

April 2006

# CONTRACT SECURITY GUARDS

## Army's Guard Program Requires Greater Oversight and Reassessment of Acquisition Approach





Highlights of [GAO-06-284](#), a report to congressional requesters

## Why GAO Did This Study

Following the terrorist attacks of September 11, 2001, increased security requirements and a significant number of active duty and reserve personnel sent overseas to support the war on terror left the Department of Defense (DOD) with fewer military personnel to rely on to protect domestic installations. To correct this shortage, Congress is temporarily allowing DOD to use contract security guards to fulfill roles previously performed by military employees. The U.S. Army has awarded contracts worth nearly \$733 million to acquire contract guards at 57 Army installations, an investment far greater than those made by other DOD services so far.

The requesters asked GAO to assess how the Army has been managing and overseeing its acquisition of security guard services, particularly with regard to the Army's (1) acquisition strategy, (2) employment screening, (3) training of contract guards, and (4) award fee process. This report also discusses DOD's mandated November 2005 report to Congress on the contract guard program.

## What GAO Recommends

GAO made recommendations to the Secretary of Defense to improve management and oversight of the contract security guard program. In written comments on a draft of this report, DOD agreed with the recommendations and stated that the Department of Army is implementing them.

[www.gao.gov/cgi-bin/getrpt?GAO-06-284](http://www.gao.gov/cgi-bin/getrpt?GAO-06-284).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Katherine V. Schinas at (202) 512-4841 or [schinasik@gao.gov](mailto:schinasik@gao.gov).

# CONTRACT SECURITY GUARDS

## Army's Guard Program Requires Greater Oversight and Reassessment of Acquisition Approach

### What GAO Found

The Army's three-phased approach for acquiring contract security guards has relied heavily on sole-source contracts, despite the Army's recognition early on that it was paying considerably more for its sole-source contracts than for those awarded competitively. The Army has devoted twice as many contract dollars—nearly \$495 million—to its sole-source contracts as to its competed contracts and has placed contract security guards at 46 out of 57 installations through sole-sourcing. These sole-source contracts were awarded to two Alaska Native corporation firms under the Small Business Administration's 8(a) Business Development Program. Congress has provided these firms with special advantages in the 8(a) program. During initial planning, the Army worked with a contractor who had not performed guard services before to refine the contract performance work statement.

The Army's procedure for screening prospective contract guards is inadequate and puts the Army at risk of having ineligible guards protecting installation gates. The Army found that, at two separate installations, a total of 89 guards were put to work even though they had records relating to criminal offenses, including cases that involved assault and other felonies. Thorough background checks lag far behind the rate at which contract guards are put to work, and the initial screening process relies on prospective guards to be honest when filling out job application forms. In response to an earlier GAO report, DOD agreed to revise its antiterrorism standards to put into place a better mechanism for verifying the trustworthiness of contractors.

The Army has given its contractors the responsibility to conduct most of the training of contract guards, and the Army cannot say with certainty whether training is actually taking place and whether it is being conducted according to approved criteria. GAO found that there is no requirement for the Army to certify that a contract guard has completed required training and that Army performance monitors do not conduct oversight of training as a matter of course. GAO also found missing or incomplete training records at several installations. At three installations, guards were certified by the contractor before training had been completed. An investigation discovered that at one installation, contractor personnel had falsified training records; the Army subsequently paid the contractor over \$7,000 to re-qualify the guards.

The Army has paid out more than \$18 million in award fees, but the fees are based only on compliance with basic contractual requirements, not for above-and-beyond performance. Over the life of the contract guard program, the Army has paid out almost 98 percent of the available award fees. The practice of routinely paying contractors nearly the entire available award fee has created an environment in which the contractors expect to receive most of the available fee, regardless of acquisition outcomes. GAO found that many Army performance monitors were not conducting all of the required inspections of contractor activity in order to rate performance.

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## Abbreviations

|      |                                   |
|------|-----------------------------------|
| ACA  | Army Contracting Agency           |
| ANC  | Alaska Native corporation         |
| DOD  | Department of Defense             |
| GSA  | General Services Administration   |
| IMA  | Installation Management Agency    |
| NCIC | National Crime Information Center |
| SBA  | Small Business Administration     |

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United States Government Accountability Office  
Washington, DC 20548

April 3, 2006

The Honorable Ike Skelton  
Ranking Minority Member  
Committee on Armed Services  
House of Representatives

The Honorable Lane Evans  
House of Representatives

In the aftermath of the September 11, 2001, attacks, the Department of Defense (DOD) sent numerous active-duty, U.S.-based personnel to Afghanistan, Iraq, and other destinations to support the global war on terror. These deployments depleted the pool of military security guards at a time when DOD was faced with increased security functions at its U.S. installations. To ease this imbalance, Congress temporarily authorized DOD to waive a prohibition against the use of contract security guards at domestic military installations. Subsequently, DOD has turned to contractors to help fulfill the security guard function at a growing number of installations. We recently reported that the government's increasing reliance on contractors for missions previously performed by government employees highlights the need for sound planning and contract execution.<sup>1</sup>

The congressional authority allowing DOD to hire contract guards initially was to expire in December 2005, but Congress extended the waiver authority through September 2006, on the condition that DOD submit a report to Congress addressing various aspects of the security guard program. DOD submitted the report in November 2005. The National Defense Authorization Act for Fiscal Year 2006 has further extended the waiver authority through September 2007. The Army, the first service to use the authority, has awarded contracts worth nearly \$733 million to acquire contract guards at 57 installations. We were asked to assess how the Army has been managing and overseeing its acquisition of security guard services. Specifically, we determined (1) what acquisition approach the Army used, (2) whether the Army ensures that the guards are effectively screened for employment, (3) whether the Army ensures the

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<sup>1</sup>GAO, *Hurricanes Katrina and Rita: Preliminary Observations on Contracting for Response and Recovery Efforts*, [GAO-06-246T](#) (Washington, D.C.: Nov. 08, 2005).

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guards are adequately trained, and (4) the Army's rationale for providing the contractors with award fees and how the award fee process is being implemented. This report also discusses DOD's November 2005 report to Congress.

To address these objectives, we obtained and analyzed key documents, including Army and contractor policies, procedures, and records, as well as policies and procedures followed by the U.S. Air Force and the Department of Homeland Security's Federal Protective Service for their contract security guards. We selected 11 Army installations to visit by (1) ensuring that each of the Army's security guard contractors were included and (2) choosing installations that represented a range of contractor performance evaluation outcomes, from perfect scores to lower average scores (according to March/April 2005 Army assessments).<sup>2</sup> These installations are cited in appendix II. In addition, we met with officials at the Army's Installation Management Agency, the Army's Office of the Provost Marshal General, and the Army Contracting Agency. We also met with the contractors and subcontractors that provide security guards to the Army. We examined the November 2005 "Department of Defense Installation Security Guard Requirement Assessment and Plan" and met with the head of the working group that prepared the report. Further details on the scope and methodology of our review can be found in appendix I. We conducted our review from May 2005 to February 2006 in accordance with generally accepted government auditing standards.

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## Results in Brief

To acquire its security guards, the Army is relying heavily on sole-source contracts under the Small Business Administration's 8(a) Business Development Program, despite the fact that contracting specialists had identified existing competed contracts under which they believed the guards could have been acquired just as quickly. The 8(a) sole-source contracts, currently valued at over \$494 million, went to two Alaska Native corporation (ANC) firms, which have been accorded special contracting advantages under the 8(a) program by Congress.<sup>3</sup> Prior to contract award, the Defense Contract Management Agency assessed these firms'

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<sup>2</sup>Officials from the 11 installations are responsible for a total of 14 installations.

<sup>3</sup>Alaska Native corporations are authorized to own 8(a) firms that can be awarded sole-source contracts for any amount under the Small Business Administration's 8(a) Business Development Program, as long as they meet relevant size standards and other eligibility requirements.

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capabilities at the request of the contracting officer and rated one as “high risk” for performance because it was a manufacturing firm with no experience providing security guard services. Despite this firm’s lack of experience, the Small Business Administration’s Alaska district office had recommended it to the Army as a good candidate for fulfilling the security guard requirement and the Army worked with this firm to refine the contract’s performance work statement. Both of the ANC firms have subcontracted with other companies in order to meet the Army’s requirements, with agreements in place allowing the subcontractors to perform 49 percent of the work—just under the 50 percent subcontracting limit under the 8(a) program. After the initial group of installations received their guards under the 8(a) sole-source contracts, the Army obtained guards for a second group under full and open competition. But the Army turned again to the 8(a) sole-source contracts for a third group of installations—significantly increasing the contracts’ value—in spite of an Army analysis that revealed the competitive contracts had turned out to be about 25 percent less costly. In all, 46 of the 57 installations have guards obtained under the 8(a) sole-source contracts.

Weaknesses in the Army’s employment screening process have resulted in the hiring of unscreened security guards, some with criminal histories, at U.S. installations. The weaknesses include policy-related problems, background checks that lag far behind the rate at which contract guards are put to work, and procedures that depend on job applicants to be honest on their employment forms. We found that some guards had taken firearms training and started work at installations before any initial screening was completed. At one installation we visited, the required, detailed national agency checks had never been initiated. At two other sites, the Army Criminal Investigation Command found guards were put to work even though they had records relating to criminal offenses; at one site, 61 such guards were identified and about two dozen of them had charges that would cause concern and possible ineligibility for employment in the security force. Army policy permits interim employment pending completion of initial screening, but interim employment can last more than 2 years because that is how long it can take to obtain the results of the national agency checks. The Army has delegated to the contractors responsibility for validating employees’ self-reported information during the initial screening process and finding out whether critical information was left out of the application form, such as criminal histories or aliases. We have previously raised concerns about the

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screening process for contractors, including security guards, and DOD has agreed to revise its antiterrorism standards to put into place a better mechanism for verifying trustworthiness.<sup>4</sup>

There is a general lack of government oversight of the guards' training, as well as poor record keeping on the part of the contractors and inconsistent training techniques. We found at 4 installations that government monitoring of the training is not consistently done, if at all. We also found missing or incomplete training documents at each of the 11 installations we visited. At three installations, guards were certified by the contractor before their training had been completed, and one guard was certified before he had completed weapons-qualification training. In early 2005, it was determined that contractor personnel had falsified training records at one installation, and the government paid over \$7,000 to the contractor to repeat weapons-qualification training for the guards. Moreover, the Army does not provide standardized instructions on how contractors should conduct training for required skills. As a result, contractors are applying different standards and techniques. We found that one contractor allowed employees unlimited attempts to pass weapons training, while another allowed only three tries. We have previously reported on marked improvements in training through increased government oversight and standard training.<sup>5</sup> Army officials told us they are drafting new contract requirements aimed at standardizing training for contract guards.

The Army's process for evaluating and rewarding contractor performance through award fees has resulted in a payout of more than \$18 million in monetary incentives as of February 2006. The award fee evaluation factors, however, require only that contractors comply with basic contractual requirements, not that they provide above-and-beyond performance. We also found that Army personnel responsible for monitoring contractors' performance were not complying with requirements for assessing and rating performance. For example, several Army monitors told us that limited resources prevent them from making

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<sup>4</sup>GAO, *Combating Terrorism: Improvements Needed in European Command's Antiterrorism Approach for In-Transit Forces at Seaports*, [GAO-03-731NI](#) (Washington, D.C.: September 2003), and *Combating Terrorism: Improvements Needed in Pacific Command's Antiterrorism Approach for In-Transit Forces at Seaports*, [GAO-04-851NI](#) (Washington, D.C.: August 2004).

<sup>5</sup>GAO, *Human Capital: A Guide for Assessing Strategic Training and Development Efforts in the Federal Government*, [GAO-04-546G](#) (Washington, D.C.: March 2004).

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the required weekly inspections to ensure that contract guards are in fact present and doing their jobs, and a requirement to test guards by attempting to pass through installation gates with fake identification is not being conducted on a consistent basis. Several Army personnel told us that they are in need of more specific guidance about how to measure contractor performance. Despite the recognition that performance monitors are not consistently applying the award-fee criteria, the Army has often given high ratings for contractor performance, and those ratings frequently translate into high payouts of available award fees. We found that 66 percent of all evaluations as of February 1, 2006, have resulted in scores of 99 or 100 percent. The initial rationale for the award fees was in part to motivate the first contractors to post security guards at the gates within 90 days; this rationale is no longer applicable.

DOD's November 2005 report to Congress on the contract security guard program makes several statements that we believe could be misconstrued. While the report addresses DOD's contract guard program as a whole, most of DOD's experience with contract guards has been with the Army, which has invested far more in the program than the other military services.<sup>6</sup> On the basis of our review of the Army's program, we believe that the report overstates some issues, including the cost-effectiveness of using contract guards versus Army civilian employee guards; the contract guards' performance vis-à-vis that of military guards; their screening and training, and the extent and effectiveness of government surveillance and oversight of the contract guard program. Finally, the report refers to the ANC firms' contracts as set-aside 8(a), which implies competition among 8(a) firms. A more accurate depiction would characterize these contracts as sole-source under the 8(a) program.

In this report, we are making seven recommendations to the Secretary of Defense to improve management and oversight of the contract security guard program. Specifically, we recommended changes in the acquisition strategy, improvement in the screening of the guards, and improved oversight of the guards' training. In written comments on a draft of this report, DOD concurred and stated that the Department of Army is implementing the recommendations. DOD's comments are included in their entirety in appendix III.

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<sup>6</sup>From fiscal year 2003 through fiscal year 2005, the time frame covered in the report, the Army had contracted for 89 percent of DOD's overall guard program.

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## Background

Since late 1982, Congress has, for the most part, prohibited DOD from contracting for security guards at U.S. domestic installations. According to the legislative history, the prohibition was originally enacted because of concerns about the uncertain quality and reliability of private security guard services, base commanders' potential lack of control over contractor personnel, and the right of contractor personnel to strike. Following the terrorist attacks of September 11, however, DOD directed installation commanders to ensure that all vehicles, identification cards, badges, and other forms of identification were inspected for authorized access to military installations. These increased security requirements created an increased demand for personnel to perform security-related tasks. Initially, security requirements were filled at military installations with active duty and reserve component personnel. However, as reserve personnel reached their mandatory release dates from active duty and as competing demands for both reserve and active component personnel grew, resources became constrained. DOD reported that contracting for security guard services was deemed necessary and practical to allow it to simultaneously support increased demands for military forces and to meet heightened security requirements for continental U.S. installations and facilities. Accordingly, in the Bob Stump National Defense Authorization Act for Fiscal Year 2003, Congress temporarily authorized DOD to waive the prohibition against contracting for security guard functions, thereby minimizing the department's need to use military personnel to perform these functions.

The congressional waiver authority was predicated on an expectation that without the contract guards, military personnel would be used to perform the increased security function. In addition, it was expected that contract guards would perform their jobs as well as the military personnel who had previously served in that capacity. The 2003 authorization act required that in order to use the authority, the following stipulations must be met:

- Recruiting and training standards for contract security guards must be comparable to standards for DOD personnel who perform security guard functions.
- Contract security guards must be effectively supervised, reviewed, and evaluated.
- Employment of contract security guards must not cause a reduction in the security of the military installation.

The waiver authority was initially set to expire in December 2005, but the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 extended the authority through September 2006, provided that DOD

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submit a report to Congress on the contract guard program. The report, entitled "Department of Defense Installation Security Guard Requirement Assessment and Plan," was submitted to Congress on November 22, 2005. The National Defense Authorization Act for Fiscal Year 2006 again extended the waiver authority an additional year, through September 2007.

The Army, Air Force, and Navy each have employed contract security guards under the waiver authority.<sup>7</sup> The Army was the first to begin acquiring guards and has used the waiver authority most extensively; as of December 2005, it had contracted for security guards at 57 installations, whereas contract guards are being used at 18 Air Force and 5 Navy installations. Several key players are involved in the Army's contract security guard program.

- **Army Office of the Provost Marshal General:** This office directs policy for all matters relating to Army law enforcement, police intelligence, physical security, criminal investigations, provost marshal activities, and military police and provides oversight of these resources. The Office of the Provost Marshal General was the requiring agency that determined and prioritized security guard requirements at each installation and identified the number of guards needed.
- **Installation Management Agency (IMA):** Formed in 2002, IMA is responsible for centralized oversight of U.S. Army bases and for administering all aspects of the contract guard program according to the requirements set by the Provost Marshal General. IMA is responsible for developing the guard contracts' performance work specifications, which specify what the Army expects the contractors to do, such as detailing the requirements for screening and training.
- **Army Contracting Agency (ACA) (northern region):** This was the contracting agency for the guard program. It awarded six fixed-price, award-fee contracts and has issued task orders under these contracts for guards at 57 installations. The contracting officer has designated an IMA official as the government's primary oversight representative for the guard program.

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<sup>7</sup>The Marine Corps intended to start using the program if Congress further extended the waiver authority in the National Defense Authorization Act for Fiscal Year 2006 or made it permanent.

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- **Army installations:** These are the recipients of contract guards. Installation officials are responsible for ensuring that the contractor's performance is evaluated daily and that the guards are screened and trained by reviewing contractor-supplied records. Installation personnel provide input to IMA as part of the award-fee process.
  - **U.S. Small Business Administration (SBA):** SBA oversees the 8(a) Business Development Program and is responsible for issuing regulation and policy concerning the program. Although SBA has delegated contracting authority to DOD for 8(a) procurements, SBA district offices—in this case, the Alaska district office—must approve any proposed contract going to an 8(a) firm and are to be notified if 8(a) contracts are modified.
  - **Contractors:** Two of the four contractors providing security guards are 8(a) Alaska Native corporation firms, both of which have subcontracted a portion of the work to security guard firms that are large businesses. ANCs were created by Congress to help settle Alaska Native land claims and to foster economic development for Alaska Natives, have been accorded special advantages under SBA's 8(a) Business Development Program. 8(a) ANC firms are considered small disadvantaged businesses, and as long as they meet relevant size standards for the procurement and other eligibility requirements, they can be awarded contracts noncompetitively for any dollar amount.<sup>8</sup> Generally, acquisitions offered to other 8(a) businesses where the contract value is more than \$3 million or \$5 million (for manufacturing) must be competitively awarded. The other two contractors are not ANC firms.

When acquiring services, a federal agency's first course of action is typically to develop an acquisition strategy. Ideally, this would involve examining and weighing several alternatives. Once the Army decided to use contract security guards, it began analyzing its contracting options. ACA could have chosen from among numerous contract vehicles available to acquire the guard services. It had the option of awarding a new contract or using existing interagency contracts through other federal agencies. For example, the General Services Administration (GSA) awards governmentwide contracts, including contracts for security guard services, under its Federal Supply Schedule (Schedule) program to help federal

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<sup>8</sup>13 CFR 124.506(b).

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agencies make purchases in less turnaround time on a competitive basis for commonly used items or services.

To motivate contractors to perform well, the Army chose to use monetary incentives called award fees. Award fees allow agencies to adjust the amount of fee paid to the contractor based on performance. We recently questioned how effectively these fees are being used at DOD because its programs have paid contractors large amounts of fees on acquisitions that are experiencing problems. We reported that DOD has little evidence to support its belief that these fees improve contractor performance and acquisition outcomes.<sup>9</sup>

Separately, we have reported on concerns involving the trustworthiness of contractors and subcontractors who have access to U.S. military installations. DOD officials have told us that they have not evaluated the trustworthiness of some contractors because the department's existing antiterrorism standards do not specifically require them to do so. In response to our recommendations, DOD officials are in the process of revising the standards to verify trustworthiness of contractors and subcontractors and better control access to installations, facilities, and sensitive areas.<sup>10</sup>

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## Army's Approach for Acquiring Contract Security Guards Relies Mostly on 8(a) Sole-Source Contracts

The Army has awarded two sole-source contracts, totaling almost \$495 million, to 8(a) ANC firms to acquire the bulk of its contract guards, even though contracting officials pointed out that using competed GSA Schedule contracts would have been just as fast and less costly. We found that the Army hired an inexperienced contractor to help refine the performance work statement, failed to monitor certain subcontracting limitations under 8(a) contracts, and turned again to the 8(a) sole-source contracts in a third acquisition phase despite knowing that its competed contracts for the same services, awarded in the second acquisition phase, had cost 25 percent less than the initial 8(a) sole-source contracts.

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<sup>9</sup>GAO, *Defense Acquisitions: DOD Has Paid Billions in Award and Incentive Fees Regardless of Acquisition Outcomes*, [GAO-06-66](#) (Washington, D.C.: Dec. 19, 2005).

<sup>10</sup>[GAO-04-851NI](#) and [GAO-03-731NI](#).

## Army Used Three-Phased Acquisition Approach

An understanding of the Army’s approach for acquiring contract security guards requires getting a broad overview of the three phases of the acquisition, knowing how much the Army has spent so far to acquire guards and who the key players are, and following the chronology of contracting events. Table 1 presents the three-phased approach and shows in which phase the Army used 8(a) sole-source contracts or competitive contracts.

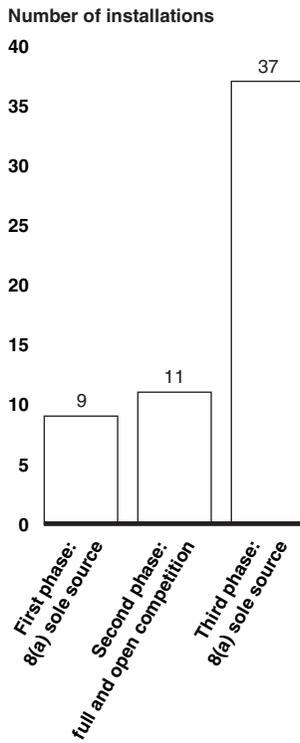
**Table 1: Overview of the Army’s Three-Phased Approach for Hiring Contract Security Guards**

| Acquisition phase   | Contracting approach      | Contractors hired   |                        |
|---|---------------------------|---|------------------------|
| Phase one   | 8(a) sole-source          | 2 contractors that are 8(a) Alaska Native corporation firms; 2 security guard firms as subcontractors |                        |
| Phase two   | Full and open competition | 2 other contractors hired through the use of new competitive contracts                                |                        |
| Phase three   | 8(a) sole-source          | Same contractors used in phase one  |                        |
| <b>Total committed value of 8(a) sole-source contracts from phases one and three:</b> |                           |   | <b>\$494.8 million</b> |
| <b>Total committed value of competitive contracts from phase two:</b>                 |                           |   | <b>\$238.0 million</b> |

Source: Army (data); GAO (presentation and analysis).

Since the Army’s contract security guard program began in 2003, the Army has devoted almost twice as many contract dollars to sole-sourcing under the 8(a) program as it has to full and open competition. Figure 1 shows that 46 out of 57 Army installations received their contract guards through 8(a) sole-source contracts in phases one and three and that the guards for the remaining 11 installations were acquired through competed contracts.

**Figure 1: Number of Installations with Guards Obtained under Each Phase**



Source: Army (data); GAO (analysis and presentation).

Table 2 shows how the acquisition approach began taking shape before the Army settled on its three-phased approach and who the key players were.

**Table 2: Army’s Three-Phased Acquisition Approach**

| Key player                                   | Activity   |
|--|--|
| Army headquarters                            | Requirement: Issued instructions for implementing contract security guard program  |
| Army Installation Management Agency (IMA)    | Description of approach: Issued an implementation approach for identifying the installations in need of contract security guards   |
| Army’s Office of the Provost Marshal General | List of installations needing contract security guards: Prioritized a list of 89 installations on the basis of critical need, type, and size of installation, allowing the maximum number of reserve personnel to be deployed for military operations  |
| Army Contracting Agency (ACA)                | <p>Contracting options: Northern and southern regional offices developed preliminary approaches for acquiring guards</p> <p>Contracting specialists in both offices identified the option of using GSA Schedule contracts; combined, the following benefits of using these contracts were noted:</p> <ul style="list-style-type: none"> <li>• They offer quickest solution for placing “boots on the ground”</li> <li>• They allow for competitive procurement</li> <li>• Individual installations could place orders for contract guards against GSA Schedule contracts and choose from 66 companies that had experience with contract security guards</li> <li>• Small businesses would have sufficient opportunity to win security guard contract opportunities under GSA Schedule contracts because 45 vendors on the list were small businesses</li> <li>• Installations could negotiate with vendors and conceivably obtain prices an average of 10 to 15 percent lower than the stated GSA Schedule prices</li> <li>• It is easier to place orders against GSA Schedule contracts than to initiate new competed contracts; contracting specialists at one of the regional offices said neither the regional office nor the installations have sufficient staffing resources to award and properly administer new contracts</li> </ul> <p>Contracting specialists in the northern region also proposed another option: awarding sole-source contracts to 8(a) ANC firms. The office identified the following benefits to using this approach:</p> <ul style="list-style-type: none"> <li>• Potentially a huge amount of new dollars going to business participating in the 8(a) Business Development Program,</li> <li>• A large consolidation at the national level that both ACA and IMA could point to as a success story.</li> </ul> |
| ACA headquarters and northern region         | <p>Northern region, selected as contract office, developed Army’s acquisition strategy</p> <p>Made decision not to use GSA Schedule contracts because ACA officials believed this method would require a significant amount of time</p> <p>Cited another disadvantage with using GSA Schedule contracts—assumed that responsibility for acquiring contract guards would have to be devolved to individual installations, a course that would have stretched out the time available for getting guards to installations and “suboptimized” the performance work statement and resulting contracts</p>   |

Source: Army (data); GAO (presentation and analysis).

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## Army's Sole-Source Approach Centered on Contracting with 8(a) ANC Firms

Even though the use of the GSA Schedule was identified as a possible acquisition approach, the Army decided that the best course of action for the first acquisition phase was to award contracts to 8(a) ANC firms, believing that use of the GSA Schedule would have taken longer, would not have allowed a consolidated approach at the national level, and would have diluted the Army's purchasing power. The Army was not able to provide us with any analysis showing how it made these determinations. We found that other federal agencies, such as the U.S. Air Force and the Department of Homeland Security's Federal Protective Service, have used GSA Schedule contracts to obtain their security guards.<sup>11</sup> According to the Air Force contracting officer, using GSA Schedule contracts was considered the more efficient, faster method to obtain the guards. The Air Force has used these contracts to obtain contract security guards at 18 bases at an annual estimated cost of \$29 million. The Federal Protective Service manages and oversees 10,000 armed contract security guards that were mostly obtained under GSA's Schedule program.

SBA's Alaska district office, in a May 2003 letter to ACA, stated that it was "marketing" a particular 8(a) ANC firm to meet the Army's security guard requirements. According to ACA officials, this firm was already being considered by the Army. A second 8(a) ANC firm that had approached the Army was also considered. Before awarding the contracts to these companies, the contracting office asked the Defense Contract Management Agency to evaluate the firms' capabilities.<sup>12</sup> The agency rated one of the firms—the one SBA had marketed to the Army—as "high risk" for performance because it had experience manufacturing goods but no experience providing services. The risk was mitigated somewhat because of anticipated support and assistance from the company's parent corporation, the Defense Contract Management Agency said, and because the firm had chosen to team up with a subcontractor experienced in providing security guard services. Subsequently, in a process known as "alpha contracting," Army officials worked together with this ANC firm to finalize the contract guard performance work statement by refining

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<sup>11</sup>The Federal Protective Service's mission is to provide law enforcement and security services to more than 1 million tenants and daily visitors to all federally owned and leased facilities nationwide.

<sup>12</sup>DOD's Defense Contract Management Agency provides numerous services to DOD agencies, including insight into contractor operations to assess and forecast contractor cost, schedule, and performance information.

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specific tasks for feasibility and affordability. The resulting performance work statement was then used on all of the security guard contracts.

During a second acquisition phase in September 2003, the Army awarded four competed contracts. In evaluating the contractors' cost proposals for the second acquisition phase, the Army recognized that the same contractors involved in the first phase submitted cost proposals considerably higher than the winning proposals. But the Army turned again to these same contractors in phase three, adding 37 more installations to the 8(a) sole-source contracts. The Army took this action despite knowing that the government was paying considerably less for the phase-two competed contracts. An ACA analysis computing the cost per contract employee showed that the competitive contracts cost about 25 percent less than the 8(a) sole-source contracts. ACA officials told us that the Army returned to the ANC firms in part because doing so was an easy method of obtaining additional security guards and because they were pleased with the ANC firms' performance. In addition, IMA officials asserted that because the phase three requirements were not finalized until within 90 days of when the contract guards were required, a competitive solicitation was not possible.

In phase three, the ANC firms' contracts were modified to expand the ceiling prices to a total value of \$480 million each.<sup>13</sup> When modifying the contracts, ACA did not comply with a requirement to notify SBA. In delegating procurement authority under the 8(a) program to DOD, SBA requires that DOD provide a copy of contracts, including modifications, to the SBA district office within 15 working days of the date of award or of contract modification. The Army contracting officer was unaware of this requirement and said she does not send 8(a) modifications to SBA. However, after being made aware of this requirement, the contracting officer said that contract modifications will be forwarded to the appropriate SBA office.

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<sup>13</sup>Initially, the caps were increased to a total of \$2.1 billion. When we asked for clarification, the contracting officer said it was never the Army's intention to award to that ceiling amount, and subsequent contract modifications were executed to decrease the total contracts' value to \$480 million each.

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## ANC Firms Subcontracted with Large Security Guard Companies

Under the 8(a) program, businesses can subcontract up to 50 percent of the personnel costs incurred under each service contract.<sup>14</sup> The two ANC firms have established agreements with their subcontractors, large security guard companies, intended to ensure that the subcontractors perform 49 percent of the work, while ANC firms retain 51 percent. As of December 2005, more than \$200 million has been subcontracted under the Army's guard contracts.

The ANC firms have taken different approaches to dividing the workload with their subcontractors. One divides the workload on an installation basis, while the second firm decided to share workload by staffing the gates at each installation partially with its own employees and partially with the subcontractor's employees. In the latter case, the guards' uniform patches reflect the names of both companies.

The Army's contracting officer is responsible for determining whether the ANC firms are complying with the 50-percent limit on subcontracting, but this is not being done. The contracting officer told us that the contractors' proposed approach for complying with the limitation on subcontracting is reviewed each time additional work is awarded to the ANC firms, but actual performance is not monitored to ensure compliance. We found confusion as to who is responsible for the monitoring. The contracting officer pointed to SBA; the contracting officer representative in IMA pointed to ACA. In practice, the Army is relying on the prime contractors themselves to ensure that their subcontractors stay below the 50-percent limit. The two firms told us they monitor their compliance with the required 50/50 split.

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<sup>14</sup>"Limitations on subcontracting," FAR 52.219.14. Such nonlabor costs items as weapons and uniforms for security guards are provided by the subcontractor and do not apply toward the 50-percent limit.

## Army Procedures Do Not Provide Assurance That Contract Security Guards Are Adequately Screened

The Army's screening process is unreliable because of lack of adherence to Army policy, a time lapse of as much as 2 years from the start of interim employment until detailed nationwide background checks are completed; and a reliance on job applicants to self-report accurate information on their employment application forms. The combined effect of these weaknesses has put the Army at risk of staffing its gates with contract security guards who are not qualified for the job and in fact has resulted in applicants with criminal histories, including felons, being employed as guards. We have previously reported on, and made recommendations concerning, the inadequacy of screening measures used for contract employees with access to military installations and other sensitive areas.<sup>15</sup>

## Two-Part Screening Process Has Significant Weaknesses

Army policy requires all prospective contract guards to undergo a two-part screening process—an initial screening conducted by the contractor followed by a thorough, more detailed screening conducted by the federal government. Table 3 highlights the activities required for each part of the process and who is responsible for conducting the various screening activities.

**Table 3: Highlights of Activities Required under Army's Two-Part Screening Process**

| Part one: initial screening  | Part two: detailed screening  |
|--|---|
| Who's responsible: the contractor  | Who's responsible: Army officials at each installation  |
| <p><b>Required activities:</b></p> <p><b>Local agency check:</b> Ensure that a local check be conducted in the jurisdiction where the applicant has resided during the most recent 5-year period; the contractor does not conduct the local agency check on its own, but hires a company to conduct it, which includes the following:</p> <ul style="list-style-type: none"> <li>• arrest records</li> <li>• criminal and civil court records</li> </ul> <p><b>References:</b> Contact applicant's former employers and supervisors, former educators, and other personal references</p> <p><b>Education:</b> Check applicant's educational records</p> <p><b>Finances:</b> Check credit history</p> | <p><b>Required activities:</b></p> <p><b>National agency check:</b> the Army official submits a request, along with the applicant's fingerprints, to the Office of Personnel Management, which conducts a search to see if the fingerprints match any of the ones contained in national databases, which include the following:</p> <ul style="list-style-type: none"> <li>• Security/Suitability Investigations Index</li> <li>• Defense Clearance and Investigation Index</li> <li>• Federal Bureau of Investigation Name Check</li> <li>• Federal Bureau of Investigation National Criminal History Fingerprint Check</li> </ul> |
| <p><b>Time frame for conducting these activities:</b><br/>We found it took 1 day to 2 weeks</p>  | <p><b>Time frame for conducting these activities:</b><br/>We found time frames ranging from 1 week to over 2 years</p>  |

Sources: U.S. Army (data); GAO (analysis and presentation).

<sup>15</sup> [GAO-03-731NI](#) and [GAO-04-851NI](#).

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IMA requires contractors to conduct local agency checks before offering interim employment to prospective employees. Training, such as firearms training and weapons qualifications, cannot begin until the local agency checks have been completed and the results are favorable. If the results are unfavorable, employment is not offered.

Weaknesses in the screening process have led to risky situations, as the following examples illustrate:

- A contractor had permitted guards to take firearms training and start working even before their local agency checks were completed.
- In April 2005, the Army found that 61 guards had been put to work at one installation even though they had records relating to criminal offenses, about two dozen of which involved felonies or domestic violence and abuse cases. One of the guards had an active warrant and was arrested while performing his duties. The Army found similar circumstances at another installation in August 2005 with a different contractor. Twenty-eight guards were identified in the Army's Crime Records Center database as having records relating to criminal offenses, including assault, larceny, possession and use of controlled substances, and forgery.
- At another location, we found that paperwork to initiate national agency checks had not been submitted for any of the 128 guards hired during a 2-year period. The contractor had been responsible for initiating and submitting these checks between December 2003 and March 2004, but did not follow through and was out of compliance with the terms of its contract. In March 2004, it became the responsibility of installation officials, rather than the contractors, to submit the national agency checks. However, the officials told us they had not received the new direction from IMA and thus did not comply with it. The officials said that they have now submitted the required paperwork to initiate the national screening process. An IMA official told us that national agency checks had never been conducted for guards at another installation either.
- An Army official at another location informed us that national agency checks were pending for the 8 guard files we sampled. However, the installation's security office found no record of a national agency check ever being initiated for 3 of these guards.
- At the same installation, when we asked for documentation of compliance with the Army's regulation for certifying the reliability and

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suitability of prospective and current contract security guards, we were provided with documents that were missing key screening information. For example, the section addressing the screening of personnel records was not completed and the name of the physician conducting the medical examination was not included. Also missing was information demonstrating that guards had been briefed on the Army's reliability standards and objectives. These documents were all signed and dated by the Army's certifying official on the day they were sent to us. Moreover, the certifying official did not fill out the section on the form indicating whether the individual was or was not suitable for employment.

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### Initial Screening Process Relies on Individuals to Self-Report Information

The Army's reliance on job applicants to be forthcoming and accurate on their application forms affects the quality of the local agency checks. The contractor asks for typical employment information, such as full name, other names or aliases, Social Security number, addresses during the most recent five-year period, and employment history. The local agency check is dependent on full and accurate disclosure on these forms. The contractor itself does not conduct the check, but hires an outside firm to perform this task, and each firm uses the job applicant's information as a basis for conducting the check. If the applicant falsifies information or neglects to include former addresses outside the county and state of current residence, the local agency check may not search existing records in those jurisdictions, and the contractor may never know that the applicant is unsuitable for hire. Furthermore, how the checks are conducted varies among the different firms. For example, one firm conducted a statewide investigation, while another company checked records in all 50 states and 57 counties.

Because Army policy allows interim employment after a local agency check uncovers no problems, a contract guard who successfully hid a criminal history during the job application process could be working at an installation gate, using a firearm, until a national agency check discovers the truth. When we brought these concerns to IMA officials, they stated that permitting interim employment is the fastest, most effective means of putting contract guards at the gates. IMA officials also asserted that the issues we found only highlight that the contract security program is working as intended because individuals with criminal histories ultimately were caught. The officials were unwilling to explore other options to mitigate the potential risk of having extended periods of time during which unsuitable individuals were guarding Army installations.

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## DOD Planning Actions to Improve Screening Process for Contractors

In 2003 and 2004, we reported on the inadequacy of screening measures used for contract employees with access to military installations, facilities, and sensitive areas, and the risks posed to military forces.<sup>16</sup> As a result of our work, the Assistant Secretary of Defense, Special Operations and Low Intensity Conflict, is revising the department's antiterrorism standards to require a more thorough screening of contract personnel, including security guards, at military installations. The standards, however, have not been completed or approved—and no specific time frame is set for their approval.

In addition, in response to a Homeland Security Presidential Directive regarding the need to establish a common identification standard for federal employees and contractors, DOD is strengthening its screening process to include new, secure, and reliable credentials that will be used by DOD employees as well as contract personnel. These credentials will not be issued unless employees and contract personnel pass the national agency check. According to DOD's implementation plan, the revised screening improvements are to be implemented by October 2006. The Federal Acquisition Regulation has also been amended to require contractors to comply with the agency's personnel identity verification process.<sup>17</sup>

Between now and when the new screening improvements are implemented, the Army could mitigate the risk of hiring personnel with criminal records by supplementing the local agency check with background information accessed through the Army's Crime Records Center database, which maintains information from Army law enforcement records. The Army's Criminal Investigation Command has recommended that these checks be done on prospective security guard employees.

Another supplemental source of information is the Federal Bureau of Investigation's National Crime Information Center (NCIC) database. The NCIC database is a national index of theft reports, warrants, missing-

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<sup>16</sup>[GAO-03-731NI](#) and [GAO-04-851NI](#).

<sup>17</sup>The revision became effective January 3, 2006, and applies to solicitations and contracts issued or awarded on or after October 27, 2005. Contracts awarded before that date requiring contractors to have access to a federally-controlled facility or a federal information system must be modified by October 27, 2007, pursuant to Federal Acquisition Regulation 4.13.

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persons reports, and other criminal justice information submitted by law enforcement agencies across the United States in a secure, electronic format in real time. While not a perfect solution, since it also relies in part on self-reported information, use of this database would give the Army access to detailed background information on prospective contract guards with far less turnaround time than it currently takes the Office of Personnel Management to conduct national agency checks. In fact, the Army's Criminal Investigation Command recommends use of the NCIC database. Some Army installations, concerned about the time lapse between the local and the national agency checks, have used it to mitigate what they perceive as risks associated with hiring guards based only on the local agency check. IMA officials, however, have repeatedly instructed installations not to use the NCIC database, citing an Army policy from 1993 that, they assert, does not permit its use. An IMA official told us that the purpose of requiring the contractor to perform the screening function is to reduce the Army's costs and to streamline the background check process with, IMA asserts, adequate results.

During our review, officials from the Office of the Provost Marshal General told us that they recognized the need for interim improvements in the screening process and said they would contact the Federal Bureau of Investigation to explore the feasibility of the Army using the NCIC database.

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## Lax Oversight and Training Irregularities Raise Doubts About the Adequacy of the Guards' Training

The Army may not have in place adequately trained contract security guards protecting its installations because contractors are given responsibility to conduct nearly all of the training; and neither IMA nor Army installation personnel provide sufficient oversight to know whether training is actually conducted in accordance with contractual provisions, training records are accurate and complete, and contractors are adhering to standards. We found instances where the contractors were not complying with requirements to track and maintain records of employee training and where contractors' training techniques were inconsistent.

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## Weaknesses in Army's Training Program Include Inadequate Oversight, Poor Record keeping, and Lack of Compliance with Standards

The Army requires contractors to train their guards in 19 competencies listed in table 4.

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**Table 4: Contractors' Training Requirements**

1. Use of force
2. Antiterrorism, threats, definition, and identification
3. Security operations, basic functions, patrolling techniques and responsibilities
4. Response to hostage situations; initial actions prior to military police response
5. Personnel identification procedures, package and vehicle search procedures, and contraband identification/seizure procedures
6. Firearm (pistol and/or shotgun) qualification and safety
7. Unarmed self-defense
8. Oleoresin capsicum (OC) spray techniques, use, and application
9. Nightstick and police baton use and techniques
10. Clearing, securing, and protecting crime scene
11. Use of interpersonal skills, verbal skills, de-escalation, nonverbal actions
12. Techniques for searches, Fourth Amendment rights, consent and seizure
13. Application of handcuffs
14. Hand and arm signals, basic traffic control techniques
15. Recording of police information and sworn statements
16. Contract security guard authority and jurisdiction
17. Prevention of sexual harassment
18. Customer service
19. Military customs and courtesies

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Source: Army (data); GAO (presentation).

The Army requires that the contractors conduct training in these 19 areas before the guards are put to work and annually thereafter.

### Government Oversight Lacking

While contractors are required to make training records and certifications available for Army installations to review, Army personnel are not required to certify the training. Even though some installations officials said they have taken the initiative to have their performance monitors observe the guard training on a periodic basis, we found at 4 installations that monitoring of the training is not consistently done, if at all. According to IMA officials, government monitors should be supervising the contractors on a daily basis and should be observing guard training in accordance with the Quality Assurance Surveillance Plan.<sup>18</sup> We found, however, that

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<sup>18</sup>The purpose of the Quality Assurance Surveillance Plan is to ensure that the security guard contractor meets the objectives of the performance work statement. The plan is intended to provide installation monitors an effective and systematic surveillance method for the services listed in the performance work statement.

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training is not referenced in the plan. In fact, the plan states that the government is responsible for ensuring its stated needs are met while allowing the contractor sufficient latitude to allow accomplishment of the desired task with a “minimum of oversight.”

Lack of government oversight may have contributed to a situation where a contractor’s training records were falsified. In 2005, an investigation discovered that contractor personnel at one installation had falsified training records relating to firearms qualification. The contractor subsequently determined that its employees had not followed the company’s procedures and had validated training for individuals who had in fact not properly qualified. The installation required the guards to be requalified in firearms, which cost the Army over \$7,000. At least three guards could not qualify. The supervisor of the guards and training officer involved in the incidents were terminated by the contractor. According to Army officials at that installation, they have since stepped up their on-site observations of the weapons training.

#### Training Records Incomplete

We found that poor documentation in the training files also contributed to some installations not knowing whether guard training is meeting contract requirements. Our analysis of individual training records found several instances of missing documentation and irregularities. Each of the installations we visited documented and maintained the training records differently. The lack of detail, in some cases, would make it impossible for a government performance monitor to know whether the guards had been trained as required. We also found that at three installations, the contractor had certified security guards as trained before records indicated that the training had been completed, including one case where a guard was certified before the weapons qualification training had even started. At another installation, officials determined the guards did not need to train in one or more of the specific training topics found in the performance work statement. However, according to installation officials, IMA was not informed of this decision, nor was this deviation noted in individual training records.

#### Training Techniques and Tasks Not Standardized

While the Army requires contractors to train their employees in the 19 competency areas, it is left to the contractors to determine how to structure the training. The Army provides little guidance in terms of training content or techniques. As a result, we found a lack of standardization across installations. For example:

- weapons training conducted in a simulation room with moving targets versus only classroom lectures;

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- prospective guards given unlimited tries to pass weapons training versus being allowed only three tries;
  - firearm training conducted within the first 3 days of training—because this is an area prospective guards are likely to fail—versus during the third week of training; and
  - a subcontractor using its own, detailed weapons re-qualification policy that the prime contractor has not endorsed and does not follow.

Because the contractors have a large amount of leeway in how they conduct the training, this variation is not surprising.

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## Potential Improvements for Contract Security Guard Training

While the Army does not require its performance monitors to oversee contract security guard training, other federal agencies do require such government oversight. For example, the Air Force and the Federal Protective Service, both of which use contract guards, require government officials to observe and certify that the guards have successfully completed weapons-firing qualification.

Also, we have previously reported on the benefits of centralized development of training content, including standardization.<sup>19</sup> Centralizing design can enhance consistency of training content and offer potential cost savings. Additionally, centralization can help agencies realize cost savings through standardization of record keeping and simplified and more accurate reporting on courses, certifications, educational attainment, costs, or standards. The Transportation Security Administration, for example, has taken several steps to strengthen its review of air carriers' crew member security training curriculum. These steps include developing a standard review form for inspectors and trainers to use to enhance consistency in the review process.<sup>20</sup>

Based on our review of a draft IMA document, the Army is considering a requirement that the contractors submit periodic status reports specific to each installation, using a standard form that includes an update on

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<sup>19</sup>GAO-04-546G.

<sup>20</sup>GAO, *Aviation Security: Flight and Cabin Crew Member Security Training Strengthened, but Better Planning and Internal Controls Needed*, GAO-05-781 (Washington, D.C.: Sept. 6, 2005).

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training. This training update would include the number of new hires trained, annual refreshers and continuing education classes, and weapons qualifications. In December 2005, IMA officials conducted a briefing to the installation monitors that discussed the need to inspect training and training records.

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## Continued Need for Award Fees Is Questionable

The Army's strategy of using award fees to motivate contractors has resulted in over \$18 million in fee payouts for complying with the basic contractual requirements—not for exceeding what the contract requires. We identified a number of concerns with the award-fee process and question the continued need for award fees under the security guard program.

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## Award-Fee Plan Rewards Basic Compliance

Each of the Army's security guard contracts uses the same award-fee plan, which spells out criteria for evaluating contractor performance, and the final ratings dictate how much money is to be paid in award fees. In our comparison of the award-fee plan with the contract's statement of work, we found that the award fee is not designed to elicit "above-and-beyond" performance. Rather, the award-fee plan merely requires contractors to meet contractual requirements.

The evaluations are conducted on a semiannual basis. Each of four award-fee factors is worth a certain percentage of the total score. In addition, under each factor, a score between 0 and 100 can be given. A score from 91 to 100 is considered excellent performance, 81 to 90 is very good, 70 to 80 good. A score of 69 or below is considered satisfactory or below performance, resulting in no award fee. See table 5 for an overview of the award-fee factors used in conducting the semiannual evaluations.

**Table 5: Criteria Used to Evaluate Contractors' Performance**

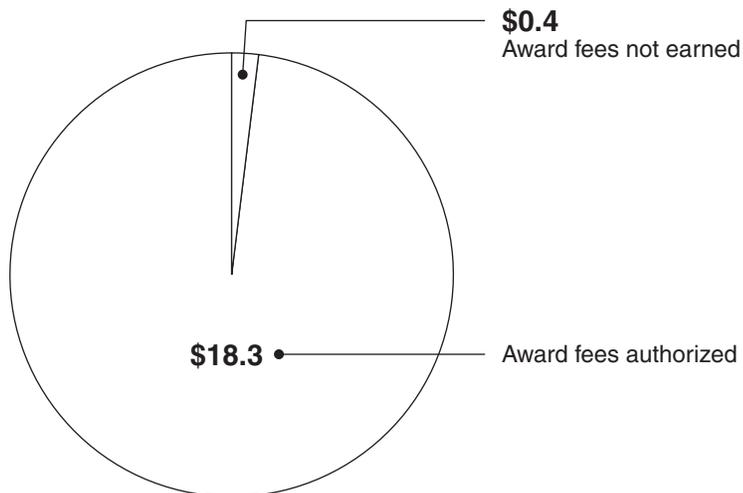
| Factor  | Selected subfactors  |
|---|--|
| Achieving/maintaining full operational capability (20%)   | <ul style="list-style-type: none"> <li>Extent to which contractor achieves and maintains required level of guard coverage</li> <li>Responsiveness, alertness, physical fitness, courtesy of guards</li> </ul>  |
| Proper control of access to the installation/controlled facilities (30%)  | <ul style="list-style-type: none"> <li>Denying access when proper in both actual circumstances and government surveillance or blind tests</li> </ul>   |
| Effective contribution to a positive Army image in the installation and surrounding community and effective management of guard improprieties (30%) | <ul style="list-style-type: none"> <li>Proper appearance, to include appropriate uniform</li> <li>Interaction with the public and DOD personnel</li> <li>Appropriate conduct in the community while off-duty</li> <li>Extent to which contractor effectively responds to incidents of employee misconduct or allegations of impropriety</li> </ul>   |
| Cooperation with IMA and Army commands; sound management of government property (20%)   | <ul style="list-style-type: none"> <li>Effectively works with the Army organization to jointly and effectively resolve security services-related questions, problems, and issues that arise during contract performance</li> <li>Extent to which contractor personnel demonstrate the ability to respond to duty changes and contingencies that may arise</li> <li>Assist with the effective management and maintenance of government resources</li> </ul> |

Source: Army (data); GAO (analysis and presentation).

## Army Has Awarded Almost All Available Award-Fees

As of February 1, 2006, a total of \$18.76 million in award fees was available in the contract guard program. Only \$0.42 million or almost 2 percent was not earned by the contractors. As figure 2 shows, IMA has authorized almost all of its available award fees.

**Figure 2: Comparison of Contract Security Guard Award Fees Authorized and Not Earned as of February 1, 2006 (dollars in millions)**



Source: Army (data); GAO (analysis and presentation).

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The Army's practice of routinely paying its contractors nearly the entire available award fee creates an environment where contractors expect to receive most of the available fee, regardless of acquisition outcomes. We recently reported that DOD frequently pays most of the available award fee to contractors regardless of their performance outcomes.<sup>21</sup>

The award fees being paid to the security guard contractors are in addition to the profit they have already built into their prices. We found that under the terms of their contracts, not all of the contractors are eligible to receive the same percentage of award fee—even though they are all performing under the same performance work specification. Three of the four contractors negotiated a fee equal to 5 percent of their annual contract value, but the other negotiated only 3 percent. One contractor told us that it offered to reduce its fee but ACA officials refused, stating that they believed the 5 percent fee was necessary to motivate performance.

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### Army Performance Monitors Not Consistently Complying with Award-Fee Plan

Among the criteria used to rate the contractors' performance are the results of on-site inspections of the guards. Army performance monitors are required to conduct inspections, evaluate performance, take into account any comments from persons who have had dealings with the guards, assign ratings commensurate with performance, and report their ratings to IMA's award-fee review board. The board comprises members familiar with the contract requirements, and the board makes the final recommendation to IMA's award-fee determining official about how much the contractors should receive in award fees.

We found that at over half of the 11 Army installations we visited, the government monitors rated performance without having conducted all of the required inspections. Several monitors stated that limited resources prevented them from conducting the inspections. Three monitors told us they have not been conducting weekly checks of the contractors' performance. Another monitor said it was a "waste of time" to go around counting guards to ensure the contractor has provided enough employees to meet contract requirements. Several monitors told us that they are not conducting the required blind checks, where they attempt to get on base using false identification. In one case, the monitor said this check is impractical because the contract guards know him by sight. One monitor

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<sup>21</sup>GAO-06-66.

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told us that in deriving the ratings, he starts at 100 and lowers the rating if there are inadequacies in performance.

Lack of guidance from IMA was a complaint among the monitors we interviewed. For example, several monitors told us that they have no quantifiable way of determining whether a contractor who performs in an excellent manner in a certain evaluation factor should receive a score of 91 or 100. For lack of any other method, they ultimately use subjective reasoning to make their decisions. Several monitors have taken it upon themselves to establish their own methods for determining where the ratings should fall. One created a checklist that he fills in each week, and at the end of each evaluation period the weekly ratings are used to derive an overall rating. Another convenes a “mini” award-fee board at the installation to obtain formal input from other government officials familiar with the contractor’s performance. Actions such as these demonstrate that some monitors are attempting to inject more rigor into the award-fee process, but the result is a lack of uniformity in criteria for determining award-fee payouts. Although monitors said they have brought this issue to IMA’s attention, the agency has not issued any clarifying guidance. IMA and ACA officials indicated they believe the award-fee plan provides sufficient guidance for the performance monitors to follow.

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### **IMA Award-Fee Board Has Recommended Consistently High Ratings**

March/April 2005 marked the end of an award fee evaluation period. Our analysis found that, of the 50 recommendations given by the award fee board to the fee determining official, all were in the “excellent” range, with 29 receiving scores of 100 percent and 10 others receiving 99 percent. None fell below 91 percent. Table 6 shows that this result is typical of the pattern over the life of the contract guard program, with 66 percent of contractor evaluations receiving a score of 99 or 100 percent.

**Table 6: Evaluations and Percentage of Fees Authorized as of February 1, 2006**

| Percentage of available fees authorized | Number of evaluations | Cumulative percentage of evaluations | Total award fees authorized (in millions of dollars) |
|---|-----------------------|--------------------------------------|--|
| 100                                     | 89                    | 53                                   | \$8.57   |
| 99                                      | 23                    | 66                                   | \$3.19   |
| 97 - 98                                 | 28                    | 83                                   | \$2.83   |
| 94 - 96                                 | 16                    | 92                                   | \$2.52   |
| 90 - 93                                 | 8                     | 97                                   | \$0.58   |
| Less than 90                            | 5                     | 100                                  | \$0.65   |
| <b>Total</b>                            | <b>169</b>            |                                      | <b>\$18.34</b>                                       |

Source: Army (data); GAO (analysis and presentation).

## Award-Fee Board's Processes Lack Rigor

We found that IMA's award-fee board did not always carefully review performance monitors' input in making award fee determinations. An IMA official said that "rubber stamping" by the board may have led to an error that we found in the course of our audit work. During the March/April 2005 evaluation period, the board mistakenly reviewed an evaluation report covering the wrong period and recommended 99 percent of the available award fee be paid to the contractor at the time this contractor was under investigation for falsifying training records. To rectify the error, the board later recommended lowering the score from 99 to 90 percent of the available award fee amount. The government monitor at this installation was unaware that the board had reviewed the wrong report or that it had initially awarded the contractor 99 percent of the award fee.

IMA's appeals process also raises questions about the integrity of the award-fee process. During the March/April 2005 evaluation period, the award-fee board raised over 25 percent of performance monitors' ratings. Sometimes the board raised the scores unilaterally because members believed the monitors were being too critical of the contractor's performance. Sometimes the scores were raised because the performance monitors did not, in the board's view, provide sufficient narrative to support their scores. In these cases, the board normally raised the scores without contacting the monitors for additional support. In reviewing performance evaluations, we found that some performance monitors, on the basis of poor contractor performance, gave the contractors relatively low ratings—in the "good" range with a score between 70 and 80—but the IMA board often raised the scores. For example, for the "sound management of government property" factor, a performance monitor

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provided a score of 80 because the contractor had three vehicular accidents. IMA raised the score for this factor to 95 because the contractor remedied the problem and paid for damages. This action resulted in the contractor receiving an overall performance score of 99 and almost \$55,000 in award fees for that period.

Contractors, upon receiving award-fee evaluations, are allowed to rebut the scores, either in person or by letter. The board has raised ratings after hearing rebuttals during the appeals process, but it is not IMA's policy to inform performance monitors when their submitted scores are changed. In the March/April 2005 evaluation period, IMA adjusted 14 of the 50 performance monitor assessments. IMA raised the scores for 13 of them—increases ranging from 2 to 15 percent—and lowered the score for one by 6 percent. In one case, a performance monitor reported that the contract guards were not able to detect a fake installation vehicle pass, which was presented to gain access at nine different control points. The performance monitor also reported that five guards, in violation of standard operating procedures and Army regulation, fired on a vehicle leaving the installation. After the contractor appealed the score, IMA raised the rating of 90 (very good) to 96 (excellent), awarding the contractor almost \$246,000.

In another case, a performance monitor had deducted 10 points under the factor "effective contribution to a positive Army image," in part because a contractor employee had been arrested off-post with 100 prestamped passes to the base in his possession. The contractor protested its rating, arguing that the incident occurred off-post and involved no negative publicity. IMA added back 2 points, awarding the contractor almost \$97,000.

We also found that in one case, IMA reduced the installation monitor performance rating from 99.1 to 93.1 points, both scores considered excellent, because the contractor had refused to provide pepper spray to its guards, as required. Even though the contractor was not in compliance with the contract, over \$100,000 in award fee was authorized.

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## Continued Need for Award Fee Questionable

During the acquisition planning for the guard contracts, ACA's contract attorney questioned the appropriateness of using an award fee. In his memorandum to the contracting officer, he stated that the government has already dictated the standards to the contractor in the statement of work, and if those standards are insufficient, the government should raise the standards. The attorney concluded that he was unconvinced that adding

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an award fee made good business sense and was in the best interest of the government. Nevertheless, ACA prepared a written justification for use of award fees which asserts, among other reasons, that award fees were needed to motivate the contractors because of the “extremely subjective” nature of the performance evaluation. The Federal Acquisition Regulation states that fixed-price contracts, where the contractor’s profit is already built into the base price, may include award fees to motivate a contractor when other incentives cannot be used because the contractor’s performance cannot be measured objectively. However, IMA’s award-fee plan sets forth a number of objective factors, such as providing the required coverage at the gates and wearing proper uniforms, on which monitors are to base their ratings.

ACA’s justification also states that the award fee is needed to motivate a “better than satisfactory” performance. As discussed above, the contractors are merely required to comply with the basic terms of the contract, not to perform above and beyond, to earn the fee. The initial stated intent of having the award fee was that the fee would motivate the contractors to provide security guards as quickly as possible—within 90 days or fewer of contract award. The award-fee plan was subsequently modified to remove the 90-day requirement now that guards are in place, and it now reflects the evaluation criteria outlined in table 5. The Army’s continued need to use award fees well after the contractors have achieved full operational capability is unclear. IMA officials said they like the award fee because it gives them leverage to deal with the contractors and results in the contractors being more responsive.

In addition, the ACA contracting officer, who is handling all of the Army’s guard contracts and task orders, told us she finds the award-fee administration time-consuming and cumbersome, because she must modify each task order every 6 months to reflect the award-fee decisions. We found errors in the administration of the program. For example, in one incident the contractor was overpaid \$47,548, but this administrative error was not recognized for over a year. In two other examples, award fees were based on an incorrect amount and the contractor was underpaid by about \$130,000.

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## DOD Report to Congress Does Not Address Some Key Issues Pertaining to the Army's Guard Program

The Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 extended the waiver authority for hiring contract guards through September 2006, but the extension hinged in part on a required report by DOD on its contract guard program. The report, "Department of Defense Installation Security Guard Requirement Assessment and Plan," was delivered to Congress on November 22, 2005. The report addresses Army, Navy, and Air Force experience with contract guards. On the basis of our work with the Army, which has acquired the vast majority of contract guards, we believe additional observations should be provided on some of the report's statements.

- The report describes the use of contract security guards as "cost-effective," but at the same time states that the Air Force has determined that cost-effectiveness must be determined base by base because of differing locations and economic circumstances. We found during our review that the issue of cost-effectiveness is not clear-cut. In fact, there are differing opinions on this subject even within the Army. The Deputy Assistant Secretary of the Army's Director for Programs and Strategy prepared an independent cost evaluation in April 2005 entitled "Contracting Versus Using Department of the Army Civilians to Provide Installation Security." The study found that using Department of the Army civilian guards is significantly less costly than using contract guards. IMA officials disagree, emphasizing that the cost evaluation does not calculate the challenges imposed by the Army's current personnel system in hiring civilians or the benefit of contracting this function in the flexibility it offers IMA.
- The report states that "assessments to date determined that they [contract guards] perform on par with military security guards." When we asked the report's working group chairman for the basis for this statement, we were told that input from installation officials had been obtained. IMA officials, who assisted in writing the report, told us that the assessments refer to the award-fee performance evaluations. Those evaluations, however, are used to determine how the contractors, not individual contract guards, are performing; they do not compare contract guards with military security guards.
- The report states that "contracts for security services are specific concerning the training, performance and supervision of security guards. Effective oversight ensures that installation and facility security is not diminished." We found that the oversight function performed by the Army, specifically training, needs improvement.

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- The report cites quality assurance surveillance plans that are supposed to be prepared by government representatives and used by installation performance monitors. We found that the Army's quality assurance surveillance plan, which applies to each of the 57 installations using contract security guards, mirrors the award-fee plan, which performance monitors have found to be unclear.
  - The report states that "on-site visits of installations by the headquarters of the respective services are conducted to ensure proper enforcement of the performance work statements." However, IMA officials did not visit all 57 installations. In fact, they told us that in 2005, they conducted 17 on-site visits to enforce the performance work statement. At the 11 installations we visited, we found that improvements were needed in training and screening oversight. At one installation, it took over 2 years before IMA found that the contractor and the installation were not in compliance with the performance work statement.
  - The report states that "local security checks and National Agency Checks are performed on all prospective employees." As we found during our review of the Army's guard program, weaknesses in the screening process have led to unscreened personnel guarding the gates, and the checks had not been performed on all contract guards.
  - The report characterizes the contracts to the ANC firms as set-aside 8(a). Set-aside 8(a) generally refers to cases when there will be competition among 8(a) firms. In fact, these were sole-source contracts under the 8(a) program. According to ACA officials, future reports will make this clarification.

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## Conclusion

To make the best use of taxpayer dollars and achieve its desired outcomes in relying on contractors to guard military installations, the Army requires sound acquisition planning, leading to prudent contract awards, and rigorous monitoring of contractor performance. A lack of diligence in these areas, coupled with the practice of awarding fees for compliance with basic contractual requirements, indicates that the Army needs to do more to achieve its goals. The Army needs to take a stronger role in overseeing contractor performance, and we believe a reassessment of the acquisition approach is called for.

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## Recommendations

We are making the following seven recommendations to the Secretary of Defense to improve management and oversight of the contract security guard program. We recommend that the Secretary of the Army be directed to take the following seven actions:

- Direct the ACA to take the following two actions:
  - reassess its acquisition strategy for contract security guards, using competitive procedures for future contracts and/or task orders,
  - remove award-fee provisions from future contracts and task orders under existing contracts.
- Direct IMA to take the following four actions:
  - monitor the status of DOD's revised antiterrorism standards and implement them into Army policy for screening of contract security guards as deemed suitable,
  - direct installations to use the Army's Crime Records Center and the National Crime Information Center databases to supplement initial screening (local agency check) of contract security guards until the new standards are in effect,
  - issue a standardized recordkeeping format for contractors to show that the guards have met all training requirements, and
  - require installation performance monitors to review training files to ensure that initial training certification is achieved as well as subsequent annual recertification.
- Direct the Office of the Provost Marshal General to require an Army official to monitor and certify contractor training of guards, especially weapons-qualification training.

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## Agency Comments

We provided a draft of this report to DOD for review and comment. In written comments, DOD agreed with the findings and stated that the Department of the Army is implementing the seven recommendations. DOD stated that these recommendations will strengthen the contracting process and help ensure that the department receives the best security guard support available.

The department's comments are reprinted in appendix III.

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We are sending copies of this report to the Secretary of Defense, the Secretary of the Army, the Director of the Office of Management and Budget, and interested congressional committees. We will make copies

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available to others upon request. This report will also be available at no charge on the GAO Web site at <http://www.gao.gov>

If you have any questions about this report or need additional information, please contact me at (202) 512-4841 or [Schinasik@gao.gov](mailto:Schinasik@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report were David E. Cooper, Director; Michele Mackin, Assistant Director; Noah Bleicher; Lily Chin; Todd Dice; Paul Gvoth; Arthur James Jr.; Robert Rapasky; Holly Reil; and Russ Reiter.

A handwritten signature in black ink that reads "Katherine V. Schinasi". The signature is written in a cursive style with a large initial "K".

Katherine V. Schinasi, Managing Director  
Acquisition and Sourcing Management

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# Appendix I: Scope and Methodology

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The Army, Air Force, and Navy each have employed contract security guards under the congressional waiver authority. At the time of our review, the Marine Corps had not yet used the authority. We focused our review on the Army's use of contract security guards because it (1) was the first activity to use the waiver authority and (2) had used the authority substantially more than the Air Force or Navy. The first Army contract security guard contract was awarded in July 2003, whereas the Air Force and Navy contracts did not start until May and June 2004, respectively. In addition, the Army has contracted for security guards at 57 installations, whereas contract security guards are being used at 18 Air Force and 5 Navy installations.

During our audit, we conducted interviews with Army officials from the Installation Management Agency (IMA), the Army Contracting Agency, and the Office of the Provost Marshal General. We visited 11 Army installations that are currently using contract security guards and met with government and contractor officials at each location. Officials from these 11 installations are responsible for a total of 14 different installations. These installations represent approximately 25 percent of the 57 installations that have the contract security guard program in place. We used two factors to determine which installations to visit: the contractor and the March/April 2005 performance monitor assessments. Our analysis of these evaluations ensured we visited at least 1 installation per contractor that had a perfect score, where the average of the four award-fee rating categories was 100 percent—typically, these were locations IMA had recommended we visit. To provide a balanced view, we then chose 2 other locations for each contractor with lower averages and a wide variation in the range of scores for the categories. We visited 3 installations per contractor, except in the case of Coastal International Security, which provides guards at only 2 locations.

At the 11 installations, we collected an arbitrary sample of the personnel files, including screening and training records. We met with officials responsible for and collected documentation related to the contract security guard program at (1) Adelphi Laboratory Center, (2) Fort Belvoir, (3) Fort Campbell, (4) Fort Detrick, (5) Fort Drum, (6) Fort Eustis/Fort Story, (7) Fort Meade, (8) Fort Myer/Fort McNair, (9) Redstone Arsenal, (10) Fort Riley, and (11) Fort Stewart/Hunter Army Airfield. We also met with officials from the four contractors and two subcontractors that provide guard services to the Army: Akal Security, Alutiiq Security and Technology (with Wackenhut Services as a subcontractor), Chenega Integrated Systems (with Vance Federal Security Services as a subcontractor), and Coastal International Security. We also consulted with

officials from the Army Audit Agency, Air Force Audit Agency, and the Army Criminal Investigation Command.

To address the Army's acquisition strategy, we reviewed the various proposals for and the ultimate acquisition plan used by the Army Contracting Agency. We reviewed Defense Contract Management Agency analysis on the Alaska Native corporation (ANC) firms. We also reviewed federal regulations pertaining to ANCs under the Small Business Administration's 8(a) Business Development Program. We reviewed each contract and its subsequent modifications. We analyzed the task orders to determine the cost of the different contract vehicles the Army used to obtain its contract security guards. We compared the Army's acquisition strategy with that of other agencies using contract security guards, specifically the U.S. Air Force and the Department of Homeland Security's Federal Protective Service. We also held discussions with officials from these two agencies.

To assess whether the Army ensures that the contract security guards are effectively screened, we reviewed screening requirements in the performance work statement and analyzed the selected personnel screening files at the 11 installations we visited. We reviewed screening requirements the Air Force and Federal Protective Service have for their contract security guards. We interviewed officials at the installations, including contractors, and IMA. We shared the specific results of our file review of screening records with installation and contractor officials. We reviewed our prior reports on combating terrorism<sup>1</sup> and consulted with representatives from the Department of Defense's Office of Special Operations and Low Intensity Conflict and the Federal Bureau of Investigation.

To determine whether the Army ensures the contract security guards are adequately trained, we reviewed the training requirements outlined in the performance work statement and Army regulation 190-56, The Army Civilian Police and Security Guard Program (June 1995), in addition to analyzing the sample of personnel training files at the 11 installations we visited. We interviewed installation officials, including contractors, and IMA. We shared the specific results of our file review of training records with installation and contractor officials. We reviewed the report on the falsification of training records prepared by a contractor and consulted

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<sup>1</sup>[GAO-04-851NI](#) and [GAO-03-731NI](#).

with an official from the Defense Criminal Investigative Service. We also reviewed the training requirements for contract security guards at the Air Force and the Federal Protective Service.

To assess the Army's rationale for providing the contractors with award fees and how the award fee process is being implemented, we reviewed the Federal Acquisition Regulation to determine what circumstances are appropriate for using an award fee with a firm fixed-price contract.<sup>2</sup> We reviewed the Army Contracting Agency's "Contract Incentives Guide" (November 2004), and our recent report *Defense Acquisitions: DOD Has Paid Billions in Award and Incentive Fees Regardless of Acquisition Outcomes* (December 2005).<sup>3</sup> We compared the government monitors' evaluation reports with the criteria in the award-fee plan as well as with the final scores approved by the IMA fee determining official. We analyzed the requirements in the performance work statement and compared them with the award fee-plan. Because the Army does not maintain information on how much it is paying in award fees, we reviewed each task order to identify the award fees authorized and whether contract modifications were executed. At each of the installations visited, we discussed the award-fee process with the performance monitors and obtained their observations and concerns.

We conducted our review from May 2005 to February 2006 in accordance with generally accepted government auditing standards.

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<sup>2</sup>Federal Acquisition Regulation 16.404.

<sup>3</sup>[GAO-06-66](#)

# Appendix II: List of Army Installations Using Contract Security Guards

| Installation                                | Contractor                              | Phase <sup>a</sup> | Competition           |
|---|---|--------------------|-----------------------|
| Adelphi Laboratory Center                   | Chenega Integrated Systems <sup>b</sup> | 3                  | ANC- 8(a) sole-source |
| Anniston Army Depot                         | Akal Security, Inc.                     | 2                  | Full & open           |
| Barnes Building                             | Chenega Integrated Systems              | 3                  | ANC- 8(a) sole-source |
| Fort Belvoir                                | Coastal International Security, Inc.    | 2                  | Full & Open           |
| Fort Benning                                | Chenega Integrated Systems              | 3                  | ANC- 8(a) sole-source |
| Fort Bliss                                  | Chenega Integrated Systems              | 3                  | ANC- 8(a) sole-source |
| Blue Grass Army Depot                       | Akal Security, Inc.                     | 2                  | Full & open           |
| Fort Bragg                                  | Alutiiq Security & Technology           | 1                  | ANC- 8(a) sole-source |
| Fort Campbell                               | Akal Security, Inc.                     | 2                  | Full & open           |
| Carlisle Barracks                           | Alutiiq Security & Technology           | 1                  | ANC- 8(a) sole-source |
| Fort Carson                                 | Alutiiq Security & Technology           | 3                  | ANC- 8(a) sole-source |
| Fort Detrick                                | Chenega Integrated Systems              | 1                  | ANC- 8(a) sole-source |
| Detroit Arsenal/Selfridge and Seville Manor | Alutiiq Security & Technology           | 3                  | ANC- 8(a) sole-source |
| Fort Drum                                   | Coastal International Security, Inc.    | 2                  | Full & open           |
| Dugway Proving Grounds                      | Chenega Integrated Systems              | 3                  | ANC- 8(a) sole-source |
| Fort Eustis/Fort Story                      | Alutiiq Security & Technology           | 3                  | ANC- 8(a) sole-source |
| Fort Gordon                                 | Chenega Integrated Systems              | 3                  | ANC- 8(a) sole-source |
| Fort Greely                                 | Chenega Integrated Systems              | 3                  | ANC- 8(a) sole-source |
| Fort Hood                                   | Akal Security, Inc.                     | 2                  | Full & open           |
| Fort Huachuca                               | Chenega Integrated Systems              | 1                  | ANC- 8(a) sole-source |
| Fort Irwin                                  | Chenega Integrated Systems              | 3                  | ANC- 8(a) sole-source |
| Fort Jackson                                | Chenega Integrated Systems              | 3                  | ANC- 8(a) sole-source |
| Fort Knox                                   | Chenega Integrated Systems              | 3                  | ANC- 8(a) sole-source |
| Fort Leavenworth                            | Alutiiq Security & Technology           | 3                  | ANC- 8(a) sole-source |
| Fort Lee                                    | Alutiiq Security & Technology           | 3                  | ANC- 8(a) sole-source |
| Fort Leonard Wood                           | Alutiiq Security & Technology           | 3                  | ANC- 8(a) sole-source |
| Letterkenny Army Depot                      | Alutiiq Security & Technology           | 3                  | ANC- 8(a) sole-source |
| Fort Lewis                                  | Akal Security, Inc.                     | 2                  | Full & open           |
| Fort McPherson/Fort Gillem                  | Alutiiq Security & Technology           | 3                  | ANC- 8(a) sole-source |
| Fort Meade                                  | Alutiiq Security & Technology           | 3                  | ANC- 8(a) sole-source |
| Military Ocean Terminal, Sunny Point        | Akal Security, Inc.                     | 2                  | Full & open           |
| Fort Monmouth                               | Alutiiq Security & Technology           | 3                  | ANC- 8(a) sole-source |
| Fort Monroe                                 | Alutiiq Security & Technology           | 3                  | ANC- 8(a) sole-source |
| Fort Myer/Fort McNair                       | Chenega Integrated Systems              | 1                  | ANC- 8(a) sole-source |
| Natick Soldier Systems Center               | Alutiiq Security & Technology           | 3                  | ANC- 8(a) sole-source |
| Picatinny Arsenal                           | Alutiiq Security & Technology           | 3                  | ANC- 8(a) sole-source |

**Appendix II: List of Army  
Installations Using Contract  
Security Guards**

| <b>Installation</b>                 | <b>Contractor</b>             | <b>Phase<sup>a</sup></b> | <b>Competition</b>    |
|-------------------------------------|-------------------------------|--------------------------|-----------------------|
| Fort Polk                           | Chenega Integrated Systems    | 3                        | ANC- 8(a) sole-source |
| Presidio of Monterey                | Chenega Integrated Systems    | 3                        | ANC- 8(a) sole-source |
| Red River Army Depot                | Chenega Integrated Systems    | 3                        | ANC- 8(a) sole-source |
| Redstone Arsenal                    | Alutiiq Security & Technology | 3                        | ANC- 8(a) sole-source |
| Fort Richardson                     | Chenega Integrated Systems    | 3                        | ANC- 8(a) sole-source |
| Fort Riley                          | Akal Security, Inc.           | 2                        | Full & open           |
| Fort Sam Houston                    | Chenega Integrated Systems    | 1                        | ANC- 8(a) sole-source |
| Sierra Army Depot                   | Chenega Integrated Systems    | 3                        | ANC- 8(a) sole-source |
| Fort Sill                           | Chenega Integrated Systems    | 3                        | ANC- 8(a) Sole-Source |
| Fort Stewart/Hunter Army Airfield   | Akal Security, Inc.           | 2                        | Full & open           |
| Tooele Army Depot                   | Chenega Integrated Systems    | 3                        | ANC- 8(a) sole-source |
| Fort Wainwright                     | Chenega Integrated Systems    | 3                        | ANC- 8(a) sole-source |
| Walter Reed Army Medical Center     | Chenega Integrated Systems    | 1                        | ANC- 8(a) sole-source |
| U.S. Military Academy at West Point | Alutiiq Security & Technology | 3                        | ANC- 8(a) sole-source |
| White Sands Missile Range           | Chenega Integrated Systems    | 3                        | ANC- 8(a) sole-source |
| Yuma Proving Grounds                | Chenega Integrated Systems    | 3                        | ANC- 8(a) sole-source |

Source: Army (data); GAO (analysis and presentation).

<sup>a</sup>Phase 1: Installations obtaining contract security guards starting in fiscal year 2003 from the ANCs' sole-source contracts under the 8(a) program.

Phase 2: Installations obtaining contract security guards under the full and open competition contracts.

Phase 3: Installations obtaining contract security guards starting in fiscal year 2004 and later from the ANCs' sole-source contracts under the 8(a) program.

<sup>b</sup>Chenega Technical Products received the original contract award; it subsequently changed its name to Chenega Integrated Systems effective December 7, 2004.

# Appendix III: Agency Comments



OFFICE OF THE UNDER SECRETARY OF DEFENSE  
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MAR 29 2006

ACQUISITION,  
TECHNOLOGY  
AND LOGISTICS

Mr. David E. Cooper  
Director, Acquisition and Sourcing Management  
U.S. Government Accountability Office  
441 G Street, N.W.  
Washington, D.C. 20548

Dear Mr. Cooper:

This is the Department of Defense (DoD) response to the GAO draft report, "CONTRACT SECURITY GUARDS: Army's Guard Program Requires Greater Oversight and Reassessment of Acquisition Approach," dated February 22, 2006, (GAO Code I20452/GAO-06-284).

The Department of Defense agrees with the findings of the subject report and the Department of the Army has already implemented the seven recommendations. Specific comments on each recommendation are enclosed. These seven recommendations will strengthen the DoD contracting process and help ensure that the Department receives the best security guard support available.

This report and its recommendations come at a very critical time because the current threat and security requirements at DoD installations and facilities are anticipated to continue. Additionally, the requirements for utilization of active and reserve component forces are expected to continue for both the global war on terrorism and in support of other national emergencies. To combat this threat, and provide adequate manpower for these competing missions, commanders must have the flexibility to rapidly respond to changes in installation security requirements. The ability to contract for security guards provides DoD a scalable and repeatable mechanism that is responsive to initial surges and adapts smoothly with requirements for long-term support while freeing military forces from these time and personnel intensive duties.

Continued authority to use contract security guards provides the military services strategic flexibility to respond efficiently to installation and facility security requirements. It allows for the efficient use of military manpower by enabling the services to plan for the long-term scope of participation by active and reserve component personnel. To consider a long-term plan without the use of contractors could result in an untenable security position at our installations.

Philip W. Grone  
Deputy Under Secretary of Defense  
(Installations and Environment)

Enclosure



GAO DRAFT REPORT-DATED FEBRUARY 22, 2006  
GAO CODE 120452/GAO-06-284

“CONTRACT SECURITY GUARDS: ARMY’S GUARD  
PROGRAM REQUIRES GREATER OVERSIGHT AND REASSESSMENT OF  
ACQUISITION APPROACH”

DEPARTMENT OF DEFENSE COMMENTS  
TO THE RECOMMENDATIONS

**RECOMMENDATION 1:** The GAO recommended that the Secretary of Defense direct the Secretary of the Army to reassess its acquisition strategy for contract security guards, using competitive procedures for future contracts and/or task orders. (p. 33/GAO Draft Report)

**DOD RESPONSE:** Concur. The Army is in the process of re-soliciting all contracts for the 54 installations using full and open competition.

**RECOMMENDATION 2:** The GAO recommended that the Secretary of Defense direct the Secretary of the Army to remove award-fee provisions from future contracts and task orders under existing contracts. (p. 33/GAO Draft Report)

**DOD RESPONSE:** Concur. The Army has removed the award-fee provisions under the re-solicitation of all of the contracts under full and open competition.

**RECOMMENDATION 3:** The GAO recommended that the Secretary of Defense direct the Secretary of the Army to monitor the status of DoD’s revised antiterrorism standards and implement them into Army policy for screening of contract security guards as deemed suitable. (p.33/GAO Draft Report)

**DOD RESPONSE:** Concur. The Army will incorporate the revised antiterrorism standards into policy for the screening of contract security guards.

**RECOMMENDATION 4:** The GAO recommended that the Secretary of Defense direct the Secretary of the Army to direct installations to use the Army’s Crime Records Center (ACRC) and the National Crime Information Center (NCIC) databases to supplement initial screening (local agency check) on contract security guards until the new standards are in effect. (p. 33/GAO Draft Report)

**DOD RESPONSE:** Concur. The Army will send out a Headquarters, Department of Army message and implement into Army policy the use of ACRC and NCIC until the new DoD standards take effect.

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**RECOMMENDATION 5:** The GAO recommended that the Secretary of Defense direct the Secretary of the Army to issue a standardized recordkeeping format for contractors to show that guards have met all training requirements. (p. 33/GAO Draft Report)

**DOD RESPONSE:** Concur. The Army is revising the Performance Work Statement (PWS) which will include a standardized recordkeeping format.

**RECOMMENDATION 6:** The GAO recommended that the Secretary of Defense direct the Secretary of the Army to require installation performance monitors to review training files to ensure that initial training certification is achieved as well as subsequent annual recertification. (p. 33/GAO Draft Report)

**DOD RESPONSE:** Concur. The Army is updating the Quality Assurance Surveillance Plan (QASP). The QASP will provide clear and detailed instructions to inspect all individual training records and certifications.

**RECOMMENDATION 7:** The GAO recommended that the Secretary of Defense direct the Secretary of the Army to require an Army official to monitor and certify contractor training of guards, especially weapons-qualification training.

**DOD RESPONSE:** Concur. The revised QASP and PWS will include the requirement for an Army official to monitor and certify contractor training of security guards.

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