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Office of Audits

June 2018

Audit of the Bureau of Diplomatic Security's Invoice Review Process for Worldwide Protective Services Contracts

MIDDLE EAST REGION OPERATIONS

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OFFICE OF AUDITS

Middle East Region Operations

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What OIG Found

DS followed Federal Acquisition Regulation requirements, Department guidance, and its own SOP in reviewing invoices. However, rather than review all supporting documentation associated with the corresponding invoices, DS Desk Officers sampled supporting documentation for cost reimbursable invoices. According to the DS Desk Officers, the primary reason that all supporting documentation was not being reviewed was the limited review time and the need to comply with the Prompt Payment Act. When OIG informed DS managers that sampling was being employed, they stated that sampling was not permitted. This prohibition is not, however, made explicit in the bureau's invoice review SOP. Although OIG found that DS's invoice review process demonstrated that at least a sample of supporting documentation was being reviewed, the use of such informal sampling increases the risk that unallowable or unsupported costs for high-dollar, high-risk invoices could go undetected.

With respect to the number of assigned staff members qualified to oversee the WPS contracts, OIG found that staffing shortfalls have affected DS's ability to perform effective invoice review and contractual oversight. Specifically, OIG found that the two DS offices charged with WPS contract oversight responsibilities had 26 percent fewer staff members than required as of November 2017. This was due, in part, to a Department-imposed hiring freeze in addition to staffing challenges that predate the hiring freeze. DS requested two waivers from the hiring freeze; however, its requests remained pending as of May 2018.

OIG also found that DS performed required oversight of contractor performance. Specifically, DS conducted Program Management Reviews and Post Assistance Visits between July 2014 and December 2017. However, OIG noted that DS had not developed standardized oversight reporting formats, which would be helpful in uniformly documenting contractor performance and further affirming that contract terms and conditions are being fulfilled.

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OIG HIGHLIGHTS

AUD-MERO-18-47

What OIG Audited

In Iraq and Afghanistan, the Bureau of Diplomatic Security (DS) oversees the Worldwide Protective Services (WPS) contracts that provide the Department of State (Department) with static guard security services, protective movement security services, emergency response teams, and explosive detection security services for diplomatic missions. The WPS contracts require the contractor to plan, manage, and provide these services. DS's WPS Division and Operational Support Division share invoice review and contract oversight responsibilities.

The Office of Inspector General (OIG) conducted this audit to determine: (1) whether DS is following Federal regulations, Department guidance, and its own standard operating procedures (SOP) when reviewing invoices under the WPS contracts for guard services in Iraq and Afghanistan; (2) whether DS assigned a sufficient number of qualified staff members to oversee the WPS contracts; and (3) the extent to which DS provided oversight of contractor performance. OIG reviewed 57 out of 1,189 invoices DS approved for the WPS contract Task Orders 10 and 12 between May 2016 and May 2017.

What OIG Recommends

OIG made four recommendations that are intended to improve DS's invoice review and associated contract oversight activity. DS agreed with all four recommendations offered, and OIG considers each recommendation resolved pending further action. A synopsis of DS's response to the recommendations offered and OIG's reply follow each recommendation in the Audit Results section of this report. DS's response to a draft of this report is reprinted in Appendix B.

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OBJECTIVE

The Office of Inspector General (OIG) conducted this audit to determine: (1) whether the Bureau of Diplomatic Security (DS) is following Federal regulations, Department of State (Department) guidance, and its own standard operating procedures (SOP) when reviewing invoices under the Worldwide Protective Services (WPS) contracts for guard services in Iraq and Afghanistan; (2) whether DS assigned a sufficient number of qualified staff members to oversee the WPS contracts; and (3) the extent to which DS provided oversight of contractor performance. (See Appendix A for the purpose, scope, and methodology of this audit).

This is the fourth in a series of audit reports assessing the invoice review processes and procedures used to support overseas contingency operations in the Department. In March 2017, OIG issued a report on the Bureau of Near Eastern Affairs invoice review policies and procedures for its contracts in Iraq.¹ In June 2017, OIG issued a report on the Bureau of South and Central Asian Affairs invoice review policies and procedures for its Afghanistan Life Support Services contract.² In February 2018, OIG issued a report on the Bureau of International Narcotics and Law Enforcement Affairs invoice review policies and procedures for its contracts in Afghanistan.³

BACKGROUND

DS is the Department's law enforcement arm, and its primary role is to provide a safe and secure environment for the conduct of U.S. foreign policy. DS develops and implements the security programs that protect personnel who work at U.S. diplomatic missions around the world. The WPS contracts provide static guard security services, protective movement security services, and other specialized emergency services, primarily for diplomatic missions that are in high-threat areas. The first WPS contract was a multi-billion dollar, indefinite-delivery/indefinite-quantity contract awarded in September 2010 to eight contractors. DS awarded a follow-on contract, referred to as WPS II, in February 2016. The WPS II contract is also a multi-billion dollar, indefinite-delivery/indefinite-quantity contract that was awarded to seven contractors. As of December 2017, both the WPS and WPS II contracts were active because DS was working to fully transition from the first WPS contract to WPS II.⁴

The WPS contracts require the contractor to plan, manage, and provide static guard security services, protective movement security services, emergency response teams, and explosive

¹ Department of State OIG, *Aspects of the Invoice Review Process Used by the Bureau of Near Eastern Affairs To Support Contingency Operations in Iraq Need Improvement*, 2 (AUD-MERO-17-33, March 2017).

² Department of State OIG, *Audit of the Bureau of South and Central Affairs Invoice Review Process for the Afghanistan Life Support Services Contract*, 2 (AUD-MERO-17-47, June 2017).

³ Department of State OIG, *Audit of the Bureau of International Narcotics and Law Enforcement Affairs Invoice Review Process for Contracts in Afghanistan*, 2 (AUD-MERO-18-30, February 2018).

⁴ One of the task orders that has transitioned from the first WPS contract is Task Order 10. That task order ended in December 2017; under WPS II, it has been divided into two task orders, one for static security and one for movement security. Both task orders were awarded to Aegis Defense Services.

detection security services. The contractor is also required to plan, manage, and provide logistics support services for its employees when needed.

For this audit, OIG reviewed invoices associated with the first WPS contract Task Orders 10 and 12. Task Order 10 was awarded to Aegis Defense Services⁵ in July 2011 for static guard services for U.S. Embassy Kabul, Afghanistan, and other diplomatic facilities around the city. It had a total value of \$1.3 billion for a transition period, a base year, four 1-year option periods, and one 6-month extension ending December 2017. Task Order 12 was awarded to Triple Canopy, Inc. in September 2013 for security, logistical, and support services at the U.S. Consulate Basrah, Iraq. It has a total value of \$378.1 million for a base year and four 1-year option periods. After a lengthy protest period, a modification to the contract revised the periods of performance. This task order is currently in its third option year, covering the period April 16, 2018, through April 15, 2019.

Contract Management and Oversight Responsibilities

The Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM) is responsible for awarding and administering the WPS contracts and task orders. The Department's Foreign Affairs Handbook (FAH) states that the Contracting Officer (CO) is the U.S. Government's sole authorized agent with the authority to solicit proposals and negotiate, award, administer, modify, or terminate contracts.⁶ 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 relationships.⁷ The WPS CO appoints additional contracting officers to oversee individual task orders, including Task Orders 10 and 12.

Within DS, the Office of Overseas Protective Operations (OPO) is responsible for implementing the WPS program, including providing management, oversight, operational guidance, funding, and nominating of Contracting Officer's Representatives (COR). A CO may delegate specific authorities to the CORs and is responsible for ensuring that the CORs are exercising their delegated authorities and maintaining records that support the administration of the contract. The CORs are responsible for task order oversight, including inspecting and accepting contract services, providing technical advice to the contractor, monitoring the contractor's performance, and reviewing invoices. CORs are required to have Federal Acquisition Certification and maintain their qualifications through continuing education courses.

The WPS CO appointed the DS/OPO/WPS Division Chief, located in Virginia, as the COR for the WPS contract. The Task Order 10 and 12 COs may in turn delegate specific authorities to one or more technically qualified persons to serve as CORs for those task orders. For WPS task orders 10 and 12, DS has two CORs on each task order. For these task orders, one COR is located in Virginia and the other in the country where guard services are being provided—Afghanistan and

⁵ Aegis Defense Services was subsequently acquired by GardaWorld Federal Services.

⁶ 14 FAH-2 H-141 a, "Roles and Responsibilities in the Contracting Process" ("Responsibilities of the Contracting Officer") (August 24, 2017).

⁷ FAR, "Career Development, Contracting Authority, and Responsibilities," Subpart 1.602-2 ("Responsibilities").

Iraq, respectively. In addition, Desk Officers and Acquisition Management Analysts (AMA) at OPO headquarters in Virginia assist the CORs with reviewing invoices, contract oversight, and program management.

Federal Regulations and Department Guidance Regarding Invoice Reviews

The Federal Acquisition Regulation (FAR), the Department's Foreign Affairs Manual (FAM) and FAH, and the DS-issued SOP establish guidance for reviewing WPS invoices and determining whether an invoiced cost is allowable.

Federal Acquisition Regulation

FAR Subpart 32.905 states that payment will be based on receipt of a proper invoice and satisfactory contract performance. Specifically, a proper invoice must include the following elements:

- Name and address of the contractor.
- Invoice date and invoice number. (Contractors should date invoices as close as possible to the date of mailing or transmission.)
- Contract number or other authorization for supplies delivered or services performed (including order number and contract line item number).
- Description, quantity, unit of measure, unit price, and extended price of supplies delivered or services performed.
- Shipping and payment terms (for example, shipment number and date of shipment and discount for prompt payment terms). Bill of lading number and weight of shipment will be shown for shipments on Government bills of lading.
- Name and address of contractor official to whom payment is to be sent (must be the same as that in the contract or in a proper notice of assignment).
- Name, title, telephone number, and mailing address of person to notify in the event of a defective invoice.
- Contractor's taxpayer identification number (only if required by agency procedures).
- Electronic funds transfer banking information.
- Any other information or documentation required by the contract.

Unless the contract specifies otherwise, FAR 32.904 also requires agencies to pay invoices within 30 days after the receipt of a proper invoice or Government acceptance of supplies or performance.

Foreign Affairs Manual

The Department's policy for processing vouchers—including the processes for receiving, sorting, approving, and examining vouchers—is contained in the FAM. Specifically, 4 FAM 420, "Voucher Examination," states, "[P]repayment examination consists of checking for proper, legal, and correct payment and for proper supporting documentation." The same FAM subchapter also

states that a certifying officer may make payment only after having obtained approval of the voucher from an officer having knowledge of the receipt of the goods or services covered by the voucher. This approval "shall be in the form of a signature on either the voucher, the invoice, or the documents attached to the voucher."⁸

Foreign Affairs Handbook

Language in 4 FAH-3 H-423.5, "Supporting Documentation," requires documentation to ensure that all payments are authorized, accurate, legal, and correct and that the goods were actually received or services actually performed. According to the FAH, supporting documentation for voucher processing includes purchase orders and contracts, invoices and vouchers, receiving reports, and approvals.

DS's Invoice Review Standard Operating Procedure

In June 2016, DS issued its invoice review SOP, "Invoice Processing for the WPS Program-AMAs and Desk Officers." Among other things, the SOP details the process by which invoices are to be received, reviewed, and paid; lists the documents required for a proper invoice; and describes the responsibilities of the various participants who review invoices, including the AMAs, Desk Officers, and the Branch and Division Chiefs, who serve as the task order CORs.

The invoice review and approval process begins when the contractor submits an invoice to the Bureau of the Comptroller and Global Financial Services, Office of Claims, located in Charleston, SC. Personnel at the Office of Claims enter the information into the Global Financial Management System⁹ by creating a vendor invoice document number and generating an approval form corresponding to that number. The day the invoice is logged by the Office of Claims is counted as "Day One" for Prompt Payment purposes.¹⁰ The contractor also provides DS with a hard copy of the invoice at a weekly meeting.

Within DS/OPO, two divisions share WPS invoice review responsibility: the Operational Support Division, where the AMAs reside, and the WPS Division, where the Desk Officers reside. The heads of those divisions both report to the OPO Director.

Once DS receives the invoice, the AMAs determine if the invoice package contains both a hard and an electronic copy of the invoice and supporting documentation. The AMA logs the invoice and its supporting documentation into DS's SharePoint site and enters the invoice into the "Task Order Cumulative Spreadsheet" and checks unliquidated balances within the Global Financial

⁸ 4 FAM 420, "Voucher Examination", Subpart 4 FAM 424 ("Voucher Approval") (May 30, 1995).

⁹ The Global Financial Management System is used by the Department to monitor spending, support buying of goods and services and vendor payments, and verify data accuracy.

¹⁰ The Prompt Payment Act, 31 U.S.C. § 3903(a)(1), states that the required payment date is: (A) the date payment is due under the contract for the item of property or service provided or (B) 30 days after a proper invoice for the amount due is received if a specific payment date is not established by contract. Under 31 U.S.C. § 3902(b), the interest penalty shall be paid for the period beginning on the day after the required payment date and ending on the date on which payment is made. FAR 32.904 implements the Act's requirements.

Management System. Use of the Global Financial Management System and the spreadsheet ensure that the invoices are not paid if they exceed the total value of the contract line item. If the AMA determines that the invoiced amount exceeds the value of the contract line item, the AMA will recommend that the COR pay the invoice only to the line item's value; the AMA will also inform the contractor that it should notify the Contracting Officer to renegotiate the contract line item's value. The spreadsheet tracks invoiced costs by contract line item to ensure that funding is sufficient to pay the invoice. If funding is available, the AMA performs a cursory review of the invoice to ensure compliance with the contract and the Prompt Payment clause. If the invoice contains labor costs, the AMA also prepares a deduction worksheet for the Desk Officer's review.¹¹ The AMA then prepares the invoice package for the Desk Officer and attaches the required checklist for that type of invoice.

When Desk Officers receive the invoice package from the AMA, they review the invoice package, including verifying supporting documentation and completing a review checklist. Desk Officers then prepare a memorandum that serves as the transmittal page of the invoice package to the COR recommending approval, rejection, or payment of a portion of the invoiced costs.

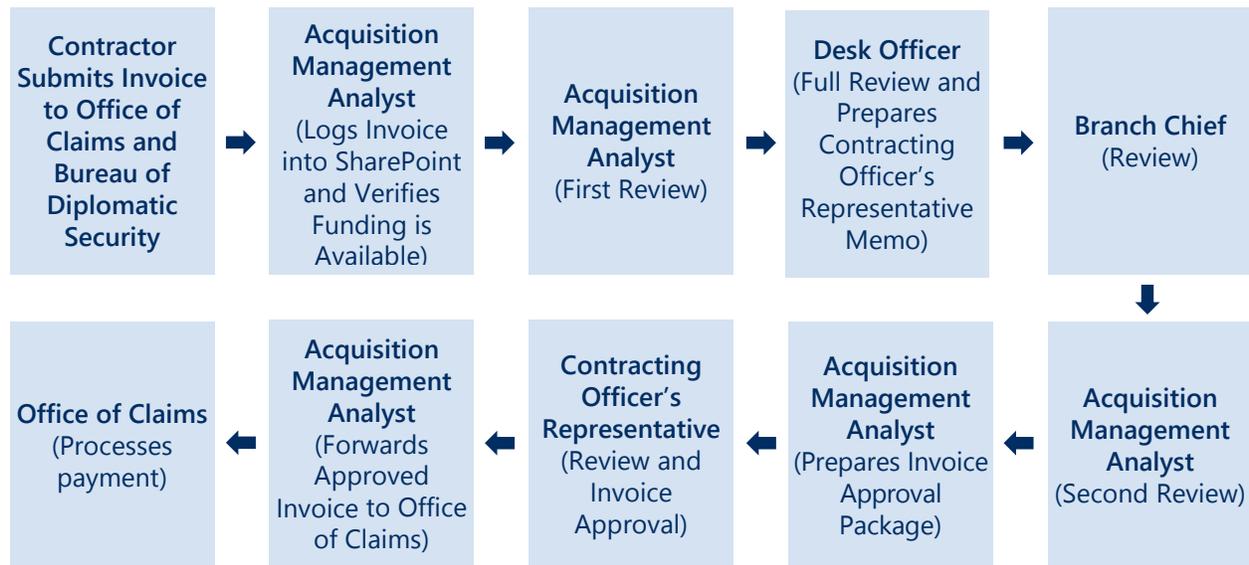
At this point, the invoice value determines whether it is approved by the Branch or Division Chief.¹² If the invoice value is less than \$1 million, the invoice package is sent to the Branch Chief for review and final approval. Once the Branch Chief approves, the package is returned to the AMA for payment processing. If the invoice value is greater than \$1 million, it is sent to the Branch Chief for a second review. The Branch Chief returns the package to the AMA, who assigns the package to the WPS Division Chief for final approval. Once the Division Chief approves the invoice, the package is returned to the AMA for payment processing.

The AMA then updates the invoice information in SharePoint and sends the completed invoice to the Office of Claims for payment. The AMA checks payment status on the fifth day after the invoice is submitted to the Office of Claims. Once payment is verified, the AMA again updates the invoice information in SharePoint. If payment has not been made, the AMA notifies the Office of Claims. Figure 1 shows DS's invoice review process.

¹¹ In the worksheet, the AMA compares the invoiced labor costs to the number of staff members that the contract requires and allows. The WPS contract section H-24 allows DS to penalize contractors for failing to fully staff the contract.

¹² Both the Branch and Division Chiefs are CORs.

Figure 1: Bureau of Diplomatic Security WPS Invoice Review Process



Source: OIG generated from information contained in DS's invoice review SOP and discussions with DS officials.

With respect to documentation requirements, DS's SOP requires that the invoice package include:

- The Invoice Approval Form.
- The COR memo.
- The deduction spreadsheets (if applicable).
- The prepared COR rejection/short-pay/deduction letter (if applicable).
- The Global Financial Management System funding report.
- The contractor's signed copy of the invoice (Public Voucher SF 1034).
- Printed versions of the requisite muster sheets¹³ (if applicable), along with the Desk Officer invoice review memorandum.
- Other back-up or supporting documentation as necessary.

¹³ Monthly muster sheets are used to verify invoiced labor costs and track staffing levels. The muster sheets document the contractor employees at work, on leave, and not present for duty and provide a summary of staffing levels from month to month.

AUDIT RESULTS

Finding A: The Bureau of Diplomatic Security Reviewed Invoices in Accordance With Federal Regulations, Department Guidance, and Its Standard Operating Procedures

OIG found that DS followed FAR requirements, Department guidance, and its own SOP in reviewing invoices. However, DS Desk Officers did not review all supporting documentation associated with the corresponding invoices; rather they sampled supporting documentation for cost reimbursable invoices. According to the DS Desk Officers, the primary reason that all supporting documentation was not being reviewed was the limited review time and the need to comply with the Prompt Payment Act. When OIG informed DS managers that sampling was being employed, they stated that sampling was not permitted. This prohibition, however, is not set forth explicitly in the bureau's invoice review SOP. Although OIG found that DS's invoice review process demonstrated that a sample of the supporting documentation was, in fact, being reviewed, the use of informal sampling increases the risk that unallowable or unsupported costs for high-dollar, high-risk invoices could go undetected.

DS Followed Federal Regulations, Department Guidance, and DS's Standard Operating Procedure When It Reviewed a Sample of Invoices

OIG reviewed 57 invoices (from a total of 1,189 from the first WPS contract Task Orders 10 and 12 that DS approved between May 2016 and May 2017) and the accompanying invoice file for each invoice to affirm the following:

- The invoice contained elements of a proper invoice, as outlined in FAR Subpart 32.905.
- The invoice file included acknowledgement that the services conformed to applicable contract requirements, in accordance with FAR Subpart 46.5.
- The invoice file included a copy of the invoice and the required supporting documentation for that particular invoice type, such as signed muster sheets for labor invoices, in accordance with the DS SOP, 4 FAH-3 H-423.5, and 4 FAM 420.
- The file contained an invoice approval form and a COR-signed payment authorization.
- Invoices that were partially paid included documentation explaining why only a portion of the invoiced amount was paid and demonstrated how the amount to be paid was calculated, as required by DS's invoice review SOP.
- For invoices valued at \$1 million or more, OIG reviewed the supporting documentation to ensure that the Branch Chief had signed the approval form documenting his review per DS's invoice review SOP.

OIG noted that the invoices were submitted for various costs incurred: labor, travel, and training, among others. For each type of incurred costs, DS's invoice review SOP requires specific supporting documents. For example, for labor invoices, DS requires that muster sheets (documentation showing the days employees worked, and if absent, the muster sheets list the

reasons for the absences) be included with the invoice. Of the 57 invoices OIG reviewed, 29 contained labor costs and had signed muster sheets. For training invoices, DS requires, among other things, that training certificates, class rosters, and test scores be included in the invoice file.¹⁴ Within the 57 invoices, OIG reviewed five invoices with training costs and found that all had the required supporting documentation.

By following Federal regulation, Department guidance, and its invoice review SOP, DS was able to identify unallowable or unsupported costs. For example, OIG found that a Desk Officer reviewing an invoice for labor costs determined that \$178,200 in invoiced costs was unallowable because the vendor exceeded the allowable days that could be invoiced. The COR rejected the unallowable costs, which were subsequently deducted from the final paid invoice.

DS Invoice Review Personnel Used Sampling to Review Supporting Documentation

OIG found that DS Desk Officers reviewed only a sample of supporting documentation, rather than all supporting documentation the contractor submits with the corresponding invoice. The Desk Officers responsible for Task Orders 10 and 12 told OIG that they review all supporting documentation for labor and firm-fixed-price invoices. However, for invoices that contain cost reimbursable items and other direct costs, such as travel-related expenses, they developed an unofficial rule of sampling 10 percent to 15 percent of the supporting documentation rather than reviewing all the supporting documentation associated with those invoices.

According to the DS Desk Officers, the primary reason that all supporting documentation was not being reviewed was the limited review time and the need to comply with the Prompt Payment Act. Specifically, the Desk Officers stated that they do not have time to review invoices and simultaneously carry out their other oversight responsibilities. For example, an August 2016 invoice for labor costs contained 1,151 pages of supporting documentation. Although not all invoices were so voluminous (for example, three travel invoices reviewed during July and August 2016 only totaled between 108 and 136 pages), several other labor invoices were comparable in length to the August 2016 invoice for labor costs. In addition to their invoice review responsibilities, Desk Officers must also conduct contract oversight site visits to perform various program reviews. These oversight activities are discussed below.

In addition, Desk Officers stated that, because of the Prompt Payment Act (which requires the Government to pay within 30 days after receipt of a proper invoice if a specific payment date is not established by contract), they needed to ensure that the invoices are paid in a timely manner. The DS invoice review SOP also requires prompt review and payment, stating that "the invoice process should be completed within 20 days from the receipt at Vendor Claims in Charleston." The SOP allocates 7 days for Desk Officers to review and verify any type of invoice

¹⁴ According to the WPS contracts, DS will only pay the contractor the agreed upon rate if the latter hires qualified employees (those who have successfully passed specified training courses and deployed to their duty station). The contractor is required to submit documentation that contains the employee's name, the name of the training course attended and completion date, a certificate of course completion, an airline ticket, and a biometric data record with the invoice.

and the invoice process should be completed within 20 days from the date of receipt at Vendor Claims in Charleston.

OIG previously reported in a February 2016 report that Desk Officers were sampling supporting documentation for invoices submitted through December 2014.¹⁵ Those Desk Officers also said that they sampled supporting documentation because they did not have sufficient time to conduct a 100-percent review in light of the Prompt Payment Act requirements. Those Desk Officers said that they spent 40 percent to 50 percent of their time on invoice reviews but reviewed only about 10 percent to 20 percent of supporting documentation.

Furthermore, OIG found instances in which Desk Officers misunderstood the role of AMAs in reviewing supporting documentation. According to the DS invoice review SOP, the AMA's role is limited to verifying funding availability and performing a cursory review of the invoice to ensure compliance with the contract and Prompt Payment clause. According to several AMAs, this includes identifying areas that may require additional Desk Officer review; however, they do not perform an in-depth review of the supporting documentation because that is the Desk Officers' responsibility. The Desk Officers that OIG interviewed, though, told OIG that they rely on the AMAs to perform a thorough review of the invoice to ensure that all charges invoiced are properly supported. Because of this fundamental misunderstanding of the invoice review SOP, other instances may exist, beyond what OIG discovered, in which Desk Officers failed to review supporting documentation because they assumed AMAs were doing so.

OIG discussed the practice being used by Desk Officers to sample supporting documentation with DS/OPO management officials, and these officials told OIG that sampling was not permitted. According to DS/OPO managers, Desk Officers are expected to review all supporting documentation for each invoice before approving an invoice for payment. However, this expectation is not stated explicitly in DS's invoice review SOP.

In several audits of the Department's invoice review process, OIG noted that different bureaus have different policies regarding sampling invoice supporting documentation. For example, the Bureau of South and Central Asian Affairs and the Bureau of International Narcotics and Law Enforcement Affairs require a 100-percent review of invoice supporting documentation.¹⁶ Conversely, the Bureau of Near Eastern Affairs allows sampling invoice supporting documentation for its Iraq contract invoices and provides procedural guidance for this practice in its invoice review SOP.¹⁷ The Bureau of Near Eastern Affairs guidance requires invoice reviewers to sample between 25 percent and 30 percent of invoiced line items with a focus on high-dollar line items and those line items that are high-risk (that is, more likely to contain unallowable or unsupported costs). Furthermore, for cost-reimbursable contract invoices, the sample must include at least 80 percent of the total costs billed. The invoice reviewer must

¹⁵ Department of State OIG, *Audit of Bureau of Diplomatic Security Worldwide Protective Services Contract Task Order 3 – Baghdad Embassy Security Force*, 7, 10–11 (AUD-MERO-16-28, February 2016).

¹⁶ OIG AUD-MERO-17-47, June 2017, 7–8. OIG AUD-MERO-17-33, March 2017, 6.

¹⁷ OIG AUD-MERO-17-33, March 2017, 6.

document the line items reviewed and calculate and document the percentage of line items and supporting documentation sampled per invoice.

OIG also notes that some modifications to DS/OPO's training practices may be beneficial. DS/OPO has developed and now conducts a required 2-week course on the WPS program, referred to as Boot Camp, for all new AMAs and Desk Officers. In the first week of training, the AMAs and Desk Officers receive an overview of DS/OPO and lessons in using MetaStorm¹⁸ for reviewing invoices. In the second week, the AMAs receive instruction on checking Contract Line Item funding availability and tracking status of funds, and the Desk Officers receive instruction on reviewing different types of invoices and the required supporting documentation. The Boot Camp uses PowerPoint slides as the primary tool for imparting information. AMAs and Desk Officers told OIG that they look to the Boot Camp slides rather than the invoice review SOP to aid them when they have questions when reviewing invoices because information is easier to locate. Several OPO staff members said that, overall, the Boot Camp was useful in learning the invoice review process but that it could be improved by dedicating more time specifically to reviewing and processing invoices.

Because the use of informal sampling increases the risk that unallowable or unsupported costs for high-dollar, high-risk invoices could go undetected, DS should establish a process that recognizes the constraints that it faces in conducting invoice reviews but mitigates risk to the extent practicable. A formal sampling process to review supporting documentation, similar to that employed by the Bureau of Near Eastern Affairs, that focuses on high-dollar and high-risk invoice line items, may be necessary. If that is determined to be the case, DS should design and implement a formal invoice sampling methodology, including documenting the line items reviewed, and codify that process in its invoice review SOP. OIG is therefore offering the following recommendations.

Recommendation 1: OIG recommends that the Bureau of Diplomatic Security examine its policy of requiring 100-percent review of invoice supporting documentation and determine (a) whether it should continue with its current 100-percent invoice review requirement or (b) whether the sampling of supporting documentation should be formalized and adopted. If it is determined the 100-percent review of invoice supporting documentation requirement should be continued, the Bureau of Diplomatic Security should update the invoice review Standard Operating Procedure, "Invoice Processing for the [Worldwide Protective Services] Program-[Acquisition Management Analysts] and Desk Officers" to clearly state that all invoice supporting documentation must be reviewed for each invoice and offer alternative remedies when workload demands jeopardize compliance with the Prompt Payment Act. If it is determined that sampling supporting documentation for invoices should be formalized and adopted, the Bureau of Diplomatic Security should design and implement a formal invoice sampling methodology, including documenting the line items reviewed, and codify that process in its invoice review Standard Operating Procedure. The sampling methodology

¹⁸ MetaStorm is a searchable web-based system used to track and process invoices.

and implemented invoice review process should, at a minimum, be designed to review supporting documentation for high-dollar, high-risk invoices.

Management Response: DS agreed with the recommendation, stating that it will continue to apply a policy that requires 100-percent review of the supporting documentation for every invoice. It also stated that it will ensure that the SOP clearly outlines the process for both the Desk Officers and AMAs and addresses compliance with the Prompt Payment Act.

OIG Reply: On the basis of DS's agreement with the recommendation and its description of actions taken and planned, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that DS's SOP clearly outlines the policy of requiring 100-percent review of the supporting documentation for every invoice for both the Desk Officers and AMAs and addresses compliance with the Prompt Payment Act.

Recommendation 2: OIG recommends that the Bureau of Diplomatic Security issue instructions that reemphasize the respective roles and responsibilities of the Acquisition Management Analysts and Desk Officers in the invoice review process, including reviewing supporting documentation, as outlined in the Bureau of Diplomatic Security's invoice review Standard Operating Procedure, "Invoice Processing for the [Worldwide Protective Services] Program-[Acquisition Management Analysts] and Desk Officers."

Management Response: DS agreed with the recommendation. It stated that it will review the current SOP and issue instructions reemphasizing the respective roles and responsibilities of the AMAs and Desk Officers in the invoice review process, including reviewing supporting documentation.

OIG Reply: On the basis of DS's agreement with the recommendation and its description of actions taken and planned, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that DS has issued instructions reemphasizing the respective roles and responsibilities of the AMAs and Desk Officers in the invoice review process, including reviewing supporting documentation.

Finding B: Staffing Shortfalls Impact DS's Ability to Perform Effective Invoice Review and Contract Oversight

OIG found that staffing shortfalls have affected DS's ability to perform effective invoice review and contract oversight. Specifically, OIG found that the two DS offices charged with WPS contract oversight responsibilities had 26 percent fewer staff members (24 vacancies out of 93 positions assigned) than required as of November 2017. This was due, in part, to a Department-imposed hiring freeze in addition to staffing challenges that predate the hiring freeze. DS has requested two waivers from the hiring freeze; however, its requests were pending as of May 2018.

WPS Staff Vacancies

As of November 2017, DS/OPO had 24 vacancies including AMAs, Desk Officers, Branch Chiefs, and Government Technical Monitors (GTMs) in its WPS Division and Operational Support Division (or 26 percent of the positions assigned to the 2 divisions). These individuals share responsibilities for invoice review as discussed above. Table 1 presents a breakdown of filled and vacant positions within the WPS Division as of November 2017.

Table 1: WPS Division Staffing as of November 2017

Position	Filled	Vacant	Positions Assigned
Division Chief	1	0	1
Branch Chief	6	1	7
Desk Officer	21	8	29
Government Technical Monitor	23	8	31
Explosive Detection Canine Program Analyst	5	3	8
Logistical	2	0	2
Total	58	20	78

Source: OIG generated from WPS division personnel positions and vacancies provided by DS/OPO.

Table 2 presents the filled and vacant positions within the DS/OPO Operational Support Division as of November 2017.

Table 2: DS Operational Support Division Staffing as of November 2017

Position	Filled	Vacant	Positions Assigned
Branch Chief	1	0	1
Acquisition Management Analyst	5	2	7
Financial Management Analyst	3	2	5
Writer/Editor	1	0	1
Procurement Analyst	1	0	1
Total	11	4	15

Source: OIG generated from OPS personnel positions and vacancies provided by DS/OPO.

In April 2016, an independent consultant report commissioned by DS/OPO estimated that 25 percent of DS/OPO positions worldwide were either vacant or were scheduled to turn over within a year (that is, the incumbent will change). In April 2017, a Department-wide hiring freeze went into effect, preventing DS/OPO from filling vacancies.¹⁹ At that time, DS/OPO requested a waiver from the hiring freeze to fill 13 of the vacancies, including the 8 GTM positions, because it viewed these positions as critical to DS/OPO operations. DS/OPO did not request a waiver for the other 11 vacant positions because it believed that the hiring freeze would not continue long enough to require such action. However, given that the Department had not lifted the freeze, in

¹⁹ The Department's hiring freeze was a continuation of a Federal-wide hiring freeze that was in place from January 22, 2017, through April 12, 2017.

January 2018, DS/OPO requested an additional waiver to fill 12 additional vacancies, including 6 AMA and 4 Desk Officer positions.²⁰

As a result of the staffing shortages, Desk Officers have had to reduce the number of site visits that they conduct. Site visits, which help ensure that the services being provided meet contract terms, are another element of Desk Officers contract oversight duties and help inform invoice review. For example, Desk Officers told OIG that, during the WPS II re-solicitation effort, periods existed when they did not make a single site visit, including oversight trips to Iraq or Afghanistan. Specifically, during the re-solicitation effort for WPS II, Desk Officers could not conduct Program Assistance Visits or Trafficking in Persons visits²¹ because the WPS II re-solicitation required an "all hands on deck" effort, which included the Desk Officers. As a result, a period of several months passed without an oversight visit.

AMAs also told OIG that staffing shortages affected their invoice review internal quality control and administrative duties. The AMAs stated that they were unable to fully track payments to the contractor because of the staffing shortages. DS/OPO management officials told OIG that, since the hiring freeze, they have realigned resources, authorized overtime, and prioritized duties to cope with the staffing shortage.

Recommendation 3: OIG recommends that the Bureau of Diplomatic Security determine which vacant positions within the Worldwide Protective Services Division and the Operational Support Division should be deemed critical for ensuring adequate performance of invoice review and contract oversight and issue an appeal to the Under Secretary for Management to fill those vacancies.

Management Response: DS agreed with the recommendation. DS stated that, with the Department's hiring freeze lifted effective May 15, 2018, DS will coordinate with its Human Resources Management to prioritize the critical positions required to validate invoices and provide contract oversight. DS also noted, however, that the Department has issued a hiring ceiling applicable to DS and all other bureaus, which prevents DS from filling all vacant positions. Accordingly, DS's Office of Overseas Protective Operations positions will need to be evaluated against all other bureau vacancies in determining DS-wide priorities.

OIG Reply: On the basis of DS's agreement with the recommendation, the Secretary of State's action to lift the Department's hiring freeze, and DS's statement that it will coordinate with its Human Resources Management to prioritize the critical positions required to validate invoices and provide contract oversight, OIG considers this recommendation resolved. This recommendation will be closed when OIG receives and accepts documentation that

²⁰ As of November 2017, two AMA positions remained unfilled. DS had three additional AMA positions with personnel selected to fill those positions and was waiting for the freeze to end to bring them on board. By the time DS requested the waiver in January 2018, another AMA had resigned, leaving it with a total of six vacancies.

²¹ Program Assistance Visits are typically conducted at the post's request and are meant to address specific issues identified by the post as requiring prompt attention, including contractor performance. Trafficking in Persons visits are conducted to assure contractors comply with Department requirements and Federal law on this issue.

demonstrates DS has determined which vacant positions within the Worldwide Protective Services Division and the Operational Support Division are critical to the invoice review process and has requested that its Human Resources Management fill those vacancies.

Finding C: DS Conducts Extensive Oversight and Monitoring of Contractor Performance

OIG found that DS performed required oversight of contractor performance. Specifically, OIG found that both the CORs assigned to WPS Task Orders 10 and 12 and the GTMs at post prepared required monitoring checklists and reviewed contractor muster sheets to determine contractor compliance with staffing requirements. OIG also found that DS/OPO personnel visited contractor training facilities to affirm contractually required capabilities were provided. Furthermore, DS/OPO conducted Program Management Reviews (PMRs), Post Assistance Visits, and Trafficking in Persons visits at various times between July 2014 and December 2017. However, OIG noted that DS has not developed standardized oversight reporting formats for its Program Management Reviews and Post Assistance Visits, which would be helpful in uniformly documenting contractor performance and affirming that contract terms and conditions are being fulfilled.

COR and GTM Checklists

CORs and GTMs overseeing Task Orders 10 and 12 complete monthly checklists to ensure compliance with contractual terms. These checklists assess staffing, weapons, on-site training, and operational readiness, among other contract requirements. They provide the Desk Officers and DS/OPO managers with information on contract compliance for that month. According to the Desk Officers, this information supports their invoice review.

OIG reviewed checklists from September through November 2017 for Task Orders 10 and 12. OIG confirmed the checklists identified the specific contractual requirement, noted instances in which the contractor was in compliance, and allowed space for COR comments when discrepancies were identified. For example, a November 2017 COR checklist for Task Order 10 noted that Aegis was validating a biometric time and attendance system used for contractor employees working in the Embassy Kabul. An October 2017 GTM inspection checklist for Task Order 12 noted in an inspection and walk-through of Triple Canopy, Inc.'s armory and weapon storage vaults that contractual standards were met. OIG also found that the comments included steps the contractor should take to become compliant with the contract terms and conditions. For example, a November 2017 COR checklist noted that Aegis incorrectly charged time on muster sheets for Task Order 10; the time should have been charged on a different task order. The COR recommended that, "moving forward, the muster sheets should be more clearly divided between task orders." In another example, a November 2017 COR checklist for Task Order 12 noted that during inspections of vehicles, the tires did not meet contract specifications and that Triple Canopy, Inc. needed to replace them. The checklist noted that Triple Canopy, Inc. was aware of these deficiencies and had ordered replacement tires and parts to address the issues.

Muster Sheets

DS relies on monthly muster sheets to verify invoiced labor costs and track staffing levels. The muster sheets document the contractor employees at work, on leave, and not present for duty and provide a summary of staffing levels from month to month. The muster sheets contain each employee's name and identification number and a record of the employee's status for each day of the month, based on biometric scans performed when the employee first arrives for work, and a sign in sheet. When employees are not scheduled to work or are on leave, the missed days are color-coded to show their absence. This allows personnel at post, as well as DS officials at headquarters, to identify guard positions that the contractor is having difficulty staffing as well as periods of time when the contractor's staffing levels have fallen below the minimum required by the contract. This in turn, allows the Department to financially penalize the contractor as appropriate during invoice review under the terms of the WPS contract.

OIG reviewed 25 muster sheets, 17 from Task Order 10 and 8 from Task Order 12. OIG found that, as required, the Desk Officers reviewed the muster sheets contained in the labor invoice files. For example, in reviewing an April 2016 Task Order 10 labor invoice, the Desk Officer identified several discrepancies in the muster sheet. These discrepancies included several positions that were overbilled, resulting in a \$913,926 reduction in the total invoiced amount paid. In reviewing a March 2017 Task Order 12 labor invoice, the Desk Officer identified that Triple Canopy, Inc. inappropriately invoiced for labor hours spent rotating staff members into Iraq, resulting in a \$4,800 reduction in the total invoice amount paid.

Training Facilities Compliance

Aegis Defense Services and Triple Canopy, Inc. are responsible for providing and documenting that their employees have completed all contractually required training. DS/OPO must approve each contractor's training facilities and ensure they have the required training capabilities. For example, DS personnel inspect the facilities to determine if the weapons ranges are the correct length and design, space is sufficient for vehicle exercises, and the instructor-to-student ratio (depending on the course) meets the contract's requirement, among other things.

DS/OPO personnel also observe contractor-conducted training to verify that it complies with contract requirements. For example, OIG accompanied a DS/OPO Security Officer on a March 2018 visit to Amman, Jordan, where Aegis Defense Services was conducting a new guard training course. OIG observed both the training of Third Country Nationals for work in Afghanistan and DS/OPO's oversight. The DS/OPO Security Officer attended each course, took contemporaneous notes, and completed a checklist addressing the training requirements. OIG also reviewed training records, verifying that each student's training information is entered into DS/OPO's Training Status Report. The Training Status Report is sent to DS/OPO headquarters at the end of each training course. OIG also visited the training facility in Perry, GA, used by Aegis Defense Services to train its U.S. employees for work in Afghanistan. OIG verified that the training information was recorded and documented on the Training Status Report. OIG reviewed training status reports and supporting documents, including scored weapons qualifications tests, individual course training certificates, and attendance sheets. OIG also reviewed 28 recruit

training records at both the Perry, GA, and Amman, Jordan, training facilities and verified that training results were documented.

Program Management Reviews

DS/OPO conducts PMRs annually. The reviews are conducted by a team of Desk Officers, other DS/OPO headquarters staff, and GTMs at post. Each PMR address 130 topics organized under 7 subject areas, including guard services, operational support, equipment and inventory control, and training/qualification. The reviewers rate each topic as being compliant, noncompliant, or a best practice. In conducting the PMRs, the team interviews Department officials and contractor employees at post and inspects contractor performance. When completed, the written PMR reports include the completed checklist, an information memorandum summarizing the review's results, and a routing slip indicating approval.

OIG reviewed two PMRs for Task Order 10 that were conducted in July 2016 and January 2017 and one PMR for Task Order 12 conducted in December 2016.²² OIG found that the reports addressed each of the required topics but that the format varied between the two task orders. For Task Order 10, the PMR reports included a completed checklist organized by "Areas of Review" that rated whether the contractor complied with each of the 130 topics, along with comments or observations. For Task Order 12, the PMR results were communicated in a narrative form as part of a lengthy memorandum. Moreover, the memorandum did not readily communicate whether the contractor complied with the contract requirements.

Post Assistance Visits

Post Assistance Visits are conducted when a post requests DS/OPO's assistance in addressing a contract issue. The visits are conducted by a combination of DS/OPO staff depending on the specific visit and may include Desk Officers, GTMs, and special agents. In conducting the visits, the team interviews Department officials and contractor employees at post. The visits are documented in reports that identify who conducted the visit, the post visited, and a summary of the assistance team's activities and observations. However, no template for documenting Post Assistance Visits exists.

OIG reviewed two post assistance visit reports for Task Order 10 and three reports for Task Order 12 and found that the reporting format varied by task order. For example, one report for Task Order 10 had daily activity summaries and recommendations to Embassy Kabul on how to address the contract issues that prompted the visit. For the Task Order 12 Post Assistance Visits, the reports provided summaries of the team's observations rather than daily activities. OIG noted, however, that DS has not developed standardized oversight reporting formats for its Program Management Reviews and Post Assistance Visits, which would be helpful in uniformly documenting contractor performance and affirming contract terms and conditions are being fulfilled. OIG is therefore offering the following recommendation.

²² A more recent PMR for Task Order 12 was conducted in December 2017, but the results were still being tabulated as of March 2018.

Recommendation 4: OIG recommends that the Bureau of Diplomatic Security develop and implement a standardized format to uniformly document the results of Program Management Reviews and Post Assistance Visits to facilitate contractor oversight and affirm contract terms and conditions are being fulfilled.

Management Response: DS agreed with the recommendation to develop and implement a standardized format to document Program Management Reviews and Post Assistance Visits. It stated that it will review or update the current office's policy and procedures directive.

OIG Reply: On the basis of DS's agreement with the recommendation and its description of actions taken and planned, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that DS has updated the current policy and procedures directive.

RECOMMENDATIONS

Recommendation 1: OIG recommends that the Bureau of Diplomatic Security examine its policy of requiring 100-percent review of invoice supporting documentation and determine (a) whether it should continue with its current 100-percent invoice review requirement or (b) whether the sampling of supporting documentation should be formalized and adopted. If it is determined the 100-percent review of invoice supporting documentation requirement should be continued, the Bureau of Diplomatic Security should update the invoice review Standard Operating Procedure, "Invoice Processing for the [Worldwide Protective Services] Program-[Acquisition Management Analysts] and Desk Officers" to clearly state that all invoice supporting documentation must be reviewed for each invoice and offer alternative remedies when workload demands jeopardize compliance with the Prompt Payment Act. If it is determined that sampling supporting documentation for invoices should be formalized and adopted, the Bureau of Diplomatic Security should design and implement a formal invoice sampling methodology, including documenting the line items reviewed, and codify that process in its invoice review Standard Operating Procedure. The sampling methodology and implemented invoice review process should, at a minimum, be designed to review supporting documentation for high-dollar, high-risk invoices.

Recommendation 2: OIG recommends that the Bureau of Diplomatic Security issue instructions that reemphasize the respective roles and responsibilities of the Acquisition Management Analysts and Desk Officers in the invoice review process, including reviewing supporting documentation, as outlined in the Bureau of Diplomatic Security's invoice review Standard Operating Procedure, "Invoice Processing for the [Worldwide Protective Services] Program-[Acquisition Management Analysts] and Desk Officers."

Recommendation 3: OIG recommends that the Bureau of Diplomatic Security determine which vacant positions within the Worldwide Protective Services Division and the Operational Support Division should be deemed critical for ensuring adequate performance of invoice review and contract oversight and issue an appeal to the Under Secretary for Management to fill those vacancies.

Recommendation 4: OIG recommends that the Bureau of Diplomatic Security develop and implement a standardized format to uniformly document the results of Program Management Reviews and Post Assistance Visits to facilitate contractor oversight and affirm contract terms and conditions are being fulfilled.

APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

The Office of Inspector General (OIG) conducted this audit to determine: (1) whether the Bureau of Diplomatic Security (DS) followed Federal regulations, Department of State (Department) guidance, and its own standard operating procedures (SOP) when reviewing invoices under the World Protective Services (WPS) contracts for guard services in Iraq and Afghanistan; (2) whether DS assigned a sufficient number of qualified staff members to oversee the WPS contracts; and (3) the extent to which DS provided oversight of contractor performance.

To determine whether DS followed Federal regulations, Department guidance, and DS's invoice review SOP, OIG reviewed invoices from the first WPS contract. Specifically, OIG reviewed 57 invoices from Task Orders 10 and 12 totaling \$117.5 million, as well as the associated invoice files, to determine whether Federal Acquisition Regulation (FAR), Department's guidance, and DS's invoice review SOP were properly followed. Specifically, OIG reviewed each invoice file to determine it contained a copy of the invoice, a signed approval form, and the required supporting documentation. OIG also reviewed two labor invoices from Task Order 10 submitted in November and December 2017, and two invoices from Task Order 12 submitted in April and June 2016, to determine whether contractor employees had the necessary experience and training. In total, OIG reviewed 40 contractor employee files.

To determine whether DS assigned a sufficient number of qualified staff to oversee the WPS contracts, OIG obtained and analyzed data for both filled and vacant positions in a number of job categories for the DS WPS and Operational Support Divisions. OIG also discussed with DS officials the efforts to fill the vacancies and the status of the vacancies as of May 2018.

To determine the extent of DS oversight of contractor performance, OIG identified the types of oversight activities required and undertaken. These included program management reviews (PMRs), post assistance visits, trafficking in persons visits, Government Technical Monitor-prepared checklists, and muster sheets. OIG reviewed several reports for each type of oversight activity.

OIG conducted fieldwork for this audit from October 2017 to March 2018 at Bureau of Diplomatic Security headquarters in Arlington, VA, and at contractor facilities in McLean, VA, Perry, GA, and Amman, Jordan.

OIG conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that OIG plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. OIG believes that the evidence obtained for this audit provides a reasonable basis for the findings and conclusions.

Prior Reports

In a February 2018 report titled *Audit of the Bureau of International Narcotics and Law Enforcement Affairs Invoice Review Process for Contracts in Afghanistan* (AUD- MERO-18-30), OIG reported that the number of Contracting Officer Representatives (CORs) in Afghanistan available to support INL decreased throughout 2017. The lack of available CORs created oversight challenges for INL. OIG also reported that COR documentation of contractor performance was not completed in accordance with contractual requirements. For example, quality assurance inspection reports did not identify the contracts inspected or the inspection period, nor did they contain evidence showing that identified deficiencies had been resolved.

In an October 2017 report titled *Management Assistance Report. Contract Terms and Guidance for Approving Student Training Expenses Relating to the Justice and Corrections Programs in Afghanistan Require Attention* (AUD-MERO-18-14), OIG questioned \$5 million in costs related to student training expenses involving the Justice Sector Support Program and Corrections System Support Program contracts. OIG reported that most of the student training expenses reviewed were not allowable under the terms of the contracts or were inadequately supported.

In a June 2017 report titled *Audit of the Bureau of South and Central Asian Affairs Invoice Review Process for the Afghanistan Life Support Services Contract* (AUD-MERO-17-47), OIG reported that the Bureau of South and Central Asian Affairs (SCA) is following Federal requirements, Department guidance, and its own standard operating procedures to process Afghanistan Life Support Services contract invoices that support contingency operations in Afghanistan. However, SCA did not have a training program to prepare less experienced CORs who may be assigned to Embassy Kabul in the future.

In a March 2017 report titled *Aspects of the Invoice Review Process Used by the Bureau of Near Eastern Affairs to Support Contingency Operations in Iraq Need Improvement* (AUD-MERO-17-33), OIG reported that the Bureau of Near Eastern Affairs (NEA) had not addressed a backlog of 138 invoices valued at approximately \$14 million. Because of staffing shortages, these backlogged invoices were approved for payment without a full review. NEA had also not developed performance metrics to provide a basis for reducing invoice payments when its invoice reviews found problems with contractor performance.

In an October 2016 report titled *Contract Management-Lessons Learned from the Embassy Kabul, Afghanistan, Operations and Maintenance Contract* (AUD-MERO-17-04), OIG reported that the operations and maintenance contract at Embassy Kabul did not have clearly defined and measurable performance metrics in its statement of work. For example, the statement of work only required the contractor to "operate and maintain" the various utility systems on the embassy and did not provide more specific details on what tasks should be performed. As a result, the contractor did not always perform necessary preventive maintenance functions, which, in some instances, caused major utility systems to fail or work improperly.

In an April 2016 OIG report titled *Improvements Needed To Strengthen Vehicle-Fueling Controls and Operations and Maintenance Contract at Embassy Kabul, Afghanistan* (AUD-MERO-16-35), OIG reported that, from March 2013 to May 2015, the embassy Financial Management Office paid at least \$1.21 million in fuel invoices that did not have supporting documentation to support the invoiced amounts.

In a March 2016, report titled *Audit of Bureau of Diplomatic Security Worldwide Protective Services Contract Task Order 8 – Security Services at U.S. Consulate Erbil* (AUD-MERO-16-30), OIG questioned \$10.8 million in costs. OIG previously reported on three other task orders under this contract: Task Order 5 for Baghdad Embassy movement security services, Task Order 10 for Kabul Embassy security services and Task Order 3 for Baghdad static security. In those audits, OIG found that contracting officers and their representatives did not thoroughly review supporting documentation when approving invoices, did not ensure that contractors maintained records, and did not adequately monitor the contractor's performance.

In a February 2016, report titled *Audit of Bureau of Diplomatic Security Worldwide Protective Services Contract Task Order 3 – Baghdad Embassy Security Force* (AUD-MERO-16-28), OIG questioned approximately \$7.2 million paid on 193 invoices. The questioned costs consisted of \$6.5 million that OIG considered unsupported and \$652,060 OIG considered unallowable. The COR said that he approved these invoices because, in part, he relied on the Desk Officers' review of invoices and supporting documentation, although the Desk Officers reviewed only 10 percent to 20 percent of the supporting documentation.

In a July 2015 report titled *Audit of the Bureau of International Narcotics and Law Enforcement Affairs Aviation Support Services Contract in Iraq* (AUD-MERO-15-35), OIG questioned \$932,644 in costs associated with nine of the 14 invoices it examined. The COR and others allowed the costs to be paid because the contractor, DynCorp International, was not required to provide documentation supporting its invoice unless requested by INL and because the invoice review processes, methodologies, and staffing were insufficient.

In a May 2015 report titled *Audit of the U.S. Mission Iraq Medical Services* (AUD-MERO-15-25), OIG questioned \$6.8 million in costs included in the contractor's 12 largest invoices totaling approximately \$25 million. These questioned costs occurred, in part, because the Department did not have the appropriate support system in place to adequately manage and monitor invoice review. In addition, the COR's initial invoice reviews focused on labor rates, with cursory reviews of other invoice items. Furthermore, the contractor did not always provide sufficient documentation to support its invoices.

In an October 2014, report titled *Audit of the Bureau of Diplomatic Security Worldwide Protective Services Contract Task Order 10 - Kabul Embassy Security Force* (AUD-MERO-15-03), OIG questioned \$8.6 million paid on 57 invoices that were possibly unallowable or had insufficient supporting documentation to support invoiced costs. The report explained that, at the time, no written guidance or standard operating procedures existed that clarified the steps

needed for in-depth invoice review or the documentation required when the contractor submitted the invoice for payment.

Use of Computer-Processed Data

DS/OPO provided OIG with copies of the 57 invoices selected from 1,189 invoices DS approved between May 2016 and May 2017 for Task Order 10 and 12 of the WPS contract. OIG verified the completeness and accuracy of the invoice data received by DS. To test for completeness, the total number of invoices was compared with the invoice trackers that DS compiles with every invoice submitted for payment under the WPS contract. To test for accuracy, the 57 invoices selected for review were used to compare the source documentation with the data. One duplicate invoice had been entered into the invoice tracker twice. OIG adjusted the total number of invoices to reflect this. OIG concluded that the invoice data were sufficiently reliable for the purposes of this audit.

Work Related to Internal Controls

OIG performed steps to assess the adequacy of internal controls related to the areas audited. These steps included assessing whether DS/OPO confirmed the invoiced costs were contractually allowable and reviewed supporting documentation that would verify that invoiced costs met contractual requirements. Internal control deficiencies related to the sampling of supporting documentation is presented in Finding A of this report. Staffing shortages at DS/OPO and the negative affect that vacancies have on its ability to conduct oversight of contractor performance is presented in Finding B.

Detailed Sampling Methodology

Invoices

OIG selected 57 invoices valued at \$117.5 million that are a mix of cost reimbursable and firm-fixed-price invoices submitted under the first WPS contract Task Orders 10 and 12. Twenty-six of the invoices totaling \$19.3 million were cost reimbursable; 31 totaling \$98.2 million were firm-fixed-price. The 57 invoices were selected from 1,189 invoices, valued at \$256.2 million. The 57 invoices were chosen using both predefined selection criteria and non-statistical random sampling design. Twenty-seven invoices were selected with a value greater than or equal to \$3,219,583. The remaining 30 invoices were chosen using a random number generator. Table A1 below denotes the distribution of the selected invoices by the Task Orders.

Table A1: Distribution of Invoice Selected for OIG Review

Task Order	Total Invoices	Methodology		Reviewed Invoices
		100-Percent review	Non statistical Random Sample	
WPS I Task Order 10	985	16	15	31
WPS I Task Order 12	204	11	15	26
Totals	1,189	27	30	57

Source: OIG generated from invoices provided by DS.

Training Records

To select contractor training records for review, OIG took contractor employees' names from muster sheets from the most recent two labor invoices in OIG's sample for Task Orders 10 and 12. From Task Order 10, OIG selected 16 muster sheets and from Task Order 12, OIG selected 11 muster sheets chosen, (b) (7)(F) . For (b) (7)(F) en, (b) (7)(F) , for a total of 1,711 contractor number generator, the contractor's employee identification numbers were randomized and OIG took the first 10 contractor employees for each of the 4 muster sheets and a total of 40 contractor employees were selected for review.

Muster Sheets

OIG reviewed 26 muster sheets, 17 from Task Order 10 and 9 from Task Order 12. OIG's sample for this audit contained 26 muster sheets. OIG reviewed them all.

Program Management Reviews

OIG reviewed two PMRs for Task Order 10 that were conducted in July 2016 and January 2017, and one PMR for Task Order 12 conducted in December 2016. For this audit, OIG requested the most recent PMRs for each task order. PMRs are conducted once per year and DS provided the two most recent PMRs for Task Order 10 and the most recent PMR for Task Order 12. DS conducted another PMR for Task Order 12 in December 2017, but the report was not completed as of April 2018.

Post Assistance Visit Reports

OIG reviewed two post assistance visit reports for Task Order 10 and three reports for Task Order 12. For this audit, OIG requested the most recent Post Assistance Visits for the two task orders examined in this audit. OIG reviewed all five Post Assistance Visits provided by DS.

APPENDIX B: RESPONSE FROM BUREAU OF DIPLOMATIC SECURITY



United States Department of State

Washington, D.C. 20520

UNCLASSIFIED

June 4, 2018

INFORMATION MEMO TO INSPECTOR GENERAL LINICK - OIG

FROM: DS – Christian J. Schurman, Acting 

SUBJECT: Bureau of Diplomatic Security response to the Office of Inspector General (OIG) Audit of the Bureau of Diplomatic Security's Invoice Review Process for Worldwide Protective Services Contract (AUD-MERO-18-xx) May 2018

Below is the Bureau of Diplomatic Security's response to recommendations 1-4 of the subject report.

Recommendation #1: OIG recommends that the Bureau of Diplomatic Security examine its policy of requiring 100-percent review of invoice supporting documentation and determine (a) whether it should continue with its current 100-percent invoice review requirement or (b) whether the sampling of supporting documentation should be formalized and adopted. If it is determined the 100-percent review of invoice supporting documentation requirement should be continued, the Bureau of Diplomatic Security should update the invoice review Standard Operating Procedure, "Invoice Processing for the [Worldwide Protective Services] Program-[Acquisition Management Analysts] and Desk Officers" to clearly state that all invoice supporting documentation must be reviewed for each invoice and offer alternative remedies when workload demands jeopardize compliance with the Prompt Payment Act. If it is determined that sampling supporting documentation for invoices should be formalized and adopted, the Bureau of Diplomatic Security should design and implement a formal invoice sampling methodology, including documenting the line items reviewed, and codify that process in its invoice review Standard Operating Procedure. The sampling methodology and implemented invoice review process should, at a minimum, be designed to review supporting documentation for high-dollar, high-risk invoices.

DS Response (June 4, 2018): DS/IP/OPO concurs with the OIG's recommendation. DS/IP/OPO will continue the policy of requiring 100-percent review of the supporting documentation for every invoice, and will ensure that the Standard Operating Procedure clearly outlines the process for both the Desk Officers and Acquisition Management Analysts, and address compliance with the Prompt Payment Act.

Recommendation #2: OIG recommends that the Bureau of Diplomatic Security issue instructions that reemphasize the respective roles and responsibilities of the Acquisition Management Analysts and Desk Officers in the invoice review process, including reviewing supporting documentation, as outlined in the Bureau of Diplomatic Security's invoice review Standard Operating Procedure, "Invoice Processing for the [Worldwide Protective Services] Program-[Acquisition Management Analysts] and Desk Officers."

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DS Response (June 4, 2018): The Office of Overseas Protective Operations (DS/IP/OPO) concurs with the OIG's recommendation and will review the current standard operating procedures updating respective roles, responsibilities and processes. DS/IP/OPO will issue instructions reemphasizing the respective roles and responsibilities of the Acquisition Management Analysts and Desk Officers in the invoice review process, including reviewing supporting documentation.

Recommendation #3: OIG recommends that the Bureau of Diplomatic Security determine which vacant positions within the Worldwide Protective Services Division and the Operational Support Division should be deemed critical for ensuring adequate performance of invoice review and contract oversight and issue an appeal to the Under Secretary for Management to fill those vacancies.

DS Response (June 4, 2018): DS/IP/OPO concurs with the OIG's recommendation. With the Department's hiring freeze lifted effective May 15, 2018, DS/IP/OPO will coordinate with Human Resources Management (DS/EX/HRM) to prioritize the critical positions required to validate invoices and provide contract oversight. While the hiring freeze has been lifted, the Department has issued a hiring ceiling for DS and all other bureaus, preventing DS from filling all vacant positions. OPO's positions will need to be evaluated against all other bureau vacancies in determining DS-wide priorities.

Recommendation #4: OIG recommends that the Bureau of Diplomatic Security develop and implement a standardized format to uniformly document the results of Program Management Reviews and Post Assistance Visits to facilitate contractor oversight and affirm contract terms and conditions are being fulfilled.

DS Response (June 4, 2018): DS/IP/OPO concurs with the OIG's recommendation to develop and implement a standardized format to document Program Management Reviews and Post Assistance Visits and will review/update the current office's policy and procedures directive.

Attachment:

DS Invoice Review Audit Draft Report May 14 2018

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Approved: DS – Christian J. Schurman []

Analyst: DS/MGT/PPD – Adom M. Cooper, ext. 5-2747

Cleared: DS/DSS – C. Schurman (ok)
DS/EX – W. Terrini (ok)
DS/EX/MGT – J. Schools (ok)
DS/MGT/PPD – M. Scherger (ok)
DS/MGT/PPD – L. Long (ok)
DS/IP/OPO – N. Sabruno (ok)
DS/IP – S. Jones (ok)
M – J. Bucha (ok)
M/PRI – M. Schild (ok)
A – J. Rizzoli (ok)

ABBREVIATIONS

AMA	Acquisition Management Analyst
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
GTM	Government Technical Monitor
OIG	Office of Inspector General
PMR	Program Management Review
SOP	Standard Operating Procedure
WPS	Worldwide Protective Services

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