepts documentation that demonstrates CECAS has implemented a process to ensure that a mitigating action is developed and documented for each high-risk area identified in a risk assessment.

Recommendation 2: OIG recommends that the Bureau of Administration, Office of Logistics, Critical Environment Contracting Analytics Staff develop a control that ensures each risk mitigation plan includes measurable milestones for implementing each planned risk mitigation or risk reduction measure and a process for monitoring, measuring, and documenting progress in mitigating or reducing risk in accordance with Section 846 of the National Defense Authorization Act for Fiscal Year 2013.

Bureau of Administration, Office of Logistics (A/LM) Response: A/LM agreed that NDAA-13 requires measurable milestones for implementing risk mitigations and a process for monitoring, measuring, and documenting progress. A/LM also stated that CECAS will develop a control to ensure that the funding bureau or program office has developed a documented process for monitoring risk mitigations required under the contract.

OIG Reply: OIG considers this recommendation resolved because A/LM agreed to develop a control to ensure that the funding bureau or program office has developed a documented process for monitoring risk mitigations required under the contract. This recommendation will be closed when OIG receives and accepts documentation that demonstrates CECAS has implemented a control to ensure that each risk mitigation plan includes measurable milestones for implementing each planned risk mitigation and a process for monitoring, measuring, and documenting progress in mitigating risk under each contract.

Additional Bureau of Administration, Office of Logistics (A/LM) Comments

In addition to its response to the recommendations, A/LM stated that it did not agree with the conclusion that mitigations were not identified for over half of the high risk areas, 14 of 32 high-risk areas for Afghanistan and 32 of 52 high risk areas for Iraq. Specifically, A/LM stated that the number of unmitigated risks varies, depending on the plan, from zero to 5 out of 32 risks for Afghanistan and 12 out of 54 for Iraq. In addition, A/LM noted that the risk considerations and their scoring in Table 1 and the list of high-risk areas and risk mitigations actions shown in Tables D1 and E1 are directly extracted from documents classified sensitive but unclassified (SBU) and suggested this material be removed from the unclassified report, or the report be distributed as SBU material.

OIG Reply:

CECAS provided OIG a document that identified the mitigating actions completed for the high-risk areas identified in the risk assessments. OIG reconciled the differences between the OIG analysis completed during audit fieldwork with the additional documentation CECAS provided and adjusted the numbers as appropriate in Table 2 of this report. No changes were made to Table 1 because this table identifies the number of risks by risk consideration and the number of high-risk areas that were not mitigated, which did not change.

To increase transparency for the benefit of the Department, the Congress, and the public, OIG requested that CECAS provide specific details as to what information in the report CECAS considers SBU and its accompanying rationale. According to CECAS, the risk assessment and mitigation plans are considered SBU under exemption 9 of 12 FAM 540 which states "Inter or intra-agency communications, including emails, that form part of the internal deliberative processes of the U.S. Government, the disclosure of which could harm such processes." OIG does not believe the risk mitigation plans or the risk assessments are covered under the deliberative process privilege because the assessments and plans have been approved and adopted. Our report describes the Department's processes for conducting the risk assessments and adopting the mitigation plans, but does not discuss the actual content of those deliberations. Nor does the report include the contents of the risk assessments or mitigation plans, other than conceptual areas of risk to be considered and generic mitigation measures that would be apparent to anyone in a position to observe (for example, requirements to move in armored vehicles). Therefore OIG believes there is no substantial risk to agency decision making processes and that none of information in this report is protected from disclosure under the Privacy Act or under an exemption to the Freedom of Information Act, and thus does not meet the requirements for designation as SBU under 12 FAM 540. Therefore, OIG distributed the report as unclassified.

APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

The Office of Inspector General (OIG) initiated this audit to determine whether the Department of State (Department) was identifying and mitigating risks for contractor performance in support of overseas contingency operations. Specifically, the objective of the audit was to determine whether the Department conducted risk assessments and developed risk mitigation plans for operational and political risks associated with contractor performance in Afghanistan and Iraq in accordance with the requirements of Section 846 of the National Defense Authorization Act for FY 2013 (NDAA-13).

To determine the extent to which the Department appropriately conducted risk assessments and developed risk mitigation plans, OIG reviewed NDAA-13, Section 846; 14 Foreign Affairs Manual 240; Critical Environment Contracting Analytics Staff (CECAS) Standard Operating Procedures; prior audit reports; risk assessments; applicable contracts; and mitigation plans. OIG met with Department officials—including officials from CECAS; Office of Acquisition Management; Office of Management Policy, Rightsizing, and Innovation; Regional Security Offices; regional bureaus including the Bureau of Near Eastern Affairs (NEA) and the Bureau of South and Central Asian Affairs (SCA); the Bureau of Diplomatic Security (DS); the Bureau of Overseas Building Operations; and the Bureau of International Narcotics and Law Enforcement Affairs (INL)—to discuss their processes and procedures for determining and reviewing risks and preparing and reviewing risks mitigation plans in contingency environments.

OIG conducted fieldwork from January 2016 to May 2016 in Arlington, Virginia, and Washington, D.C. OIG conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that the OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. We believe that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objective.

Prior Reports

OIG reviewed prior OIG, Government Accountability Office, Department of Defense, and congressional reports to identify information previously reported relating to contingency environment contracting. The following contingency environment reports were reviewed:

- In April 2016, OIG issued an audit of the Vehicle-Fueling Controls and Operations and Maintenance Contract at Embassy Kabul, Afghanistan. The audit found that the embassy paid \$1.21 million in fuel invoices without proper supporting documentation.
(Improvements Needed To Strengthen Vehicle-Fueling Controls and Operations and Maintenance Contract at Embassy Kabul, Afghanistan, AUD-MERO-16-35)
- In February 2016, OIG issued an audit of the DS Worldwide Protective Services Contract task order for the Embassy Baghdad Security Force. The audit found the contractor did not initially meet several contract requirements such as staffing. The audit recommended

the recovery of \$13.6 million in deferred assessments for staffing shortages. (*Audit of the Bureau of Diplomatic Security Worldwide Protective Services Contract Task Order 3 – Baghdad Embassy Security Force*, AUD-MERO-16-28)

- In July 2015, OIG issued an audit of INL's Aviation Support Services Contract in Iraq. The audit questioned \$932,644 in costs because the INL invoice review processes, methodologies, and staffing were insufficient. (*Audit of the Bureau of International Narcotics and Law Enforcement Affairs Aviation Support Services Contract in Iraq*, AUD-MERO-15-35)
- In May 2015, OIG issued an audit of the U.S. Mission Iraq Medical Services contract and found that, early in the contract, 1 person was overseeing 15 task orders, including monitoring contractor performance and reviewing and approving invoices. (*Audit of the U.S. Mission Iraq Medical Services*, AUD-MERO-15-25)
- In February 2014, the Government Accountability Office conducted an audit of Department and U.S. Agency for International Development contingency contracting practices. The audit specifically focused on whether progress had been made in identifying and implementing improvements related to NDAA-13, Section 850, "Reports on responsibility within Department of State and the United States Agency for International Development for contract support for overseas contingency operations." The audit found that the Department and the United States Agency for International Development had identified a number of changes needed to improve contract support in overseas contingency operations. (*State and USAID Made Progress Assessing and Implementing Changes, but Further Actions Needed*, GAO-14-229)
- In March 2015, the Department of Defense conducted an audit of contingency contracting operations. The report focused on information on contingency contracting collected by the Department of Defense Office of Inspector General. It addressed deficiencies in contracting policies in several specific areas, such as oversight and surveillance, contract requirements, property accountability, financial management, contract pricing, source selection, contract documentation, contract type, and contractor personnel. The report referenced numerous recommendations for improving contracting policies in contingency environments, including providing clear and concise requirements for the contract or a contract structure allowing for clear guidance for segments of the work to be performed. The Department of Defense also recommended that adequate oversight and surveillance procedures be put into place through the use of sufficiently trained personnel and quality assurance surveillance plans. (*Contingency Contracting: A Framework for Reform—2015 Update*, DoDIG-2015-101)
- In August 2011, the Commission on Wartime Contracting reported on contingency contracting in Afghanistan and Iraq. The report summarized the Commission's review of contracts for reconstruction, logistics, and security functions. The Commission explored the difficulties in contracting in contingency environments and the fraud and waste that

occurred in the absence of oversight reform. The Commission recommended that Congress allocate funds for oversight reform of the contingency contracting process to prevent fraud and waste. It further recommended that Congress require regular reporting from agencies tasked with developing and implementing these recommendations to gauge their progress. (*Transforming Wartime Contracting: Controlling Costs, Reducing Risks*)

Work Related to Internal Controls

OIG performed steps to assess the adequacy of internal controls related to management and oversight of CECAS requirements. For example, OIG reviewed the Department's risk assessment and risk mitigation policies and procedures in the Foreign Affairs Manual and CECAS's Standard Operating Procedures to gain an understanding of the Department's policies, procedures, and processes applicable to critical function contracts and the assignment of responsibilities within the Department. OIG did not assess the quality or sufficiency of the risk assessments completed by CECAS, nor did OIG assess the implementation of the mitigating actions. However, OIG reviewed the risk assessments prepared for Afghanistan and Iraq, the risk mitigation plans, contract documents, and statements of work to determine whether Federal requirements and Department policies and procedures were followed. OIG also met with CECAS, DS, and regional bureaus regarding NDAA-13, Section 846, implementation and compliance. OIG gained an understanding of the Department's implementation processes and found the Department was not following its processes and procedures for monitoring whether the mitigation plans prepared addressed all risks, included milestones for implementing mitigating actions, and identified a process for measuring and documenting progress in implementing mitigating actions as stated in the Audit Results section of this report.

Detailed Sampling Methodology

OIG conducted a 100 percent review of risk assessments and mitigation plans in Afghanistan and Iraq, which consisted of 2 risk assessments and 9 mitigation plans covering 15 contracts. See Appendix B for a list of contracts reviewed for this audit.

Use of Computer-Processed Data

OIG did not rely on computer-processed data to conduct this audit.

APPENDIX B: CONTINGENCY ENVIRONMENT CONTRACTS

The following table identifies the 15 contracts that were included in 9 risk mitigation plans as of January 2016.

Table B1: Contingency Contracts with Mitigation Plans

Security, Engineering, Management, Logistics, and Administrative Services in Support of the U.S. Embassy Kabul (SAQMMA11D0074)	This contract was awarded to Pacific Architects and Engineers Government Services, Incorporated. This contract provides services in support of U.S. Embassy Kabul that include: security, engineering, management, logistics, and administrative services.
Afghanistan Life Support Services (SAQMMA14R0042)	According to an official from the Office of Logistics Management, this contract was under re-compete during the time of the audit. The contractor will provide life support services for the U.S. Mission in Afghanistan, the U.S. Embassy in Kabul, and other U.S. Government sites within the country including equipment, supplies, personnel, and facilities.
Global Anti-Terrorism Training (SAQMMA11D0088)	This contract was funded by the Bureau of Diplomatic Security (DS). The contract was awarded to DECO Security Services Corporation. The contract provides all management, supervision, labor, facilities, and materials necessary to acquire support in delivering foreign law enforcement training (domestic and overseas).
Antiterrorism Assistance Training Facility Support (SAQMMA09D0029)	This contract was funded by DS and awarded to Olgoonik Management Services, Limited Liability Company. The contract provides professional and support services for the Anti-Terrorism Assistance program such as equipment procurement, logistical, and administrative requirements.
Professional and Support Services (SAQMMA09F3320)	This contract was funded by DS and was awarded to OMS/KBR Logistics Support Services, Limited Liability Company. The contract provides professional and support services in Afghanistan.
Afghanistan Justice Sector Security Program (SAQMMA15C0025)	This contract was awarded to Pacific Architects and Engineers Just Support for a Justice Sector Support Program to train and build the capacity of Afghan officials within the Ministry of Justice, Attorney General's Office, Supreme Court, Ministry of Women's Affairs, and other justice organizations.
Afghanistan - Corrections System Support Program (SAQMMA15C0032)	This contract was awarded to Pacific Architects and Engineers Justice Support for a Corrections System Support Program to assist the Afghan government and support the National Justice Program to modernize and develop the Afghan corrections system.
Afghanistan Interdiction Compound Support Services (Interdiction) (SAQMMA15C0016)	This contract was awarded to Pacific Architects and Engineers to provide multi-faceted support services for two specialized narcotics law enforcement units within the Counter Narcotics Police of Afghanistan of the Government of the Islamic Republic

	of Afghanistan and the National Interdiction Unit and the Sensitive Investigation Unit.
Civilian Police and Afghanistan Eradication Program (SAQMMA08F5375)	This contract was award to DynCorp International, Limited Liability Company. The contract has since expired.
Independent Third Party Assessment and Oversight Responsibilities Contract (SAQMMA15D0058)	This contract was awarded to TigerSwan Incorporated, which requires that the contractor support the creation, development, and management of a third party independent U.S. contractor with technically trained Afghan Local Nationals to perform additional assessment and oversight duties primarily for Bureau of International Narcotics and Law Enforcement programs throughout Afghanistan.
Security Services in Afghanistan (SAQMMA15C0003)	This contract was awarded to DynCorp and Pacific Architects and Engineers. This contract provides security force protection from terrorist, insurgent, or criminal attacks against any U.S. Government or third party contractor employee of Bureau of International Narcotics and Law Enforcement Affairs in support of Bureau of International Narcotics and Law Enforcement Affairs programs in Afghanistan.
Medical Service Support in Iraq (SAQMMA11D0073)	This contract was funded by the Bureau of Near Eastern Affairs and was awarded to CHS Middle East, Limited Liability Company, which is responsible for providing health services support to U.S. personnel, contractors, and authorized foreign nationals in Iraq. The contractor is responsible for providing trained and certified health care professionals and administrative service support to U.S. and U.S.-sponsored beneficiaries working and residing in Iraq.
Linguist Support Services (SAQMMA15R0242)	According to an official from the Office of Logistics Management, this contract was under re-compete during the time of the audit. The contractor is responsible for providing the Department and other U.S. Government agency sites in Iraq with linguist support that includes interpreting, translating, and transcription.
Program Management and Database Support Services (SAQMMA11D0119)	This contract was awarded to All Native. The contractor is responsible for providing support to the Office of Iraq, Economic Assistance Affairs and the U.S. Embassy in Baghdad, Iraq, with monitoring and evaluation planning and support, technical grants administration, award facilitation expertise, and conference facilitation.
Subject Matter Experts (SAQMMA14C0111)	This contract was awarded to All Native to provide American Subject Matter Experts, Local Subject Matter Experts and Iraqi Cultural Advisors within the country of Iraq.

Source: OIG analysis of contract data.

APPENDIX C: ROLES AND RESPONSIBILITIES

The following table identifies the key Department stakeholders responsible for contingency contracts in Afghanistan and Iraq.

Table C1: Roles and Responsibilities

Bureau of Diplomatic Security (DS)	This bureau is the law enforcement and security arm of the Department of State. The office is responsible for providing a safe and secure environment for the conduct of U.S. foreign policy. DS, through its Regional Security Officer, is the principal advisor to the Ambassador and Deputy Chief of Mission on all security matters affecting the U.S. Mission, Americans, and local staff members. DS coordinates with the Critical Environment Contracting Analytics Staff (CECAS) to develop contractor risk mitigation plans. DS also is the program/project management office for one contract in this review.
Regional Bureaus: <ul style="list-style-type: none"> - Bureau of Near Eastern Affairs (NEA) - Bureau of South and Central Asian Affairs (SCA) 	These bureaus represent geographic groupings of the U.S. Foreign Service Posts worldwide. This audit focuses on NEA, which is responsible for advising the Secretary of State on matters in Iraq, and SCA, which is responsible for advising the Secretary of State on matters in Afghanistan. NEA is the program/project management office for four contracts in this review. SCA is the program/project management office for one contract in this review.
Bureau of International Narcotics and Law Enforcement Affairs (INL)	This bureau is responsible for minimizing the impact of international crime and illegal drugs on the United States and its citizens by providing effective foreign assistance and fostering global cooperation. INL is the program/project management office for six contracts in this review.
Office of Acquisitions Management (A/LM/AQM)	This office manages and directs the Department's acquisition programs and conducts contract operations in support of Department activities. A/LM/AQM provides a full range of professional contract management services, including acquisition planning, contract negotiations, and cost and price analysis.
Office of Management Policy, Rightsizing, and Innovation (M/PRI)	This office promotes, supports, and nourishes management excellence and efficient resource utilization. The office led a working group that developed the risk assessment and recommended the Department establish CECAS.

Source: OIG analysis of contract data.

APPENDIX D: HIGH-RISK AREAS IDENTIFIED IN AFGHANISTAN

The following table identifies the risks and applicable mitigating actions for contractors in Afghanistan as of March 2015. For the high-risk areas with no corresponding mitigating actions, CECAS officials stated that the areas were outside the scope of the Section 846 requirements, were not applicable to specific contracts, or were Department-wide issues that were beyond its authority to resolve.

Table D1: Risk Areas Identified as High in Afghanistan

High-Risk Area	Risk Mitigating Action
1. Degree to which the mission is complex, inherently dangerous, or based on incomplete higher-level direction.	
2. Increase in local employment or underemployment due to U.S. drawdown and subsequent recruitment by insurgent groups.	
3. Inability to secure agreement with host government.	1. The program management office will discuss contractor status and legal liability (civil and criminal) with the Government of Afghanistan to the extent the latter offices believe such discussions are legal and politically feasible.
4. Inadequate transportation infrastructure.	2. Contractors must travel in armored vehicles at all times when outside of a secured facility. Armed Movement and Personal Security Detail are required.
5. Changes in mission scope.	
6. Inability of host government to enforce the rule of law.	3. Contractor must establish housing within the acknowledged vetted and designated zone. Details on the vetted and designated zone will be provided to the contractors at the time of the site visit.
7. Likelihood of insurgent attempts targeting bases and camps in order to inflict casualties.	4. Contractor must establish housing within the acknowledged vetted and designated zones unless determination is made to move on a U.S. Government compound.
8. Likelihood that secure convoys must traverse a hostile environment and enter into a high-risk situation.	5. Contractors must travel in armored vehicles at all times when outside of a secured facility. Armed Movement and Personal Security Detail are required.
9. Likelihood of host nation private security contractor guarding base or camp in contested area having pro-insurgent personnel in its workforce.	6. Contractor is required to supplement host country protection, such as with the use of a Risk Management Company, with additional security measures where possible and consistent with host nation laws.

High-Risk Area	Risk Mitigating Action
10. Risk due to considerations such as large civilian population, high traffic densities, insurgencies, riots, and criminal activity.	7. Contractors must travel in armored vehicles at all times when outside of a secured facility. Armed Movement and Personal Security Detail are required.
11. Transportation through a non-permissive environment.	8. Contractors must travel in armored vehicles at all times when outside of a secured facility. Armed Movement and Personal Security Detail are required.
12. Contract personnel living offsite.	9. Contractor must establish housing within the acknowledged vetted and designated zone. Additionally, contractors will provide their own security in accordance with host nation laws.
13. Risk of anti-U.S. terrorist incidents or general civil unrest.	10. Contractor must establish housing within the acknowledged vetted and designated zone. Additionally, contractor personnel must complete the High Threat Security Overseas Seminar or Foreign Affairs Counter Threat course depending on the length of travel.
14. Lack of U.S. Government ability to provide contractor security and support for housing.	11. Contractor must establish housing within the acknowledged vetted and designated zone. Details on the vetted and designated zone will be provided to the contractors at the time of the site visit.
15. Lack of U.S. Government ability to provide contractor security and support for transportation.	12. Contractor must establish housing within the acknowledged vetted and designated zone. Additionally, establish security requirements for contractor housing and work sites as well as convoy escort security through secure transport corridor that minimizes host country security involvement.
16. Lack of U.S. Government ability to provide contractor security and support for security.	13. Contractor will provide their own security in accordance with host nation laws.
17. Lack of U.S. Government ability to provide contractor security and support for life support.	14. Contractor will provide a feasible evacuation and drawdown plan in the event of an ordered evacuation that these actions are necessary based on the security.
18. Likelihood that contract is extended past the specified expiration date.	
19. Likelihood that ceiling is increased on cost-type contracts.	
20. Likelihood that contract is modified to add extensive new work.	
21. Risk of using cost-reimbursable contract types.	
22. Diversion of U.S. funds to pay for safe passage of convoys and for protection of personnel performing reconstruction projects.	15. Use vetting for contractors in Afghanistan.

High-Risk Area	Risk Mitigating Action
23. Increased opportunity for fraud and waste.	16. In coordination with the contracting officer, set requirements for the prime contractor to provide subcontractor due diligence plans to the Department of State Contracting Officer for review.
24. Unknown nature of all issues related to taxation of contractors' payroll issues.	
25. Unknown nature of all issues related to taxation of contractors' corporate issues.	
26. Unknown nature of all issues related to taxation of contractors' income issues.	
27. Unknown nature of all issues related to taxation of contractors' local issues.	
28. Inability to properly store and safeguard fuel resources.	
29. Inability to maintain quality control of delivered fuel.	
30. Potential contractor criminal legal liability.	17. Obtain Government of the Islamic Republic of Afghanistan agreement on contractor status and legal liability (civil and criminal) in coordination with the Bureau of Logistics and Special Representative for Afghanistan and Pakistan.
31. Potential contractor civil legal liability.	18. Obtain Government of the Islamic Republic of Afghanistan agreement on contractor status and legal liability (civil and criminal) in coordination with the Bureau of Logistics and Special Representative for Afghanistan and Pakistan.
32. Inability to absorb costs resulting from inflation, disruptions to normal economic activity, and increased fraud and corruption.	

Source: OIG analysis of Department's risk assessments and mitigation plans for Afghanistan.

APPENDIX E: HIGH-RISK AREAS IDENTIFIED IN IRAQ

The following table identifies the risks and applicable mitigating actions for contractors in Iraq as of March 2015. For the high-risk areas with no corresponding mitigating actions, Critical Environment Contracting Analytics Staff (CECAS) officials stated that the areas were outside the scope of the Section 846 requirements, were not applicable to specific contracts, or were Department-wide issues that were beyond its authority to resolve.

Table E1: Risk Areas Identified as High in Iraq

High-Risk Area	Risk Mitigating Action
1. Degree to which the mission is complex, inherently dangerous, or based on incomplete higher-level direction.	
2. Degree to which projects are selected for political/military impact rather than long-term feasibility.	
3. Gap between interagency mission responsibilities and available resources.	
4. Insufficient time for mission preparation and planning.	
5. Blurred interagency roles and responsibilities.	
6. Public confusion of contractor personnel or work products with government officials or work products.	
7. Perception of contractor, and by extension the U.S. Government, as source of pollution.	
8. Increased suspicion and friction among local host nation civilians resulting from bringing in guards from other areas.	
9. Inability to secure agreement with host government.	1. The Program/Project Management Office will obtain Government of Iraq agreement on contractor status and legal liability (civil and criminal).
10. Inability to access operating locations due to security concerns.	
11. Likelihood of disruption to supply chain for fuel, food, water, and waste disposal.	2. The U.S. Government includes the contractor in projecting the minimum on-hand supply of food, water, fuel, and medical supplies.
12. Changes in mission scope.	
13. Contractors walking off job or being understaffed.	
14. Untrained or physically/emotionally unprepared contractor personnel.	3. The contractor shall provide the appropriate health support and necessary preparations prior to deployment to its personnel to avoid environmentally caused health dangers

High-Risk Area	Risk Mitigating Action
	resulting from infectious diseases, animal bites, unclean water, and unsanitary living conditions.
15. Insufficient staffing by contractor.	
16. Inability of host nation to provide adequately trained staff.	
17. Increased likelihood of attack due to increased footprint or contract nature.	4. The contractor shall provide or be provided housing on a U.S. Government compound. Additionally, the contractor shall ensure its personnel reside in U.S. Government facilities when traveling within country.
18. Inadequacy of host nation (security provider) vetting, training, arming, weapons control, oversight, and management.	
19. Inability of host government to enforce the rule of law.	5. The contractor shall provide or be provided housing on a U.S. Government compound. Additionally, the contractor shall ensure its personnel reside in U.S. Government facilities when traveling within country.
20. Likelihood that secure convoys must traverse a hostile environment and enter into a high-risk situation.	6. The contractor shall travel only in U.S. Government provided vehicles and adhere to mission travel requirements and travel policy restrictions.
21. Likelihood of insurgent attempts targeting bases and camps in order to inflict casualties.	7. The contractor shall provide or be provided housing on a U.S. Government compound. Additionally the contractor shall ensure its personnel reside in U.S. Government facilities when traveling within country.
22. Risk due to considerations such as large civilian population, insurgencies, and criminal activity.	8. The contractor shall provide or be provided housing on a U.S. Government compound. Additionally, the contractor shall ensure its personnel reside in U.S. Government facilities when traveling within country.
23. Insufficient monitoring and oversight of contractor activities and locations.	
24. Transportation through a non-permissive environment.	9. The contractor shall travel only in U.S. Government provided vehicles and adhere to mission travel requirements and travel policy restrictions.
25. Contract personnel living off site.	10. The contractor shall provide or be provided housing on a U.S. Government compound. Additionally the contractor shall ensure its personnel reside in U.S. Government facilities when traveling within country.
26. Risk of anti-U.S. terrorist incidents or general civil unrest.	11. The contractor shall provide or be provided housing on a U.S. Government compound. Additionally, the contractor shall ensure its

High-Risk Area	Risk Mitigating Action
	personnel reside in U.S. Government facilities when traveling within country.
27. Lack of U.S. Government ability to provide contractor security for housing.	12. The contractor shall provide or be provided housing on a U.S. Government compound. Additionally, the contractor shall ensure its personnel reside on U.S. Government facilities when traveling within country.
28. Lack of U.S. Government ability to provide contractor security for transportation.	13. The contractor shall travel only in U.S. Government provided vehicles and adhere to mission travel requirements and travel policy restrictions.
29. Lack of U.S. Government ability to provide contractor security for security.	14. The contractor shall provide or be provided housing on a U.S. Government compound. Additionally, the contractor shall ensure its personnel reside in U.S. Government facilities when traveling within country.
30. Inability of oversight personnel to travel to locations to monitor contractor performance.	
31. Inaccurate recording of contractor locations, complicating unanticipated extractions.	15. Utilize the Reporting in Synchronized Predeployment and Operational Tracker system.
32. Lack of available acquisition workforce, personnel: program managers, contracting officers, contracting officer representatives.	
33. Inadequacy of contractor workforce personnel to perform management.	
34. Inadequacy of contractor workforce personnel to perform oversight.	
35. Inability to monitor and control Trafficking in Persons.	16. The Program/Project Management Office Contracting Officer Representative will create Trafficking in Persons monitoring program.
36. Infrequent workforce rotation periods to maintain institutional memory.	
37. Inadequacy of requirements definition.	
38. Risks that goals will not be set or met to ensure effective competition.	
39. Risk of contract award to habitual poor performer resulting from failure to record incumbent contractor's performance assessment in contractor performance assessment reporting system.	
40. Risk of existence of long-term task order that is not re-competed when competitive conditions improve.	
41. Likelihood that contract is extended past the specified expiration date.	

High-Risk Area	Risk Mitigating Action
42. Likelihood that ceiling is increased on cost-type contracts.	
43. Likelihood that contract is modified to add extensive new work.	
44. Diversion of U.S. funds to pay for safe passage of convoys and for protection of personnel performing reconstruction projects.	
45. Increased opportunity for fraud and waste.	
46. Inability to account for both purchased property and U.S. Government provided resources.	
47. Complexity of pricing and need for audit oversight.	
48. Inability to properly store and safeguard fuel resources.	
49. Unavailability of medical services.	17. The U.S. Government includes the contractor in projecting the minimum on-hand supply of food, water, fuel, and medical supplies.
50. Unavailability of fuel services.	18. The U.S. Government includes the contractor in projecting the minimum on-hand supply of food, water, fuel, and medical supplies.
51. Unavailability of food services.	19. The U.S. Government includes the contractor in projecting the minimum on-hand supply of food, water, fuel, and medical supplies.
52. Unavailability of water services.	20. The U.S. Government includes the contractor in projecting the minimum on-hand supply of food, water, fuel, and medical supplies.

Source: OIG analysis of Department risk assessments and mitigation plans for Iraq.

APPENDIX F: BUREAU OF ADMINISTRATION, OFFICE OF LOGISTICS MANAGEMENT RESPONSE



United States Department of State


Washington, D.C. 20520

UNCLASSIFIED

August 26, 2016

MEMORANDUM

TO: OIG/AUD – Norman P. Brown

FROM: A/LM – Jennifer A. McIntyre 

SUBJECT: Draft Report on *Additional Actions are needed to Fully Comply with Section 846 of the National Defense authorization Act for Fiscal Year 2013 Concerning Critical Environment Contracting*

Thank you for the opportunity to provide comments on subject draft report. This memorandum provides the Bureau of Administration, Office of Logistics, Critical Environments Contracting Analytics Staff (A/LM/CECAS) comments on the conclusions and recommendations of the draft report. The point of contact for questions is Nick Arntson at 703-875-2230.

Conclusions:

A/LM/CECAS does not agree with the conclusion that mitigations were not identified for over half of the high risk areas, 14 of 32 high-risk areas for Afghanistan and 32 of 52 high risk areas for Iraq. This conclusion is stated in sections of the report, including in Tables 1 and 2. A/LM/CECAS provided the OIG detailed cross-walks of the risk assessments to the mitigation plans that demonstrated a different conclusion. Risk assessments and mitigation plans are based against the specific contract requirements; not all mitigation actions in the risk template apply to all contracts. When only those risks applicable to a specific contract are considered, the number of unmitigated risks varies, depending on plan, from zero to five out of 32 risks for Afghanistan and 12 out of 54 for Iraq.

Additionally, A/LM/CECAS believes it is important to note that the unmitigated risks are primarily related to only one of the seven areas of concern in the National Defense Authorization Act (NDAA) i.e. *Risks Regarding Ability of the Government to Control Costs, Avoid Organizational or Personal Conflicts Of Interest, And Minimize Waste, Fraud and Abuse*. A/LM/CECAS agrees these high risk areas require further Department review.

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Recommendation 1: The OIG recommends that the Bureau of Administration, Office of Logistics, Critical Environments Contracting Analytics Staff develop a process to ensure that the risk mitigation plan for each high risk area identified in a risk assessment has a mitigating action as required by Section 846 of the national Defense Authorization Act for Fiscal Year 2013.

Management Response (8/26/2016): The unmitigated risks noted by the OIG fall under the purview of different Department bureaus and offices. A/LM/CECAS will take the lead in designing processes by which responsible entities can develop and document the mitigations.

Recommendation 2: OIG recommends that that the Bureau of Administration, Office of Logistics, Critical Environments Contracting Analytics Staff develop a control to ensure each risk mitigation plan includes measurable milestones for implementing each planned risk mitigation or risk reduction measure and a process for measuring and documenting progress in mitigating or reducing risk in accordance with Section 846 of the national Defense Authorization Act for Fiscal Year 2013.

Management Response (8/26/2016): A/LM/CECAS agrees that the NDAA requires measurable milestones for implementing risk mitigations and a process for monitoring, measuring, and documenting progress. The responsibilities for monitoring, measuring and documenting progress fall under the purview of different Department program offices. A/LM/CECAS will develop a control to ensure that the funding bureau or program office has developed a documented process for monitoring risk mitigations required under the contract.

Classification of Material Quoted in Report: A/LM/CECAS respectfully notes that the Risk Considerations and their scoring in Table 1 and the list of High-Risk Areas and Risk Mitigations Actions shown in Tables D1 and E1 are directly extracted from documents classified SBU. We suggest this material be removed from the unclassified report, or the report be distributed as SBU material.

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ABBREVIATIONS

A/LM	Bureau of Administration, Office of Logistics
A/LM/AQM	Office of Acquisitions Management
CECAS	Critical Environment Contracting Analytics Staff
Department	Department of State
DS	Bureau of Diplomatic Security
FAM	Foreign Affairs Manual
INL	Bureau of International Narcotics and Law Enforcement Affairs
M/PRI	Office of Management Policy, Rightsizing, and Innovation
NDAA-13	National Defense Authorization Act for Fiscal Year 2013
NEA	Bureau of Near Eastern Affairs
OIG	Office of Inspector General
SBU	Sensitive but Unclassified
SCA	Bureau of South and Central Asian Affairs

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