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April 2021

Compliance Follow-Up Audit of the Bureau of Near Eastern Affairs Selection and Management of Contract Oversight Personnel in Iraq

MIDDLE EAST REGION OPERATIONS

UNCLASSIFIED



HIGHLIGHTS

Office of Inspector General
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AUD-MERO-21-24

What OIG Audited

In November 2018, the Department of State (Department), Office of Inspector General (OIG) reported* that the Bureau of Near Eastern Affairs (NEA) did not nominate qualified Contracting Officer's Representatives (COR) and Government Technical Monitors (GTM) who possessed the necessary Federal Acquisition Certification for Contracting Officer's Representative (FAC-COR) and demonstrated the technical expertise in the contract subject matter to oversee mission support contracts in Iraq, valued at more than \$3 billion. Among others, OIG made three recommendations to NEA and one to the Bureau of Administration, Office of the Procurement Executive (OPE) to address deficiencies identified.

OIG conducted this compliance follow-up audit to determine the extent to which the Department has acted to close the four open recommendations from OIG's November 2018 report on the selection and management of contract oversight personnel in Iraq.

What OIG Recommends

OIG made two new recommendations to NEA to ensure that the prior recommendations, which remain open, are efficiently and effectively implemented. In addition, OIG closed the recommendation addressed to OPE from the prior report and made two new recommendations to further improve the COR workforce. OIG considers all four recommendations offered in this report resolved, pending further action, based on management's response to a draft of this report. A synopsis of management's comments and OIG's reply follow each recommendation in the Audit Results section of this report. Responses received from the Department are reprinted in Appendices B through D.

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MIDDLE EAST REGION OPERATIONS

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What OIG Found

NEA has not taken all necessary steps to implement the three recommendations offered by OIG in 2018, meant to improve the nomination and selection of personnel to oversee contracts in Iraq. For example, although NEA determined that Level III FAC-COR certification is needed to oversee contracts in Iraq, it has not established the level of technical expertise needed for CORs and GTMs assigned, as recommended. In addition, OIG discovered during this audit that NEA continued to nominate CORs and GTMs who were not Level III FAC-COR certified and did not demonstrate technical expertise in the contract subject matter. NEA officials said that they are in the process of updating a study that will address OIG's recommendations. However, more than 730 days have passed since OIG offered its recommendations. OIG concludes that NEA has not dedicated sufficient resources and attention to addressing the recommendations offered, in part, because of the ordered departure of staff from U.S. Mission Iraq in 2019 and the global COVID-19 pandemic in 2020. Nevertheless, failure to fully address the recommendations and nominate qualified and experienced personnel to oversee contracts valued in the billions of dollars places taxpayer funds at risk of waste and fraud.

With respect to the recommendation OIG offered to OPE, OPE has taken some but not all steps needed to address the deficiencies identified. For example, OPE explored ways to create a roster of qualified CORs and studied developing a new skill code and specialized incentive pay program for CORs. However, it has not researched the inclusion of the COR workforce in the Department's strategic human capital plan with the goal of addressing COR workforce shortfalls, nor has it provided its analysis to the Under Secretary for Management. Like NEA, OPE has not fully implemented this recommendation because it has not dedicated the resources and attention necessary to fully address the recommendation. Until this is corrected, OPE will remain unable to fully address the long-standing deficiencies identified with the COR workforce.

* OIG, *Audit of the Bureau of Near Eastern Affairs Selection and Management of Contract Oversight Personnel in Iraq* (AUD-MERO-19-10, November 2018).

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OBJECTIVE

The Department of State (Department), Office of Inspector General (OIG) conducted this compliance follow-up audit to determine the extent to which the Department has acted to close four recommendations that were open and considered resolved pending further action from OIG's November 2018 report on the selection and management of contract oversight personnel in Iraq.¹

BACKGROUND

Implementing proper oversight of U.S.-funded contracts in accordance with Federal and Department requirements remains a challenge in overseas contingency environments such as Iraq.² The Federal Acquisition Regulation states that Contracting officers have authority to enter into, administer, or terminate contracts.³ The Contracting Officer may designate a Contracting Officer's Representative (COR) or Alternate COR,⁴ in writing, as an authorized representative to assist in the technical monitoring or administration of a contract.⁵ The Contracting Officer may also appoint a Government Technical Monitor (GTM) to assist the COR because of the GTM's physical proximity to the contractor's worksite or because of specialized skills or knowledge necessary for monitoring the contractor's work.⁶ Collectively, CORs and GTMs serve as the Contracting Officer's "eyes and ears" to ensure that the Department receives high-quality supplies and services on time, within the agreed-upon price and in accordance with all contract requirements.

Oversight Roles and Responsibilities

According to the Foreign Affairs Handbook (FAH), the program office selects and nominates individuals to be appointed by the Contracting Officer to serve as CORs and conduct contract oversight.⁷ For mission support contracts in Iraq, the program office is the Bureau of Near Eastern Affairs (NEA), and the Contracting Officers are from the Bureau of Administration,

¹ OIG, *Audit of the Bureau of Near Eastern Affairs Selection and Management of Contract Oversight Personnel in Iraq* (AUD-MERO-19-10, November 2018). As of September 2020, 9 of the 13 recommendations originally offered were closed.

² Since FY 2008, OIG has reported effective contract oversight as a top management and performance challenge for the Department. Specifically, in FY 2020, OIG reported that "Contracts and other foreign assistance in contingency environments can also be susceptible to less oversight . . . [b]ecause of these weaknesses, OIG reported \$201.6 million spent on six contracts as potential wasteful spending due to mismanagement and inadequate oversight." (OIG, *Inspector General Statement on the Department of State's Major Management and Performance Challenges* 14 [OIG-EX-21-01, December 2020].)

³ Federal Acquisition Regulation, 1.602-1, "Authority."

⁴ OIG considers the Alternate CORs equivalent to the CORs in terms of oversight responsibilities and therefore does not differentiate those positions in this compliance follow-up audit.

⁵ Federal Acquisition Regulation 1.602; 1.604, "Contracting Officer's Representative (COR)." The Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Policy appoints Contracting Officers.

⁶ Department of State Acquisition Regulation 642.271, "Government Technical Monitor (GTM)."

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

Office of the Procurement Executive (OPE). Therefore, NEA is responsible for reviewing the candidates' training and experience to determine whether they possess the appropriate contract oversight qualifications and demonstrate sufficient technical expertise in the subject matter to provide adequate contract oversight. NEA prepares nomination letters for candidates that meet its oversight requirements. After NEA nominates a candidate, the Contracting Officer reviews the candidate's nomination letter and appoints him or her as a COR.⁸ In 2013, NEA established the Contract Management Office at U.S. Embassy Baghdad, Iraq, to better manage its contracts, and in 2017, established the Regional Contract Support Office located at the U.S. Consulate General Frankfurt, Germany, to, among other things, administratively complete the COR nomination process.⁹

Contracting Officer's Representative Certification and Skill Requirements

The Office of Management and Budget (OMB), Office of Federal Procurement Policy establishes multi-tiered requirements for the Federal Acquisition Certification for Contracting Officer's Representative (FAC-COR).¹⁰ Specifically, FAC-COR contains three levels of certification with varying requirements for training, experience, and continuous learning. OPE also issued Procurement Information Bulletin 2012-15, which implements the OMB memorandum and prescribes additional requirements for the Department's CORs and GTMs to obtain a FAC-COR certification.¹¹ For example, Level I FAC-COR certification requires at least 6 months of U.S. Government experience, Level II and Level III FAC-COR certification requires 12 months and 24 months of COR-related activities or appointed experience, respectively. This policy also states that GTMs who are assigned to perform contract administration duties are required to be certified at the same level as the COR, or the GTMs delegated duties must be limited to the level for which they are FAC-COR certified. In addition to the FAC-COR certification, the FAH states that CORs "must have sufficient technical expertise on the subject matter of the contract to perform effective oversight" and that "[p]rogram offices are responsible for determining the level and nature of technical expertise required to manage the program."¹²

Mission Support Contracts in Iraq

OPE's Office of Acquisitions Management awarded the following contracts that provide services to U.S. personnel, contractors, and authorized foreign nationals working at Department sites in Iraq.

⁸ *Ibid.*

⁹ The Regional Contract Support Office operates as a field office and provides additional support to high-dollar contracts as well as invoice reviews, technical advisory support and training, and additional contract oversight personnel, when needed.

¹⁰ OMB Memorandum, "Revisions to the Federal Acquisition Certification for Contracting Officer's Representatives (FAC-COR)" (September 6, 2011).

¹¹ OPE issues the Department's procurement policies and regulations for both domestic and overseas contracting activities. It also participates in interagency working groups formed to improve the acquisition workforce.

¹² 14 FAH-2 H-143a, "Designating a Contracting Officer's Representative (COR);" 14 FAH-2 H-143.1j, "COR Training Requirements."

Operations and Maintenance Support Services

The Operations and Maintenance Support Services (OMSS) contract, awarded in July 2012, provides services in Iraq that include, but are not limited to, fire alarm and suppression systems; the sanitary sewer and waste water treatment plant; water supply, purification, and distribution; fuel storage and distribution; electrical generation and distribution; and facility, building, or structure maintenance, including janitorial services. As of December 2020, the OMSS contract was valued at \$2 billion.

Baghdad Life Support Services

The Baghdad Life Support Services (BLISS) contract, awarded in July 2013, provides services that include, but are not limited to, requirements for food acquisition, preparation, and service; bottled water acquisition and distribution; fuel acquisition; postal services; waste management; recreation services; warehouse support; transportation; cargo and container management; and fire protection services. As of December 2020, the BLISS contract was valued at \$1.3 billion.

Medical Support Services Iraq

The Medical Support Services Iraq (MSSI) contract, awarded in May 2011, provides medical support services that included providing medical support services. These services included, but were not limited to, providing medical treatment related to general surgical and medical care, emergency response, physicals, dental, public health, and medical logistics; housekeeping in health care facilities; maintaining medical records, patient tracking, and reporting; staffing; and credentialing. As of December 2020, the MSSI contract, including all follow-on contracts, was valued at \$791 million.¹³

Results of the 2018 OIG Audit of the Selection and Management of Contract Oversight Personnel in Iraq

OIG's *Audit of the Bureau of Near Eastern Affairs Selection and Management of Contract Oversight Personnel in Iraq*¹⁴ reported, among other deficiencies, that NEA did not consistently nominate CORs and GTMs with the required certification level to oversee contracts in Iraq. In addition, OIG found that contract oversight personnel did not always possess sufficient technical expertise in the contract subject matter. These shortfalls occurred because NEA did not assess the qualifications and technical expertise in the contract subject matter needed to nominate qualified CORs and GTMs. Moreover, the November 2018 report identified that finding personnel who were Level III FAC-COR certified and possessed the technical expertise in the contract subject matter was a challenge, which suggested a shortfall in human capital planning. OIG concluded that until these conditions are corrected, NEA will continue to have limited assurance that contractors in Iraq are performing as required under the contract.

¹³ Three noncompetitive contracts were awarded: MSSI I in 2017 (valued at \$85 million); MSSI II in 2018 (valued at \$62 million); and MSSI III in 2020 (valued at \$58 million).

¹⁴ AUD-MERO-19-10, November 2018.

To address these deficiencies, OIG made three recommendations to NEA that were meant to improve the process to nominate and select CORs and GTMs, and one recommendation to OPE to create, organize, and lead a multi-bureau working group with the goal of remedying identified shortfalls with the current and future COR workforce. Table 1 shows the recommendations from Recommendations 1, 2, 4, and 5 from the previous OIG audit.

Table 1: COR- and GTM-Related Recommendations From AUD-MERO-19-10

Number	Recommendation Text
1	OIG recommends that the Bureau of Near Eastern Affairs (a) analyze all contracts for which it assigns Contracting Officer's Representatives and Government Technical Monitors and determine the appropriate level of Federal Acquisition Certification for Contracting Officer's Representatives, the technical expertise, and other qualifications required; (b) document the analysis and determinations; (c) and provide the determinations to the Contracting Officers assigned to those contracts.
2	OIG recommends that the Bureau of Near Eastern Affairs compare Contracting Officer's Representative and Government Technical Monitor nominee qualifications to the analysis conducted for the Bureau's contracts as noted in Recommendation 1 and only nominate those with the necessary technical expertise and level of Federal Acquisition Certification for Contracting Officer's Representatives to oversee the contract and hold contractors accountable for quality and cost performance in accordance with contract terms.
4	OIG recommends that the Bureau of Near Eastern Affairs discontinue the practice of nominating Contracting Officer's Representatives and Government Technical Monitors who do not meet Level III Federal Acquisition Certification for Contracting Officer's Representatives and technical expertise requirements for its contracts or obtain a temporary waiver from the Bureau of Administration, Office of the Procurement Executive, as required by Procurement Information Bulletin No. 2012-15.
5	OIG recommends that the Bureau of Administration, Office of the Procurement Executive create, organize, and lead a multi-bureau working group with the goal of remedying identified shortfalls with the current and future Contracting Officer's Representative (COR) workforce. The working group should, at a minimum: (a) explore building a roster of certified Federal Acquisition Certification for Contracting Officer's Representatives and their technical expertise and a mechanism to keep this roster current, (b) research the inclusion of CORs in the strategic human capital plan with the goal of addressing current and future COR needs and developing plans Department-wide to alleviate identified shortfalls, (c) study other alternatives for feasibility of implementation, such as using special pay incentives or a new COR skill code or employment track within the Foreign Service, and (d) provide its documented results and recommendations to the Under Secretary for Management for his awareness and consideration.

Source: AUD-MERO-19-10, November 2018.

As of September 2020, four recommendations OIG made in the November 2018 report remained open and were considered resolved pending further action.¹⁵ OMB Circular A-50

¹⁵ The other nine recommendations OIG offered in the prior report were considered closed. However, during this compliance follow-up audit, OIG identified an additional area of concern related to Recommendation 3 of AUD-MERO-19-10, which is addressed in the Other Matters section of this report.

requires each agency to establish systems to promptly and properly resolve and implement audit recommendations.¹⁶ According to the Foreign Affairs Manual,¹⁷ OIG considers a recommendation unresolved, resolved, or closed on the basis of actions that the Department has taken or plans to take in response to the recommendation. A recommendation is considered unresolved if the Department has neither acted nor stated how it plans to implement the recommendation. A recommendation is considered resolved when the Department has agreed to implement the recommendation or has begun, but has not yet completed, actions to fully implement the recommendation. Open recommendations include both unresolved and resolved recommendations. A recommendation is considered closed when the Department has completed actions necessary to implement the recommendation and OIG has reviewed satisfactory evidence of final action and determined that no additional action is required.

AUDIT RESULTS

Finding A: NEA Has Not Taken All Actions Necessary To Implement OIG Recommendations To Improve the Nomination and Selection of Contract Oversight Personnel in Iraq

OIG found that NEA has not taken all necessary steps to implement the three recommendations offered in 2018, meant to improve the nomination and selection of personnel to oversee contracts in Iraq. For example, although NEA determined that Level III FAC-COR certification is needed to oversee contracts in Iraq, it has not established the level of technical expertise needed for CORs and GTMs assigned, as recommended. In addition, OIG discovered during this audit that NEA continued to nominate CORs and GTMs who were not Level III FAC-COR certified and did not demonstrate technical expertise in the contract subject matter. NEA officials said that they are in the process of updating a study that will address OIG's recommendations. However, more than 730 days have passed since OIG offered its recommendations. OIG concludes that NEA has not dedicated sufficient resources and attention to addressing the recommendations offered, in part, because of the ordered departure of staff from U.S. Mission Iraq in 2019 and the global COVID-19 pandemic in 2020. Nevertheless, failure to fully address the recommendations and nominate qualified and experienced personnel to oversee contracts valued in the billions of dollars places taxpayer funds at risk of waste and fraud.

Current Status of OIG's November 2018 Recommendation 1

OIG found that NEA commissioned a study to address components (a) and (b) of Recommendation 1. Specifically, NEA executed a *Contract Oversight Study for NEA Funded Support Contracts in Iraq (Contract Oversight Study)*, which was provided to OIG in March 2019. The *Contract Oversight Study* determined that CORs for NEA contracts in Iraq needed a Level III FAC-COR certification, but it did not make a FAC-COR certification determination regarding GTMs, as OIG recommended. In addition, the *Contract Oversight Study* did not make any

¹⁶ OMB Circular A-50, "Audit Followup," § 5, "Policy," (September 29, 1982).

¹⁷ 1 Foreign Affairs Manual 056.1, "Definitions."

determinations regarding the technical expertise in the contract subject matter required of those nominated to COR and GTM positions. Although the *Contract Oversight Study* stated that NEA was “working on the next step to strengthen the GTM role, [which is] an inventory of GTM duties to ensure that GTM FAC-COR levels are appropriate,” it did not describe actions to be taken to understand technical expertise requirements for CORs or GTMs. Therefore, NEA did not fully address component (a) or (b) of Recommendation 1. To fully implement components (a) and (b) of the recommendation, NEA’s documented analysis should include a description of the technical expertise required in the contract subject matter. For example, necessary COR or GTM technical expertise would consider contract requirements related to operations and maintenance under OMSS, life support services such as food and fuel services under BLiSS, and medical support services under MSSI. These factors would provide the basis for determining the types of subject matter technical expertise that is required of CORs and GTMs nominated for appointment for specific contracts.

Regarding component (c) of Recommendation 1, OIG found that NEA did not provide Contracting Officers with the determinations for appointments as CORs that it had made in its *Contract Oversight Study*. As of December 2020, NEA has not demonstrated progress to address Recommendation 1 since its submission of the *Contract Oversight Study* to OIG in March 2019.

Current Status of OIG’s November 2018 Recommendation 2

OIG found that NEA’s insufficient actions to implement Recommendation 1 prevented it from implementing Recommendation 2, which allowed NEA to continue soliciting contract oversight personnel without defined standards. To test whether NEA compared and considered the level of FAC-COR certification and technical expertise in the contract subject matter for its COR positions in Iraq, OIG reviewed the position descriptions soliciting CORs for the 2019 and 2020 bidding¹⁸ cycles. OIG found that 13 of 14 (93 percent) position descriptions¹⁹ included the requirement that incumbents be Level III FAC-COR certified.²⁰ However, OIG found that only 2 of 14 (14 percent) position descriptions included requirements to possess technical expertise in the contract subject matter. Specifically, two position descriptions soliciting CORs for the OMSS contract required incumbents to possess specific technical expertise in the contract subject matter, such as knowledge of “facilities and compounds needed to evaluate preventative and annual maintenance programs . . . [and] tools and heavy equipment used in construction of buildings and in building operations[.]” The position descriptions soliciting CORs for the BLiSS contract did not require incumbents to have technical expertise in life support services, and position descriptions for MSSI CORs stated that medical experience is preferred but not required. NEA is responsible for determining the level and nature of technical expertise

¹⁸ “Bidding” is the cyclical process used by Foreign Service personnel to research and request their next assignments. Assignments in Iraq are 1 year in duration with the possibility to extend.

¹⁹ OIG found that one position description in 2019 did not include the requirement to be Level III FAC-COR certified; however, it included the requirement in the 2020 description for the same position.

²⁰ NEA did not formally solicit GTMs for the 2019 and 2020 bidding cycles and instead, relied on staff that was currently positioned in Iraq.

required of CORs and GTMs to manage their contracts in Iraq and for nominating qualified personnel.

Therefore, evaluating the requirements in NEA's portfolio of contracts in Iraq and identifying the technical expertise that NEA deems acceptable to oversee those contracts is a necessary step that NEA must take to close Recommendation 2. To fully implement Recommendation 2, NEA must first complete the requirements of components (a) and (b) of Recommendation 1, as previously described, and then confirm that position descriptions of CORs reflect the identified subject matter technical expertise and FAC-COR certification level required.

Current Status of OIG's November 2018 Recommendation 4

OIG found that NEA continued to nominate CORs and GTMs who did not meet the necessary FAC-COR and technical qualifications. Specifically, OIG reviewed 42 nomination letters—38 CORs and 4 GTMs—and found that NEA made 10 (24 percent) nominations—6 CORs and 4 GTMs—for personnel that did not possess Level III FAC-COR certifications, as required, to oversee the OMSS, BLISS, and MSSI contracts. In addition, NEA did not obtain temporary waivers from OPE for unqualified nominations.²¹ Regarding technical expertise in the contract subject matter, OIG found that 39 (93 percent) of the nomination letters—35 CORs and 4 GTMs—did not demonstrate that the personnel NEA nominated had technical expertise in the contract subject matter.²² To fully implement Recommendation 4, NEA must first complete the requirements of components (a) and (b) of Recommendation 1 as previously described, and then implement appropriate procedures that ensure only qualified personnel are nominated as CORs and GTMs or obtain the required OPE waivers.

NEA Has Not Dedicated Sufficient Resources To Implement Prior Recommendations

NEA has not taken all necessary steps to implement these recommendations, in part, because it had not dedicated sufficient resources and attention to implementing Recommendation 1. As a result of not addressing Recommendation 1, in full, NEA was unable to implement Recommendations 2 and 4. As of December 2020, over 2 years (more than 730 days) have passed since the original recommendations were issued in OIG's November 2018 report. In response to the original report, NEA stated it would implement Recommendation 1 within 60 days. Approximately 120 days later—twice as many days as originally stated—in March 2019, NEA submitted its *Contract Oversight Study* to OIG; however, OIG found it to be insufficient to fully address Recommendation 1 for the reasons previously described.

²¹ In response to the November 2018 recommendation, NEA concurred with Recommendation 4 that GTMs should be Level III FAC-COR certified and deferred action until Recommendation 1 was completed. However, during a March 2020 compliance response, NEA clarified its position by stating that "GTM's are not, by definition, required to be [Level III FAC-COR] certified," even though this contradicts policy requirements outlined in Procurement Information Bulletin 2012-15. During this compliance follow-up audit, NEA has not confirmed whether it will continue the practice of nominating GTMs who are not Level III FAC-COR certified.

²² Three letters for personnel nominated by NEA to oversee MSSSI, which is a medical support contract, included information related to "medical experience." OIG did not assess the extent to which that experience demonstrates technical expertise in the contract subject matter.

Subsequently, in March 2020, NEA stated that it was revising the *Contract Oversight Study* to include the technical and certification requirements previously omitted for oversight personnel and expected the revision to be completed by May 2020. During fieldwork for this audit, NEA officials stated that they are in the process of updating a study that will address OIG's recommendations. However, as of December 2020, NEA has not provided an updated study to OIG.

Overseas Contingency Environment and COVID-19 Pandemic Pose Additional Challenges to Proper Contract Oversight

OIG recognizes that some of the delays for NEA acting on the recommendations from the prior audit are due, in part, to the political and security environments in Iraq, as well as the global COVID-19 pandemic, both of which have caused unexpected, ordered departures of U.S. Government personnel from Iraq.²³ However, challenges faced in overseas contingency environments are not new. In past reporting, OIG identified security issues and constant change as common features that inherently make agency operations more difficult and serve as incentives that cause the Department to deviate from standard practices meant to ensure effective control of U.S.-funded contracts.²⁴ For example, NEA had to "emergency nominate" CORs who did not possess Level III FAC-COR certifications during the May 2019 ordered departure to ensure sufficient contract oversight even though NEA's practice in doing so did not align with Department policy. Consistent with prior reporting, OIG maintains that the pressure to "get the job done" can have far-reaching consequences, and when management or oversight shortcuts are taken, the likelihood of waste and opportunities for abuse increases.²⁵ For example, OIG has conducted multiple audits on the BLiSS contract; two of which questioned the management of approximately \$109 million.²⁶

NEA should dedicate sufficient resources and attention to address these outstanding recommendations through heightened planning and management strategies because the Department continues to award large and complex contracts in Iraq.²⁷ For example, since November 2018, CORs have accepted more than \$400 million in goods and services on behalf of the Department and taxpayers for mission support contracts in Iraq. Furthermore, the Department awarded a \$6 billion Diplomatic Platform Support Services indefinite delivery, indefinite quantity contract that will continue mission support services in Iraq through at least

²³ The Department ordered the departure of U.S. Government employees from Iraq on May 15, 2019, due to security threats, and on March 25, 2020, due to the global COVID-19 pandemic.

²⁴ OIG, *Summary Guide to Overseas Contingency Operations Oversight Lessons Learned 3*, 11 (OIG-OCO-16-01, September 2016).

²⁵ *Ibid*, at 11.

²⁶ OIG's *Audit of the Oversight of Fuel Acquisition and Related Services Supporting Department of State Operations in Iraq* (AUD-MERO-17-16, December 2016) questioned approximately \$64 million in fuel purchases, and *Management Assistance Report: Cost Controls for Food Services Supporting Department of State Operations in Iraq Require Attention* (AUD-MERO-18-31, March 2018) questioned approximately \$45 million related to food services.

²⁷ According to the Acting Under Secretary of State for Management, "[t]he Department considers 'complex' contracts to be any type of contract of a magnitude that necessitates significant contractor surveillance and oversight and includes robust contract administration requirements."

2026. Until NEA fully implements OIG's recommendations that prioritize nominating and selecting qualified contract oversight personnel, it will have limited assurance that contracts in Iraq are performing as required under the contract, putting billions of taxpayer funds at risk of waste and fraud.

Prior compliance correspondence related to the November 2018 report indicated that the NEA Deputy Executive Director led the implementation efforts for the recommendations offered; however, the lack of sufficient action suggests that higher visibility is needed to implement the recommendations in an efficient manner. Therefore, OIG is recommending that the Assistant Secretary develop an action plan to ensure appropriate and sufficient resources are dedicated to fully implementing the prior recommendations. Because OIG did not find evidence that suggests the prior recommendations require revision, the three recommendations from the November 2018 report remain "resolved," pending receipt of documentation demonstrating their implementation through routine compliance communication related to the prior report. In addition to the previous recommendations that remain open, OIG is offering the following recommendation to garner greater attention and resources to this important contract oversight issue.

Recommendation 1: OIG recommends that the Assistant Secretary for the Bureau of Near Eastern Affairs develop and execute an action plan that dedicates appropriate resources to implement Recommendations 1, 2, and 4 from OIG report *Audit of the Bureau of Near Eastern Affairs Selection and Management of Contract Oversight Personnel in Iraq* (AUD-MERO-19-10, November 2018). The plan should outline the steps and resources necessary to determine the technical expertise in the contract subject matter for Contracting Officer's Representatives (COR) and Government Technical Monitors (GTM), provide those determinations and requirements to Contracting Officers, and ensure only CORs and GTMs that meet the requirements of the updated study are nominated. The action plan should include milestones to ensure efficient and timely implementation considering the time that has elapsed since the recommendations were made in November 2018.

Management Response: NEA concurred with the recommendation, stating it would "develop and execute a plan with sufficient resources to respond to recommendations 1, 2, and 4, in AUD-MERO-19-10."

In addition, NEA noted that all CORs over the last three cycles were FAC-COR Level III certified, except for a few emergency assignments following ordered departure. NEA further stated that it "has broken assignments for officers unable to achieve [FAC-COR Level III] certification."

OIG Reply: On the basis of NEA's response, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that the Assistant Secretary has developed and executed an action plan that dedicates appropriate resources to implement Recommendations 1, 2, and 4 from OIG report *Audit of the Bureau of Near Eastern Affairs Selection and Management of Contract Oversight Personnel in Iraq* (AUD-MERO-19-10, November 2018). OIG

acknowledges the comments provided by NEA in response to a draft of this report (see Appendix C) regarding COR certifications and “broken assignments.” However, OIG was not provided supporting documentation and therefore cannot validate NEA’s statements.

Finding B: OPE Has Not Taken All Actions Necessary To Implement OIG Recommendation To Identify and Address Contracting Officer’s Representative Workforce Shortfalls

OIG found that OPE has taken some, but not all, steps needed to address the deficiencies identified. For example, OPE explored ways to create a roster of qualified CORs and studied developing a new skill code and specialized incentive pay program for CORs. However, it has not researched the inclusion of the COR workforce in the Department’s strategic human capital plan with the goal of addressing COR workforce shortfalls, nor has it provided its analysis to the Under Secretary for Management. Like NEA, OPE has not fully implemented this recommendation because it has not dedicated the resources and attention necessary to fully address the recommendation. Until this is corrected, OPE will remain unable to fully address the long-standing deficiencies identified with the COR workforce.

Current Status of OIG’s November 2018 Recommendation 5, Component (a)

OIG found that OPE established a multi-bureau working group that explored mechanisms to build a roster of certified FAC-COR personnel with technical expertise. For example, the working group considered using a new platform, Cornerstone OnDemand,²⁸ as a system to track personnel by skill code.²⁹ However, OPE officials told OIG that they were unsure when this platform would be implemented within the Department and that the working group had not determined what alternatives could be used in the interim to develop this roster. Separately, OIG found that the working group also developed survey questions that could be sent to the Department’s COR workforce as a method to self-identify their COR experience and technical expertise. However, OIG reviewed the survey questions and found that none were related to technical expertise in contract subject matter, but rather, the questions were related to experience in specific Department bureaus in addition to contract administration experience. On the basis of OPE’s action to explore mechanisms to build a roster of certified FAC-COR personnel with technical expertise, OIG considers component (a) of the recommendation fully implemented.

Current Status of OIG’s November 2018 Recommendation 5, Component (b)

OIG found that OPE did not provide input into the Department’s strategic human capital plan to address COR workforce shortfalls. Instead, OPE told OIG that it prepares an “Acquisition Human

²⁸ Cornerstone OnDemand is a cloud-based learning, talent management, and talent experience software that is intended, in part, to store training and certification records of the acquisition workforce across the Federal Government.

²⁹ 3 Foreign Affairs Manual 2656, “Foreign Service Skill Codes,” defines skill codes as four-digit numerical codes that are assigned to Foreign Service occupational skills, which are used for both classifying positions and describing the skills of Foreign Service personnel.

Capital Plan”³⁰ to address OMB requirements to report on acquisition workforce metrics.³¹ OIG reviewed OPE’s “Acquisition Human Capital Plan” and found that it included information such as challenges to meet current and future COR needs and stated that OPE will “work with Department stakeholders to determine the future structure of the acquisitions workforce and how to best align and efficiently meet the needs of the customer.”³² However, OIG found that OPE did not provide the plan to the Bureau of Global Talent Management³³ to address COR workforce challenges Department-wide.

The Bureau of Global Talent Management is responsible for developing the *Five-Year Workforce Plan*, which provides a framework for addressing the Department’s human capital requirements and highlighting the Department’s challenges and achievements in recruiting, staffing, retaining, and training employees.³⁴ Furthermore, the Bureau of Global Talent Management confirmed with OIG that it was not aware of OPE’s “Acquisition Human Capital Plan” or of OPE’s challenges in finding FAC-COR personnel with subject matter technical expertise, leaving it unable to holistically address COR workforce challenges. To implement component (b) of Recommendation 5, OPE should provide its “Acquisition Human Capital Plan” to the Bureau of Global Talent Management for inclusion in its *Five-Year Workforce Plan* to address Department-wide COR workforce needs and shortfalls.

Current Status of OIG’s November 2018 Recommendation 5, Component (c)

OIG found that OPE established a separate working group that studied the development of a Foreign Service skill code or specialized incentive pay program for CORs. According to the working group, OPE consulted with Bureau of Global Talent Management, Office of Organization and Talent Analytics³⁵ officials who told OPE that creating a new COR skill code and a specialized incentive pay program were not feasible. OPE subsequently concluded that creating a new skill code and determining a specialized incentive pay program were outside of its authority and did not take any further action. During this compliance follow-up audit, OIG spoke with the Office of Organization and Talent Analytics, which stated that it could conduct a

³⁰ Department of State, “FY19 [Acquisition Human Capital Plan] Questionnaire for the [Department of State] Agency” (May 26, 2020).

³¹ See OMB Memorandum, “Acquisition Workforce Development Strategic Plan for Civilian Agencies – FY 2010-2014” (October 27, 2009).

³² “Acquisition Human Capital Plan” at 4. More specifically, within OPE, the Office of Acquisitions Management was tasked with this responsibility. According to 1 Foreign Affairs Manual 212.2-2, “Office of Acquisition Management,” this office provides, among other things, acquisition expertise and acquisition assistance for the professional development of Department employees.

³³ The Bureau of Global Talent Management oversees every aspect of human capital management, from recruitment to retirement, including managing the assignments, evaluation, promotion, and career development policies and programs for the Department’s Foreign and Civil Service employees and locally employed staff.

³⁴ Department of State, Bureau of Human Resources, *Five-Year Workforce Plan Fiscal Years 2019 – 2023* (February 2020), https://www.state.gov/wp-content/uploads/2020/02/Five-Year-Workforce-Plan-FY19_FY23-Final.pdf. The Bureau of Global Talent Management was formerly named the Bureau of Human Resources.

³⁵ The Office of Organization and Talent Analytics within the Bureau of Global Talent Management is responsible for managing the Department’s worldwide position management program and conducts Department organizational and competency studies to determine potential impact on organizational functions and alignments.

Foreign Service skills assessment to identify gaps in the technical skills required to conduct contract oversight in Iraq. Additionally, the Office of Organization and Talent Analytics stated that if a specific skill set is identified from its assessment, it could research the feasibility of creating a specialized incentive pay program for CORs. On the basis of OPE's action to engage with the Bureau of Global Talent Management, Office of Organization and Talent Analytics to study the development of a Foreign Service skill code or specialized incentive pay program for CORs, OIG considers component (c) of the recommendation implemented. However, OPE should re-engage with the Office of Organization and Talent Analytics and take the steps necessary to conduct a Foreign Service skills assessment related to contract oversight. OPE and the Bureau of Global Talent Management should collaborate on appropriate methods to employ the results of the assessment.

Current Status of OIG's November 2018 Recommendation 5, Component (d)

OIG found that OPE has not provided documented results of this recommendation to the Under Secretary for Management for his or her awareness and consideration. As part of the compliance process for the November 2018 report, OPE informed OIG that the expected delivery date to the Under Secretary would likely be 18 to 24 months from the day the recommendation was issued. As of November 2020, OPE informed OIG that it had not provided results to the Under Secretary for Management, even though the projected delivery timeframe had passed. To determine whether OPE is making actionable progress to improve the Department's COR workforce shortfalls, it should provide documented results to the Under Secretary for Management for higher visibility.

OPE Has Not Dedicated Sufficient Resources To Implement Recommendation 5

Like NEA, OPE has not fully implemented this recommendation because it has not dedicated the resources and attention necessary to fully address it. For example, OPE did not explore including the COR workforce into the Department's strategic human capital plan because it was not attentive to addressing the prior recommendation and Federal policy. Federal policy requires that "[t]he [Chief Acquisition Officer, or equivalent], in consultation with agency acquisition career managers and functional advisors, . . . provide to the agency's Chief Human Capital Officer . . . substantial input to the agency's human capital strategic plan regarding the acquisition workforce."³⁶ The policy also states that the Chief Acquisition Officer, or equivalent, is responsible for "assessing the current skills inventory of the workforce, identifying short- and long-term agency needs, and establishing plans, including recruitment and retention strategies, for obtaining the acquisition workforce resources and skills required to meet future agency mission needs."

In November 2020, 2 years after the issuance of the original recommendation, OPE informed OIG that "results to this recommendation were premature" and therefore were not provided to the Under Secretary for Management. Until OPE fully addresses this recommendation, OPE will remain unable to address the long-standing deficiencies identified with the COR workforce.

³⁶ OMB Policy Letter 05-01, "Developing and Managing the Acquisition Workforce" (April 15, 2005).

However, because OPE took actions to implement portions of the prior recommendation, OIG is closing Recommendation 5 from the prior report and issuing a new recommendation to ensure appropriate actions are taken to fully address the deficiencies identified. Furthermore, the extended time lapse and lack of attention from OPE, suggests that higher visibility is necessary to ensure implementation of the recommendation and is therefore addressing the recommendation to the Under Secretary for Management for action. Finally, to ensure that the Department is meeting Federal policy requirements and the Department-wide COR needs are considered, OIG is also recommending that OPE provide its "Acquisition Human Capital Plan" to the Bureau of Global Talent Management for workforce planning purposes.

Recommendation 2: OIG recommends that the Under Secretary of State for Management (a) direct the Bureau of Administration, Office of the Procurement Executive to coordinate with the Bureau of Global Talent Management, Office of Organization and Talent Analytics to conduct a skills assessment for contract oversight personnel overseeing "complex contracts" that require significant contractor oversight and include robust contract administration requirements to identify skills gaps to attract and retain qualified Contracting Officer's Representatives with technical expertise in the contract subject matter and (b) develop an action plan to implement the results for all complex Department of State contracts, with a high-priority on contracts in Iraq.

Management Response: The Acting Under Secretary of State for Management partially concurred with OIG's recommendation in a draft of this report, stating that the COR function "is not a job type or job skill code" but rather, "an ancillary skillset to a primary subject matter expertise, assigned to a particular employee and is based on the employee's organization's needs" and as a result, "[t]he Department cannot conduct a traditional skills assessment for CORs." In addition, the Acting Under Secretary declined to create a specialized incentive pay program to attract and retain qualified CORs, stating that "Incentive pay is offered as a retention tool and is used to retain employees with specific skills that are highly sought after outside federal service, such as information technology. Currently, the Department does not have evidence that suggests we are losing personnel with COR certifications to organizations outside the [F]ederal [G]overnment, or that the payment of an incentive would impact the Department's ability to retain highly skilled CORs."

However, the Acting Under Secretary stated that "[the Bureau of Global Talent Management's Office of Organization and Talent Analytics] will work with [OPE] to review a list of active CORs to see if COR duties are included in their official work commitments" and that "[t]his analysis will aid [the Bureau of Global Talent Management's Office of Organization and Talent Analytics] in determining whether a traditional skills assessment would be feasible." The Acting Under Secretary added that the review is "an opportunity to determine whether CORs managing highly complex contracts would benefit from additional training."

Finally, the Acting Under Secretary requested that OIG "clarify its use of the term 'complex contract.' The Department considers 'complex' contracts to be any type of contract of a

magnitude that necessitates significant contractor surveillance and oversight and includes robust contract administration requirements.”

OIG Reply: OIG’s recommendation in a draft of this report included creating an incentive pay program for CORs based on the results of the skills assessment. Although the Acting Under Secretary of State for Management did not agree with an incentive program, the actions outlined in response to a draft of this report (see Appendix B), when implemented, will meet the intent of the recommendation. Therefore, OIG modified the recommendation to remove the reference to a specialized incentive pay program. In addition, OIG clarified its use of the term “complex contract,” as described by the Acting Under Secretary, in the Audit Results section of this report. As a result, OIG considers the revised recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that the Under Secretary for Management has (a) directed OPE to coordinate with the Bureau of Global Talent Management, Office of Organization and Talent Analytics to conduct a skills assessment for contract oversight personnel overseeing “complex contracts” to identify skills gaps to attract and retain qualified CORs with technical expertise in the contract subject matter and (b) developed an action plan to implement the results for all complex Department of State contracts, with a high priority on contracts in Iraq.

Recommendation 3: OIG recommends that the Bureau of Administration, Office of the Procurement Executive provide the “Acquisition Human Capital Plan” to the Director General of the Bureau of Global Talent Management for consideration and inclusion in the overall Department of State-wide workforce planning efforts, in accordance with Policy Letter 05-01, “Developing and Managing the Acquisition Workforce,” issued by the Office of Management and Budget, Office of the Federal Procurement Policy.

Management Response: OPE concurred with the recommendation, stating that, “[a]n Acquisition Human Capital Plan for FY2021 is currently under development and once completed will be shared with the Bureau of Global Talent Management.” OPE expects to complete the plan by the end of the 3rd quarter of FY 2021.

OIG Reply: On the basis of OPE’s response and planned actions, OIG considers this recommendation resolved, pending further action. The recommendation will be closed when OIG receives and accepts documentation demonstrating that OPE has provided the “Acquisition Human Capital Plan” to the Director General of the Bureau of Global Talent Management for consideration and inclusion in the overall Department-wide workforce planning efforts.

OTHER MATTERS

In the November 2018 report, OIG recommended that NEA include COR and GTM “nominees’ technical expertise in the written nomination presented to the Contracting Officer.”³⁷ In March 2019, OIG closed the recommendation based on documentation received that showed NEA developed a COR and GTM nomination template that included a section where preparers could describe the nominees’ technical experience. However, during this compliance follow-up audit, OIG found that NEA is not using the COR and GTM nomination template as designed and therefore did not meet the intent of the recommendation.

OIG reviewed 42 nomination letters and found that 39 (93 percent) did not include appropriate information in the text field, “Technical Qualifications/Experience.” Rather than descriptions of the nominee’s technical qualifications in the subject matter of the contract, NEA included, for example, experience in grants and business management. Furthermore, 8 of the 39 (21 percent) deficient nomination letters included no information in the “Technical Qualifications/Experience” text field. Not only do the nominations letters not meet the intent of OIG’s prior recommendation, NEA’s actions are inconsistent with the FAH, which states that the letters should include the nominee’s: “(a) assignment and training history; (b) work experience; (c) licensing; and (d) certifications that provide a basis for a determination by the program office that the nominee’s technical skills are adequate for contract oversight.”³⁸ NEA did not provide a justification for the missing information in the nomination letters.

Without completing the text fields as intended, the appointing Contracting Officer is unable to determine whether the nominee possesses the necessary qualifications to provide effective oversight. Because NEA’s implementation did not meet the intent of the recommendation, which had been closed, OIG is offering a new recommendation to further improve NEA’s process for nominating qualified contract oversight personnel.

Recommendation 4: OIG recommends that the Bureau of Near Eastern Affairs develop and implement a process that includes a secondary review of Contracting Officer’s Representative and Government Technical Monitor written nominations to ensure that technical expertise in the contract subject matter is presented to the Contracting Officer, as required by 14 Foreign Affairs Handbook-2 H-143.2, “COR Appointment Procedures.”

Management Response: NEA concurred with the recommendation, stating that it will “develop and implement a secondary review process so that [Contracting Officers] receive COR and GTM nominations that include technical expertise in the contract subject.”

OIG Reply: On the basis of NEA’s response and planned actions, OIG considers this recommendation resolved, pending further action. The recommendation will be closed when OIG receives and accepts documentation demonstrating that NEA has developed and implemented a process that includes a secondary review of COR and GTM written

³⁷ AUD-MERO-19-10, November 2018, Recommendation 3.

³⁸ 14 FAH-2 H-143.2a(1), “COR Appointment Procedures.”

nominations to ensure that technical expertise in the contract subject matter is presented to the Contracting Officer, as required by 14 Foreign Affairs Handbook-2 H-143.2, "COR Appointment Procedures."

RECOMMENDATIONS

Recommendation 1: OIG recommends that the Assistant Secretary for the Bureau of Near Eastern Affairs develop and execute an action plan that dedicates appropriate resources to implement Recommendations 1, 2, and 4 from OIG report *Audit of the Bureau of Near Eastern Affairs Selection and Management of Contract Oversight Personnel in Iraq* (AUD-MERO-19-10, November 2018). The plan should outline the steps and resources necessary to determine the technical expertise in the contract subject matter for Contracting Officer's Representatives (COR) and Government Technical Monitors (GTM), provide those determinations and requirements to Contracting Officers, and ensure only CORs and GTMs that meet the requirements of the updated study are nominated. The action plan should include milestones to ensure efficient and timely implementation considering the time that has elapsed since the recommendations were made in November 2018.

Recommendation 2: OIG recommends that the Under Secretary of State for Management (a) direct the Bureau of Administration, Office of the Procurement Executive to coordinate with the Bureau of Global Talent Management, Office of Organization and Talent Analytics to conduct a skills assessment for contract oversight personnel overseeing "complex contracts" that require significant contractor oversight and include robust contract administration requirements to identify skills gaps to attract and retain qualified Contracting Officer's Representatives with technical expertise in the contract subject matter and (b) develop an action plan to implement the results for all complex Department of State contracts, with a high-priority on contracts in Iraq.

Recommendation 3: OIG recommends that the Bureau of Administration, Office of the Procurement Executive provide the "Acquisition Human Capital Plan" to the Director General of the Bureau of Global Talent Management for consideration and inclusion in the overall Department of State-wide workforce planning efforts, in accordance with Policy Letter 05-01, "Developing and Managing the Acquisition Workforce," issued by the Office of Management and Budget, Office of the Federal Procurement Policy.

Recommendation 4: OIG recommends that the Bureau of Near Eastern Affairs develop and implement a process that includes a secondary review of Contracting Officer's Representative and Government Technical Monitor written nominations to ensure that technical expertise in the contract subject matter is presented to the Contracting Officer, as required by 14 Foreign Affairs Handbook-2 H-143.2, "COR Appointment Procedures."

APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

The Department of State (Department), Office of Inspector General (OIG) conducted this compliance follow-up audit to determine the extent to which the Department has acted to close recommendations that are open and considered resolved pending further action from OIG's November 2018 report, *Audit of the Bureau of Near Eastern Affairs Selection and Management of Contract Oversight Personnel in Iraq*.¹

OIG conducted this compliance follow-up audit from September 2020 to January 2021 in the Washington, DC, metropolitan area. To determine the implementation of Recommendations 1, 2, 4, and 5 from OIG's November 2018 report, OIG limited the scope of this audit to contract oversight personnel who were nominated and appointed as Contracting Officer's Representatives² (COR) and Government Technical Monitors (GTM) from April 1, 2019, to August 31, 2020, for three mission support contracts: Operations and Maintenance Support Services (OMSS), Baghdad Life Support Services (BLISS), and Medical Support Services Iraq³ (MSSI).

To obtain background information for this compliance follow-up audit, OIG researched the Office of Management and Budget policies, Federal Acquisition Regulation, Department of State Acquisition Regulations, the Foreign Affairs Handbook, the Foreign Affairs Manual, and Department policies and procedures related to the selection and appointment of contract oversight personnel. To assess actions taken to implement the original recommendations, OIG interviewed and exchanged email communication officials from the combined Executive Office of the Bureaus of Near Eastern Affairs (NEA) and South and Central Asian Affairs; the Regional Contract Support Office in U.S. Consulate General Frankfurt, Germany; and the Contract Management Office in U.S. Embassy Baghdad, Iraq. OIG also interviewed and exchanged email communication with officials from the Bureau of Administration, Office of the Procurement Executive, and the Bureau of Global Talent Management, Office of Organization and Talent Analytics.

To test whether the Department implemented Recommendations 1, 2, and 4 from OIG's November 2018 report, OIG reviewed 100 percent of contract oversight personnel nomination letters for personnel appointed to the OMSS, BLISS, and MSSI contracts from April 1, 2019, to August 31, 2020. These three of six contracts represented the majority of costs audited in the previous report. Furthermore, OIG obtained and reviewed supporting documentation from NEA and the Office of the Procurement Executive to determine whether the actions planned and actions taken met the intent of the original recommendations. To perform this work, OIG reviewed compliance information obtained from its Audit Operations, Quality, Compliance

¹ OIG, *Audit of the Bureau of Near Eastern Affairs Selection and Management of Contract Oversight Personnel in Iraq* (AUD-MERO-19-10, November 2018).

² OIG considers the Alternate CORs equivalent to the CORs in terms of oversight responsibilities and therefore does not differentiate those positions in this compliance follow-up audit.

³ For the purposes of this compliance follow-up audit, MSSI includes the first MSSI contract awarded in 2011, as well as three additional contracts (MSSI I awarded in 2017, MSSI II awarded in 2018, and MSSI III awarded in 2020).

Division within the Office of Audits. To determine whether the Department implemented Recommendation 5, OIG interviewed officials from the Bureau of Administration, Office of the Procurement Executive, and the Bureau of Global Talent Management, Office of Organization and Talent Analytics.

This report relates to the overseas contingency, Operation Inherent Resolve, and was completed in accordance with OIG's oversight responsibilities described in Section 8L of the Inspector General Act of 1978, as amended. 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 objective. OIG faced challenges in completing this work because of the COVID-19 pandemic. These challenges included limitations on in-person meetings, difficulty accessing information, prohibitions on travel, and related difficulties within the Department that affected its ability to respond to OIG requests for information in a timely manner. Despite the challenges, OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions presented in this report.

Data Reliability

OIG used computer-processed data to support findings and conclusions presented in this report. Specifically, OIG used USAspending.gov to obtain the total value of contract dollars expended since November 2018. To assess the integrity, completeness, and accuracy of the data, OIG tested a judgmental sample of data points obtained from USAspending.gov and concluded that the exported data maintained its integrity and that the data system was sufficiently reliable for the purposes of this audit. Separately, OIG obtained contract-related documentation from Department personnel, as well as nomination letters for contract oversight personnel appointed to OMSS, BLISS, and MSSl contracts in Iraq from April 1, 2019, to August 31, 2020. OIG determined that the documentation provided by the Department was sufficiently reliable to support the findings and recommendations contained in this report.

Work Related to Internal Control

During the audit, OIG considered a number of factors, including the subject matter of the project, to determine that internal control was significant to the audit objective. OIG then considered the components of internal control and the underlying principles included in the *Standards for Internal Control in the Federal Government*⁴ to identify internal controls that were significant to the audit objective. OIG concluded that three of five internal control components were significant: (1) Control Environment, which is the foundation for an internal control system that provides the discipline and structure to help an entity achieve its objectives; (2) Control Activities, which includes the actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control

⁴ Government Accountability Office, *Standards for Internal Control in the Federal Government* (GAO-14-704G, September 2014).

system, to include the entity’s information system; and (3) Monitoring, which relates to activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews. OIG also concluded that three principles related to the selected components were significant to the audit objective, as described in Table A.1.

Table A.1: Internal Control Components and Principles Identified as Significant

Components	Principles
Control Environment	<ul style="list-style-type: none"> • Principle 4 – Management should demonstrate a commitment to recruit, develop, and retain competent individuals.
Control Activities	<ul style="list-style-type: none"> • Principle 12 – Management should implement control activities through policies.
Monitoring	<ul style="list-style-type: none"> • Principle 17 – Management should remediate identified internal control deficiencies on a timely basis.

Source: OIG generated based on *Standards for Internal Control in the Federal Government*.

OIG interviewed Department officials and reviewed documents and policies to obtain an understanding of the internal controls related to the components and principles identified as significant for this audit. OIG also performed procedures to assess the design and implementation of key internal controls. Specifically, OIG:

- Evaluated the timeliness and adequacy the Department’s actions to address the recommendations made in OIG’s November 2018 audit report.
- Reviewed the Department’s solicitation descriptions to determine compliance with Federal and Department policies for selecting and nominating oversight personnel.
- Reviewed COR and GTM nomination letters to determine compliance with Federal and Department policies for nominating and delegating oversight personnel.

Internal control deficiencies that were identified during the audit were: not resolving previously identified deficiencies on a timely basis; failure to include technical expertise in the contract subject matter when recruiting individuals; and nominating contract oversight personnel who did not possess the necessary FAC-COR certifications. Details of the deficiencies are presented in the Audit Results section of this report.⁵

Sampling Methodology

To accomplish OIG’s objective, OIG reviewed the total contract cost for the six contracts audited in the prior report and determined that it would sample the three contracts with the highest monetary value: the OMSS, BLiSS, and MSSi contracts. Table A.2 depicts the six

⁵ In addition to the internal control principles included in Table A.1, OIG also considered *Standards for Internal Control in the Federal Government*, “Principle 10 – Design Control Activities,” significant to the issue described in the “Other Matters” section of this report.

contracts and their contract value reviewed in the November 2018 audit, and their relationship to this compliance follow-up audit.

Table A.2: Mission Support Contracts Audited in AUD-MERO-19-10 and the Compliance Follow-up Audit Sample

AUD-MERO-19-10 Contracts	Total Contract Value (in millions)
Included in Compliance-Follow-up Audit Sample	
Operations and Maintenance Support Services	\$2,000
Baghdad Life Support Services	\$1,000
Medical Support Services Iraq	\$85
Total Contract Value Included	\$3,085
Excluded from Compliance Follow-up Audit Sample	
IT Support	\$15
Iraq Linguist	\$15
Sully Compound	\$21
Total Contract Value Excluded	\$51

Source: OIG generated based on information reported in AUD-MERO-19-10 and sample selection.

Once the contracts were selected, OIG determined that it would review 100 percent of contract oversight personnel nominations from April 1, 2019, to August 31, 2020. Specifically, OIG reviewed 42 nomination letters provided by NEA for this compliance follow-up audit. Table A.3 depicts the number of contract oversight personnel appointed to OMSS, BLiSS, and MSSi contracts, respectively. The sample consists of 17 individuals who served as CORs⁶ or GTMs across multiple contracts, resulting in a total of 42 nomination letters.

Table A.3: Number of COR and GTM Nomination Letters Reviewed

Contract	Letters Reviewed	
	CORs	GTM
Operations and Maintenance Support Services	9	2
Baghdad Life Support Services	12	2
Medical Support Services Iraq	17	0
Total Letters	38	4

Source: OIG generated based on information provided by Department officials.

⁶ The nominations include CORs and Alternate CORs for each contract. OIG considers the Alternate CORs equivalent to the CORs in terms of oversight responsibilities.

APPENDIX B: ACTING UNDER SECRETARY OF STATE FOR MANAGEMENT RESPONSE



United States Department of State

*Under Secretary of State
for Management*

Washington, D.C. 20520

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March 30, 2021

MEMORANDUM

TO: OIG – Director Mike Vennemann, Middle East Region Operations

FROM: Under Secretary for Management (M) – Carol Z. Perez (Acting)

SUBJECT: Response to the Draft Report – *Compliance Follow-up Audit of the Bureau of Near Eastern Affairs Selection and Management of Contract Oversight Personnel in Iraq, recommendation 2*

Thank you for the opportunity to comment on the Office of the Inspector General's draft report *Compliance Follow-up Audit of the Bureau of Near Eastern Affairs Selection and Management of Contract Oversight Personnel in Iraq, recommendation 2*.

The Department partially accepts this recommendation with modifications. The Department notes that the contracting officer's representative (COR) function is not a job type or job skill code. Rather, the COR function is an ancillary skillset to a primary subject matter expertise, assigned to a particular employee and is based on the employee's organization's needs. As a result, the Department cannot conduct a traditional skills assessment for CORs. However, GTM/OTA will work with A/OPE to review a list of active CORs to see if COR duties are included in their official work commitments. This analysis will aid GTM/OTA in determining whether a traditional skills assessment would be feasible. It is also an opportunity to determine whether CORs managing highly complex contracts would benefit from additional training.

The Department requests that the OIG revise its recommendation to clarify its use of the term "complex contract." The Department considers "complex" contracts to be any type of contract of a magnitude that necessitates significant contractor surveillance and oversight and includes robust contract administration requirements, so there are many CORs managing what we consider to be complex contracts. The Department notes that serving as a COR for activities in Iraq, Afghanistan, OBO, INL, and other high dollar contracts is a very difficult role and must be considered separately from other COR roles in the Department. The majority of CORs at the Department will never oversee contracts that rise to the level of the work in Iraq. The Department asks that you update the recommendation to call attention to CORs working on "highly complex, expensive, and inordinary contracts."

Regarding the recommendation on creating a specialized incentive pay program to attract and retain qualified CORs, the Department respectfully declines to implement this recommendation. Incentive pay is offered as a retention tool and is used to retain employees with specific skills that are highly sought after outside federal service, such as information technology. Currently the Department does not have evidence that suggests we are losing personnel with COR certifications to organizations outside the federal government, or that the payment of an incentive would impact the Department's ability to retain highly skilled CORs.

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Understanding the importance of having highly trained CORs in highly complex areas such as Iraq, A/OPE will host a virtual Spring COR Conference and hopes to have 500+ registrations for the event once registration opens in the coming weeks.

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APPENDIX C: BUREAU OF NEAR EASTERN AFFAIRS RESPONSE



United States Department of State

Washington, D.C. 20520

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March 30, 2021

MEMORANDUM

TO: OIG – Director Mike Vennemann, Middle East Region Operations

FROM: NEA – Joey Hood, Acting 

SUBJECT: Response to the Draft Report – *Compliance Follow-up Audit of the Bureau of Near Eastern Affairs Selection and Management of Contract Oversight Personnel in Iraq*, recommendations 1 and 4.

Thank you for the opportunity to comment on the Office of the Inspector General's draft report *Compliance Follow-up Audit of the Bureau of Near Eastern Affairs Selection and Management of Contract Oversight Personnel in Iraq*, recommendations 1 and 4.

The Bureau of Near Eastern Affairs concurs with recommendation 1 and agrees to develop and execute a plan with sufficient resources to respond to recommendations 1, 2, and 4 in AUD-MERO-19-10.

NEA would like to note that over the last 3 number of cycles all CORs have been or are FAC-COR Level III certified, with a few exceptions of emergency assignments of people at post following ordered departure. NEA requests that language in “Finding A” be added to reflect that assigned personnel are Level III certified and that the Bureau has broken assignments for officers unable to achieve certification.

NEA also accepts recommendation 4 and will develop and implement a secondary review process so that COs receive COR and GTM nominations that include technical expertise in the contract subject. That said, NEA echoes the point M made in their memo addressing recommendation 3 of the same report “the COR function is an ancillary skillset to a primary subject matter expertise, assigned to a particular employee and is based on the employee's organization's needs. As a result, the Department cannot conduct a traditional skills assessment for CORs. However, GTM/OTA will work with A/OPE to review a list of active CORs to see if COR duties are included in their official work commitments.” With this in mind, NEA is concerned that it will be difficult to find fully qualified CORs for

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every contract in every assignments cycle. In Iraq one-year tours are the norm therefore this becomes a yearly project.

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APPENDIX D: BUREAU OF ADMINISTRATION, OFFICE OF THE PROCUREMENT EXECUTIVE RESPONSE



United States Department of State

Washington, D.C. 20520

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MEMORANDUM

March 25, 2021

TO: OIG/AUD – Norman P. Brown

FROM: A/OPE/PD – John C. Dockery *JD*

SUBJECT: Draft Report - Compliance Follow-up Audit of the Bureau of Near Eastern Affairs
Selection and Management of Contract Oversight Personnel in Iraq

Thank you for the opportunity to provide a management response on the subject draft report. The point of contact for this report is the Office of the Procurement Executive Front Office (A-OPEFrontOfficeAssistants@state.gov).

Recommendation 3: OIG recommends that the Bureau of Administration, Office of the Procurement Executive provide the “Acquisition Human Capital Plan” to the Director General of the Bureau of Global Talent Management for consideration and inclusion in the overall Department of State-wide workforce planning efforts, in accordance with Policy Letter 05-01, “Developing and Managing the Acquisition Workforce,” issued by the Office of Management and Budget, Office of the Federal Procurement Policy.

Management Response to Draft Report (03/18/2021): The Office of the Procurement Executive (OPE) concurs with the recommendation. An Acquisition Human Capital Plan for FY2021 is currently under development and once completed will be shared with the Bureau of Global Talent Management (GTM). OPE intends to complete the plan by end of 3rd Quarter FY-2021.

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ABBREVIATIONS

BLISS	Baghdad Life Support Services
COR	Contracting Officer's Representative
FAC-COR	Federal Acquisition Certification for Contracting Officer's Representatives
FAH	Foreign Affairs Handbook
GTM	Government Technical Monitor
MSSI	Medical Support Services Iraq
NEA	Bureau of Near Eastern Affairs
OIG	Office of Inspector General
OMB	Office of Management and Budget
OMSS	Operations and Maintenance Support Services
OPE	Bureau of Administration, Office of the Procurement Executive

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