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Office of Inspector General
United States Department of State

AUD-MERO-21-43

Office of Audits

September 2021

Audit of Acquisition Planning and Cost Controls While Transitioning Support Service Contracts in Iraq

MIDDLE EAST REGION OPERATIONS

UNCLASSIFIED



HIGHLIGHTS

Office of Inspector General
United States Department of State

AUD-MERO-21-43

What OIG Audited

The Department of State (Department) relies on contracts to provide essential support services to Mission Iraq including the Operations and Maintenance Support Services (OMSS) contract and the Baghdad Life Support Services (BLiSS) contract. The Department awarded the OMSS contract in 2012 and the BLiSS contract in 2013, both with a maximum period of performance of 5 years. In 2019, the Department awarded the Diplomatic Platform Support Services (DiPSS) contract that was intended to consolidate and replace the OMSS and BLiSS contracts.

The Office of Inspector General (OIG) conducted this audit to determine whether the Department complied with Federal and Department requirements in performing acquisition planning and controlling costs associated with contract actions for the OMSS and BLiSS contracts while preparing for the transition to the DiPSS contract. OIG assessed documentation of the DiPSS contract milestones, forecasting, requirements, and cost controls. OIG also reviewed all 65 OMSS and BLiSS noncompetitive continuation of service contract actions, valued at approximately \$663 million, and selected 14 of those actions, valued at more than \$339 million, to review cost-control measures undertaken.

What OIG Recommends

OIG made eight recommendations to the Bureau of Administration to improve acquisition planning for high-dollar complex contracts and strengthen cost-control measures when using noncompetitive contract actions to continue services. On the basis of the Office of Procurement Executive's response to the recommendations offered, OIG considers all eight recommendations resolved, pending further action. A synopsis of management comments on the recommendations offered and OIG's reply follow each recommendation in the Audit Results section of this report. Management's response to a draft of this report is reprinted in Appendix D.

September 2021

OFFICE OF AUDITS

MIDDLE EAST REGION OPERATIONS

Audit of Acquisition Planning and Cost Controls While Transitioning Support Service Contracts in Iraq

What OIG Found

The Department did not fully comply with Federal and Department requirements for acquisition planning while preparing for the transition of services to the DiPSS contract. Specifically, OIG found that ineffective acquisition planning resulted in forgoing requirements and caused delays in awarding the DiPSS contract. In addition, incomplete acquisition planning led to 65 noncompetitive contract actions to continue OMSS and BLiSS essential services. These shortfalls occurred, in part, because of poor coordination and the absence of internal controls within the acquisition planning process. As of May 2021, more than 2 years after the DiPSS contract was awarded, the Department has not issued any Iraq-specific competitive task orders under DiPSS and continued to noncompetitively extend the OMSS and BLiSS contracts. As a result, anticipated cost savings of competing task orders under the DiPSS contract have not been realized.

OIG also found that the Department noncompetitively continued OMSS and BLiSS contracts excessively, based on quantity, duration, and dollar value, and unjustifiably used a Federal Acquisition Regulation (FAR) exception for other than full and open competition. Specifically, the Department executed 65 noncompetitive contract actions that spanned approximately 3 years valued at approximately \$663 million to continue OMSS and BLiSS services, citing "unusual and compelling urgency" under the FAR as justification. Instead, OIG found that poor planning, poor coordination, and a lack of internal controls necessitated the contract actions. OIG is therefore questioning the full value of the OMSS and BLiSS noncompetitive contract actions, approximately \$663 million, because Federal law does not permit poor planning as justification for the use of noncompetitive contracts.

Furthermore, the Department did not fully control costs for the noncompetitive OMSS and BLiSS contract awards in accordance with Federal and Department requirements. Specifically, the Department did not complete independent government cost estimates or obtain required cost data from the contractor for any of the 14 contract actions reviewed for this audit. According to Department officials, this occurred because of time and resource constraints associated with awarding numerous contract actions. Nevertheless, the Department's failure to complete independent government cost estimates or obtain relevant cost or pricing data from the contractor significantly diminished the Department's ability to assess whether costs associated with the noncompetitive contract awards were valid and reasonable.

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OBJECTIVE

The Office of Inspector General (OIG) conducted this audit to determine whether the Department of State (Department) complied with Federal and Department requirements in performing acquisition planning and controlling costs associated with contract actions for the Operations and Maintenance Support Services (OMSS) and the Baghdad Life Support Services (BLISS) contracts while preparing for the transition to the worldwide Diplomatic Platform Support Services (DiPSS) contract.

BACKGROUND

The Department frequently awards contracts and relies on contractors to execute essential support services to support its diplomatic missions throughout the world. This is particularly important for diplomatic missions operating in overseas contingency operations environments like U.S. Embassy Baghdad, Iraq. For example, contractors are responsible for supporting operations, maintaining facilities, and providing life support services, such as water and food services for Mission Iraq. Mission Iraq includes U.S. Embassy Baghdad, the Baghdad Diplomatic Support Center,¹ the U.S. Consulate General Erbil, and the Union III Compound.² Mission Iraq is among the largest U.S. overseas missions and Embassy Baghdad is designated as a high risk, high threat post.³ Among the current high-dollar support services contracts supporting Mission Iraq are the OMSS and BLISS contracts.

Contracts Awarded To Provide Essential Support Services at Mission Iraq

Operations and Maintenance Support Services Contract

The OMSS indefinite delivery, indefinite quantity (IDIQ) contract (SAQMMA12D0165) was awarded to PAE Government Services, Inc. in July 2012 to provide operations and maintenance

¹ The Baghdad Diplomatic Support Center, located next to the Baghdad International Airport, is the Department's primary platform for aviation, medical, maintenance, munitions storage, and property disposition services.

² The Union III Compound is 45-acre compound located within the International Zone of Baghdad and is adjacent to the Baghdad Embassy Compound. It previously served as headquarters for various Department of Defense components but was decommissioned and returned to the Government of Iraq in 2013. U.S. military forces returned to Iraq in June 2014, and, that same month, Department of Defense and coalition forces re-occupied the compound. The compound is owned by the Government of Iraq and is provided to the U.S. Government through a Land-Use Agreement.

³ 22 U.S.C. § 4803(d)(2) defines the term "high risk, high threat post" as "a United States diplomatic or consular post or other United States mission abroad, as determined by the Secretary, that, among other factors (A) is located in a country: (i) with high to critical levels of political violence and terrorism; and (ii) the government of which lacks the ability or willingness to provide adequate security; and (B) has mission physical security platforms that fall below the Department of State's established standards."

services in Iraq.⁴ The performance period of the contract was 5 years when awarded. The OMSS contract services include, but are not limited to:

- Fire alarm and suppression systems.
- Sanitary sewer and wastewater treatment plants.
- Water supply, purification, and distribution.
- Fuel storage and distribution.
- Electrical generation and distribution.
- Facility, building, or structure maintenance, including janitorial services.

The Department issued 18 task orders under the OMSS contract with a total funded value of approximately \$1.2 billion. As of May 2021, six task orders were active.

Bagdad Life Support Services Contract

The BLiSS IDIQ contract (SAQMMA13D0120) was also awarded to PAE Government Services, Inc. in July 2013 to provide life support services in Iraq. The performance period of the contract was 5 years when awarded. The BLiSS contract services include, but are not limited to:

- 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.
- Fire protection services.

The Department issued 16 task orders under the BLiSS contract with a total funded value of approximately \$1.2 billion. As of May 2021, seven task orders were active.

Diplomatic Platform Support Services Contract

In January 2017, the Department issued a solicitation for the DiPSS contract, a multiple-award IDIQ, to provide essential support services to U.S. embassies worldwide, including food, water, plumbing, sewage, maintenance, fuel, and property management. At the same time, officials

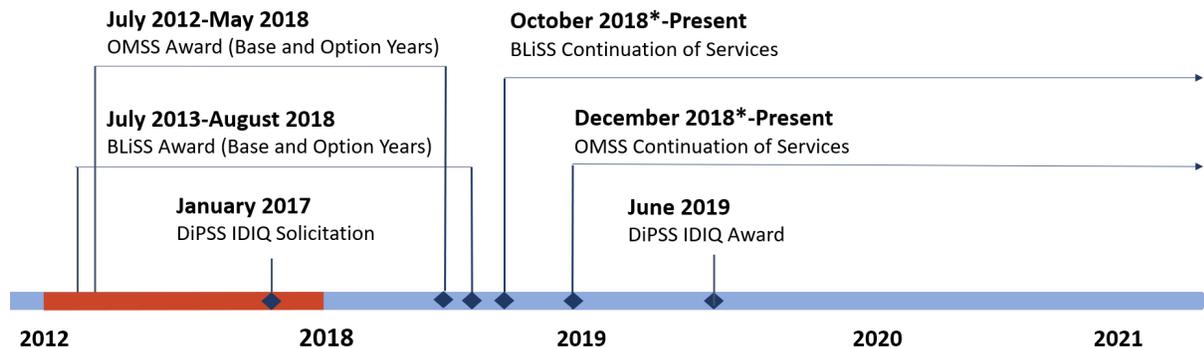
⁴ Federal Acquisition Regulation (FAR) 16.501-1, "Definitions," states that a delivery-order contract is "a contract for supplies that does not procure or specify a firm quantity of supplies (other than a minimum or maximum quantity) and that provides for the issuance of orders for the delivery of supplies during the period of the contract." FAR 16.504(a), "Indefinite-quantity contracts," states that an "indefinite-quantity contract provides for an indefinite quantity, within stated limits, of supplies or services during a fixed period."

from the Department’s Bureau of Near Eastern Affairs (NEA) stated that the DiPSS contract would be a means to consolidate and replace the OMSS and BLiSS contracts. The Department awarded the DiPSS IDIQ contracts to 11 recipients in June 2019. The contract cumulative ceiling for all contracts was valued at \$6 billion and was intended to provide “flexibility to support [Department] posts and other U.S. Government activities operating throughout the world.” In addition, the Department anticipated the DiPSS contract would save significant funds and resources and promote efficiency, especially where demand for services surpasses a particular U.S. mission’s capacity.

Contract Award Timelines

Both OMSS and BLiSS contracts were originally intended to have a performance period of 5 years, which included 1 base year and 4 option years. The Federal Acquisition Regulation (FAR) permits the Contracting Officer to extend contract performance for an additional 6 months beyond the initial period of performance to facilitate transition to a new contract.⁵ The Contracting Officers for OMSS and BLiSS exercised the 6-month FAR extensions for the transition to DiPSS. However, task orders under the OMSS and BLiSS IDIQs continued services through separate, additional contract actions for several years after the 6-month contract extension period. Figure 1 shows the original OMSS, BLiSS, and DiPSS contract timelines, along with the extended contract actions or continuation of services for the OMSS and BLiSS contracts between 2012 and 2021.

Figure 1: Timeline of OMSS, BLiSS, and DiPSS Contracts Between 2012 and 2021



* Though the OMSS and BLiSS periods of performance ended in May and August 2018, respectively, each contract included a clause that allowed Office of Acquisition Management to continue services for up to an additional 6 months. OMSS and BLiSS contract actions to continue services began after this transition period, in December and October, respectively.

Source: OIG generated based on analysis of OMSS, BLiSS, and DiPSS contract documentation obtained from the Department.

⁵ FAR 52.217-8, “Option to Extend Services.”

Roles and Responsibilities in Administering Contracts Supporting Mission Iraq

Two Department bureaus play significant roles in the administration of contracts supporting Mission Iraq. The Bureau of Administration, specifically, the Office of the Procurement Executive (OPE) and within OPE, the Office of Acquisition Management (AQM) and NEA have significant roles and responsibilities.

Bureau of Administration

OPE provides leadership in overseeing Department-wide acquisition policies, including developing, issuing, and maintaining acquisition regulations, procedures, and guidance, including those in the Foreign Affairs Handbook (FAH). Under the leadership of the Procurement Executive, AQM manages, plans, and directs the Department's acquisition programs and conducts contract operations in support of activities worldwide. AQM provides a full range of professional contract management services, including acquisition planning, contract negotiations, cost and price analysis, and contract administration. AQM is also responsible for implementing Federal and Department policies regarding noncompetitive contracts.

The FAR establishes uniform acquisition policies and procedures for the Federal Government and describes the roles and responsibilities of Government personnel who are responsible for awarding, administering, and overseeing contracts. The Department supplements the FAR with the FAH. The FAH states that Contracting Officers are responsible for negotiating, awarding, administering, modifying, and terminating contracts.⁶ Contracting Officers are also expected to ensure that contracts are awarded fairly, through full and open competition when possible, and that awards make the best use of taxpayer dollars. Contracting Officers may designate a Contracting Officer's Representative (COR) to assist them in the solicitation process and administer the contract after award. The Contracting Officers for the BLiSS, OMSS, and DiPSS contracts fall under AQM direction.

Although AQM manages the acquisition process, it is a shared responsibility between AQM and the program offices that receive the contracted goods and services. AQM's Customer Guide for Contracting, a handbook that sets out the process and timelines for procuring contract services, states that "the acquisition process begins with the development of a complete and adequate procurement request . . . package from the Requiring Office (also commonly referred to as the ['Program Office'])."⁷ As stated in 14 FAH-2 H-330, the procurement request package serves as the foundation for the entire acquisition and must be as thorough as possible in order that the resulting contract reflects the needs of the requiring office.⁸ Using the information provided by the program office, contracting personnel in AQM review the solicitation, coordinate the actions resulting in contractor selection, and prepare a contract setting forth the requirements, responsibilities, and provisions governing contractor performance.

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

⁷ AQM, Customer Guide for Contracting, 4 (Updated August 2020).

⁸ 14 FAH-2 H-331b, "Purpose and Use."

Bureau of Near Eastern Affairs

NEA is responsible for leading U.S. foreign policy in the Middle East and North Africa region and oversees contracts providing goods and services to embassies like Mission Iraq. NEA is the designated program office for support service contracts at Mission Iraq, and as such also provides the CORs for the OMSS and BliSS contracts. CORs are responsible for developing project requirements, monitoring the contractor's progress, resolving technical issues, and accepting work on behalf of the U.S. Government.⁹ According to AQM's Customer Guide for Contracting, the program office must create contract requirements, draft performance work statements, and participate in the review of contract proposals. The program office, must communicate its requirements to the contracting office, to collaboratively establish acquisition milestones and award dates.¹⁰

Federal Regulations Governing Competition in Contracting

The Competition in Contracting Act of 1984 (CICA) governs competition in Federal procurements.¹¹ FAR Part 6, Competition Requirements, implements CICA by prescribing policies and procedures to promote full and open competition in the Federal acquisition process. CICA and the FAR require that agencies enter contracts with "full and open competition through the use of competitive procedures," unless circumstances permitting noncompetitive procedures exist, such as:

1. Only one responsible source is available.
2. Unusual and compelling urgency.
3. Maintenance in case of a national emergency or to achieve industrial mobilization.
4. Requirement of an international agreement.
5. Statutory authorization or acquisition of brand-name items for resale.
6. National security.
7. Necessary in the public interest.¹²

However, CICA and the FAR do not grant agencies unlimited discretion to contract for goods and services without using competitive procedures. In addition, CICA and the FAR require Contracting Officers to provide justifications of and obtain approvals for all noncompetitive procurements.¹³ Any contract awarded without full and open competition must be justified, and both CICA and the FAR prohibit the justification to be based on a "lack of advance planning."¹⁴

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

¹⁰ Customer Guide for Contracting, Updated August 2020, at 11-12.

¹¹ 41 U.S.C. §§ 3301, 3303-3305.

¹² 41 U.S.C. §§ 3301(a)(1), 3304(a); FAR 6.101(b), "Policy," 6.302, "Circumstances permitting other than full and open competition."

¹³ 41 U.S.C. § 3304(e); FAR 6.303-1, "Requirements."

¹⁴ 41 U.S.C. § 3304(e)(5)(A)(i); FAR 6.301(c).

AUDIT RESULTS

Finding A: Ineffective Acquisition Planning Delayed the Award of the DiPSS Contract and the Use of Competitive Task Orders

OIG found that the Department did not fully comply with Federal and Department requirements for acquisition planning while preparing for the transition of services to the DiPSS contract in Iraq. Specifically, OIG found that ineffective acquisition planning resulted in forgoing acquisition plan requirements and caused delays in issuing the DiPSS contract. In addition, incomplete acquisition planning led to 65 noncompetitive contract actions on the OMSS and BLiSS contracts to continue essential support services since 2018. These shortfalls occurred, in part, because of poor coordination between AQM and NEA, along with the absence of internal controls within the acquisition planning process to timely complete the transition to the DiPSS contract. As of May 2021, more than 2 years after the DiPSS contract was awarded, the Department has not issued a competitive task order under DiPSS.¹⁵ The Department continues to noncompetitively extend the OMSS and BLiSS contracts. As a result, the potential cost savings of competing task orders under the DiPSS contract have not been realized.

Ineffective Acquisition Planning

According to the FAR, the purpose of acquisition planning “is to ensure that the Government meets its needs in the most effective, economical, and timely manner.”¹⁶ Additionally, the FAR states that acquisition planning “should begin as soon as the agency need is identified, preferably well in advance of the fiscal year in which contract award or order placement is necessary.”¹⁷ Moreover, the Government Accountability Office (GAO) requires agencies to communicate effectively and consistently to accomplish their objectives;¹⁸ in this instance, AQM, the contracting office, must coordinate with NEA, the program office, to complete the DiPSS acquisition.

OIG found that the Department did not fully comply with Federal and Department requirements for acquisition planning while preparing for the transition of services to the DiPSS contract in Iraq. Specifically, OIG found that ineffective acquisition planning resulted in forgoing requirements and caused delays in issuing the DiPSS contract. Table 1 shows a summary of OIG’s assessment of the DiPSS Acquisition Plan, including the sufficiency of advanced planning, assessing risk, market research, and competition.

¹⁵ FAR 16.501-1 states that a task-order contract is “a contract for services that does not procure or specify a firm quantity of services (other than a minimum or maximum quantity) and that provides for the issuance of orders for the performance of tasks during the period of the contract.”

¹⁶ FAR 7.102(b), “Policy.”

¹⁷ FAR 7.104(a), “General procedures.”

¹⁸ GAO, *Standards for Internal Control in the Federal Government* 61 (GAO-14-704G, September 2014).

Table 1: Summary of OIG Assessment of DiPSS Acquisition Plan

Criteria Category	OIG Assessment^a	Assessment Summary
Advanced Planning	Insufficient	<ul style="list-style-type: none"> • AQM failed to conduct accurate forecasting and adhere to acquisition milestones. • AQM did not create an advanced acquisition plan as required and viewed the projected award dates as flexible.^b • AQM and NEA did not conduct annual or periodic reviews of the DiPSS acquisition plan to account for changing environmental circumstances as required.^c • AQM leadership failed to exercise appropriate monitoring and oversight.^d
Assessing Risk	Insufficient	<ul style="list-style-type: none"> • The DiPSS Acquisition Plan did not consider specific environmental and schedule risks and how the risks would be mitigated as required by AQM Memo 15-10.^e AQM stated that its acquisition framework for DiPSS did not consider circumstances like protests, security, and logistical concerns.
Market Research	Sufficient	<ul style="list-style-type: none"> • In accordance with FAR,^f AQM listed potential vendors, vetted potential contractors, and reached out to experts through an “industry day.”^g
Competition	Sufficient	<ul style="list-style-type: none"> • In accordance with FAR,^h AQM solicited small and large businesses for the DiPSS contract in 2015. AQM provided the businesses with information about the operating environment and requirements. • AQM used negotiation to choose contractors’ proposals, which is acceptable under the FAR.ⁱ

^a “Sufficient” indicates that AQM fulfilled most of the relevant criteria, and “Insufficient” indicates significant shortfalls or failure to follow the relevant criteria.

^b FAM 221.1, “Advance Acquisition Planning.”

^c FAR 7.104(a).

^d GAO-14-704G, September 2014, at 65-66.

^e AQM Memorandum 15-10 (March 18, 2015).

^f FAR 10.002(a)(2)(i) and (viii).

^g Industry day, hosted by the Office of Logistics Management, was a global outreach to provide insight into DiPSS procurement and encourage informed industry participation.

^h FAR 10.001(a)(2)(vi), 10.002(b)(2).

ⁱ FAR 16.102(b).

Source: OIG generated using Federal and Departmental acquisition planning criteria and DiPSS Acquisition Plan documents.

Poor coordination between AQM and NEA also impacted the acquisition planning process. Although the Acquisition Plan for the DiPSS contract states that its initial focus was to support the acquisition needs of NEA, OIG found that AQM did not coordinate with NEA to determine acquisition milestones or award dates, which is required by AQM Memorandum 15-10.¹⁹ Instead, AQM independently created the milestones and award dates for the DiPSS contract. Additionally, OIG found no evidence that the Acquisition Plan for the DiPSS contract had been

¹⁹ AQM Memorandum 15-10 (March 18, 2015).

reviewed and signed by NEA officials,²⁰ although NEA was expected to be a primary beneficiary of the DiPSS contract.²¹

AQM officials stated they were not obligated to replace OMSS and BLiSS with DiPSS, and that both contracts could still be replaced by other means. Therefore, they were not obligated to prioritize the DiPSS award. However, in the DiPSS Acquisition Plan, AQM stated that the contract would support NEA's life support and operations and maintenance requirements, making NEA a key stakeholder within the acquisition process. Moreover, the FAR requires AQM to collaborate with NEA, as the program office, to determine milestones and award dates.²² AQM failed to do so, leaving NEA without a replacement contract after 2 years of delays to the DiPSS IDIQ contract award. Despite knowing of NEA's reliance on DiPSS and the imminent expiration of the OMSS and BLiSS contracts, AQM neglected the timely fulfillment of Mission Iraq life support and operations and maintenance needs. The lack of coordination between AQM and NEA demonstrates a breakdown of internal controls and a deviation from GAO requirements.²³

In addition, once the DiPSS Acquisition Plan was established in August 2016, the Department failed to meet the plan's milestones. Specifically, the Department forecasted that the DiPSS IDIQ contract would be awarded in March 2017, more than a year before the original performance period for the OMSS and BLiSS contracts were to expire in May and August 2018, respectively. However, AQM missed this deadline. Then, AQM used a clause in the contract to extend the term of the contracts for an additional 6 months after the original period of performance and option years. They received approval to extend the OMSS and BLiSS contracts until December and October 2018, respectively²⁴ and forecasted that DiPSS and its associated competitive task orders would replace the OMSS and BLiSS contracts within calendar year 2018. Still, AQM officials failed to meet the award date once again, leaving the essential support services provided by the OMSS and BLiSS contracts without a contractual replacement. In June 2019, the DiPSS multiple-award IDIQ contract was finally awarded, and 11 contractors were selected to participate.²⁵

²⁰ Although the DiPSS Acquisition Plan included a signature line for NEA representatives, no NEA officials signed the acquisition plan.

²¹ The DiPSS Acquisition Plan states that, "[the Department] anticipates a significant portion of these contracts to focus on locations covered by the Bureau of Near Eastern Affairs (NEA) and Bureau of South and Central Asian Affairs (SCA), however, DiPSS will be available to other Bureaus, Posts, Missions, and potentially agencies operating in other areas."

²² FAR 7.104(a) states, "The planner should review previous plans for similar acquisitions and discuss them with the key personnel involved in those acquisitions. At key dates specified in the plan or whenever significant changes occur, and no less often than annually, the planner shall review the plan and, if appropriate, revise it."

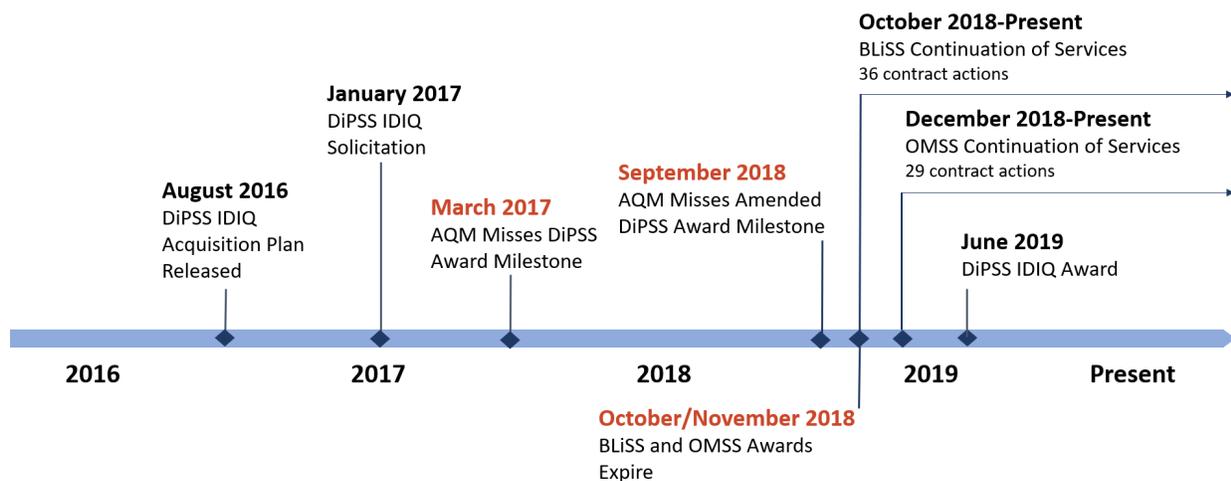
²³ GAO-14-704G, September 2014, at 62.

²⁴ FAR 52.217-8 allows for AQM to extend OMSS and BLiSS contracts for up to 6 months. After that period, the Department started issuing contract actions to continue services based on FAR 6.302-2, "Unusual and compelling urgency."

²⁵ The 11 contractors included in the DiPSS IDIQ contract are Xator Corporation, Vectrus Systems Corporation, SOS International LLC, PAE Government Services Inc., KBR Services Inc., IAP Worldwide Services Inc., Global Technical Services LLC, Fluor Intercontinental Inc., Dyncorp International LLC, Triple Canopy Inc., and AECOM Management Services Inc.

Although the DiPSS contract was awarded in June 2019, no competitive task orders have been awarded under the DiPSS contract to support Mission Iraq, as of May 2021, almost two years later.²⁶ Instead of awarding competitive task orders under the DiPSS contract, AQM has issued 50 contract actions to noncompetitively continue OMSS and BLiSS services since the DiPSS contract was awarded.²⁷ AQM cited security challenges, staffing challenges, ordered departures, and the COVID-19 pandemic as reasons for delays in awarding task orders under DiPSS. However, with the exception of the COVID-19 pandemic, Iraq has faced these challenges regularly for several years, and AQM has competitively awarded other contracts for essential services such as embassy security.²⁸ The cited challenges should have been anticipated and do not justify the award of 50 noncompetitive contract actions. As of May 2021, AQM has awarded a total of 65 noncompetitive contract actions under BLiSS and OMSS since the initial contracts expired in October and November 2018, respectively, and will continue to do so until at least October 2021.²⁹ Figure 2 shows the timeline of the DiPSS contract acquisition planning, including award milestones, along with the OMSS and BLiSS noncompetitive contract actions to continue services.

Figure 2: Timeline of DiPSS Acquisition Planning and OMSS and BLiSS Continuation of Services



Source: OIG-generated based on an analysis of OMSS, BLiSS, and DiPSS contract documentation obtained from the Department.

²⁶ In June 2020, AQM released a solicitation for a DiPSS Iraq task order related to operations and maintenance services. However, AQM rescinded the task order in August 2020, and it was never awarded. According to AQM officials, the cancellation was necessary due to the ongoing security situation and the COVID-19 pandemic.

²⁷ The noncompetitive contact actions ranged from approximately \$71,000 to \$34 million and lasted from 6 to 12 months each.

²⁸ For example, as described in a recent OIG report, AQM competitively awarded a Worldwide Protective Services task order for Embassy Baghdad security in 2017 following a 1-year noncompetitive contract action to continue services (OIG, *Management Assistance Report: Improved Guidance and Acquisition Planning is Needed to Reduce the Use of Bridge Contracts in Afghanistan and Iraq* 6, 11 [AUD-MERO-21-37, July 2021]).

²⁹ See Appendices B and C for additional details on the continuation of service actions for the OMSS and BLiSS contracts, respectively.

Poor Coordination and the Absence of Internal Controls in the Acquisition Planning Process Led to Shortfalls

The lack of coordination between AQM and NEA, as well as the ineffective execution of internal control in the acquisition planning process, adversely impacted the timely award of the DiPSS contract. For example, AQM did not collaborate with NEA to develop the DiPSS Acquisition Plan including milestones and award dates, nor did it forecast accurate milestones and award dates for the DiPSS contract. Additionally, AQM failed to obtain and prioritize NEA's needs during the acquisition planning process by considering the expiration dates of the OMSS and BLISS contracts. According to AQM officials, the "timeline to award DiPSS was established based off historical timelines, there was no consequence or incentive to award by a certain date."

However, according to the FAR, the objective of acquisition planning is to meet the Government's needs in a timely and effective manner.³⁰ Not meeting the forecasted milestones to award the DiPSS contract resulted in significant consequences. If AQM had awarded the DiPSS contract in 2017, as planned, executing 65 noncompetitive contract actions to continue OMSS and BLISS contract services would not have been necessary. Rather, competitive task orders under DiPSS could have been awarded and the anticipated cost savings of using full and open competition would have been realized.

In addition to poor coordination, OIG found that the internal controls governing the acquisition planning process failed to identify and address risks associated with not meeting the DiPSS Acquisition Plan milestones and award dates. Specifically, the FAR and Department guidance requires AQM to review acquisition plans annually or "whenever significant changes occur."³¹ The FAR also establishes agency-head responsibilities, such as establishing increasingly detailed criteria and thresholds as acquisitions become more complex.³² AQM conducted no such annual reviews, nor did they establish criteria or thresholds for the DiPSS contract's progress. AQM leadership did not plan for challenges in contingency environments, such as Iraq, or adapt the DiPSS Acquisition Plan to changing circumstances and known risks. This inaction is troubling because Iraq has routinely faced security and staffing challenges in past years. Acquisition planning should reflect these challenges and aim to mitigate such risks. Furthermore, AQM neglected conducting the review process specified in the FAR despite missing the forecasted acquisition milestones in the DiPSS contract.³³

In future acquisitions, the Department would benefit from implementing and monitoring a system of internal controls that identifies and addresses risk, timeliness, communication, and monitoring in accordance with GAO requirements.³⁴ For example, the Department should consider acquisition risks and define risk thresholds when creating timelines. Moreover, in

³⁰ FAR 7.102(b).

³¹ FAR 7.104(a); AQM Memorandum 15-10, 2 (March 18, 2015).

³² FAR 7.103(e), "Agency-head responsibilities."

³³ FAR 7.104(a).

³⁴ GAO-14-704G, September 2014, at 9-10.

contingency environments like Iraq, "Management can anticipate and plan for significant changes by using a forward-looking process for identifying change."³⁵ To conduct control activities required by GAO, AQM leadership should regularly review milestones and objectives and analyze the difference between goals and actual achievements.³⁶ To improve coordination, AQM leadership should, in accordance with GAO standards, evaluate internal and external communication, "so that the organization has the appropriate tools to communicate quality information throughout the entity on a timely basis."³⁷ Finally, to sustain these internal controls, AQM management must monitor its internal control system consistently by assessing its effectiveness and whether personnel adhere to it.³⁸ To address these acquisition planning deficiencies, improve the Department's capacity to realize opportunities to achieve cost savings, and attain economies of scale and efficiencies, OIG offers the following recommendations.

Recommendation 1: OIG recommends that the Bureau of Administration, in coordination with the Bureau of Near Eastern Affairs, discontinue its practice of awarding noncompetitive contracts for Operations Maintenance Support Services and Baghdad Life Support Services. The bureau should award Mission Iraq-specific task orders under the Diplomatic Platform Support Services contract or use an alternative mechanism to competitively replace the Operations and Maintenance Support Services and Baghdad Life Support Services contracts.

Management Response: OPE concurred with the recommendation, stating that both follow-on contracts for OMSS and BLISS "will be solicited following the lifting of the current Ordered Departure and as directed by the Program Office in agreement with U.S. Embassy Baghdad on the ability to support the solicitations and the potential movement of contractor personnel to include travel arrangements and safe lodging." In addition, OPE stated that "[t]he solicitations will be issued as Task Orders under the Diplomatic Platform Support Services (DiPSS) IDIQ."

OIG Reply: On the basis of OPE's concurrence with the recommendation and planned actions, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that OPE has discontinued awarding noncompetitive contracts for OMSS and BLISS and has awarded Mission Iraq-specific task orders under DiPSS.

Recommendation 2: OIG recommends that the Bureau of Administration, Office of the Procurement Executive (OPE), in accordance with the Federal Acquisition Regulation 7.104 "General procedures," disseminate procedures that are described in Office of Acquisition Management Memorandum 15-10 to review acquisition plans with key stakeholders

³⁵ Ibid., at 42.

³⁶ Ibid., at 46, states, "Management compares actual performance to planned or expected results throughout the organization and analyzes significant differences."

³⁷ Ibid., at 61.

³⁸ Ibid., at 65-66.

annually or whenever significant changes occur. OPE should also establish additional internal controls to ensure the procedures are followed, such as training personnel on the requirements and minimum documentation requirements for acquisition plan reviews.

Management Response: OPE concurred with the recommendation.

OIG Reply: On the basis of OPE's concurrence with the recommendation, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that OPE has disseminated procedures described in Office of Acquisition Management Memorandum 15-10 to review acquisition plans with key stakeholders annually or whenever significant changes occur and has established additional internal controls to ensure the procedures are followed.

Recommendation 3: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, in accordance with Government Accountability Office *Standards for Internal Control in the Federal Government*, establish procedures to conduct regular monitoring of internal controls, respond to schedule risks, and engage in effective communication with the program office to identify and address noncompliance with Federal and Department of State criteria, timeliness, and external coordination.

Management Response: OPE concurred with the recommendation.

OIG Reply: On the basis of OPE's concurrence with the recommendation, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that OPE has established procedures to monitor internal controls, respond to schedule risks, and engage in effective communication with the program office accordingly.

Recommendation 4: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, implement controls to (a) achieve critical acquisition deadlines on time, including checking the acquisition's progress and assessing changes in the operating environment and (b) identify contracts that have missed critical deadlines, including Diplomatic Platform Support Services, for Department of State (Department) leadership to review and take action as necessary. Controls should ensure that the Department prioritizes timely acquisitions to achieve cost savings, economies of scale, and efficiencies.

Management Response: OPE concurred with the recommendation.

OIG Reply: On the basis of OPE's concurrence with the recommendation, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that OPE has implemented internal controls to (a) achieve critical acquisition deadlines on time, including checking the acquisition's progress and assessing changes in the operating environment and (b) identify contracts that have missed critical deadlines, including DiPSS, for Department leadership to review and take action as necessary.

Finding B: The Department Excessively Used Noncompetitive Contract Actions To Continue Essential Support Services

OIG found that the Department noncompetitively continued OMSS and BLISS contracts excessively, based on quantity, duration, and dollar value, and unjustifiably used FAR 6.302, “Circumstances permitting other than full and open competition.” Specifically, the Department executed 65 noncompetitive contract actions that spanned approximately 3 years and were valued at approximately \$663 million to continue OMSS and BLISS services. The Department used “unusual and compelling urgency” under FAR 6.302-2(a)(2) as its rationale to support all of the continuation of services noncompetitive contract actions. Instead, OIG determined that poor planning, poor coordination, and a lack of internal controls, as outlined in Finding A, necessitated these contract actions. CICA and the FAR state that poor acquisition planning is not a justification to use noncompetitive contract actions. OIG is therefore questioning approximately \$663 million associated with these 65 noncompetitive contract actions.³⁹

Federal and Department Guidance for Noncompetitive Contract Actions

Department guidance defines actions to continue services by stating that they “provide contractual coverage on a noncompetitive basis, when needed at the expiration of a competitive contract.”⁴⁰ As described by GAO, these actions are intended to be a stopgap measure to continue an existing contract beyond its original period of performance in the absence of a replacement contract. Such actions aim to prevent lapses in services caused by delays in awarding follow-on contracts.⁴¹ Some contracts include a clause to continue services for an additional 6 months after the original base and option years. After a contract’s original period of performance, plus any option provisions exercised,⁴² noncompetitive actions must be justified in accordance with FAR requirements and used with discretion in accordance with CICA.⁴³ In addition, CICA and the FAR state that poor acquisition planning is not a justification to use noncompetitive contract actions. Specifically, CICA states that “in no case may an executive agency . . . enter into a contract for property or services using procedures other than competitive procedures on the basis of the lack of advance planning or concerns related to the amount available to the agency for procurement functions.”⁴⁴

³⁹ 2 Code of Federal Regulations § 200.84, “Questioned cost,” defines questioned cost as a cost that is questioned by the auditor because of an audit finding. This could be the result from a violation or possible violation of a statute, regulation, or terms and conditions of a Federal award, including funds used to match Federal funds; where the costs, at the time of the audit, are not supported by adequate documentation; or where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

⁴⁰ OPE, *Overseas Contracting and Simplified Acquisition Guidebook*, Chapter 4, “Solicitation Documents,” 10 (January 2020).

⁴¹ GAO, *Sole Source Contracting: Defining and Tracking Bridge Contracts Would Help Agencies Manage Their Use* 4 (GAO-16-15, October 2015).

⁴² FAR 52.217-8 states that the “Government may require continued performance of any services within the limits and at the rates specified in the contract. These rates may be adjusted only as a result of revisions to prevailing labor rates provided by the Secretary of Labor. The option provision may be exercised more than once, but the total extension of performance hereunder shall not exceed 6 months.”

⁴³ FAR Subpart 6.3, “Other Than Full and Open Competition;” 41 U.S.C. § 3304.

⁴⁴ 41 U.S.C. § 3304(e)(5)(A)(i).

As part of the justification process for awarding noncompetitive contract actions, the Department must complete a "Justification and Approval," a document required to obtain the appropriate level of approvals to contract without providing for full and open competition, as required by FAR 6.302. Each justification shall contain sufficient facts and rationale to justify the use of the specific authority cited.⁴⁵ The Justification and Approval shall be approved in writing in accordance with agency procedures.⁴⁶ The Department's guidance states that the unusual and compelling urgency under FAR 6.302-2 "cannot exceed 12 months."⁴⁷ The guidance also notes the FAR's limitations on using the unusual and compelling urgency Justification and Approval states:

Caution: This justification will not be accepted, if in the opinion of the Contracting Officer, post, or Departmental Competition Advocate, there is evidence that the reason for the expedited procurement request is due to lack of proper planning by the requiring office or because of the possible expiration of fiscal year funds (FAR 6.301(c)).

Department guidance states that the Justification and Approval must be signed by an official from the requiring office, the contracting officer, and the Contracting Activity Competition Advocate, as well as the Principal Officer, Departmental Competition Advocate, and Procurement Executive, depending on the acquisition amount.⁴⁸ As appropriate, the Office of Legal Adviser is available to AQM for consultation on Justification and Approval determinations related to noncompetitive contract actions.⁴⁹

In addition to CICA and FAR requirements, in the interest of promoting maximum competition, the Office of Management and Budget and GAO have taken action to put limits on the duration of time that noncompetitive contract actions citing the FAR exception, unusual and compelling urgency, can be used.⁵⁰ In March 2014, GAO recommended action to ensure the

⁴⁵ FAR 6.303-2(a), "Content."

⁴⁶ FAR 6.304(a), "Approval of the justification."

⁴⁷ Overseas Contracting and Simplified Acquisition Guidebook, Chapter 3, "Pre-Solicitation Documents," January 2020, at 52.

⁴⁸ Ibid., at 59-61. The guidance states that the Contracting Activity Competition Advocate's signature is required for actions exceeding \$700,000 but not exceeding \$13.5 million; the Contracting Activity Competition Advocate's, Principal Officer's, and Departmental Competition Advocate's signatures are required for actions exceeding \$13.5 million but not exceeding \$68 million. Finally, signatures by all of the above and the Procurement Executive are required for actions exceeding \$68 million.

⁴⁹ 1 FAM 212.2-1, "Office of Acquisitions Policy (A/OPE/AP)," states that OPE "[p]rovides advice and guidance, in consultation with the Office of the Legal Adviser (L), as appropriate, to Department contracting activities and offices" on matters of acquisition."

⁵⁰ FAR 6.302-2(d), "Period of Performance," states that "(1) The total period of performance of a contract awarded or modified using this authority - (i) May not exceed the time necessary - (A) To meet the unusual and compelling requirements of the work to be performed under the contract; and (B) For the agency to enter into another contract for the required goods and services through the use of competitive procedures; and (ii) May not exceed one year, including all options, unless the head of the agency determines that exceptional circumstances apply. This determination must be documented in the contract file."

implementation of the requirement to limit the period of performance for noncompetitive contracts using the unusual and compelling urgency exception.⁵¹ In July 2015, the Office of Management and Budget issued a modification to the FAR clarifying that Contracting Officers must obtain a determination of exceptional circumstances for subsequent modifications that will continue beyond a year.⁵² GAO stated that, “[a]warding a noncompetitive contract . . . should be limited in duration to minimize the amount of time that the [G]overnment is exposed to the risks of contracts that are awarded quickly without the benefits of competition”⁵³ and that “Noncompetitive contracts carry the risk of overspending because, among other things, they have been negotiated without the benefit of competition, to help establish pricing.”⁵⁴

The Department’s Use of Noncompetitive Contract Actions Was Excessive and Not Justified

OIG found that the Department’s noncompetitive contract actions to continue services for OMSS and BLiSS contracts was excessive based on quantity, duration, and dollar value, and lacked justification. Specifically, the Department used the FAR unusual and compelling urgency exception to execute 65 noncompetitive contract actions over 3 years, valued at approximately \$663 million.⁵⁵ The justifications for these actions were approved by senior Department officials, including the Head of Contracting Activity, the Competition Advocate, and the Office of the Legal Adviser, despite Department guidance that states that the unusual and compelling urgency under FAR 6.302-2(a)(2) cannot exceed 12 months.⁵⁶

The Department used the unusual and compelling urgency exception from December 2018 to October 2021 for 29 OMSS noncompetitive contract actions to continue services, and from October 2018 to October 2021 for 36 BLiSS noncompetitive contract actions to continue services. The Department approved a total of 7 Justification and Approval documents (4 for OMSS and 3 for BLiSS) that covered sequential time periods for 13 different task orders.⁵⁷ Instead of explaining the unusual or compelling urgency exception, OIG found that within the justification documents, the Department stated delays and challenges in acquisition planning for the replacement contract—the DiPSS IDIQ award—as the reasons for continuing the noncompetitive OMSS and BLiSS actions to continue services. This is prohibited by CICA, FAR, and Department guidance.

In addition to delays and challenges in acquisition planning for the DiPSS IDIQ award, the Department also cited reduced staffing in Iraq due to ordered departures in 2019, and

⁵¹ GAO, *Federal Contracting: Noncompetitive Contracts Based on Urgency Need Additional Oversight* 36-37 (GAO-14-304, March 2014).

⁵² GAO, “Recommendations for Executive Action,” *Federal Contracting: Noncompetitive Contracts Based on Urgency Need Additional Oversight*, <https://www.gao.gov/products/gao-14-304>.

⁵³ GAO-14-304, March 2014, at 35.

⁵⁴ *Ibid.*, at 1.

⁵⁵ FAR 6.302-2. See Appendices B and C for all 65 individual noncompetitive contract actions for OMSS and BLiSS, respectively.

⁵⁶ *Overseas Contracting and Simplified Acquisition Guidebook*, Chapter 3, “Pre-Solicitation Documents,” January 2020, at 52.

⁵⁷ Each of the Justification and Approval documents covered all OMSS and BLiSS task orders for a specific period of time.

COVID-19 in 2020, as part of its rationale for continuing the use of noncompetitive contract actions. However, citing delays in awarding the DiPSS IDIQ contract does not support unusual and compelling urgency; rather, it reflects poor acquisition planning, which pre-dates the cited challenges related to staffing shortages and COVID-19 by several years. For example, the Department should have had replacement contract mechanisms prepared prior to the end of the original OMSS and BLiSS contracts period of performance. The original 5-year period of performance for the OMSS and BLiSS contracts ended in May and August 2018, respectively; these expiration dates were known to the Department in 2012 when the original contracts were awarded. Nevertheless, noncompetitive contract actions for 13 OMSS and BLiSS task orders began in late 2018 and are scheduled through late 2021, approximately 3 years, which is more than 50 percent of the original period of performance on the contracts. In addition, Mission Iraq has operated in a high-risk environment since 2003, and OIG does not consider security-related challenges unusual and compelling in the context of that environment without considerable evidence to justify the statement.

Table 2 lists the seven Justification and Approvals and associated task orders, date approved, and the main rationales used to justify the noncompetitive contract actions to continue services.

Table 2: Summary of OMSS and BLiSS Justification and Approvals Using FAR 6.302-2, “Unusual and Compelling Urgency,” for Noncompetitive Contract Actions Rationales

Services	Date Approved	Main Rationale
OMSS (6 task orders)*	September 2018	DiPSS IDIQ acquisition delays
OMSS (6 task orders)	April 2019	DiPSS IDIQ acquisition delays
OMSS (6 task orders)	March 2020	DiPSS IDIQ acquisition delays; reduced staffing in Iraq
OMSS (6 task orders)	March 2021	DiPSS IDIQ acquisition delays; reduced staffing in Iraq; COVID-19
BLiSS (7 task orders)	October 2018	DiPSS IDIQ acquisition delays
BLiSS (7 task orders)	October 2019	DiPSS IDIQ acquisition delays; reduced staffing in Iraq
BLiSS (7 task orders)	August 2020	DiPSS IDIQ acquisition delays; reduced staffing in Iraq; COVID-19

*There are 13 total task orders (6 for OMSS and 7 for BLiSS) and each Justification and Approval covers all OMSS and BLiSS task orders for various time periods.

Source: OIG generated based on an analysis of Justification and Approval documentation provided by the Bureau of Administration.

Use of Improper and Noncompetitive Contract Actions Limits the Department’s Goal of Best Value and Creates Inefficiencies

The failure to timely award the DiPSS contracts, as well as failing to award competitive task orders under the DiPSS contract after it was finally awarded, has resulted in the unjustified and excessive use of noncompetitive contract actions to continue OMSS and BLiSS, the two contracts that the DiPSS contract was intended to replace. The use of noncompetitive contract

actions limits competition and the opportunity to achieve best value for the Department and the U.S. taxpayer. According to GAO, the benefits of competition—such as cost savings and improved contractor performance—in acquiring goods and services are well documented. Awarding a noncompetitive contract on the basis of unusual and compelling urgency is necessary in select circumstances. However, these actions should be limited in duration to minimize the amount of time that the government is exposed to the risks of contracts that are awarded quickly without the benefits of competition.⁵⁸ Moreover, continuous use of noncompetitive contract actions is inefficient and adds costs associated with administering each separate contract action.

Had an effective, coordinated Acquisition Plan for the DiPSS contract been implemented, the Department could have had a replacement contract in place when the original OMSS and BLiSS contracts ended in 2018. Although OIG acknowledges the challenges encountered by the Department, the rationale cited by the Department regarding the delays in awarding the DiPSS contract does not justify the repeated use of the FAR exception of unusual and compelling urgency over a 3-year period to delay competitively awarding contracts for services provided under OMSS and BLiSS. If the DiPSS contract is not a viable option because of continued acquisition delays or other circumstances encountered as a result of the acquisition delays, the Department should explore other options to competitively award contracts to obtain the essential services.⁵⁹ OIG is questioning the cost associated with the 65 OMSS and BLiSS noncompetitive contract actions, valued at approximately \$663 million, identified in this audit, which do not meet CICA and FAR competition requirements. OIG is offering the following recommendations to improve Department compliance with CICA and the FAR.

Recommendation 5: OIG recommends that the Bureau of Administration, in coordination with the Office of the Legal Adviser, review the \$296,530,056 in questioned costs related to 29 noncompetitive contract actions to extend services on the Operations and Maintenance Support Services Contract, SAQMMA13D0120, between December 2018 and May 2021 to determine whether these costs were allowable. Specifically, the Office of the Legal Adviser should determine whether the justification to use the “unusual and compelling urgency” exception complies with the Competition in Contracting Act (41 U.S.C. §§ 3301, 3304) and the Federal Acquisition Regulation Subpart 6.1, “Full and Open Competition,” and 6.3, “Other than Full and Open Competition.” See Appendix B for an itemization of the costs.

Management Response: OPE concurred with the recommendation, stating that “OPE’s Office of Acquisitions Management (AQM) will review the questioned costs to determine whether they comply with the requirements IAW [in accordance with] FAR 31.201-2.” OPE further stated that “AQM will coordinate with the Office of the Legal Adviser (L/BA) in determining as to whether “unusual and compelling urgency” was used appropriately and in accordance with FAR 6.302.2 and in compliance with CICA and other cited regulations.”

⁵⁸ GAO-14-304, March 2014, at 35.

⁵⁹ OIG included this in Finding A, Recommendation 1, of this report.

OIG Reply: On the basis of OPE's concurrence with the recommendation and planned actions, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that OPE has completed its review of the questioned costs identified in Recommendation 5.

Recommendation 6: OIG recommends that the Bureau of Administration, in coordination with the Office of the Legal Adviser, review the \$366,663,728 in questioned costs related to 36 noncompetitive contract actions to extend services on the Baghdad Life Support Services contract, SAQMMA12D0165, between October 2018 and May 2021 to determine whether these costs were allowable. Specifically, the Office of the Legal Adviser should determine whether the justification to use the "unusual and compelling urgency" exception complies with the Competition in Contracting Act (41 U.S.C. §§ 3301, 3304) and the Federal Acquisition Subpart 6.1, "Full and Open Competition" and 6.3, "Other than Full and Open Competition." See Appendix C for an itemization of the costs.

Management Response: OPE concurred with the recommendation, stating that "OPE's Office of Acquisitions Management (AQM) will review the questioned costs to determine whether they comply with the requirements IAW [in accordance with] FAR 31.201-2." OPE further stated that "AQM will coordinate with the Office of the Legal Adviser (L/BA) in determining as to whether "unusual and compelling urgency" was used appropriately and in accordance with FAR 6.302.2 and in compliance with CICA and other cited regulations."

OIG Reply: On the basis of OPE's concurrence with the recommendation and actions planned, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that OPE has completed its review of questioned costs identified in Recommendation 6.

Recommendation 7: OIG recommends that the Bureau of Administration, Office of the Procurement Executive (OPE), strengthen its review and approval process and oversight of noncompetitive contract actions awarded, based on Federal Acquisition Regulation 6.302-2, "Unusual and compelling urgency," related to circumstances permitting other than full and open competition. OPE should put in place controls to ensure those actions are not excessive, such as enforcement of time limitations on the duration of the use of these actions, and use appropriate rationales, which exclude lack of advanced planning. In addition, OPE should provide training, as appropriate, to officials in the review process to ensure controls are followed.

Management Response: OPE concurred with the recommendation.

OIG Reply: On the basis of OPE's concurrence with the recommendation, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that OPE has (1) strengthened its review and approval process and oversight of noncompetitive contract actions awarded, based on FAR 6.302-2, "Unusual and compelling urgency," related to circumstances permitting other than full and open competition; (2) put in place internal controls to ensure that the use of

noncompetitive contract actions are not excessive; and (3) provided related training to appropriate officials.

Finding C: The Department Did Not Take Measures To Control Costs When Executing Noncompetitive Contract Actions

The Department did not fully control costs for the noncompetitive OMSS and BLISS contract awards in accordance with Federal and Department requirements. Specifically, the Department did not complete independent government cost estimates (IGCE), as required by the FAH, or obtain cost or pricing data from the contractor, as required by the FAR, for any of the 14 contract actions OIG reviewed for this audit. According to Department officials, this occurred because of time and resource constraints associated with awarding numerous contract actions. Nevertheless, the Department's failure to complete IGCEs or obtain relevant cost data from the contractor significantly diminished its ability to assess whether costs associated with the noncompetitive contract awards were valid and reasonable.

Federal and Department Guidance on Cost Controls

The FAR states, "An agency can obtain best value in negotiated acquisitions by using any one or a combination of source selection approaches."⁶⁰ In many cases, the FAR is very specific about which actions must take place to achieve best value. For instance, the FAR requires the Department to obtain certified cost or pricing data from the contractor when no exceptions apply unless the Department waives this requirement.⁶¹ The Department can waive the contractor's requirement to certify their prices if the price can be determined to be fair and reasonable. However, the waiver and the supporting rationale must be in writing.⁶² The FAR also requires Contracting Officers to establish a fair and reasonable price.⁶³ In addition, the FAR states that "[n]o contract shall be entered into unless the [C]ontracting [O]fficer ensures that all requirements of law, executive orders, regulations, and all other applicable procedures, including clearances and approvals, have been met."⁶⁴ The FAH requires the Department to conduct IGCEs "for supplies or services that have a value over the simplified acquisition threshold."⁶⁵ According to the FAH, one of the purposes of an IGCE is to "serve as an objective basis for determining price reasonableness."⁶⁶ Finally, in accordance with GAO requirements,

⁶⁰ FAR 15.101, "Best value continuum."

⁶¹ FAR 15.403-4, "Requiring certified cost or pricing data."

⁶² FAR 15.403-1(c)(4), "Prohibition on obtaining certified cost or pricing data."

⁶³ FAR 15.402, "Pricing policy."

⁶⁴ FAR 1.602-1 (b), "Authority."

⁶⁵ 14 FAH-2 H-350, "Independent Government Cost Estimate;" 14 FAH-2 H-351(c), "General." The simplified acquisition threshold refers to purchases of property or services using small purchase methods not to exceed an established amount. Office of Management and Budget Memorandum M-18-18, "Implementing Statutory Changes to the Micro-Purchase and the Simplified Acquisition Thresholds for Financial Assistance" (June 20, 2018). In FY 2018, the simplified acquisition threshold increased from \$100,000 to \$250,000. It remained at \$250,000 for FY 2021.

⁶⁶ 14 FAH-2 H-351(a)(3).

AQM management should monitor the system of internal controls for cost-control measures to obtain reasonable assurance of their operating effectiveness.⁶⁷

AQM Did Not Complete Independent Government Cost Estimates or Obtain Certified Cost or Pricing Data

According to GAO, “Transparency and oversight during performance of the contract, particularly when adding significant time or money, ensures that the [G]overnment is making sound decisions in the best interest of taxpayers.”⁶⁸ OIG reviewed cost controls measures for 14 OMSS and BLiSS contract actions and found that (1) none of the contract actions had completed IGCEs and (2) the Contracting Officer failed to request or obtain certified cost or pricing data from the contractor for all 14 contract actions.⁶⁹ All of the contract actions to continue OMSS and BLiSS support services were above the simplified acquisition threshold. As such, IGCEs were required and should have been prepared. IGCEs are important in sole source contracting because the Government relies on them to determine price reasonableness when it does not have multiple contractor proposals to compare prices. In the absence of an IGCE, Contracting Officers must rely on alternative methods to determine whether the contractor proposed a fair and reasonable price.

Department officials explained that they used an alternative method aside from the IGCEs and certified cost or pricing data to validate the prices. AQM officials said that their main method of validating prices is to assess a contract’s cost reasonableness. The FAR states that the Contracting Officer is responsible for evaluating the reasonableness of the offered prices.⁷⁰ AQM officials said their office largely does this based on historical price data. When OIG requested documentation to verify the cost reasonableness process, AQM officials referred OIG to the price negotiation memoranda, which they said outline the price negotiation process.

OIG reviewed 14 price negotiation memoranda and found that the memoranda reference the use of historical prices, but several also request price escalation for some items or services. For items and services requesting price increases, the price negotiation memoranda did not always provide an alternative method with supporting data for establishing price reasonableness. In addition, the price negotiation memoranda did not always conclude whether the price escalation was in accordance with the contractor’s price trends or other commercial practices.

Furthermore, the price negotiation memoranda did not include detailed historical pricing, such as a list of previous and proposed prices over the years; therefore, OIG could not verify cost reasonableness. For example, in the four OMSS price negotiation memoranda reviewed for this audit, AQM stated that the contractor’s proposals continued the contract rates and prices from previous months. However, in three cases, documentation indicated that contractor-proposed amounts were based on an average daily rate the contractor developed from historical

⁶⁷ GAO-14-704G, September 2014, at 66.

⁶⁸ GAO-14-304, March 2014, at 36.

⁶⁹ See Appendix A, “Purpose, Scope, and Methodology,” for sample details.

⁷⁰ FAR 15.404-1(a)(1), “Proposal analysis techniques.”

spending data. Although both points may be accurate, OIG found that the contractor applied current indirect rates and, in two cases, sought an escalation for firm-fixed price contracts and cost reimbursements. Thus, some prices remained the same while others escalated. In the 10 BLiSS price negotiation memoranda reviewed for this audit, OIG found that there were requests in 4 negotiation memoranda for BLiSS price increases due to rising costs (such as security costs for transporting food), indicating that some prices may have remained the same, but others escalated.

Although the FAR requires contractors to certify their prices unless an exception applies or exceptional circumstances exist,⁷¹ AQM officials explained that the FAR allows the Department to waive the requirement if, “the price can be determined to be fair and reasonable without submission of certified cost or pricing data.”⁷² However, the FAR also states that, “The authorization for the waiver and the supporting rationale shall be in writing.”⁷³ When OIG asked to review the waivers for contractor-certified prices, AQM officials informed OIG that they did not have waivers in writing and stated that obtaining certified cost or pricing data or developing an IGCE for each noncompetitive action was burdensome. Therefore, OIG was unable to determine if waiving the contractor requirement to provide pricing data was justified for the 14 contract actions reviewed. In addition, when certified cost or pricing data are not obtained, the FAR requires the Contracting Officer to obtain data as necessary to establish a fair and reasonable price. Such data may include “any information reasonably required to explain the [contractor’s] estimating process” including the mathematical methods used in the estimate.⁷⁴ However, AQM officials could not provide documentation to demonstrate that reasonableness had been determined, including through use of alternative methods of establishing price reasonableness, as required.

OMSS and BLiSS Contract Actions Were Generally Negotiated

The FAR states the Contracting Officer is responsible for evaluating the reasonableness of the offered prices.⁷⁵ OIG found that 8 of 14 (57 percent) of OMSS and BLiSS sampled contract actions appear to have been negotiated. Specifically, 3 of 4 (75 percent) OMSS contract actions reviewed and 5 of 10 (50 percent) BLiSS contract actions reviewed showed negotiated prices that were less than the contractor’s proposed prices. The OMSS and BLiSS contract actions that appear to have been negotiated are valued at about \$184.1 million. The OMSS and BLiSS contract actions that appear to have minimal negotiation, when the award amounts are exactly the same as the contractor’s propose price, are valued at about \$119.7 million.⁷⁶

⁷¹ FAR 15.403-4.

⁷² FAR 15.403-1(c)(4).

⁷³ Ibid.

⁷⁴ FAR 2.101, “Definitions.”

⁷⁵ FAR 15.402(a)(2)(ii)(A).

⁷⁶ When the contractor’s proposed price and the final award price were exactly the same, but AQM documentation indicated some discussion on price, OIG considered negotiations to be “minimal.” When AQM negotiated a lower price from the contractor’s proposed price and AQM documentation indicated negotiation discussions, OIG considered the contract to be “negotiated.”

Insufficient Internal Controls and Lack of Resources Discouraged AQM's Use of Cost-Control Measures

According to GAO, "Noncompetitive contracts carry the risk of overspending because, among other things, they have been negotiated without the benefit of competition, to help establish pricing."⁷⁷ The lack of cost-control measures, neglecting Department and Federal requirements, and continual use of noncompetitive contract actions put the Government at a disadvantage in price validation and negotiation with the contractor. This is in addition to the inherent loss of the benefits associated with competition to control prices associated with noncompetitive contract actions.

According to AQM officials, they did not fully take actions to control costs on the OMSS and BLiSS noncompetitive contract actions because of time and resource constraints associated with awarding dozens of continuing services actions on these contracts every year. With a routine 5-year contract, these cost control activities would have needed to be done only once. The Department's failure to complete IGCEs, or obtain relevant cost data from the contractor, significantly diminished its ability to assess whether costs associated with the noncompetitive contract awards were valid and reasonable. According to AQM, developing IGCEs for each contract action to extend services would be cumbersome and prevent the timely execution of the action. Nevertheless, because noncompetitive actions have been executed for years after the original contract was expected to expire, AQM should expect that prices would change over time through contract modifications and that price validation would be critical.

AQM would benefit from implementing a monitoring system to strengthen internal controls related to price reasonableness determinations in accordance with GAO requirements.⁷⁸ OIG is therefore offering the following recommendation to address this deficiency.

Recommendation 8: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management (AQM), in accordance with Government Accountability Office *Standards for Internal Control in the Federal Government*, strengthen internal controls related to improving cost-control measures for noncompetitive contract actions to extend services. The strengthened internal controls could include establishing and implementing procedures for a cost control monitoring system in which AQM performs ongoing monitoring and evaluation of price reasonableness determinations. Such strengthened internal controls should include, at a minimum, accountability for complying with Federal and Department of State requirements such as verifying that independent government cost estimates and certified cost or pricing data (or waivers) have been completed before contract award.

Management Response: OPE concurred with the recommendation, stating that "IGCEs serve as an objective basis for determining price reasonableness and as a starting basis for cost/price comparisons." In addition, "OPE's Office of Acquisitions Policy, Strategic

⁷⁷ GAO-14-304, March 2014, at 1.

⁷⁸ GAO-14-704G, September 2014, at 65-66.

Communications & Policy Division (OPE/AP/SCPD) will recommend training to the acquisition workforce to address when, why, and resources used in developing an IGCE and will address requirements for when to request and how or when to apply certified cost and pricing data prior to award.”

OIG Reply: On the basis of OPE’s concurrence with the recommendation and planned actions, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that OPE has improved cost-control measures for noncompetitive contract actions to extend services and strengthened internal controls for IGCEs and requirements for certified cost and pricing data prior to contract award.

RECOMMENDATIONS

Recommendation 1: OIG recommends that the Bureau of Administration, in coordination with the Bureau of Near Eastern Affairs, discontinue its practice of awarding noncompetitive contracts for Operations Maintenance Support Services and Baghdad Life Support Services. The bureau should award Mission Iraq-specific task orders under the Diplomatic Platform Support Services contract or use an alternative mechanism to competitively replace the Operations and Maintenance Support Services and Baghdad Life Support Services contracts.

Recommendation 2: OIG recommends that the Bureau of Administration, Office of the Procurement Executive (OPE), in accordance with the Federal Acquisition Regulation 7.104 “General procedures,” disseminate procedures that are described in Office of Acquisition Management Memorandum 15-10 to review acquisition plans with key stakeholders annually or whenever significant changes occur. OPE should also establish additional internal controls to ensure the procedures are followed, such as training personnel on the requirements and minimum documentation requirements for acquisition plan reviews.

Recommendation 3: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, in accordance with Government Accountability Office *Standards for Internal Control in the Federal Government*, establish procedures to conduct regular monitoring of internal controls, respond to schedule risks, and engage in effective communication with the program office to identify and address noncompliance with Federal and Department of State criteria, timeliness, and external coordination.

Recommendation 4: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, implement controls to (a) achieve critical acquisition deadlines on time, including checking the acquisition’s progress and assessing changes in the operating environment and (b) identify contracts that have missed critical deadlines, including Diplomatic Platform Support Services, for Department of State (Department) leadership to review and take action as necessary. Controls should ensure that the Department prioritizes timely acquisitions to achieve cost savings, economies of scale, and efficiencies.

Recommendation 5: OIG recommends that the Bureau of Administration, in coordination with the Office of the Legal Adviser, review the \$296,530,056 in questioned costs related to 29 noncompetitive contract actions to extend services on the Operations and Maintenance Support Services Contract, SAQMMA13D0120, between December 2018 and May 2021 to determine whether these costs were allowable. Specifically, the Office of the Legal Adviser should determine whether the justification to use the “unusual and compelling urgency” exception complies with the Competition in Contracting Act (41 U.S.C. §§ 3301, 3304) and the Federal Acquisition Regulation Subpart 6.1, “Full and Open Competition,” and 6.3, “Other than Full and Open Competition.” See Appendix B for an itemization of the costs.

Recommendation 6: OIG recommends that the Bureau of Administration, in coordination with the Office of the Legal Adviser, review the \$366,663,728 in questioned costs related to 36 noncompetitive contract actions to extend services on the Baghdad Life Support Services

contract, SAQMMA12D0165, between October 2018 and May 2021 to determine whether these costs were allowable. Specifically, the Office of the Legal Adviser should determine whether the justification to use the “unusual and compelling urgency” exception complies with the Competition in Contracting Act (41 U.S.C. §§ 3301, 3304) and the Federal Acquisition Subpart 6.1, “Full and Open Competition” and 6.3, “Other than Full and Open Competition.” See Appendix C for an itemization of the costs.

Recommendation 7: OIG recommends that the Bureau of Administration, Office of the Procurement Executive (OPE), strengthen its review and approval process and oversight of noncompetitive contract actions awarded, based on Federal Acquisition Regulation 6.302-2, “Unusual and compelling urgency,” related to circumstances permitting other than full and open competition. OPE should put in place controls to ensure those actions are not excessive, such as enforcement of time limitations on the duration of the use of these actions, and use appropriate rationales, which exclude lack of advanced planning. In addition, OPE should provide training, as appropriate, to officials in the review process to ensure controls are followed.

Recommendation 8: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management (AQM), in accordance with Government Accountability Office *Standards for Internal Control in the Federal Government*, strengthen internal controls related to improving cost-control measures for noncompetitive contract actions to extend services. The strengthened internal controls could include establishing and implementing procedures for a cost control monitoring system in which AQM performs ongoing monitoring and evaluation of price reasonableness determinations. Such strengthened internal controls should include, at a minimum, accountability for complying with Federal and Department of State requirements such as verifying that independent government cost estimates and certified cost or pricing data (or waivers) have been completed before contract award.

APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

The Department of State (Department), Office of Inspector General (OIG), conducted this audit to determine whether the Department complied with Federal and Department requirements in performing acquisition planning and controlling costs associated with contract actions for the Operations and Maintenance Support Services (OMSS) and the Baghdad Life Support Services (BLiSS) contracts while preparing for the transition to the worldwide Diplomatic Platform Support Services (DiPSS) contract.

OIG conducted this audit from January to May 2021 in the Washington, DC, metropolitan area. 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 these challenges, OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions presented in this report. This report relates to 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.¹

To obtain background information, including criteria, for this audit, OIG researched and reviewed Federal laws and regulations, such as the United States Code, the Competition in Contracting Act of 1984, and the Federal Acquisition Regulation. OIG also researched and reviewed Department guidance including the Foreign Affairs Handbook, and internal Department memoranda related to acquisitions. To address the audit objectives, OIG obtained and reviewed Department and Federal policies and procedures relating to acquisition planning, noncompetitive contract actions, cost-control measures, and Justification and Approval actions.

To test the Department's compliance, OIG reviewed documentation of DiPSS milestones, forecasting, requirements, and cost controls; OMSS and BLiSS noncompetitive contract actions to extend services; and Justification and Approvals for selected contract extensions. Specifically, OIG obtained and analyzed all OMSS and BLiSS contract extensions, which totaled more than \$663 million, and cost controls for 14 selected contract extensions (see "Sampling Methodology" section for additional details). In addition, OIG interviewed officials from the Bureaus of Administration and Near Eastern Affairs (NEA).

Data Reliability

OIG used computer-processed data to support findings and conclusions presented in this report. OIG used USASpending.gov to obtain the total value of contract dollars expended. The

¹ The Operation Inherent Resolve mission is to defeat Islamic State of Iraq and Syria in Iraq and Syria while setting conditions for follow-on activities to improve regional stability. This audit is about the Department's contract management in Iraq, which is subject to Section 8L oversight.

Office of the Procurement Executive (OPE) provided a list of computer-processed data representing the contract actions, contract numbers, and periods of performance. To assess the integrity, completeness, and accuracy of the data, OIG compared the OPE data to data obtained from USASpending.gov and found that the Department provided all but three non-competitive contract actions that OIG had requested. OIG asked the Department for these outstanding actions and found that they included additional funds added to the non-competitive contract actions. In addition, the periods of performance for individual non-competitive contract actions listed in the Department provided data were verified with OMSS and BLISS contract source documents. OIG concluded that the exported data from OPE maintained its integrity and the data system was sufficiently reliable for purposes of this audit.

Work Related to Internal Control

During the audit, OIG assessed the subject matter of the project to determine whether internal control was significant to the audit objective. Based on this consideration, OIG determined that internal control was significant for this audit. OIG then considered the components of internal control and the underlying principles included in the *Standards for Internal Control in the Federal Government* to identify internal controls that were significant to the audit objectives.² Considering internal control in the context of a comprehensive internal control framework can help auditors determine whether underlying internal control deficiencies exist.

For this audit, OIG concluded that four of the five internal control components from the *Standards for Internal Control in the Federal Government*, Risk Assessment, Control Activities, Information and Communication, and Monitoring, were significant to the audit objectives. The Risk Assessment component assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses. The Control Activities component includes the actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity's information system. The Information and Communication component relates to the quality information that management and personnel communicate and use to support the internal control system. The Monitoring component relates to activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other review. OIG also concluded that four of the *Standards for Internal Control in the Federal Government* principles related to the selected components were significant to the audit objectives, as described in Table A.1.

² Government Accountability Office, *Standards for Internal Control in the Federal Government* (GAO-14-704G, September 2014).

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

Components	Principles
Risk Assessment	Management should identify, analyze, and respond to significant changes that could impact the internal control system.
Control Activities	Management should design control activities to achieve objectives and respond to risks.
Information and Communication	Management should externally communicate the necessary quality information to achieve the entity's objectives
Monitoring	Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.

Source: OIG generated based on an analysis of internal control components and principles from the Government Accountability Office, *Standards for Internal Control in the Federal Government* (GAO-14-704G, September 2014).

OIG then interviewed Department officials, reviewed internal Department guidelines, acquisition planning and cost information documents, as well as Department contracting processes to obtain an understanding of the internal controls related to the components and principles identified as significant for this audit. OIG performed procedures to assess the design, implementation, and operating effectiveness of key internal controls. Specifically, OIG:

- Reviewed relevant policies and procedures related to acquisition planning.
- Conducted interviews to inquire about the internal control processes for acquisition planning including internal and external communication.
- Reviewed OPE's internal and external correspondence concerning DiPSS acquisition planning.
- Inspected contract documents and records pertaining to acquisition planning for DiPSS to test for evidence of risk assessment.
- Reviewed relevant policies and procedures related to contract cost analysis and negotiation.
- Conducted interviews to inquire about the internal control processes for authorizing noncompetitive contract actions.
- Inspected contract documents and records to determine evidence of monitoring of cost analysis in awarding noncompetitive contract actions for OMSS and BLiSS.

Internal control deficiencies identified during the audit that are significant within the context of the audit objective are presented in the Audit Results section of this report.

Sampling Methodology

For Finding B, OIG obtained 100 percent of the universe of contract award actions to extend OMSS and BLiSS services. Collectively, OIG reviewed a total of 65 contract actions for the OMSS and BLiSS awards. Table A.2 shows a summary of the contract actions and task orders OIG reviewed.³

³ See Appendices B and C, respectively, for a detailed list of all contract actions OIG reviewed.

Table A.2: Summary of OMSS and BLISS Contract Actions OIG Reviewed

	Number of Task Orders Extended	Number of Contract Actions Taken To Extend Services	Combined Value of Contract Actions
OMSS	6	29	\$296,530,055
BLISS	7	36	\$366,663,726
Total	13	65	\$663,193,781

Source: OIG generated based on OMSS and BLISS contract award information obtained from OPE.

To determine the extent that cost-control measures had been taken for the OMSS and BLISS contract service extensions, for Finding C, OIG selected a non-statistical sample of 14 contract actions. OIG selected its sample based on the location of where the services were provided (Baghdad, Iraq) and the dollar amount of the contract action (greater than \$10 million). OIG reviewed all contract actions to extend OMSS and BLISS services that met the parameters as of January 2021.⁴ Table A.3 shows the contract actions in OIG's sample.

Table A.3: Cost Control Sample

Task Order Title and Number	Time Period Covered by Continuing Services		Value of Contract Action
	Start	End	
OMSS Contract Actions			\$73,378,702
1 Baghdad Embassy Compound Site SAQMMA13F2194 P00041	12/01/2018	08/31/2019	\$10,719,611
2 Baghdad Embassy Compound Site SAQMMA13F2194 P00045	09/01/2019	03/31/2020	\$22,738,507
3 Baghdad Embassy Compound Site SAQMMA13F2194 P00051	04/01/2020	09/30/2020	\$19,960,292
4 Baghdad Embassy Compound Site SAQMMA13F2194 P00053	10/01/2020	03/31/2021	\$19,960,292
BLISS Contract Actions			\$266,417,151
5 Baghdad Embassy Compound & Bagdad Diplomatic Support Center Food Operations SAQMMA14F0721 P00030	12/01/2018	05/31/2019	\$33,684,751
6 Baghdad Embassy Compound & Bagdad Diplomatic Support Center Food Operations SAQMMA14F0721 P00031	06/01/2019	11/30/2019	\$34,211,683
7 Baghdad Embassy Compound & Bagdad Diplomatic Support Center Food Operations SAQMMA14F0721 P00035	12/01/2019	05/31/2020	\$31,753,687

⁴ At the time that OIG selected and analyzed its sample of contract actions (January 2021), the Department had awarded only 56 contract actions. Since that time and through May 2021, the Department awarded 9 more contract actions, totaling the 65 contract actions. As described, OIG reviewed all 65 contract actions, however, not all were subject to sampling for cost-control measure analysis.

Task Order Title and Number	Time Period Covered by Continuing Services		Value of Contract Action
	Start	End	
8 Baghdad Embassy Compound & Bagdad Diplomatic Support Center Food Operations SAQMMA14F0721 P00036	06/01/2020	11/30/2020	\$31,647,305
9 Baghdad Embassy Compound & Bagdad Diplomatic Support Center Food Operations SAQMMA14F0721 P00037	12/01/2020	05/31/2021	\$32,056,112
10 Program Management & Fuel SAQMMA14F0762 P00030	12/01/2018	05/31/2019	\$14,123,243
11 Program Management & Fuel SAQMMA14F0762 P00032	06/01/2019	11/30/2019	\$24,653,542
12 Program Management & Fuel SAQMMA14F0762 P00038	12/01/2019	05/31/2020	\$19,788,812
13 Program Management & Fuel SAQMMA14F0762 P00040	06/01/2020	11/30/2020	\$25,228,612
14 Program Management & Fuel SAQMMA14F0762 P00042	12/01/2020	05/31/2021	\$19,269,404
OMSS and BLISS Combined Total			\$339,795,854

Source: OIG generated based on OMSS and BLISS contract award information obtained from OPE.

Prior Office of Inspector General Reports

In the *Audit of Baghdad Diplomatic Support Center Task Orders Awarded Under Operations and Maintenance Support Services Contract SAQMMA12D0165* (AUD-MERO-17-45, June 2017), OIG reported that task order invoices were generally supported and allowable. The percentage of supported and allowable costs approved for payment by NEA improved over time. However, OIG also reported that NEA approved 21 invoices that contained \$2.3 million in questioned costs. OIG made six recommendations to address the deficiencies identified, all of which are implemented and closed.

In the *Audit of Cost Controls Within the Baghdad Life Support Services Contract Food Services Task Order SAQMMA14F0721* (AUD-MERO-18-55, August 2018), OIG reported that the Department established, but did not effectively implement, four cost controls under BLISS food services task order SAQMMA14F0721. This occurred, in part, because the BLISS food services inspection checklist used by contract oversight personnel in Iraq only included steps for monitoring one of seven elements contained in the PAE Government Services, Inc. cost control plan. OIG concluded that contracting personnel did not fulfill their obligations to safeguard the interests of the Department and the public. OIG made four recommendations to address the deficiencies identified. As of July 2021, the Department had implemented and closed three recommendations, and one recommendation was considered resolved, pending further action.

In the *Audit of the Bureau of Near Eastern Affairs Selection and Management of Contract Oversight Personnel in Iraq* (AUD-MERO-19-10, November 2018), OIG reported that NEA did not consistently nominate Contracting Officer Representatives (COR) and Government Technical

Monitors with the required certification level and technical expertise to oversee contracts in Iraq. These shortfalls occurred because NEA did not assess the qualifications and technical expertise needed to nominate qualified CORs and Government Technical Monitors. Additionally, CORs did not always maintain complete COR files. OIG made 13 recommendations to address the deficiencies identified. As of July 2021, the Department had implemented and closed 10 recommendations, and 3 recommendations were considered resolved, pending further action.

In the *Compliance Follow-Up Audit of the Bureau of Near Eastern Affairs Selection and Management of Contract Oversight Personnel in Iraq* (AUD-MERO-21-24, April 2021), OIG reported that NEA had not taken all necessary steps to implement three recommendations offered by OIG in 2018 (AUD-MERO-19-10), which were meant to improve the nomination and selection of personnel to oversee contracts in Iraq. OIG discovered that NEA continued to nominate underqualified CORs and Government Technical Monitors. Similarly, OPE had not included the COR workforce in the Department's strategic human capital plan or addressed COR workforce shortfalls. OIG concluded that NEA and OPE had not dedicated sufficient resources and attention to addressing the recommendations offered. OIG therefore made two recommendations to ensure prior recommendations, which remained open at the time of report issuance, were implemented. OIG also offered two additional recommendations to further improve the COR workforce. As of July 2021, all four recommendations were considered resolved, pending further action.

In the *Management Assistance Report: Improved Guidance and Acquisition Planning is Needed to Reduce the Use of Bridge Contracts in Afghanistan and Iraq* (AUD-MERO-21-37, July 2021), OIG reported that short-term sole-source contracts, awarded as "bridge contracts," were frequently used in Afghanistan and Iraq over multiple years to noncompetitively extend contract services beyond the expiration of an original contract. OIG determined that a primary reason the Department had used sole-source bridge contracts, in lieu of full and open competition, is the lack of Federal or Department guidance that establishes parameters on the use, duration, or the number of times a sole-source bridge contract can be awarded to an incumbent contractor. OIG offered three recommendations to address the use of sole-source bridge contracts and to promote full and open competition to the extent practicable. As of July 2021, all three recommendations were considered resolved, pending further action.

**APPENDIX B: OPERATIONS AND MAINTENANCE SUPPORT SERVICES
CONTRACT (SAQMMA12D0165) CONTINUATION OF SERVICE ACTIONS**

Task Order Title and Number	Time Period Covered		Value	
	Start	End		
Baghdad Embassy	1	12/01/2018	08/31/2019	\$10,719,611
Compound Site	2	09/01/2019	03/31/2020	\$22,738,507
SAQMMA-13-F-2194	3	04/01/2020	09/30/2020	\$19,960,292
	4	10/01/2020	03/31/2021	\$19,960,292
	5	04/01/2021	09/30/2021	\$19,960,292
	6	12/01/2018	08/31/2019	\$1,066,303
	7	09/01/2019	03/31/2020	\$829,096
Baghdad International Zone Site	8	04/01/2020	09/30/2020	\$717,509
SAQMMA-13-F-1598	9	10/01/2020	03/31/2021	\$717,509
	10	04/01/2021	09/30/2021	\$717,509
	11	12/01/2018	08/31/2019	\$4,208,707
	12	09/01/2019	03/31/2020	\$8,815,960
Program Management SAQMMA-13-F-3650	13	04/01/2020	09/30/2020	\$7,738,196
	14	10/01/2020	03/31/2021	\$12,871,265
	15	04/01/2021	09/30/2021	\$7,910,838
	16	12/06/2018	09/05/2019	\$9,837,784
	17	09/06/2019	04/05/2020	\$21,771,293
Baghdad Diplomatic Support Center Site SAQMMA-14-F-0096	18	04/06/2020	10/05/2020	\$16,607,544
	19	10/06/2020	04/05/2021	\$16,607,544
	20	04/06/2021	10/05/2021	\$16,607,544
	21	12/01/2018	08/31/2019	\$5,419,942
Light Construction Crew SAQMMA-15-F-0811	22	09/01/2019	03/31/2020	\$3,392,273
	23	04/24/2020	10/23/2020	\$2,991,692
	24	10/01/2020	03/31/2021	\$2,991,692
	25	04/01/2021	09/30/2021	\$2,945,856
	26	04/24/2019	04/23/2020	\$15,335,739
Baghdad Department of Defense (DoD) Union III Site	27	04/24/2020	10/23/2020	\$16,609,068
	28	10/24/2020	04/23/2021	\$13,759,321
	29	04/24/2021	10/23/2021	\$12,720,878
			Total	\$296,530,056

Source: Office of the Inspector General generated based on Operations and Maintenance Support Services contract award information obtained from Office of the Procurement Executive, the Federal Procurement Data System, and USASpending.gov.

APPENDIX C: BAGHDAD LIFE SUPPORT SERVICES CONTRACT
(SAQMMA13D0120) CONTINUATION OF SERVICE ACTIONS

Task Order Title and Number	Time Period Covered		Value	
	Start	End		
Program Management & Fuel SAQMMA-14-F-0762	1	12/01/2018	05/31/2019	\$14,123,244
	2	06/01/2019	11/30/2019	\$24,653,542
	3	12/01/2019	05/31/2020	\$19,788,812
	4	06/01/2020	11/30/2020	\$25,228,612
	5	12/01/2020	05/31/2021	\$19,269,404
Baghdad Embassy Compound & Bagdad Diplomatic Support Center Food Operations SAQMMA-14-F-0721	6	12/01/2018	05/31/2019	\$33,684,751
	7	06/01/2019	11/30/2019	\$34,211,683
	8	12/01/2019	05/31/2020	\$31,753,687
	9	06/01/2020	11/30/2020	\$31,647,305
	10	12/01/2020	05/31/2021	\$32,056,112
Baghdad Diplomatic Support Center Site SAQMMA-14-F-1020	11	01/01/2019	06/30/2019	\$7,747,039
	12	07/01/2019	12/31/2019	\$7,669,889
	13	01/01/2020	06/30/2020	\$7,648,173
	14	07/01/2020	12/31/2020	\$7,653,806
	15	01/01/2021	06/30/2021	\$7,920,125
Baghdad Embassy Compound Site SAQMMA-14-F-1065	16	01/01/2019	06/30/2019	\$2,575,333
	17	07/01/2019	12/31/2019	\$2,679,335
	18	01/01/2020	06/30/2020	\$2,701,986
	19	07/01/2020	12/31/2020	\$2,777,241
	20	01/01/2021	06/30/2021	\$2,788,915
Regional Security Office Supplemental Support SAQMMA-14-F-0436	21	11/01/2018	04/30/2019	\$541,976
	22	05/01/2019	10/31/2019	\$1,163,723
	23	11/01/2019	04/30/2020	\$1,169,005
	24	05/01/2020	10/31/2020	\$1,215,581
	25	11/01/2020	04/30/2021	\$1,823,371
	26	05/01/2021	10/31/2021	\$3,646,743
Erbil Bottled Water SAQMMA-17-F-0018	27	10/28/2018	04/27/2019	\$64,240
	28	04/28/2019	10/27/2019	\$105,610
	29	10/28/2019	04/27/2020	\$71,314
	30	04/28/2020	10/27/2020	\$102,762
	31	10/28/2020	04/27/2021	\$71,424
	32	04/28/2021	10/27/2021	\$97,831
Baghdad DoD Union III Site SAQMMA-15-F-1246	33	07/24/2019	04/23/2020	\$9,678,141
	34	04/24/2020	10/23/2020	\$11,534,891
	35	10/24/2020	04/23/2021	\$8,304,137
	36	04/24/2021	10/23/2021	\$8,493,985
Total			\$366,663,728	

Source: Office of the Inspector General generated based on Baghdad Life Support Services contract award information obtained from Office of the Procurement Executive, the Federal Procurement Data System, and USASpending.gov.

APPENDIX D: BUREAU OF ADMINISTRATION RESPONSE

- 1 -



United States Department of State

Washington, D.C. 20520

UNCLASSIFIED
MEMORANDUM

September 2, 2021

TO: OIG/AUD – Mike Vennemann

FROM: A/OPE/AQM – Vince J. Chaverini *VJC*

SUBJECT: Draft Report on Audit of Acquisition Planning and Cost Controls While Transitioning Support Service Contracts in Iraq

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

Recommendation 1: OIG recommends that the Bureau of Administration, in coordination with the Bureau of Near Eastern Affairs, discontinue its practice of awarding noncompetitive contracts for Operations Maintenance Support Services and Baghdad Life Support Services. The bureau should award Mission Iraq-specific task orders under the Diplomatic Platform Support Services contract or use an alternative mechanism to competitively replace the Operations and Maintenance Support Services and Bagdad Life Support Services contracts.

Management Response (09/02/21): The Office of the Procurement Executive (OPE) concurs with the recommendation. As discussed during the meeting between OIG and OPE on August 25, both follow-on contracts for OMSS and BLISS (O&M+ and ILSS, respectively) will be solicited following the lifting of the current Ordered Departure and as directed by the Program Office in agreement with U.S. Embassy Baghdad on the ability to support the solicitations and the potential movement of contractor personnel to include travel arrangements and safe lodging. The solicitations will be issued as Task Orders under the Diplomatic Platform Support Services (DiPSS) IDIQ. See Tab 1 for the planned schedule from the Acquisition Plan for O&M+ solicitation. The ILSS solicitation will follow approximately 30 days after.

Recommendation 2: OIG recommends that the Bureau of Administration, Office of the Procurement Executive (OPE), in accordance with the Federal Acquisition Regulation 7.104 “General procedures,” disseminate procedures that are described in Office of Acquisition Management Memorandum 15-10 to review acquisition plans with key stakeholders annually or whenever significant changes occur. OPE should also establish additional internal controls to ensure the procedures are followed, such as training personnel on the requirements and minimum documentation requirements for acquisition plan reviews.

Management Response (09/02/21): The Office of the Procurement Executive (OPE) concurs with the recommendation.

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Recommendation 3: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, in accordance with Government Accountability Office *Standards for Internal Control in the Federal Government*, establish procedures to conduct regular monitoring of internal controls, respond to schedule risks, and engage in effective communication with the program office to identify and address noncompliance with Federal and Department of State criteria, timeliness, and external coordination.

Management Response (09/02/21): The Office of the Procurement Executive (OPE) concurs with the recommendation.

Recommendation 4: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, implement controls to (a) achieve critical acquisition deadlines on time, including checking the acquisition's progress and assessing changes in the operating environment and (b) identify contracts that have missed critical deadlines, including Diplomatic Platform Support Services, for Department of State (Department) leadership to review and take action as necessary. Controls should ensure that the Department prioritizes timely acquisitions to achieve cost savings, economies of scale, and efficiencies.

Management Response (09/02/21): The Office of the Procurement Executive (OPE) concurs with the recommendation.

Recommendation 5: OIG recommends that the Bureau of Administration, in coordination with the Office of the Legal Adviser, review the \$296,530,056 in questioned costs related to 29 noncompetitive contract actions to extend services on the Operations and Maintenance Support Services Contract, SAQMMA13D0120, between December 2018 and May 2021 to determine whether these costs were allowable. Specifically, the Office of the Legal Adviser should determine whether the justification to use the "unusual and compelling urgency" exception complies with the Competition in Contracting Act (41 U.S.C. §§ 3301, 3304) and the Federal Acquisition Regulation Subpart 6.1 "Full and Open Competition," and 6.3 "Other than Full and Open Competition." See Appendix B for an itemization of the costs.

Management Response (09/02/21): The Office of the Procurement Executive (OPE) concurs with the recommendation. OPE's Office of Acquisitions Management (AQM) will review the questioned costs to determine whether they comply with the requirements IAW FAR 31.201-2. Further, AQM will coordinate with the Office of the Legal Adviser (L/BA) in determining as to whether "unusual and compelling urgency" was used appropriately and in accordance with FAR 6.302.2 and in compliance with CICA and other cited regulations.

Recommendation 6: OIG recommends that the Bureau of Administration, in coordination with the Office of the Legal Adviser, review the \$366,663,728 in questioned costs related to 36 noncompetitive contract actions to extend services on the Baghdad Life Support Services contract, SAQMMA12D0165, between October 2018 and May 2021 to determine whether these costs were allowable. Specifically, the Office of the Legal Adviser should determine whether the justification to use the "unusual and compelling urgency" exception complies with the Competition in Contracting Act (41 U.S.C. §§ 3301, 3304) and the Federal Acquisition Subpart

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6.1, "Full and Open Competition" and 6.3 "Other than Full and Open Competition." See Appendix C for an itemization of the costs.

Management Response (09/02/21): The Office of the Procurement Executive (OPE) concurs with the recommendation. OPE's Office of Acquisitions Management (AQM) will review the questioned costs to determine whether they comply with the requirements IAW FAR 31.201-2. Further, AQM will coordinate with the Office of the Legal Adviser (L/BA) in determining as to whether "unusual and compelling urgency" was used appropriately and in accordance with FAR 6.302.2 and in compliance with CICA and other cited regulations.

Recommendation 7: OIG recommends that the Bureau of Administration, Office of the Procurement Executive (OPE) strengthen its review and approval process and oversight of noncompetitive contract actions awarded, based on Federal Acquisition Regulation 6.302-2, "Unusual and compelling urgency," related to circumstances permitting other than full and open competition. OPE should put in place controls to ensure those actions are not excessive, such as enforcement of time limitations on the duration of the use of these actions, and use appropriate rationales, which exclude lack of advanced planning. In addition, OPE should provide training, as appropriate, to officials in the review process to ensure controls are followed.

Management Response (09/02/21): The Office of the Procurement Executive (OPE) concurs with the recommendation.

Recommendation 8: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management (AQM), in accordance with Government Accountability Office *Standards for Internal Control in the Federal Government*, strengthen internal controls related to improving cost-control measures for noncompetitive contract actions to extend services. The strengthened internal controls could include establishing and implementing procedures for a cost control monitoring system in which AQM performs ongoing monitoring and evaluation of price reasonableness determinations. Such strengthened internal controls should include, at a minimum, accountability for complying with Federal and Department of State requirements such as verifying that independent government cost estimates and certified cost or pricing data (or waivers) have been completed before Justification and Approval signature.

Management Response (09/02/21): The Office of the Procurement Executive (OPE) concurs with the recommendation based on the meeting held between OIG and OPE on August 25, 2021. These discussions reiterated the basis of and the need for independent government cost estimates (IGCEs) to monitor and evaluate programmatic costs. IGCEs serve as an objective basis for determining price reasonableness and as a starting basis for cost/price comparisons. OPE's Office of Acquisitions Policy, Strategic Communications & Policy Division (OPE/AP/SCPD) will recommend training to the acquisition workforce to address when, why, and resources used in developing an IGCE and will address the requirements for when to request and how or when to apply certified cost and pricing data prior to award.

The point of contact for this memorandum is Carly Sweet.

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Attachment:

Tab 1 - O&M+ Acquisition Plan Schedule_SBU

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ABBREVIATIONS

AQM	Bureau of Administration, Office of the Procurement Executive, Office of Acquisition Management
BLISS	Baghdad Life Support Services
CICA	Competition in Contracting Act
COR	Contracting Officer's Representative
DiPSS	Diplomatic Platform Support Services
DoD	Department of Defense
FAH	Foreign Affairs Handbook
FAR	Federal Acquisition Regulation
GAO	Government Accountability Office
IDIQ	Indefinite Delivery, Indefinite Quantity
IGCE	Independent Government Cost Estimate
NEA	Bureau of Near Eastern Affairs
OIG	Office of Inspector General
OMSS	Operations and Maintenance Support Services
OPE	Bureau of Administration, Office of the Procurement Executive

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