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September 2017

Audit of Invoices Submitted by Torres Advanced Enterprise Solutions, LLC, for Select Local Guard Force Contracts

CONTRACTS, GRANTS, AND INFRASTRUCTURE DIVISION



OIG HIGHLIGHTS

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UNCLASSIFIED

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What OIG Audited

Every overseas diplomatic mission operates under a security program designed and maintained by the Bureau of Diplomatic Security (DS). As part of the security program, DS contracts with qualified security firms to provide local guard services to overseas posts. One of the firms that provides local guard services overseas is Torres Advanced Enterprise Solutions, LLC (Torres). As of June 30, 2016, DS had 12 local guard force (LGF) contracts with Torres, with an estimated total value of \$202.4 million. This audit selected four LGF contracts being performed at Embassies Islamabad, Kampala, Lima, and Panama City. OIG sampled invoices submitted over the life of each selected contract from award through September 30, 2016.

OIG conducted this audit to determine whether the Department of State (Department) approved invoices that contained unsupported or unallowable costs submitted by Torres for select LGF contracts.

What OIG Recommends

OIG made seven recommendations intended to address the deficiencies and questioned costs identified in this report. One recommendation concerning the recovery of \$11,705 has been closed because Torres took corrective actions during audit fieldwork.

Based on the Bureau of Administration, Office of Logistics Management's (A/LM) and DS' response to a draft of this report, OIG considers the six recommendations resolved pending further action. A synopsis of A/LM's and DS' response to the recommendations and OIG's reply follow each recommendation in the Audit Results section of this report. A/LM's and DS' comments are reprinted in Appendices C and D, respectively.

What OIG Found

OIG identified instances in which the Contracting Officer's Representatives (CORs) approved invoices submitted by Torres that contained unsupported or unallowable costs. Specifically, OIG reviewed a sample of 35 invoices associated with four selected LGF contracts, valued at \$11,193,655, and found that 30 of 35 invoices (approximately 86 percent) contained unsupported or unallowable costs, for a total of \$113,614 in questioned costs. The amount of questioned costs identified represents approximately 1 percent of the overall value of the invoices tested. In addition, OIG identified a systemic error that resulted in a \$4,881 recovery from Torres for invoices not sampled.

Although OIG generally concluded that invoices were accurate and were being reviewed appropriately, OIG found areas for improvement and identified three primary COR oversight deficiencies that led to the approval of unsupported and unallowable costs. First, three of four posts did not maintain sufficient contract oversight documentation prior to 2015. However, each post has since implemented centralized, electronic methods to document COR oversight, and OIG noted significant improvement. Second, the COR was not always aware of contract requirements, such as the need for Torres to submit invoice packages with supporting documentation. For example, the Mission Peru LGF contract requires Torres to submit a monthly Quality Assurance and Compliance Report (QACR). However, none of the 13 invoices that OIG tested at Mission Peru included a QACR. The COR stated that he was unaware of the requirement. Third, the CORs did not always complete required invoice review procedures. For example, the LGF contracts reviewed for this audit state that the total number of hours invoiced must be equal to the total number of hours contained in individual timesheets. However, OIG found that the CORs at two of four audited posts did not review any LGF timesheets, while the CORs at the two other posts reviewed a portion of the timesheets but did not verify that the total number of invoiced hours was supported.

As a result, OIG identified \$102,898 in unsupported costs and \$15,597 in unallowable costs, for a total of \$118,495 in questioned costs related to the four LGF contracts audited.

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OBJECTIVE

The Office of Inspector General (OIG) conducted this audit to determine whether the Department of State (Department) approved invoices that contained unsupported or unallowable costs submitted by Torres Advanced Enterprise Solutions, LLC (Torres),¹ for select local guard force (LGF) contracts.

BACKGROUND

The Bureau of Diplomatic Security (DS) plays an essential role in ensuring that foreign policy can be accomplished in a safe and secure environment. Every overseas diplomatic mission operates under a security program designed and maintained by DS. DS contracts with qualified security firms to provide local guard services to overseas posts. The primary mission of the local guard services is to protect U.S. personnel, although they also more generally protect facilities and equipment from damage or loss during violent attack or theft. In addition, local guard services are used to prevent unauthorized access; protect life; maintain order; deter criminal and terrorist attacks against employees, dependents, and property; and prevent damage to all U.S. assets.

Within DS, the Office of International Programs' Office of Overseas Protective Operations provides local guard program management oversight, operational guidance, and funding authorization to establish and maintain local guard programs at U.S. missions. DS' Office of Overseas Protective Operations, Facility Protection Division, is responsible for local guard program support, while the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM), is the lead acquisition agent of LGF contracts. A/LM/AQM established the Local Guard Branch dedicated to awarding and administering LGF contracts. The Regional Security Officer at each post is responsible for implementing and managing the LGF at that particular post.

Torres Advanced Enterprise Solutions, LLC, Local Guard Force Contracts

One of the firms that provides LGF services for the Department at overseas posts is Torres. A/LM/AQM awarded time and materials² contracts to Torres for LGF services. The main expenses incurred under these contracts are related to labor based on fixed hourly rates. These contracts also include firm fixed price³ and cost reimbursable⁴ components. Under the Torres contracts,

¹ Torres Advanced Enterprise Solutions, LLC, is a global security, cyber security, linguistics, and information technology firm that holds LGF contracts with the Department at overseas posts.

² According to Federal Acquisition Regulation (FAR) 16.601(b), "Time-and-materials contracts," a time-and-materials contract provides for acquiring supplies or service on the basis of (1) direct labor hours at specified fixed hourly rates that include wages, overhead, general and administrative expenses, and profit and (2) actual costs for materials.

³ According to FAR 16.202-1, "Firm-fixed price contracts," a firm-fixed-price contract "provides for a price that is not subject to any adjustment on the basis of the contractor's cost experience in performing the contract."

⁴ According to FAR 16.301-1, "Cost-Reimbursement Contracts," cost-reimbursable contracts "provide for payment of allowable costs incurred by the contractor, to the extent prescribed in the contract."

firm fixed price charges include, but are not limited to, vehicles, radio networks, central alarm monitoring systems, guard electronic monitoring systems, clothing, and equipment. Cost reimbursable charges may include Defense Base Act Insurance,⁵ country tax, and reimbursable materials. All LGF contracts are awarded for a 1-year base period plus 4 option years. As of June 30, 2016, the Department had 12 LGF contracts with Torres for an estimated total value of \$202.4 million. The location of performance and details relating to four contracts selected by OIG for review are presented in Table 1.⁶

Table 1: Torres Advanced Enterprise Solutions, LLC, Local Guard Force Contracts Selected for Review

Mission	Contract	Contract Value*	Value of Invoices Paid*	Months Remaining*
Pakistan	SAQMMA12C0109	\$82,054,054	\$62,789,241	9
Uganda	SAQMMA13C0130	21,283,497	12,285,374	24
Peru	SAQMMA12C0103	14,491,454	9,521,810	9
Panama	SAQMMA13C0033	11,528,704	6,997,184	19
Total		\$129,357,709	\$91,593,609	

*As of September 30, 2016

Source: Generated by OIG based on its analysis of contract data provided by A/LM/AQM.

Embassy Islamabad, Pakistan, Local Guard Force Contract

The Mission Pakistan LGF contract was awarded on March 7, 2012. The purpose of the contract is to provide local guard services for Mission Pakistan, which includes U.S. Embassy Islamabad and Consulates General Karachi, Lahore, and Peshawar.⁷ The base year period of performance was July 1, 2012, through June 30, 2013. As of September 30, 2016, the contract was in option year 4 and the overall contract ceiling was \$82,054,054. The LGF fills 554 guard posts⁸ at U.S. Embassy Islamabad, including compound and residential security as well as mobile patrol posts.

Embassy Kampala, Uganda, Local Guard Force Contract

The Mission Uganda LGF contract was awarded on July 15, 2013. The purpose of the contract is to provide local guard services for U.S. Embassy Kampala. The base year period of performance

⁵ 42 U.S. Code §1651 requires all U.S. Government contractors to secure workers' compensation insurance for their employees working overseas. The Defense Base Act Insurance provides insurance coverage of this type for contractor employees performing under Government contracts outside the United States.

⁶ Appendix A: Purpose, Scope, and Methodology provides details on how the contracts were selected for review.

⁷ Although contract SAQMMA12C0109 provides local guard services to the whole of Mission Pakistan, the audit work performed focused solely on invoice submissions for Embassy Islamabad.

⁸ A guard post is a site or location to which a guard is assigned for a specific period of time to perform prescribed functions. Guard posts may be staffed for 24 hours (with several shifts in that time period); therefore, the number of guard posts is not equal to the number of guards assigned to the contract.

was October 15, 2013, through October 14, 2014. As of September 30, 2016, the contract was in option year 2 and the overall contract ceiling was \$21,283,497. The LGF fills 185 guard posts, including compound and residential security as well as mobile patrol posts.

Embassy Lima, Peru, Local Guard Force Contract

The Mission Peru LGF contract was awarded on March 8, 2012. The purpose of the contract is to provide local guard services for Mission Peru, which includes U.S. Embassy Lima, Consulate General Cusco, and other locations, including Tingo Maria, Pucallpa, and Iquitos.⁹ The base year period of performance was July 1, 2012, through June 30, 2013. As of September 30, 2016, the contract was in option year 4, and the overall contract ceiling was \$14,491,454. The LGF fills 88 guard posts at Embassy Lima, including compound security and mobile patrol posts.

Embassy Panama City, Panama, Local Guard Force Contract

The Mission Panama LGF contract was awarded on February 1, 2013. The purpose of the contract is to provide local guard services for U.S. Embassy Panama City. The base year period of performance was May 1, 2013, through April 30, 2014. As of September 30, 2016, the contract was in option year 3 and the overall contract ceiling was \$11,528,704. The LGF fills 39 guard posts, including compound security and mobile patrol posts.

Local Guard Force Contract Oversight

Contracting Officers

According to the Department's Foreign Affairs Manual (FAM), A/LM/AQM manages, plans, and directs the Department's acquisition programs and conducts contract operations in support of activities worldwide.¹⁰ A/LM/AQM assigns a Contracting Officer (CO), who provides contract management services for overseas posts operating with a contractor-provided LGF.¹¹ The Department's Foreign Affairs Handbook (FAH) states that the CO is the U.S. Government's authorized agent and has sole authority to solicit proposals and negotiate, award, administer, modify, or terminate contracts.¹² The CO is responsible for ensuring performance of all necessary actions for effective contracting, ensuring compliance with the terms of the contract, and safeguarding the interest of the United States in its contractual relationship.¹³ The CO is also responsible for ensuring that the designated Contracting Officer's Representatives (COR) is

⁹ As the majority of LGF invoice charges for SAQMMA12C0103 were associated with services provided at Embassy Lima, OIG refers only to Embassy Lima throughout this report. However, the audit work performed also included small invoice values associated with other Mission Peru sites, such as Consulate General Cusco, Tingo Maria, Pucallpa, and Iquitos.

¹⁰ 1 FAM 215.1, "Office of Acquisitions Management (A/LM/AQM)."

¹¹ 12 FAM 463.3, "Office of Acquisitions Management (A/LM/AQM)."

¹² 14 FAH-2 H-141, "Responsibilities of the Contracting Officer."

¹³ FAR 1.602-2, "Responsibilities."

properly exercising delegated authorities and is maintaining records that support contract administration.¹⁴

Contracting Officer's Representatives

The CO may delegate specific authorities for contract oversight to a COR,¹⁵ which for an LGF contract is typically an Assistant Regional Security Officer. The COR is required to have a Federal Acquisition Certification¹⁶ and possess sufficient technical expertise related to the contract subject matter to perform effective oversight.¹⁷ The CO outlines the COR's specific duties, responsibilities, and authorities in a delegation memorandum.¹⁸ Responsibilities designated to LGF contract CORs typically include:

- Monitoring the contractor's technical progress and expenditures
- Inspecting and accepting all work performed under the contract
- Documenting performance deficiencies and informing the CO, in writing, of any performance or schedule failure
- Drafting and issuing deduction letters for those deficiencies specifically listed on the deduction matrix¹⁹
- Resolving technical issues arising under the contract and referring any issues that cannot be resolved without additional cost or time to the CO
- Providing written authorization for additional and emergency (A&E) services
- Reviewing invoices for accuracy and approving or rejecting invoices within 7 calendar days of receipt
- Maintaining a COR file for each assigned contract²⁰

Local Guard Force Invoice Requirements

The Federal Acquisition Regulation (FAR) states that a proper invoice must include: (1) name and address of the contractor; (2) invoice date and number; (3) contract number or authorization for services performed; (4) description, quantity, unit of measure, unit price, and extended price of

¹⁴ Department of State, Office of the Procurement Executive, Procurement Information Bulletin 2014-10, Contract Files and COR File Checklist, "Responsibilities and Requirements."

¹⁵ 12 FAM 463.

¹⁶ According to 14 FAH-2 H-123.1 (a), the Federal Acquisition Certification-Contracting Officer's Representative Program certification requirements are issued by the Office of Management and Budget, Office of Federal Procurement.

¹⁷ 14 FAH-2 H-113, "Qualifying as a COR: Federal Acquisition Certification: Contracting Officer's Representative (FAC-COR)."

¹⁸ 14 FAH-2 H-143.2, "COR Appointment Procedures."

¹⁹ A LGF contract's Exhibit C – Quality Assurance and Surveillance Plan contains a matrix that details "undesirable performance events" that allow the Government to assess deductions (that is "negative incentives for not meeting performance standards") from the contractor's billed services. Example of "undesirable performance events" include leaving guard posts unstaffed and sleeping on duty.

²⁰ 14 FAH-2 H-142, "Responsibilities of the Contracting Officer's Representative (COR)."

services performed; (5) name and address of contractor official to whom payment is to be sent; (6) name, title, phone number, and mailing address of person to notify in the event of a defective invoice; (7) taxpayer identification number; (8) electronic funds transfer banking information; and (9) any other information or document required by the contract.²¹

LGF contracts awarded to Torres require the contractor to submit electronic monthly invoice packages not later than 30-calendar days after the end of the month. Invoice packages should include the invoice spreadsheet,²² individual timesheets to support the number of hours worked for the invoice period,²³ copies of the COR's written request for A&E services, updated employee listings, and completed Quality Assurance and Compliance Reports (QACR).²⁴ In addition, invoices claiming reimbursement for standard services worked in excess of 12 consecutive hours in a 24-hour period must include a copy of the CO or COR's authorization, and invoices claiming reimbursement under reimbursable materials relating to A&E services must include copies of paid receipts.

AUDIT RESULTS

Finding A: OIG Identified Instances In Which Invoices Contained Unsupported or Unallowable Costs

OIG identified instances in which the LGF contract CORs approved invoices submitted by Torres that contained unsupported or unallowable costs. Specifically, OIG reviewed 35 invoices associated with four selected LGF contracts, valued at \$11,193,655, and found that 30 of 35 invoices, approximately 86 percent, contained unsupported or unallowable costs, totaling \$113,614 in questioned costs. This amount represents approximately 1 percent of the overall value of the invoices tested. The relatively low dollar value associated with the questioned costs identified is due to the established hourly labor rates for the invoices tested, which were as low as \$1.58 per hour.

Although OIG generally concluded that invoices were accurate and were being reviewed appropriately, OIG found areas for improvement and identified three primary deficiencies in COR oversight of the LGF contracts that led to the approval of unsupported and unallowable costs. First, three of four posts did not maintain sufficient contract oversight documentation prior to 2015. However, each post has since implemented centralized, electronic methods to document COR oversight and, as a result, OIG noted significant improvement.

²¹ FAR 32.905, "Payment documentation process."

²² The invoice spreadsheet shall contain (1) a monthly invoice summary, (2) a contract year cumulative summary, (3) a detailed listing of hours worked by individual guard post (standard services), and (4) a detailed listing of A&E services by guard post.

²³ The total of all hours worked from the timesheets must match the summary of hours for all guard posts.

²⁴ The QACR is a narrative that serves as the contractor's certification that all services included on the invoice were rendered in accordance with the contractual terms and addresses any non-compliant actions for which deductions could be assessed.

Second, the COR was not always aware of contract requirements, such as the need for Torres to submit invoice packages with supporting documentation. For example, the Mission Peru LGF contract requires Torres to submit a monthly QACR. However, none of the 13 invoices that OIG tested at Mission Peru included a QACR. The COR stated that he was unaware of the requirement.

Third, the CORs did not always complete required invoice review procedures, as they were not provided specific guidance related to invoice review and approval procedures. For example, the LGF contracts reviewed state that the total number of hours invoiced must be equal to the total number of hours contained in individual timesheets. However, OIG found that the CORs at two of four posts audited (Embassies Islamabad and Kampala) did not review any LGF timesheets, while the CORs at the two other posts (Embassies Lima and Panama City) reviewed a portion of the timesheets provided but did not verify that the total number of hours invoiced was supported.²⁵ However, contract documents, COR delegation letters, and the DS COR Checklist did not require CORs to review LGF timesheets as part of monthly invoice review procedures.

As a result, OIG identified approximately \$102,898 in unsupported costs and approximately \$10,716 in unallowable costs, for a total of \$113,614 in questioned costs. These questioned costs represent approximately 1 percent of the \$11,193,655 of invoices tested. Additionally, OIG, in conjunction with Torres, identified an additional \$4,881 in unallowable costs associated with invoices not tested by OIG, resulting in a total of \$118,495 in questioned costs for the 4 LGF contracts audited.

Torres Submitted Invoices That Generally Complied with Contract Requirements

OIG reviewed all charges included in the 35 invoices associated with the four LGF contracts awarded to Torres at U.S. Embassies Islamabad,²⁶ Kampala, Lima, and Panama City. OIG found that the invoices contained all elements of a proper invoice, as established by the FAR,²⁷ and were completed in accordance with the prescribed template, including a monthly invoice summary, cumulative summary, standard services, and A&E services work sheets. In addition, the majority of the invoice packages included required supporting documentation, such as individual timesheets, copies of the COR's written confirmation of requests for A&E services (if applicable), copies of paid receipts demonstrating the cost to the contractor of materials or equipment (if applicable), copies of invoices from and proof of payment to Defense Base Act Insurance carriers (if applicable), completed QACRs, COR authorization permitting LGF members to work more than 12 consecutive hours in a 24-hour period (if applicable), and updated employee listings. However, OIG found that Torres submitted some invoices with minor errors and discrepancies, which led to identifying some unsupported or unallowable costs (the

²⁵ At Embassy Panama City, the CORs tasked the LGF Coordinator with reviewing a portion of LGF timesheets. The LGF Coordinator reported his findings to the CORs, who incorporated the results with their own review.

²⁶ The audit team excluded labor charges associated with U.S. Consulates General Karachi, Lahore, and Peshawar but included other direct cost charges, as these relate to the entirety of Mission Pakistan, including Embassy Islamabad.

²⁷ FAR 32.905.

"Unsupported and Unallowable Costs Identified" section of this report provides details regarding the questioned costs OIG identified).

COR Oversight Deficiencies

Although OIG found that one of the posts audited (Embassy Islamabad) had maintained required COR file documentation since the inception of the Torres contract, the other three posts (Embassies Kampala, Lima, and Panama City) did not do so prior to 2015. However, each post has since implemented centralized, electronic methods to document COR oversight and, as a result, OIG noted significant improvement in the maintenance of the COR files since 2015. Notwithstanding these improvements, OIG found that the CORs were not always aware of requirements for or had not reviewed some of the documentation that Torres was required to submit. For example, one COR had not requested access to the website where Torres maintained copies of employee timesheets that were required to be reviewed by the COR. Furthermore, OIG found that the CORs did not always complete required invoice review procedures.

Improvement in COR File Maintenance

The FAH²⁸ states that CORs are required to maintain a COR file for each assigned contract. The COR file should include, among other items, a copy of the COR delegation letter, a copy of the contract and all modifications, and copies of all invoices/vouchers and a payment register identifying the balance of funds remaining. This file serves as a living record of contract activity and as a knowledge transfer tool to maintain continuity during COR turnover.

OIG found that the COR at Embassy Islamabad maintained a COR file for the Torres contract that included all of the items required by the FAH. Specifically, the COR at Embassy Islamabad maintained an electronic COR file that included FAH-prescribed documentation since the inception of the Torres contract, which was in July 2012. However, OIG found that oversight documentation prior to 2015 was limited at the other three posts included in the audit (Embassies Panama City, Lima, and Kampala). OIG noted improvement in COR file maintenance since 2015 at each of these three posts. For example, OIG found that the majority of the required contract administration documents at each included copies of the COR delegation of authority letter; the contract; all contract modifications; invoices; all pertinent correspondence; and other information needed to document contractor performance or administrative actions taken.

According to the COR at Embassies Panama City, Lima, and Kampala, prior to 2015 the COR did not maintain files in accordance with FAR and FAH requirements. However, the Management Alert published by OIG in March 2014 prompted the Department to improve guidance and training for contract oversight.²⁹ As a result, the COR at each mission stated that COR file maintenance improved by establishing a centralized, electronic COR file. The CORs at Embassies

²⁸ 14 FAH-2 H-517, "Standard Contracting Officer's Representative (COR) Working File."

²⁹ OIG, *Management Alert (Contract File Management Deficiencies)*, (MA-A-0002, March 20, 2014). This document was intended to alert Department management of significant vulnerabilities in the management of contract file documentation and provided recommendations to assist in eliminate or mitigating vulnerabilities.

Panama City, Lima, and Kampala further explained that when they assumed the COR role, they gathered the limited documentation available and established new, centralized files, which they have since maintained to manage the LGF contract and document contract oversight. As a result of these improvements, contract oversight has improved. The electronic COR files will also lead to more effective transitions to the incoming CORs and will provide key documents needed to conduct effective contract oversight. Because of the improvements made in the COR files, OIG is not making any recommendations related to this finding.

CORs Were Not Always Aware of Contract Requirements and Did Not Complete Required Invoice Reviews

The CORs were not always aware of specific contract requirements and so approved invoices that contained unsupported or unallowable costs. For example, the Mission Peru LGF contract states that the contractor must submit supporting documents with each monthly invoice, including a QACR.³⁰ The contract also states that failure to provide a QACR will result in the invoice being rejected. OIG reviewed 13 invoices associated with LGF services rendered at Embassy Lima under contract SAQMMA12C0103 and found that Torres did not submit a QACR with any of the invoices tested.³¹ The COR stated that he was unaware that Torres was required to submit a monthly QACR and, therefore, he did not check whether this document was included before approving the invoices.

Similarly, the Mission Pakistan LGF contract requires Torres to submit supporting documentation with each monthly invoice, including an updated employee listing. Torres is required to maintain an up-to-date organization chart that includes the names of the supervisors, shift organization for each post, and a listing of all current employees by name. In addition, the contract states that failure to provide supporting documentation will result in rejection of the invoice. OIG reviewed five invoices associated with LGF services rendered at Embassy Islamabad under contract SAQMMA12C0109 and found that Torres did not submit updated employee listings as required. However, the COR stated that he was unaware of the requirement and did not reject the invoices.

Additionally, at Embassies Kampala and Islamabad, CORs stated that they did not review timesheets related to each monthly invoice, nor were they aware that Torres was required to submit individual timesheets to support the number of hours worked as part of the invoice package, even though this requirement is stated in the Mission Kampala and Pakistan LGF contracts. Instead of submitting the timesheets with the invoices, which can be more than 500 timesheets each month, Torres provides a website link to allow each COR to view the timesheets associated with his or her contract. However, prior to OIG's site visit, the COR at Embassy

³⁰ The QACR serves as the contractor's certification that all services included in the invoice were rendered in accordance with contractual terms and conditions.

³¹ Torres informed OIG that while monthly QACRs were not submitted as part of the invoice packages, the contractor submitted all supporting documents that are used to populate the monthly QACRs associated with contract SAQMMA12C0103.

Kampala had not requested access to this website. Likewise, the COR at Embassy Islamabad was unaware that Torres provided a website link to review the timesheets.

Recommendation 1: OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, in coordination with the Bureau of Diplomatic Security, develop and implement a communications strategy including but not limited to ensuring that local guard force Contracting Officer's Representatives review and understand the contract requirements when assigned to that position. This communications strategy should underscore the critical importance of reviewing the contract for specific requirements, obtaining and reviewing required monthly supporting documentation related to local guard force invoices, and the timeframes associated with approving invoices.

Management Response: The Bureau of Administration, Office of Logistics Management (A/LM) concurred with the recommendation, stating that, in coordination with DS, it will communicate with local guard program CORs directing them to review and be familiar with the requirements of their contracts. A/LM also stated that it will seek to implement its communication strategy during the first quarter of FY 2018.

OIG Reply: Based on A/LM's concurrence with the recommendation and planned actions, OIG considers the recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that A/LM, in coordination with DS, has developed and implemented a communications strategy that underscores the critical importance of reviewing the contract for specific requirements, obtaining and reviewing required monthly supporting documentation related to local guard force invoices, and the timeframes associated with approving invoices.

CORs Were Not Provided Specific Guidance Related to Invoice Review and Approval Procedures

Finally, CORs approved invoices that included unsupported or unallowable costs because contracting documents, COR delegation letters, and the DS COR Checklist³² did not provide specific guidance as to which elements of LGF contract invoices required review, nor did these documents provide guidance as to how CORs should review monthly invoices related to LGF contracts. For example, the three of four LGF contracts reviewed state that the COR is responsible for the inspection and acceptance of services, which includes review of contractor invoices, including required supporting documentation. The COR may provide technical advice, substantive guidance, inspections, invoice approval, and other purposes as deemed necessary. However, the contracts do not state which elements of the invoices must be reviewed, nor do they prescribe procedures for review completion.

³² The DS COR checklist was developed and implemented in response to an OIG recommendation in 2012 (*Evaluation of the Local Guard Force Contract for Embassy Islamabad and Consulates General Karachi, Lahore, and Peshawar*, AUD-MERO-12-46, September 2012). This recommendation proposed that DS should modify its reviews of LGF contracts to ensure that contract terms and conditions are included in those reviews.

Similarly, all of the COR delegation letters that OIG reviewed³³ lacked explicit guidance on this point. Instead, they stated either that the COR is responsible for reviewing contractor invoices for accuracy and approving or rejecting invoices within 7 calendar days of receipt or that, with regard to approving invoices for payment, the COR must execute these documents promptly and transmit them to the designated payments office within 5 calendar days of receipt. As with contract documents, the COR delegation letters do not specify the elements of the invoices that require review, nor do they include guidance for completing invoice reviews.

On a monthly basis, LGF contract CORs are also required to complete the DS COR Checklist, which includes periodic verifications of contractor adherence to the contract's Exhibit A,³⁴ spot checking equipment, reviewing post logs, and reviewing and certifying the labor portion of invoices. The DS COR Checklist template states that the COR is to review and ensure that labor charged in the invoices was received and to note discrepancies. The COR is required to note the date of the review, A&E hours invoiced, whether fewer hours were invoiced than required by the contract (and, if so, an explanation), and the date the financial management office was notified that the COR certified the labor portion of the invoice. But, as with the contract documents and COR delegation letters, the DS COR Checklist does not describe the method by which this review is to be completed. In addition, the DS COR Checklist requirement is limited to only the labor portion of the invoice and does not require the COR to review additional invoice elements, such as equipment and reimbursable materials charges. The DS COR Checklist also does not require the COR to ensure that the total number of hours invoiced equal the total number of hours contained in individual timesheets.

CORs at Embassies Islamabad, Kampala, Lima, and Panama City stated that they were not aware of any DS or post-specific standard operating procedures related to LGF contract invoice review and approval. However, the CORs at Embassies Islamabad and Kampala informed OIG that they had developed spreadsheets to assist in reviewing the labor hours for all guard posts. In addition, the CORs at Embassies Lima and Panama City stated that invoice reviews are completed with assistance from the LGF Coordinator, with one LGF Coordinator completing a 100 percent review of each invoice. The COR at Embassy Kampala stated that the LGF Coordinator for this post is not involved in the invoice review process. The COR at Embassy Lima stated that prior to December 2016, the LGF Coordinator was not involved in the invoice review process; however, after OIG announced the audit, the COR asked the LGF Coordinator to begin reviewing LGF contractor invoices.

³³ OIG reviewed 23 COR delegation letters maintained in COR files, which included the current and previous CORs.

³⁴ A LGF contract's Exhibit A – Guard Posts and Schedule of Guard Coverage, provides the specific guard posts by number, location, function, and schedule for standard services. For example, the LGF Commander post at an embassy may be numbered E-1; the location may be listed as the embassy compound (as commanders typically rove throughout their shift); the function may be listed as "supervision;" and the schedule may be listed as Monday through Friday, 7:00 a.m. to 4:00 p.m. Another example is that a guard post may be numbered E-6; the location may be listed as compound access control; the function may be listed as "vehicle screening;" and the schedule may be listed as 24 hours per day, 7 days per week (24/7).

Recommendation 2: OIG recommends that the Bureau of Diplomatic Security revise the Contracting Officer's Representative Checklist to include additional elements of invoice review. Specifically, the Bureau of Diplomatic Security should require Contracting Officer's Representatives to review timesheets to ensure that the total number of hours invoiced are reflected on the individual timesheets and should require Contracting Officer's Representatives to review all contract line item numbers associated with other direct costs to ensure that reimbursable goods and services invoiced were received.

Management Response: DS stated that it revised the Local Guard Program Monthly Compliance Checklist to incorporate this recommendation. Specifically, the instruction for checklist item number five now includes language that addresses elements of invoice review. Regional Security Officers will be advised of the new checklist through a Regional Security Officer Security Management Console notification. DS provided OIG with a copy of the updated checklist instructions and template.

OIG Reply: On the basis of DS' planned actions, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that DS has advised RSOs of the new monthly compliance checklist requirement through a Regional Security Officer Security Management Console notification.

Unsupported and Unallowable Costs Identified

With respect to the invoices that were approved by the COR and contained unsupported or unallowable costs, the invoices were typically approved because the CORs lacked familiarity with contract requirements or failed to complete necessary invoice review procedures. Table 2 summarizes the questioned costs identified during this audit (see Appendix B for additional details related to the questioned costs identified during this audit).

Table 2: Summary of OIG Invoice Testing and Questioned Costs

Contract Number and Location	Number of Invoices Tested	Dollar Value of Invoices Tested	Unsupported Costs Identified	Unallowable Costs Identified	Total Questioned Costs	Percentage of Invoice Value Questioned
SAQMMA12C0109 – Islamabad, Pakistan	5	\$4,426,367 ^a	\$26,744	\$0	\$26,744	0.60
SAQMMA13C0130 – Kampala, Uganda	9	3,138,136	40,277	6,824 ^b	47,101	1.50
SAQMMA12C0103 – Lima, Peru	13	2,029,900	16,496	586	17,082	0.84
SAQMMA13C0033 – Panama City, Panama	8	1,599,252	19,381	3,306	22,687	1.42
Total	35	\$11,193,655	\$102,898	\$10,716	\$113,614	1.01

^a The invoice value represents the total standard service and A&E service labor charges associated with Embassy Islamabad, as well as the total other direct costs charged for each invoice. The labor charges for Consulates General Karachi, Lahore, and Peshawar were excluded from this total, as they were not reviewed as part of this audit.

^b This amount represents the unallowable costs identified as a result of OIG's sample invoice testing. OIG, in conjunction with Torres, identified an additional \$4,881 in unallowable costs that were related to invoices that were not included in OIG's invoices testing, resulting in a total of \$11,705 in unallowable costs associated with contract SAQMMA13C0130.

Source: Generated by OIG based on an analysis of invoices and associated supporting documentation provided by the designated COR for the four LGF Torres contracts reviewed for this audit.

Embassy Islamabad

OIG selected and reviewed five invoices associated with the Embassy Islamabad LGF contract (SAQMMA12C0109) and identified a total of \$26,744 in unsupported costs associated with those invoices. These unsupported costs occurred because contractor personnel and the COR were unable to provide individual timesheets to support the number of hours invoiced or because the provided timesheets contained fewer hours than were invoiced.³⁵ According to the COR, Torres did not submit timesheets as part of monthly invoice packages. Instead, Torres maintained a shared drive containing invoice information, including timesheets. The COR stated that he did not regularly review timesheets as part of the monthly invoice review. In total, OIG was unable to verify 11,020 of 1,465,682 hours invoiced (0.75 percent), which resulted in \$26,744 in unsupported costs. Table 3 summarizes the number of hours Torres invoiced that OIG could not verify because of missing or incorrect timesheets.

³⁵ Timesheets associated with contract SAQMMA12C0109 were submitted by guard post, which corresponds to the labor category and the fixed hourly rate for each labor category. As a result, OIG was able to calculate the specific unsupported costs associated with each labor category identified in the contract.

Table 3: Unsupported Costs for Contract SAQMMA12C0109

Invoice Number	Number of Hours Invoiced	Number of Hours Contained in Timesheets	Unverified Hours	Percentage of Hours Unverified	Unsupported Costs Associated with Unverified Hours
4160-02-R2	305,670	304,954	717	0.23	\$1,451
4160-14R	300,156	292,011	8,145	2.71	17,330
4160-26	292,072	291,636	436	0.15	1,593
4160-38	274,416	273,984	433	0.16	1,811
4160-51	293,368	292,079	1,289	0.44	4,560
Total	1,465,682	1,454,664	11,020*	0.75	\$26,745*

* Difference is due to rounding.

Source: Generated by OIG based on analysis of invoices and timesheets provided by Torres.

Recommendation 3: OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, (a) determine whether the \$26,744 in questioned costs (all of which was considered unsupported as listed in Table B.1 of Appendix B) identified during the review of invoices for the Embassy Islamabad Torres Advanced Enterprise Solutions, LLC, local guard force contract (SAQMMA12C0109) are supported, and (b) recover any costs determined to be unsupported.

Management Response: A/LM concurred with the recommendation, stating that it will work with the COR, DS, and the contractor to make a determination on the identified questioned costs.

In addition to providing comments related to each recommendation offered in this report, A/LM requested additional supporting documentation from OIG in order to avoid what it described as "significant duplication of effort to recreate the audit team analysis." A/LM stated this detailed information is "critical" for the CO and COR to "expeditiously address the concerns of the OIG and to meet the intent of Recommendations 3, 4, 6, and 7."

OIG Reply: Based on A/LM concurrence with the recommendation and planned actions, OIG considers the recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that A/LM identified and took appropriate action to recover all costs that were unsupported.

With respect to A/LM's request for detailed information relating to the findings and recommendations in this report, OIG has already provided A/LM with that information, and the audit team remains available to provide additional information to facilitate A/LM's determination of whether costs were, in fact, unsupported.

Embassy Kampala

OIG selected and reviewed nine invoices associated with the Embassy Kampala LGF contract awarded to Torres (SAQMMA13C0130) and identified a total of at least \$40,277 in unsupported

costs associated with eight of the nine invoices tested (89 percent).³⁶ These unsupported costs occurred because contractor personnel and the COR were unable to provide individual timesheets to support the number of hours invoiced or because the provided timesheets contained fewer hours than were invoiced. In total, OIG was unable to verify 23,914 of 942,704 hours invoiced (2.54 percent), which resulted in at least \$40,277 in unsupported costs. Table 4 summarizes the number of hours Torres invoiced that OIG could not verify because of missing or incorrect timesheets.

Table 4: Unsupported Costs for Contract SAQMMA13C0130

Invoice Number	Number of Hours Invoiced	Number of Hours Contained in Timesheets	Unverified Hours	Percentage of Hours Unverified	Unsupported Costs Associated with Unverified Hours
4190-01-R1	75,048	73,814	1,234	1.64	\$1,950
4190-08	138,812	138,812	0	0	0
4190-13	59,216	59,216	0	0	0
4190-14-R1	73,056	72,996	60	0.08	99
4190-19	119,196	115,596	3,600	3.02	5,940
4190-20	114,944	114,692	252	0.22	416
4190-24	118,416	118,248	168	0.14	438
4190-28	110,948	101,290	9,658	8.70	16,322
4190-37	133,068	124,126	8,942	6.72	15,112
Total	942,704	918,790	23,914	2.54	\$40,277

Source: Generated by OIG based on analysis of invoices and timesheets provided by Torres.

Recommendation 4: OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, (a) determine whether the \$40,277 in questioned costs (all of which was considered unsupported as listed in Table B.2 of Appendix B) identified during the review of invoices for the Embassy Kampala Torres Advanced Enterprise Solutions, LLC, local guard force contract (SAQMMA13C0130) are supported, and (b) recover any costs determined to be unsupported.

Management Response: A/LM concurred with the recommendation, stating that it will work with the COR, DS, and the contractor to make a determination on the identified questioned costs.

OIG Reply: Based on A/LM's concurrence with the recommendation and planned actions, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that A/LM identified and took appropriate action to recover all costs that were unsupported.

³⁶ Timesheets associated with contract SAQMMA13C0130 were submitted for each guard individually; however, the timesheets did not specify the labor category, each of which is invoiced at a different fixed hourly rate. As a result, OIG calculated the unsupported costs using the standard service rate for the "Guard" labor category, which represents the lowest potential cost to the U.S. Government.

OIG also noted an error related to A&E services invoiced at Embassy Kampala. Specifically, in May 2014, Embassy Kampala officials submitted several requests for A&E services to be provided by individuals in the "Guard" labor category, for which Embassy Kampala paid \$1.23 per hour. However, when Torres invoiced for these services, they were categorized as "Senior Supervisors," for which Embassy Kampala paid \$5.46 per hour. As a result, OIG determined that in May 2014, Embassy Kampala overpaid for A&E services by \$6,824.

When OIG presented this issue to Torres and the COR, the contractor concurred with the finding and, in conjunction with OIG, reviewed all invoices submitted over the life of the contract. The review determined that the error was systemic and mistakes related to A&E service rates occurred on a total of seven invoices from December 2013 through June 2014. According to Torres, these mistakes were caused by changes in invoicing personnel and a lack of familiarity with invoicing procedures during the contract's base year. In total, OIG, in conjunction with Torres, determined that Embassy Kampala overpaid for A&E services by \$11,705³⁷ between December 2013 and June 2014.

Recommendation 5: OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, recover the \$11,705 in unallowable costs that OIG, in conjunction with Torres Advanced Enterprise Solutions, LLC, identified as a result of the review of invoices for the Embassy Kampala local guard force contract (SAQMMA13C0130). Both Torres and OIG confirmed that these unallowable costs resulted from Torres overcharging for additional and emergency services between December 2013 and June 2014.

OIG Response: OIG considers this recommendation closed. To correct the overcharge of \$11,705 for additional and emergency services incurred between December 2013 and June 2014, Torres Advanced Enterprise Solutions, LLC, issued an equitable adjustment in the form of an \$11,705 self-deduction on the March 2017 invoice for contract SAQMMA13C0130. Therefore, these funds were recovered.

Embassy Lima

OIG selected and reviewed 13 invoices associated with the Embassy Lima LGF contract³⁸ awarded to Torres (SAQMMA12C0103) and identified a total of \$17,082 in questioned costs, including at least \$16,496 in unsupported costs and \$586 in unallowable costs associated with 10 of the 13 invoices tested (77 percent).³⁹ The unsupported costs occurred because contractor

³⁷ This includes the \$6,824 overpayment that OIG initially identified on the May 2014 invoice.

³⁸ As the majority of LGF invoice charges for SAQMMA12C0103 were associated with services provided at Embassy Lima, OIG refers only to Embassy Lima throughout this report. However, the audit work performed also included small invoice values associated with other Mission Peru sites, such as Consulate General Cusco, Tingo Maria, Pucallpa, and Iquitos.

³⁹ Timesheets associated with contract SAQMMA12C0103 were submitted for each guard individually; however, the timesheets did not specify the labor category, each of which is invoiced at a different fixed hourly rate. As a result, OIG calculated the unsupported costs using the standard service rate for the "Guard" labor category, which represents the lowest potential cost to the U.S. Government.

personnel and the COR were unable to provide individual timesheets to support the number of hours invoiced or because the provided timesheets contained fewer hours than were invoiced. In total, OIG was unable to verify 5,744 of 495,219 hours invoiced (1.17 percent), which resulted in at least \$16,496 in unsupported costs. Table 5 summarizes the number of hours Torres invoiced that OIG could not verify because of missing or incorrect timesheets.

Table 5: Unsupported Costs for Contract SAQMMA12C0103

Invoice Number	Number of Hours Invoiced	Number of Hours Contained in Timesheets	Unverified Hours	Percentage of Hours Unverified	Unsupported Costs Associated with Unverified Hours
4130-03	46,596	47,342 ^a	0	0	\$0
4130-08R	47,544	47,726 ^a	0	0	0
4130-16	49,671	46,500	3,171	6.38	9,046
4130-20	48,892	47,370	1,522	3.11	4,342
001-000095	40,098	39,688	410	1.02	1,175
001-000104	49,594	49,846 ^a	0	0	0
001-000160	7,557	7,245	312	4.13	894
001-000170	48,983	48,969	14	0.03	40
001-000228	9,920	9,828	92	3.30	265
4130-48R1	49,676	49,663	25	0.05	72
001-000393	7,837	7,885 ^a	0	0	0
001-000394	39,494	39,640 ^a	0	0	0
001-000410	49,357	49,129	228	0.46	661
Total	495,219	490,831	5,774^b	1.17	\$16,496

^a OIG determined that while the number of hours contained in timesheets is greater than the number of hours invoiced, the difference does not constitute unsupported or unallowable costs, as Torres invoiced less hours than worked by the Mission Peru LGF.

^b Total number of unverified hours is not the difference between the total number of hours invoiced and the total number of hours contained in the timesheets due to five timesheets containing a greater number of hours than invoiced hours.

Source: Generated by OIG based on analysis of invoices and timesheets provided by the COR.

The unallowable costs, totaling \$586, occurred because Torres invoiced 216 hours on holidays, including U.S. holidays such as New Year's Day, Martin Luther King, Jr. Day, President's Day, Independence Day, as well as Peruvian holidays, for positions that should not have been manned on holidays in accordance with the contract's Exhibit A, which the COR did not identify and question.

Recommendation 6: OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, (a) determine whether the \$17,082 in questioned costs (consisting of \$16,496 in unsupported costs and \$586 in unallowable costs as listed in Table B.3 of Appendix B) identified during the review of invoices for the Embassy Lima Torres Advanced Enterprise Solutions, LLC, local guard force contract (SAQMMA12C0103) are supported and allowable, and (b) recover any costs determined to be unsupported or unallowable.

Management Response: A/LM concurred with the recommendation, stating that it will work with the COR, DS, and the contractor to make a determination on the identified questioned costs.

OIG Reply: Based on A/LM's concurrence with the recommendation and planned actions, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that A/LM identified and took appropriate action to recover all costs that were unsupported and disallowed.

Embassy Panama City

OIG selected and reviewed eight invoices associated with the Embassy Panama City LGF contract awarded to Torres (SAQMMA13C033) and identified a total of \$22,687 in questioned costs, including at least \$19,381 in unsupported costs and \$3,306 in unallowable costs associated with seven of the eight invoices tested (88 percent). The unsupported costs occurred because contractor personnel and the COR were unable to provide individual timesheets to support the number of hours invoiced or because the provided timesheets contained fewer hours than were invoiced.⁴⁰ In total, OIG was unable to verify 2,168 of 131,067 hours invoiced (1.65 percent), which resulted in \$19,381 in unsupported costs. Table 6 summarizes the number of hours Torres invoiced that OIG could not verify because of missing or incorrect timesheets.

Table 6: Unsupported Costs for Contract SAQMMA13C0033

Invoice Number	Number of Hours Invoiced	Number of Hours Contained in Timesheets	Unverified Hours	Percentage of Hours Unverified	Unsupported Costs Associated with Unverified Hours
4170-01	16,263	16,570 ^a	0	0	\$0
4170-06	16,500	16,500	0	0	0
4170-01	15,997	16,001 ^a	0	0	0
4170-06-R2	16,357	15,936	421	2.57	3,675
4170-13-R3	15,828	15,831	0	0	0
4170-23-R2	16,739	15,011	1,728	10.32	15,539
4170-25	16,394	16,385	9	0.05	88
4170-28	16,989	16,981	8	0.05	79
Total	131,067	129,215	2,166^b	1.65	\$19,381

^a OIG determined that while the number of hours contained in timesheets is greater than the number of hours invoiced, the difference does not constitute unsupported or unallowable costs, as Torres invoiced fewer hours than were worked by the Embassy Panama City LGF.

^b The total number of unverified hours is not the difference between the total number of hours invoiced and the total number of hours contained in the timesheets because two timesheets contained more hours than were invoiced.

Source: Generated by OIG based on analysis of invoices and timesheets provided by the COR.

⁴⁰ Timesheets associated with contract SAQMMA13C0033 were submitted for each guard individually; however, the timesheets did not specify the labor category, each of which is invoiced at a different fixed hourly rate. As a result, OIG calculated the unsupported costs using the standard service rate for the "Guard" labor category, which represents the lowest potential cost to the U.S. Government.

The unallowable costs, totaling \$3,306, occurred because Torres invoiced 294 hours on holidays (including U.S. holidays such as Memorial Day and Columbus Day, as well as Panamanian holidays) for positions that should not have been staffed on holidays, in accordance with the contract's Exhibit A, which the COR did not identify and question.

Recommendation 7: OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, (a) determine whether the \$22,687 in questioned costs (consisting of \$19,381 in unsupported costs and \$3,306 in unallowable costs as listed in Table B.4 of Appendix B) identified during the review of invoices for the Embassy Panama City Torres Advanced Enterprise Solutions, LLC, local guard force contract (SAQMMA13C0033) are supported and allowable, and (b) recover any costs determined to be unsupported or unallowable.

Management Response: A/LM concurred with the recommendation, stating that it will work with the COR, DS, and the contractor to make a determination on the identified questioned costs.

OIG Reply: Based on A/LM's concurrence with the recommendation and planned actions, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that A/LM identified and took appropriate action to recover all costs that were unsupported and disallowed.

RECOMMENDATIONS

Recommendation 1: OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, in coordination with the Bureau of Diplomatic Security, develop and implement a communications strategy including but not limited to ensuring that local guard force Contracting Officer's Representatives review and understand the contract requirements when assigned to that position. This communications strategy should underscore the critical importance of reviewing the contract for specific requirements, obtaining and reviewing required monthly supporting documentation related to local guard force invoices, and the timeframes associated with approving invoices.

Recommendation 2: OIG recommends that the Bureau of Diplomatic Security revise the Contracting Officer's Representative Checklist to include additional elements of invoice review. Specifically, the Bureau of Diplomatic Security should require Contracting Officer's Representatives to review timesheets to ensure that the total number of hours invoiced are reflected on the individual timesheets and should require Contracting Officer's Representatives to review all contract line item numbers associated with other direct costs to ensure that reimbursable goods and services invoiced were received.

Recommendation 3: OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, (a) determine whether the \$26,744 in questioned costs (all of which was considered unsupported as listed in Table B.1 of Appendix B) identified during the review of invoices for the Embassy Islamabad Torres Advanced Enterprise Solutions, LLC, local guard force contract (SAQMMA12C0109) are supported, and (b) recover any costs determined to be unsupported.

Recommendation 4: OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, (a) determine whether the \$40,277 in questioned costs (all of which was considered unsupported as listed in Table B.2 of Appendix B) identified during the review of invoices for the Embassy Kampala Torres Advanced Enterprise Solutions, LLC, local guard force contract (SAQMMA13C0130) are supported, and (b) recover any costs determined to be unsupported.

Recommendation 5: OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, recover the \$11,705 in unallowable costs that OIG, in conjunction with Torres Advanced Enterprise Solutions, LLC, identified as a result of the review of invoices for the Embassy Kampala local guard force contract (SAQMMA13C0130). Both Torres and OIG confirmed that these unallowable costs resulted from Torres overcharging for additional and emergency services between December 2013 and June 2014.

Recommendation 6: OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, (a) determine whether the \$17,082 in questioned costs (consisting of \$16,496 in unsupported costs and \$586 in unallowable costs as listed in Table B.3 of Appendix B) identified during the review of invoices for the Embassy Lima Torres Advanced Enterprise Solutions, LLC, local guard force contract (SAQMMA12C0103) are

supported and allowable, and (b) recover any costs determined to be unsupported or unallowable.

Recommendation 7: OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, (a) determine whether the \$22,687 in questioned costs (consisting of \$19,381 in unsupported costs and \$3,306 in unallowable costs as listed in Table B.4 of Appendix B) identified during the review of invoices for the Embassy Panama City Torres Advanced Enterprise Solutions, LLC, local guard force contract (SAQMMA13C0033) are supported and allowable, and (b) recover any costs determined to be unsupported or unallowable.

APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

The Office of Inspector General (OIG) conducted this audit to determine whether the Department of State (Department) approved invoices that contained unsupported or unallowable costs submitted by Torres Advanced Enterprise Solutions, LLC (Torres), for select local guard force (LGF) contracts.

OIG conducted this audit from November 2016 to June 2017. Audit work was performed in the Washington, DC, metropolitan area, Embassy Panama City (Panama), Embassy Lima (Peru), and Embassy Kampala (Uganda). OIG also conducted audit work related to Embassy Islamabad (Pakistan); however, the work was completed remotely from the Washington, DC, metropolitan area, with limited assistance from OIG personnel stationed at Embassy Islamabad. OIG conducted this performance audit in accordance with generally accepted Government auditing standards. These standards require that 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. OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions presented in this report.

To obtain background information for this audit, OIG researched and reviewed Federal laws and regulations, as well as Department policies and procedures. Specifically, OIG reviewed the Federal Acquisition Regulation, the Foreign Affairs Manual, the Foreign Affairs Handbook, the Department of State Acquisition Regulation, and applicable Procurement Information Bulletins. In addition, to obtain an understanding of the selected LGF contracts, oversight requirements, and invoice submission and review processes and procedures, OIG met with Bureau of Diplomatic Security officials, Contracting Officers, Contracting Officer's Representatives (COR), and Torres representatives.

To determine whether the Department approved invoices that contained unsupported or unallowable costs submitted by Torres, OIG reviewed and analyzed Torres LGF contracts SAQMMA12C0109 (Mission Pakistan), SAQMMA13C0130 (Mission Uganda), SAQMMA12C0103 (Mission Peru), and SAQMMA13C0033 (Mission Panama), contract modifications, selected invoices, applicable supporting documentation, and COR files. Specifically, OIG tested a non-statistical sample of invoices associated with each contract to determine the accuracy and completeness of supporting documentation. This review included an independent calculation of the number of hours and the amount charged for each guard post that OIG included in its review (see the Detailed Sampling Methodology section for details related to contract and invoice selection, as well as tests performed).

Prior Reports

OIG reviewed prior audits to identify previously reported information related to LGF contract invoice review processes and procedures. An April 2016 audit¹ was conducted, in part, to

¹ OIG, *Audit of Local Guard Force Contractors at Critical- and High-Threat Posts* (AUD-SI-16-33, April 2016).

determine whether LGF contractors at select critical- and high-threat overseas posts provided invoices that complied with contract requirements. OIG reported three of four LGF contractors properly submitted invoices that included appropriate supporting documentation. However, one LGF contractor did not adhere to the contractually required invoice format or to the schedule for submitting invoices. OIG recommended that the COR formally notify the contractor that invoices must be submitted in accordance with contract terms and conditions; otherwise, they will be rejected. Based on the response to the draft report, this recommendation was implemented and closed in April 2016.

A March 2016 audit² was conducted to determine the extent to which the Department's invoice review and approval procedures were effective for ensuring the accuracy and completeness of costs. OIG reported the Bureau of Diplomatic Security did not have a sufficient process to review and approve world protective services invoices. Specifically, the Bureau of Diplomatic Security did not have documented procedures for the COR to follow when reviewing and approving invoices. Additionally, the Bureau of Diplomatic Security did not provide training to CORs on how to perform an in-depth review of world protective services invoices. OIG questioned \$10.8 million in approved invoice costs, including \$807,507 in costs considered unallowable based on the contract terms, applicable laws, or regulations, and \$10 million in costs not adequately supported in accordance with the contract terms. OIG made a series of recommendations to review costs, recoup any costs found to be unallowable or unsupported, and improve the Department's invoice review guidance. As of July 2016, two recommendation are resolved, pending further action, and one recommendation has been closed.

A February 2016 audit³ was conducted, in part, to determine the extent to which the Department appropriately reviewed and approved invoices. OIG reported the COR approved invoices containing unsupported and unallowable costs because he relied on desk officers' review of invoices and supporting documentation, despite the fact that these individuals only reviewed between 10 and 20 percent of the supporting documentation due to time constraints. OIG questioned nearly \$7.2 million paid on 193 invoices, including \$6.5 million in unsupported costs and \$652,060 in unallowable costs. OIG made a series of recommendations to review costs, recoup any costs found to be unallowable or unsupported, and improve invoice review. As of July 2016, three recommendations are considered resolved, pending further action, and one recommendation has been closed.

An October 2014 audit⁴ was conducted, in part, to determine whether invoice review and approval procedures were in place to ensure accuracy and completeness of costs. OIG reported the COR approved invoices containing unallowable and unsupported costs without adequately verifying the contractor's invoices with supporting documentation. When this particular audit

² OIG, *Audit of Bureau of Diplomatic Security Worldwide Protective Services Contract Task Order 8, Security Services at U.S. Consulate Erbil* (AUD-MERO-16-30, March 2016).

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

⁴ OIG, *Audit of Bureau of Diplomatic Security Worldwide Protective Services Contract Task Order 10 – Kabul Embassy Security Force* (AUD-MERO-15-03, October 2014).

was conducted, written guidance and standard operating procedures for invoice reviews focused on required invoice elements but did not address an in-depth review of invoices and supporting documentation. OIG questioned \$8,642,485 paid on 57 invoices, including \$1,726,155 in costs that may have been unallowable by the contract, and \$6,916,330 in costs that were not supported in accordance with contract requirements. OIG made a series of recommendations to review costs, recoup any costs found to be unallowable or unsupported, and improve invoice review. As of July 2016, two recommendations were considered resolved, pending further action, and three recommendations have been closed.

Work Related to Internal Controls

OIG performed steps to assess the adequacy of internal controls related to the management and oversight of selected LGF contracts, including reviewing policies, procedures, and processes applicable to the areas audited. OIG gained an understanding of the process for reviewing invoices and tested the controls to ensure that the Department approved only allowable and supportable expenditures. OIG summarized internal control deficiencies and weaknesses identified in the Audit Results section of this report.

Use of Computer-Processed Data

OIG used data obtained from non-automated sources provided by the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management to identify the universe of Torres LGF contracts. To assess the completeness of the universe, OIG accessed the Federal Procurement Data System-Next Generation⁵ to identify all current LGF contracts awarded to Torres by the Department as of June 30, 2016. OIG compared both data sets and found no material differences. Therefore, OIG considered the data sufficiently reliable.

Additionally, OIG obtained data from non-automated sources provided by Embassies Islamabad, Kampala, Lima, and Panama City to identify the universe of Torres invoices for the four selected LGF contracts. To assess the completeness of the universe, OIG tested the information provided to determine whether any invoices were missing, whether invoices were within the contracts' performance periods, whether invoices were submitted within reasonable timeframes, whether the information included duplicate invoice submissions, and whether invoice totals seemed unreasonable. OIG concluded that the universe obtained from Embassies Islamabad, Kampala, Lima, and Panama City was complete and adequate to execute OIG testing and support of the conclusions made in this report. Embassies Islamabad, Kampala, Lima, and Panama City also provided the cost-support documentation for the sampled invoices, which supplied the dollar values for the findings and recommendations detailed in the Audit Results section of this report. OIG considered invoice data received from Embassies Islamabad, Kampala, Lima, and Panama City as data sufficiently reliable to support the conclusions in this report.

⁵ The Federal Procurement Data System-Next Generation is an automated system used to collect and report on federal procurement spending.

Detailed Sampling Methodology

OIG's objective was to select a group of active LGF contracts awarded to Torres. From the universe of invoices, OIG selected a target of 35 invoices associated with the four selected LGF contracts to find evidence to support the audit objective.

Contract Selection Methodology

Using specific criteria, OIG scoped the universe down to a group of four Torres LGF contracts. These four contracts came from the universe of 12 current LGF contracts awarded to Torres as of June 30, 2016. OIG reviewed the overall contract values of the 12 Torres LGF contracts and selected 4 contracts based on higher overall contract value, considering geographical location. Details of the Torres LGF contracts are shown in Table A.1.

Table A.1: Torres Advanced Enterprise Solutions, LLC, Local Guard Force Contracts – Audit Universe and Selected Contracts

Mission	Contract Number	Contract Value as of June 30, 2016
Pakistan	SAQMMA12C0109*	\$81,399,560
Uganda	SAQMMA13C0130*	21,283,497
Mozambique	SAQMMA12C0086	16,193,090
Peru	SAQMMA12C0103*	15,156,913
Argentina	SAQMMA13C0043	14,517,697
Zambia	SAQMMA12C0021	11,840,302
Panama	SAQMMA13C0033*	11,528,704
Amman	SAQMMA12C0107	10,464,902
Burundi	SAQMMA10C0186	6,338,762
Slovakia	SAQMMA10C0279	5,002,177
Paraguay	SAQMMA12C0008	4,887,778
Netherlands Antilles	SAQMMA12C0113	2,399,192

* Contract selected for review.

Source: Generated by OIG based on analysis of contract data provided by the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management.

Invoice Selection Methodology

For the four selected contracts (SAQMMA12C0109, SAQMMA13C0130, SAQMMA12C0103, and SAQMMA13C0033), OIG selected 35 invoices, valued at \$11,193,655, using specific criteria, from a total of 173 vouchers associated with these contracts.⁶ The 173 vouchers were paid over the life of each selected contract from award through September 30, 2016.

⁶ CORs at Embassies Islamabad, Kampala, Lima, and Panama City provided OIG with a list of voucher payments made to Torres from contract award through September 30, 2016. Using specified criteria, OIG selected a sample of vouchers associated with each contract and obtained the corresponding invoice documentation related to each voucher payment. In some cases, a single voucher payment was made for multiple invoices.

For the 35 chosen invoices, OIG reviewed the invoice packages to determine whether the Department approved invoices that contained unsupported or unallowable costs submitted by Torres for four LGF contracts. Additionally, OIG reviewed the invoice packages to determine whether the selected invoices complied with contract terms and conditions, and whether the COR responsible took necessary steps to mitigate any deficiencies identified.

Identification of the Universe Associated with Contract SAQMMA12C0109 (Embassy Islamabad)

Contract SAQMMA12C0109 performance began on July 1, 2012, and as of September 30, 2016, OIG identified 50 vouchers submitted by Torres, totaling \$62,726,929.

Selection of Invoices Associated with Contract SAQMMA12C0109

OIG selected a target of five invoices for review, using specified criteria. In particular, OIG selected the highest dollar invoice from the base year and each option year of the contract. The five invoices selected for review totaled approximately \$6,680,597; however, OIG excluded labor charges associated with U.S. Consulates General Karachi, Lahore, and Peshawar, but included other direct costs charges that related to Mission Pakistan to include Embassy Islamabad. Therefore, the total value of invoices tested for Embassy Islamabad was \$4,426,367. The results of the review are presented in the Audit Results section of this report. The five selected invoices are shown in Table A.2.

Table A.2: Invoice Selection Associated with Contract SAQMMA12C0109

Invoice Number	Period of Performance Invoiced	Overall Invoice Value	Embassy Islamabad Invoice Value
4160-02-R2	August 1 – 31, 2012	\$1,215,578	\$762,389
4160-14R	August 1 – 31, 2013	1,311,735	847,515
4160-26	July 1 – 31, 2014	1,337,033	876,170
4160-38	July 1 – 31, 2015	1,340,734	910,614
4160-51	August 1 – 31, 2016	1,475,516	1,029,679
Total		\$6,680,597	\$4,426,367

Source: Generated by OIG based on data provided by the COR.

Identification of the Universe Associated with Contract SAQMMA13C0130 (Embassy Kampala)

Contract SAQMMA13C0130 performance began on October 15, 2013, and as of September 30, 2016, OIG identified 34 vouchers submitted by Torres, totaling \$12,285,374.

Selection of Invoices Associated with Contract SAQMMA13C0130

OIG selected a target of nine invoices for review, using specified criteria. In particular, OIG selected the highest dollar invoices from the base year and each option year of the contract. The nine invoices selected for review totaled approximately \$3,138,136. The results of the review are

presented in the Audit Results section of this report. The nine selected invoices are shown in Table A.3.

Table A.3: Invoice Selection Associated with Contract SAQMMA13C0130

Invoice Number	Period of Performance Invoiced	Invoice Value
4190-01-R1	October 15 – 31, 2013	\$713,861
4190-08	May 1 – 31, 2014	374,065
4190-13	October 1 – 14, 2014	157,845
4190-14-R1	October 14 – 31, 2014	352,181
4190-19	March 1 – 31, 2015	289,645
4190-20	April 1 – 30, 2015	277,385
4190-24	August 1 – 31, 2015	295,230
4190-28	November 1 – 30, 2015	322,373
4190-37	August 1 – 31, 2016	355,550
Total		\$3,138,136

Source: Generated by OIG based on data provided by the COR.

Identification of the Universe Associated with Contract SAQMMA12C0103 (Embassy Lima)

Contract SAQMMA12C0103 performance began on July 1, 2012, and as of September 30, 2016, OIG identified 48 vouchers submitted by Torres, totaling \$9,521,810.

Selection of Invoices Associated with Contract SAQMMA13C0103

OIG selected a target of 13 invoices for review, using specified criteria. In particular, OIG selected the 10 highest dollar invoices from the base year and each option year of the contract. In addition, OIG selected three invoices because the invoices were small dollar values and for a 6 day period of performance.⁷ The 13 invoices selected for review totaled \$2,029,900. The results of the review are presented in the Audit Results section of this report. The 13 selected invoices are shown in Table A.4.

Table A.4: Invoice Selection Associated with Contract SAQMMA12C0103

Invoice Number	Period of Performance Invoiced	Invoice Value in Peruvian Sols ^a	Invoice Value Paid in U.S. Dollars ^b
4130-03	August 26 – September 25, 2012	563,554	\$221,002
4130-08R	January 26 – February 25, 2013	638,183	245,455
4130-16	August 26 – September 25, 2013	588,801	210,286
4130-20	December 26, 2013 – January 24, 2014	578,345	208,789
001-000095	July 1 – 25, 2014	486,505	170,107

⁷ Officials explained that this occurred because of the difference in the period of performance and the invoice period.

Invoice Number	Period of Performance Invoiced	Invoice Value in Peruvian Sols ^a	Invoice Value Paid in U.S. Dollars ^b
001-000104	August 26 – September 24, 2014	593,917	204,799
001-000160	June 25 – 30, 2015	83,206	25,986
001-000170	July 26 – August 25, 2015	587,291	180,151
001-000228	October 26 – 31, 2015	111,826	32,441
4130-48R1	January 26 – February 25, 2016	595,068	182,817
001-000393	June 25 – 30, 2016	87,686	25,912
001-000394	July 1 – 25, 2016	508,357	144,797
001-000410	July 26 – August 25, 2016	597,169	177,359
Total		6,019,908	\$2,029,901*
		Peruvian Sols	

^a Monetary values associated with contract SAQMMA13C0103 are invoiced in Peruvian Sols.

^b Monetary values associated with contract SAQMMA13C0103 are paid in U.S. Dollars.

* Difference is due to rounding.

Source: Generated by OIG based on data provided by the COR.

Identification of the Universe Associated with Contract SAQMMA12C0033 (Embassy Panama City)

Contract SAQMMA12C0033 performance began on May 1, 2013, and as of September 30, 2016, OIG identified 41 vouchers submitted by Torres, totaling \$6,997,184.

Selection of Invoices Associated with Contract SAQMMA12C0033

OIG selected a target of eight invoices for review, using specified criteria. In particular, OIG selected the highest dollar invoices from the base year and each option year of the contract. The eight invoices selected for review totaled approximately \$1,599,252. The results of the review are presented in the Audit Results section of this report. The eight selected invoices are shown in Table A.5.

Table A.5: Invoice Selection Associated with Contract SAQMMA12C0103

Invoice Number	Period of Performance Invoiced	Invoice Value
4170-01	May 1 – 31, 2013	\$277,290
4170-06	October 1 – 31, 2013	172,190
4170-01	May 1 – 31, 2014	204,518
4170-06-R2	October 1 – 31, 2014	167,615
4170-13-R3	May 1 – 31, 2015	203,250
4170-23-R2	March 1 – 31, 2016	173,661
4170-25	May 1 – 31, 2016	218,163
4170-28	August 1 – 31, 2016	182,565
Total		\$1,599,252

Source: Generated by OIG based on data provided by the COR.

APPENDIX B: QUESTIONED COSTS IDENTIFIED DURING THE AUDIT

The Office of Inspector General (OIG) summarized weaknesses identified during its invoice reviews in the Audit Results section of this report. Tables B.1 through B.4 provide details related to the questioned costs identified during invoice testing.

Table B.1: Questioned Costs Associated for Contract SAQMMA12C0109 (Embassy Islamabad)

Invoice Number	Unsupported Costs	Unallowable Costs	Total Questioned Costs
4160-02-R2	\$1,451	\$0	\$1,451
4160-14R	17,330	0	17,330
4160-26	1,593	0	1,593
4160-38	1,811	0	1,811
4160-51	4,560	0	4,560
Total	\$26,745*	\$0	\$26,744

* Difference is due to rounding

Source: Generated by OIG based on the results of invoice testing.

Table B.2: Questioned Costs for Contract SAQMMA13C0130 (Embassy Kampala)

Invoice Number	Unsupported Costs	Unallowable Costs	Total Questioned Costs
4190-01-R1	\$1,950	\$0	\$1,950
4190-08	0	6,824	6,824
4190-13	0	0	0
4190-14-R1	99	0	99
4190-19	5,940	0	5,940
4190-20	416	0	416
4190-24	438	0	438
4190-28	16,322	0	16,322
4190-37	15,112	0	15,112
Total	\$40,277	\$6,824	\$47,101

Source: Generated by OIG based on the results of invoice testing.

Table B.3: Questioned Costs for Contract SAQMMA12C0103 (Embassy Lima)

Invoice Number	Unsupported Costs	Unallowable Costs	Total Questioned Costs
4130-03	\$0	0	\$0
4130-08R	0	0	0
4130-16	9,046	0	9,046
4130-20	4,342	165	4,507
001-000095	1,175	69	1,244
001-000104	0	0	0
001-000160	894	40	934
001-000170	40	0	40
001-000228	265	0	265
4130-48R1	72	69	141
001-000393	0	69	69
001-000394	0	69	69
001-000410	661	104	765
Total	\$16,496	\$586	\$17,082

Source: Generated by OIG based on the results of invoice testing.

Table B.4: Questioned Costs for Contract SAQMMA13C0033 (Embassy Panama City)

Invoice Number	Unsupported Costs	Unallowable Costs	Total Questioned Costs
4170-01	\$0	\$1,266	\$1,266
4170-06	0	1,538	1,538
4170-01	0	227	227
4170-06-R2	3,675	275	3,950
4170-13-R3	0	0	\$0
4170-23-R2	15,539	0	15,539
4170-25	88	0	88
4170-28	79	0	79
Total	\$19,381	\$3,306	\$22,687

Source: Generated by OIG based on the results of invoice testing.

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



United States Department of State


Washington, D.C. 20520

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September 13, 2017

MEMORANDUM

TO: OIG/AUD – Norman Brown

FROM: A/LM – Jennifer A. McIntyre 

SUBJECT: *Draft Report on Audit of Invoices Submitted by Torres Advanced Enterprise Solutions, LLC, for Select Local Guard Force Contracts (AUD-CGI-17-XX)*

Thank you for the opportunity to provide comments and an initial management response to the subject audit report.

Comments:

- In order to avoid significant duplication of effort to recreate the audit team analysis we hereby request additional supporting documentation from the Office of Inspector General (OIG). At minimum, the following information is requested in Microsoft Excel format, if possible, for each audited contract: invoice number, post number, employee name, and date of questioned cost. As discussed at the Exit Conference this information is available from the audit team's records. This detailed information is critical for the Contracting Officer (CO) and Contracting Officer Representative (COR) to expeditiously address the concerns of the OIG and to meet the intent of Recommendations 3, 4, 6, and 7.

In support of the above request, A/LM notes that Tables 2 through 6 in the report and Appendix B summarize the OIG's questioned costs and information such as contract number, invoice number, summary hours invoiced, summary hours contained in timesheets, summary unverified hours, and summary dollar figures for questioned costs. As discussed at the Exit Conference the local guard contract invoices are not only highly detailed but voluminous. In order for the CO and COR to identify, for example, where the \$40.00 in questioned costs is derived from within invoice 001-000170 under contract SAQMMA12C0103, the CO and COR will need to engage in an exhaustive, detailed analysis merely to reproduce

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the result of the audit. Any assistance to mitigate this significant strain on A/LM and Bureau of Diplomatic Security resources is greatly appreciated.

Management Response to Draft Report:

Recommendation 1: OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, in coordination with the Bureau of Diplomatic Security, develop and implement a communications strategy to ensure local guard force Contracting Officer's Representatives review and understand the contract requirements when assigned to that position.

Management Response (09/13/2017): The Office of Acquisitions Management (AQM) concurs with the recommendation. AQM, in coordination with DS, will communicate to local guard program CORs directing them to review and be familiar with the requirements of their contract. AQM will seek to implement its communication strategy during First Quarter of Fiscal Year (FY) 2018.

Recommendation 3: OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, (a) determine whether the \$26,744 in questioned costs (all of which was considered unsupported as listed in Table B.1 of Appendix B) identified during the review of invoices for the Embassy Islamabad Torres Advanced Enterprise Solutions, LLC, local guard force contract (SAQMMA12C0109) are supported, and (b) recover any costs determined to be unsupported.

Management Response (09/13/2017): AQM concurs with the recommendation. AQM will work with the COR, DS and the contractor to make a determination on the identified questioned costs.

Recommendation 4: Recommendation 4: OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, (a) determine whether the \$40,277 in questioned costs (all of which was considered unsupported as listed in Table B.2 of Appendix B) identified during the review of invoices for the Embassy Kampala Torres Advanced Enterprise Solutions, LLC, local guard force contract (SAQMMA13C0130) are supported, and (b) recover any costs determined to be unsupported.

Management Response (09/13/2017): AQM concurs with the recommendation. AQM will work with the COR, DS and the contractor to make a determination on the identified questioned costs.

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Recommendation 6: Recommendation 6: OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, (a) determine whether the \$17,082 in questioned costs (consisting of \$16,496 in unsupported costs and \$586 in unallowable costs as listed in Table B.3 of Appendix B) identified during the review of invoices for the Embassy Lima Torres Advanced Enterprise Solutions, LLC, local guard force contract (SAQMMA12C0103) are supported and allowable, and (b) recover any costs determined to be unsupported or unallowable.

Management Response (09/13/2017): AQM concurs with the recommendation. AQM will work with the COR, DS and the contractor to make a determination on the identified questioned costs.

Recommendation 7: OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, (a) determine whether the \$22,687 in questioned costs (consisting of \$19,381 in unsupported costs and \$3,306 in unallowable costs as listed in Table B.4 of Appendix B) identified during the review of invoices for the Embassy Panama City Torres Advanced Enterprise Solutions, LLC, local guard force contract (SAQMMA13C0033) are supported and allowable, and (b) recover any costs determined to be unsupported or unallowable.

Management Response (09/13/2017): AQM concurs with the recommendation. AQM will work with the COR, DS and the contractor to make a determination on the identified questioned costs.

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APPENDIX D: BUREAU OF DIPLOMATIC SECURITY RESPONSE



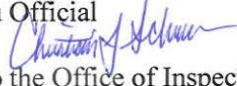
United States Department of State

Washington, D.C. 20520

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September 12, 2017

INFORMATION MEMO TO INSPECTOR GENERAL LINICK – OIG

FROM: DS – Christian J. Schurman, Senior Bureau Official 

SUBJECT: Bureau of Diplomatic Security Response to the Office of Inspector General (OIG) Audit of Invoices Submitted by Torres Advanced Enterprise Solutions, LLC, for Select Local Guard Force Contracts (AUD-CGI-17-XX), August 2017

Below is the DS response to recommendation 2 of the subject report.

Recommendation 2: OIG recommends that the Bureau of Diplomatic Security revise the Contracting Officer's Representative Checklist to include additional elements of invoice review. Specifically, the Bureau of Diplomatic Security should require Contracting Officer's Representatives to review timesheets to ensure that the total number of hours invoiced are reflected on the individual timesheets and should require Contracting Officer's Representatives to review all contract line item numbers associated with other direct costs to ensure that reimbursable goods and services invoiced were received.

DS Response (09/12/2017): The Office of Overseas Protective Operations (DS/IP/OPO) previously developed a Local Guard Program (LGP) Monthly Compliance Checklist to assist Regional Security Officers (RSOs) with oversight of their LGP. The checklist template is used for both a contract and personal services agreement (PSA) guard force. The checklist was revised to incorporate OIG Audit Recommendation 2. The instruction for checklist item number five now includes language that addresses elements of invoice review. RSOs will be advised of the new checklist through an RSO Security Management Console notification. Instructions for checklist item five now reads:

5. Ensure all required LGP documentation is completed and filed (e.g., invoices, timesheets, A&E request memos, COR letters, Incident Reports, firearms qualifications records, GEMS reports, inventory reports, etc.). The RSO and/or COR should review and validate LGP specific documentation and ensure that copies are provided to all appropriate offices (e.g., DS/IP/OPO) and personnel. Invoices and timesheets should be reviewed for accuracy and checked

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against the weekly guard schedule, A&E request memos, GEMS reports, etc. The COR should also review Section B of the guard contract to ensure vendor invoices include all supporting documents that address cost-reimbursable materials per contract line item number. Contract deliverables should be reviewed for completeness and accuracy and filed in the COR file. The RSO should attach any correspondence with the local guard contractor discussing corrective action for items referenced in this checklist.

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Approved: DS – Christian J. Schurman, *acting* () *CTJ*

Analyst: DS/MGT/PPD – M. Porter ext. 5-2734

Cleared: A – JRizzoli (ok)
M – JBucha (ok)
M/PRI – MSchild (ok)
DSS – WAshbery (ok)
DS/EX – W Terrini (ok)
DS/EX/MGT – J. Schools (ok)
DS/MGT/PPD – M. Scherger (ok)
DS/MGT/PPD (Policy) – L. Long (ok)
DS/IP – G. Hays, *acting* (ok)
DS/IP/OPO – D. Sabruno (ok)

ABBREVIATIONS

A&E	additional and emergency
A/LM	Bureau of Administration, Office of Logistics Management
A/LM/AQM	Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management
CO	Contracting Officer
COR	Contracting Officer's Representative
DS	Bureau of Diplomatic Security
FAH	Foreign Affairs Handbook
FAM	Foreign Affairs Manual
FAR	Federal Acquisition Regulation
LGF	local guard force
QACR	Quality Assurance and Compliance Report

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