



SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

April 27, 2011

LETTER FOR COMMANDING GENERAL, U.S. ARMY CORPS OF ENGINEERS

SUBJECT: Gulf Region District Is Adjusting Its Aegis Security Contract Requirements for Changes in Reconstruction Activities in Iraq (SIGIR 11-015)

Since May 2004, the Department of Defense (DoD) has had a series of contracts with Aegis Defense Services, Limited (Aegis), for private security and related services in Iraq. As of April 7, 2011, Aegis had received over \$1 billion for its services. The U.S. Army Corps of Engineers (USACE), DoD's primary user of Aegis services in Iraq, is decreasing its reconstruction activities in Iraq as U.S. military forces plan to withdraw by the end of calendar year 2011. In January 2009, the Special Inspector General for Iraq Reconstruction (SIGIR) issued a report on DoD's oversight of Aegis's performance on the largest active and completed contracts at the time.¹ SIGIR's objectives for this current report are to determine if and on what basis Aegis's contract services have been adjusted to reflect changes in USACE's reconstruction activities in Iraq.

SIGIR found that the number of USACE's active projects in Iraq has declined and Aegis's security personnel services have also declined since our January 2009 report. Moreover, USACE's active projects and security personnel requirements are projected to decline much further by July 2011. USACE's Gulf Region District (GRD)² monitors the utilization of Aegis's security teams and provides Aegis with planning information from which Aegis can determine the number and composition of security personnel to satisfy GRD's requirements. Information provided by GRD includes the number of active projects GRD must monitor, how often GRD inspectors need to visit each project, the location of each project to be visited, and the duration of the projects. GRD monitors the utilization of contractor security teams to ensure contract requirements are adjusted to reflect changes in GRD's reconstruction activities. GRD's process for adjusting contract requirements appears reasonable and responsive to changes in reconstruction activities.

Background

Since May 2004, DoD has had a series of contracts with Aegis for private security services. Aegis is currently working on two contracts and has completed its work on eight contracts. The contracts can be categorized into four broad service categories: reconstruction security support services, support-to-contractor operations cells, personal security details for U.S. senior military officers, and transportation and security escort services. Although this report provides basic information on the 10 contracts, it focuses primarily on contract W912ER-11-C-0008, which is

¹ *Oversight of Aegis's Performance on Security Services Contracts in Iraq with the Department of Defense*, SIGIR 09-010, 1/14/2009.

² Previously the Gulf Region Division.

the latest reconstruction security support services contract to provide for a broad range of security services for USACE's reconstruction activities.

Table 1 shows the total obligations and expenditures for the 10 contracts as of April 7, 2011. According to a USACE official, USACE funded the reconstruction security support contracts primarily from Operations and Maintenance, Army funds. Please see Appendix B for more information on the 10 contracts.

Table 1—Obligations and Expenditures for Aegis Contracts with the Department of Defense in Iraq, as of April 7, 2011 (\$ millions)

Contract Number	Obligations	Disbursements	Status^b
Reconstruction Security Support			
W911S0-04-C-0003	\$447.5	\$445.5	Completed
W91GDW-08-C-4003	38.7	36.0	Completed
W91GDW-07-D-4021	499.0	475.0	Completed
W91GDW-10-C-4004	81.3	75.0	Completed
W912ER-11-C-0008	70.0	8.8	Active
Contractor Operations Cell			
W91GDW-10-C-4005 ^a	2.3	1.6	Completed
W52P1J-10-F-0030 ^a	5.0	0	Active
Personal Security Detail for US Officers			
W91GY0-07-C-0004 ^a	15.9	15.8	Completed
W91GDW-11-P-8000 ^a	.9	0	Completed
Transportation and Security Escort Services			
W91GY0-07-D-0008	.2	.2	Completed
Total	\$1,060.8	\$1,057.9	

Note:

^a Obligations and disbursements are as of March 16, 2011.

^b Status of work requirements.

Source: U.S. Army Corps of Engineers Financial Management System.

Contracts Management Structure

GRD had, and continues to have, oversight responsibilities for the vast majority of services performed under the Reconstruction Security Support Services and follow-on contracts to USACE supported organizations. The Defense Contract Management Agency and the U.S. Central Command Contracting Command have assisted in contract administration and oversight. GRD is planning to close by July 1, 2011, and management of the remaining construction projects will transition to USACE's Middle East District. Some projects transitioned to the Middle East District in the latter part of 2010.

Services Provided Under Contracts

The services provided by Aegis to DoD components over the years have remained fairly consistent. These have included: escort and personal security; security at installations (static guards); liaison with local communities; antiterrorism support and analysis; Iraqi personnel vetting; and staffing reconstruction operations/support centers to provide DoD private security contractors with intelligence and information to coordinate the movement of their teams with U.S. military and Iraqi forces. Following is a more detailed description of the services Aegis has provided under the various contracts.

- Security Escort Teams: Provide security to military and civilian personnel during construction site visits.
- Personal Security Details: Provide personal protection to designated personnel.
- Static Guards: Provide security within secure compounds for fixed location, such as office buildings and living quarters.
- Security Reconnaissance Teams: Previously called Reconstruction Liaison Teams, they are to develop positive relations with the communities surrounding the reconstruction sites, meet with local leaders to coordinate community involvement and support for the construction projects, and conduct technical inspections of ongoing construction.
- Anti-Terrorism Force Protection: Conduct facility security evaluations, coordinate force protection measures, and plan risk mitigation to improve safety and security at designated GRD sites.
- Personnel Vetting Services: Provide a vetting program that includes conducting interviews and reviewing employment applications for all local hires.
- Reconstruction Support Centers: Perform four primary functions: (a) comprehensive management of protective security operations, (b) analysis of operational environment, (c) operational and tactical communications for protective security operations, and (d) support reconstruction operations through security support services. Centers operate at three levels: the District center supports GRD headquarters, area centers support GRD area offices, and detachments which extend Reconstruction Support Center capabilities to isolated areas.
- Contractor Operations Cells: Provide U.S. Forces–Iraq and its Divisions with information to assist them in controlling private security contractor activities.

Gulf Region District's Process for Adjusting Security Contract Requirements Appears Reasonable and Responsive to Changes in Reconstruction Activities

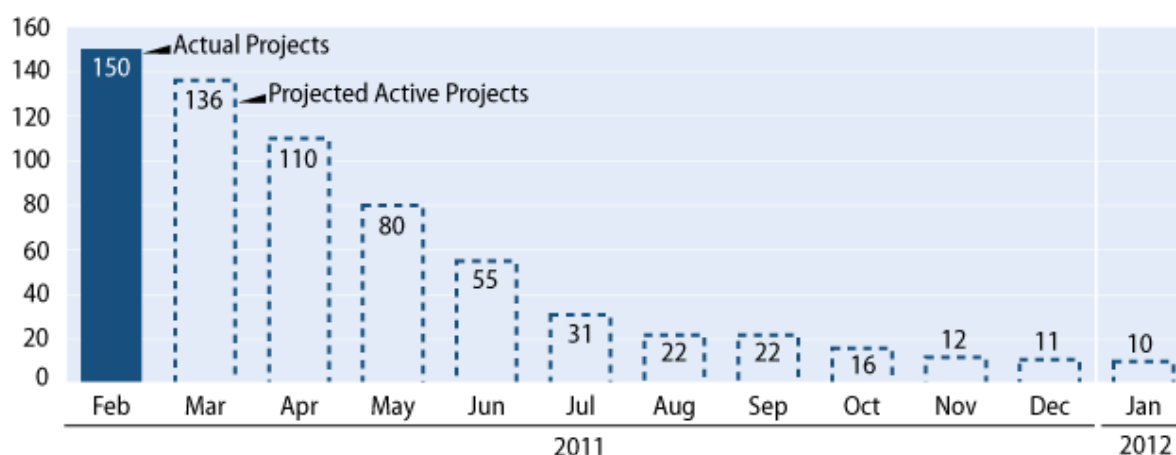
The number of USACE's active projects in Iraq has declined, and the contract requirements for Aegis security personnel have also declined since our January 2009 report. Moreover, as the active projects continue to decrease, requirements for security personnel are projected to further decline. GRD estimates the number of projects and security personnel in July 2011 will be about 10% of the number in July 2010.

GRD officials told us that GRD provides Aegis with information from which Aegis determines the number of security personnel and teams it needs to meet GRD's requirements, and GRD monitors the utilization of contractor security teams to ensure contract requirements are adjusted to reflect changes in GRD's reconstruction activities.

Projects and Security Personnel Requirements Have Declined and Are Projected to Further Decline

According to a USACE official, USACE was managing 491 projects in Iraq in February 2008, and by February 2011, the number of active projects had decreased to 150. As Figure 1 shows, the number of active projects is projected to decline to 31 by July 2011 and eventually to 10 by January 2012.

Figure 1—Active and Projected Projects from February 2011 through January 2012



Source: SIGIR compiled from GRD-provided data as of February 14, 2011.

Between February 2008 and March 2011, the required numbers of security personnel and teams have also declined. Table 2 shows the number of personnel and teams required in February 2008 by the contract in effect in at the time of SIGIR's prior report and under the current contracts.

Table 2—Changes in Security Personnel and Teams between February 2008 and March 2011

Function	February 2008		March 2011		Changes	
	Personnel	Teams	Personnel	Teams	Personnel	Teams
Security Escort Teams	570	38	315	21	-255	-17
Personal Security Details ^a	12	2	11	1	-1	-1
Static Guards	346		107		-239	
Reconstruction Liaison Teams	182	14	212	17	30	3
District Reconstruction Support Center	35		78		43	
Reconstruction Support Centers	95 ^b		56		-39	
Area Reconstruction Support Center/ Security Escort Team Detachments	13		4		-9	
Personnel Vetting Services	5				-5	
Contractor Operations Cells ^a	50		31		-19	
Management	29		32		3	
Support	36		20		-16	
Total	1,373	54	866	39	-507	-15

Note:

^a These requirements were in separate contracts in March 2011.

^b Includes four Anti-Terrorist Force Protection personnel shown separately in SIGIR's prior report.

Source: SIGIR compiled from DoD component contracts with Aegis.

GRD officials told us that a new security services contract is being negotiated to provide security services for multiple organizations, including GRD. The contract was to be issued in late March 2011, but had not been issued by April 5, 2011. Requirements for GRD and other organizations utilizing the contract will be in task orders specific to an organization. GRD officials told us that GRD's active projects and required security personnel in July 2011 will be about 10% of the number in July 2010.³

³ A GRD official asked that we not provide the specific number of security personnel they plan to require in July 2011 because they consider it competition sensitive.

Gulf Region District's Process for Adjusting Security Contract Requirements Appears Reasonable and Responsive to Changes in Reconstruction Activities

According to a GRD official, a number of factors are used to determine required security personnel. These include the number of active projects GRD must monitor, how often GRD inspectors need to visit each project, the location of each project to be visited, and the duration of the projects. These factors are provided to Aegis which determines the number of security teams it will need to satisfy GRD's requirements. Those requirements vary by type of service provided. For example, Aegis is required by the current contract to maintain sufficient personnel and equipment to provide *security escort team* services 24 hours a day year round, with an objective schedule of six missions per security escort team per week. Each team is to comprise 11 contractor security personnel, one of whom shall be an Iraqi. As a further example, Aegis is to maintain sufficient personnel and equipment to accomplish two missions and four tasks per *security reconnaissance team* per week.⁴ Each team is to comprise nine contractor security personnel, five of whom must be Iraqi.

GRD officials stated that they monitor the utilization of security personnel and teams to ensure that Aegis is meeting contract requirements and that the personnel and teams assigned are needed to meet those requirements. According to the officials, operations officers approve the security teams' missions and receive reports on those missions. In addition, Aegis personnel keep a daily log of missions and hours worked for each security escort team and reconnaissance team. Those data were rolled up into weekly and monthly reports which were provided to the operations officers that approved the missions.

According to GRD officials, the utilization reports and other information provided by operations officers were used in monthly discussions with Aegis managers to determine if adjustments to the number of security teams and locations of teams were required. Because of the accelerating pace of the drawdown, the monthly discussions were changed to bi-weekly. According to the officials, GRD looks for trends in team utilization rates to determine if contract requirements need to change rather than individual monthly reports, which could vary considerably from month to month. If trends warrant an increase or decrease in requirements, the changes are discussed with Aegis managers and conveyed to the contracting officer for modification to the contract. The GRD officials stated that Aegis managers are receptive to changes and reductions in personnel requirements.

According to a GRD official, reductions in the number of security personnel and teams do not automatically translate into reductions in the number of Aegis management, logistics, and support center personnel. The official stated that there are minimum essential capabilities in those functions that have to be maintained. For example, if a support center has three intelligence analysts supporting four security escort teams, it may be possible to eliminate one security analyst if two teams were eliminated. However, it would not be possible to eliminate one of the two remaining analysts if the two teams were reduced to one team because minimum essential capability is two analysts.

It is important for GRD to monitor contractor usage and reduce requirements when the workload decreases and security conditions allow because of the tremendous cost of retaining security

⁴ Tasks include project reconnaissance, project monitoring, and post-construction project analysis.

personnel. We calculated, based on data provided by a USACE official, that each day a security escort team (comprising 11 individuals—a team leader, an assistant team leader, two medics, and seven team members, all of whom are foreign nationals except for two Iraqi nationals) is in country (whether or not they are on a mission), it costs the U.S. government about \$5,000 in daily reimbursable salary rates. The \$5,000 does not include other costs to the government such as food; lodging; transportation to, from, and within Iraq; equipment; fuel; and ammunition. The costs of these life support and equipment items are not readily available.⁵

Concluding Observations

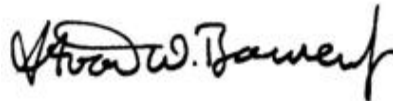
The number of USACE's active projects in Iraq has declined, and the contract requirements for Aegis security personnel have also declined since our January 2009 report. Moreover, those requirements are projected to decrease further. Although we reviewed the relationship between numbers of active projects and GRD's requirements for security personnel, there is not a direct relationship between the two because of other factors GRD uses to determine requirements, such as project location, frequency of required visits, and trends in the utilization of teams. While the effects of the other factors on requirements are not readily quantifiable, we believe, based on our discussions with GRD officials and the projected decline in required security personnel, that GRD's process for adjusting contract requirements appears reasonable and responsive to changes in reconstruction activities.

Management Comments and Audit Response

USACE provided technical comments that we have addressed, as appropriate.

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We appreciate the courtesies extended to the SIGIR staff. For additional information on the report, please contact Glenn D. Furbish, Assistant Inspector General for Audits (Washington, DC), (703) 604-1388/ glenn.furbish@sigir.mil or Jason Venner, Principal Deputy Assistant Inspector General for Audits (Washington, DC), (703) 607-1346/ jason.venner@sigir.mil.



Stuart W. Bowen, Jr.
Inspector General

cc: U.S. Secretary of Defense
Commander, U.S. Central Command
Commanding General, U.S. Forces–Iraq

⁵ In our January 2009 report, we estimated the cost of food, water, shelter, and vehicles could exceed \$57 million per year.

Appendix A—Scope and Methodology

Scope and Methodology

In August 2010, the Special Inspector General for Iraq Reconstruction (SIGIR) announced Project 1019 to review the U.S. government's oversight of private security contractors in Iraq. SIGIR's objectives for this report are to determine if and on what basis contract requirements are adjusted to reflect changes in reconstruction activities in Iraq. SIGIR performed this audit under the authority of Public Law 108-106, as amended, which also incorporates the duties and responsibilities of inspectors general under the Inspector General Act of 1978. SIGIR conducted its work from November 2010 through March 2011 from its headquarters in Arlington, Virginia.

To determine contract requirements and changes in those requirements, SIGIR reviewed all amendments to existing contracts and all new contracts for Aegis security services in Iraq. Specifically, we reviewed the (1) services Aegis is required to perform, (2) number of personnel required to perform those services, and (3) required composition of security teams. We also compared security personnel requirements at the time of our January 2009 report to those in the latest contract.

To determine changes in reconstruction activities, we analyzed the changes in active projects from the time of our January 2009 report to the present and available projections for the future. With Gulf Region District (GRD) officials, we discussed the relationship between requirements and reconstruction activities and the process for determining increases or decreases in requirements.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Use of Computer-processed Data

The computer processed financial data was obtained from the U.S. Army Corps of Engineers' (USACE) Financial Management System. It was the most complete data available and used by GRD to manage projects. Moreover, it was used for background purposes and is not critical to SIGIR's conclusions. Accordingly, we did not independently verify the detailed data but concluded that it was the best available for purposes of our audit.

According to a USACE official, the number of projects managed by USACE in 2008 was obtained from the Iraq Reconstruction Management System. SIGIR has issued two reports on the system that identify problems with the quality, accuracy, and completeness of its data.⁶

⁶ *Comprehensive Plan Needed to Guide the Future of Iraq Reconstruction Management System*, SIGIR 08-021, 7/26/2008 and *Management of Iraq Relief and Reconstruction Fund Program: The Evolution of the Iraq Reconstruction Management System*, SIGIR 06-001, 4/24/2006.

Although the data used may not be completely accurate, we believe it is the best data available on the number of projects managed at that time.

Internal Controls

We reviewed the specific controls used by GRD to manage contract requirements and utilization of Aegis security personnel and teams. The results of this review are presented in the body of the report.

Prior Coverage

We reviewed the following SIGIR report.

Oversight of Aegis's Performance on Security Services Contracts in Iraq with the Department of Defense, SIGIR 09-010, 1/14/2009.

Appendix B—Descriptions of Aegis Contracts

The following paragraphs briefly describe the 10 Aegis contracts with the Department of Defense for providing security services in Iraq.

Reconstruction Security Support Services-I Contract, W911S0-04-C-0003

In May 2004, the Department of the Army awarded a nonpersonal services contract to Aegis for security management services, protective services, and antiterrorism support and analyses for the Coalition Provisional Authority, Program Management Office personnel and construction service contractors involved in reconstruction efforts in Iraq.⁷ The contract was for a 1-year base period—June 1, 2004 through May 31, 2005—and two 1-year options—June 1, 2005 through May 31, 2007. The two 1-year options were exercised, and the second option year was extended for 6 months to November 30, 2007. As of April 7, 2011, obligations totaled \$447.5 million, and Aegis had received \$445.5 million.

Bridge Contract, W91GDW-08-C-4003

Because the start of performance under the Reconstruction Security Support Services-II contract was delayed, a separate contract was awarded to bridge the period between the end of the Reconstruction Security Support Services-I contract and the start of the Reconstruction Security Support Service-II contract. The bridge contract performance period was for 3-months—November 1, 2007 through January 31, 2008. As of April 7, 2011, obligations totaled \$38.7 million, and Aegis had received \$36.0 million.

Reconstruction Security Support Services-II Contract, W91GDW-07-D-4021

This indefinite delivery/indefinite quantity contract⁸, awarded in September 2007, essentially continued the security services provided under the earlier contracts. The start of the contract performance period was delayed to February 1, 2008, because the award was protested.⁹ The contract was for a 1-year base period—February 1, 2008 through January 31, 2009—and one option year—February 1, 2009 through January 31, 2010. The option year was exercised and extended for 6 months to July 31, 2010. As of April 7, 2011, obligations totaled \$499.0 million, and Aegis had received \$475.0 million.

⁷Federal Acquisition Regulation 37.101 defines nonpersonal services contracts as contracts under which the personnel rendering the services are not subject, either by the contract's terms or by the manner of its administration, to the supervision and control usually prevailing in relationships between the government and its employees.

⁸Federal Acquisition Regulation 52.216-22 states that the delivery and quantity of services under indefinite delivery/indefinite quantity contracts shall be specified in task orders to the contract.

⁹The protest with the Government Accountability Office was later withdrawn.

Reconstruction Security Support Services Contract, W91GDW-10-C-4004

The contract, awarded to Aegis in July 2010, continued the security services provided under contract W91GDW-07-D-4021. The contract period of performance was August 1, 2010 through December 31, 2010 and was extended to January 31, 2011. As of April 7, 2011, obligations totaled \$81.3 million, and payments to Aegis totaled \$75.0 million.

Reconstruction Security Support Services Contract, W912ER-11-C-0008

The contract, awarded to Aegis in December 2010, continues the services provided under the previous security support services contracts. The contract period of performance is February 1, 2011 through April 30, 2011, with an option to extend the contract to July 31, 2011. As of April 7, 2011, obligations totaled \$70.0 million, and payments to Aegis totaled \$8.8 million.

Contractor Operations Cells Security Support Services, W91GDW-10-C-4005

The contract, awarded in July 2010, continued the services for Contractor Operations Cells previously provided under the Reconstruction Security Support Services contracts. The Contractor Operations Cells system was established by the Multi-National Force–Iraq to coordinate the missions of private security contractors in Iraq and gather, assemble, and distribute information on serious incidents involving private security contractors.¹⁰ The contract period of performance was August 1, 2010 through October 31, 2010. As of March 16, 2011, obligations totaled \$2.3 million, and payments to Aegis totaled \$1.6 million.

Contractor Operations Cells Security Support Services, W52P1J-10-F-0030

The contract, awarded in September 2010, continues the services provided under contract W91GDW-10-C-4005. The contract is for a base year—September 21, 2010 through September 20, 2011—and two 6-month option periods—September 21, 2011 through September 20, 2012. As of March 16, 2011, obligations totaled \$5.0 million, and no funds had been disbursed to Aegis.

Personal Security Detail Contract, W91GY0-07-C-0004

The contract, awarded to Aegis in February 2007, was for personal security details in Iraq, other Middle Eastern countries, and non-hostile territories for up to five senior officials with the Multi-National Security Transition Command–Iraq. The contract had an initial performance period—July 15, 2007 through January 29, 2008—and three 6-month option periods—January 30, 2008 through July 26, 2009. The contract was extended, and the requirements for the services were incorporated in a task order under the Reconstruction Security Support Services-II contract. As

¹⁰Incidents involving death, injury, property damage, criminal acts, traffic accidents, or believed to have possible strategic or operational impact.

of March 16, 2011, obligations totaled \$15.9 million, and payments to Aegis totaled \$15.8 million.

Personal Security Detail Contract, W91GDW-11-P-8000

The contract, awarded to Aegis in December 2010, was for personal security details for three principals designated by the Deputy Commanding General, Advisory and Training. The contract is essentially a continuation of the services incorporated in a task order under the Reconstruction Security Support Services-II contract. The contract has a 31-day period of performance from January 29, 2011 through February 28, 2011. According to a Defense Contract Management Agency official, the follow-on contract was awarded to another security provider, G4S. As of March 16, 2011, obligations totaled \$0.9 million, and no funds had been disbursed to Aegis.

Convoy/Escort Contract, W91GY0-07-D-0008

Under this indefinite quantity contract, Aegis provided transportation and security escort services to move vehicles and equipment for Iraqi military forces. The contractors participating in the contract bid on task orders for the movements. The contract had an initial 1-year performance period—March 1, 2007 through February 29, 2008—and two 6-month option periods. The U.S. Government decided not to continue to place delivery orders after August 2008. As of April 7, 2011, obligations and payments to Aegis each totaled \$0.2 million.

Appendix C—Acronyms

Acronym	Description
DoD	Department of Defense
GRD	Gulf Region District
SIGIR	Special Inspector General for Iraq Reconstruction
USACE	U.S. Army Corps of Engineers

Appendix D—Audit Team Members

This report was prepared and the audit conducted under the direction of Glenn D. Furbish, Assistant Inspector General for Audits, Office of the Special Inspector General for Iraq Reconstruction.

The staff members who conducted the audit and contributed to the report include:

Michael A. Bianco

Robert L. Pelletier

Nadia Shamari

Appendix E—SIGIR Mission and Contact Information

SIGIR’s Mission	Regarding the U.S. reconstruction plans, programs, and operations in Iraq, the Special Inspector General for Iraq Reconstruction provides independent and objective: • oversight and review through comprehensive audits, inspections, and investigations • advice and recommendations on policies to promote economy, efficiency, and effectiveness • deterrence of malfeasance through the prevention and detection of fraud, waste, and abuse • information and analysis to the Secretary of State, the Secretary of Defense, the Congress, and the American people through Quarterly Reports
Obtaining Copies of SIGIR Reports and Testimonies	To obtain copies of SIGIR documents at no cost, go to SIGIR’s Web site (www.sigir.mil).
To Report Fraud, Waste, and Abuse in Iraq Relief and Reconstruction Programs	Help prevent fraud, waste, and abuse by reporting suspicious or illegal activities to the SIGIR Hotline: • Web: www.sigir.mil/submit_fraud.html • Phone: 703-602-4063 • Toll Free: 866-301-2003
Congressional Affairs	Hillel Weinberg Assistant Inspector General for Congressional Affairs Mail: Office of the Special Inspector General for Iraq Reconstruction 400 Army Navy Drive Arlington, VA 22202-4704 Phone: 703-428-1059 Email: hillel.weinberg@sigir.mil
Public Affairs	Deborah Horan Director of Public Affairs Mail: Office of the Special Inspector General for Iraq Reconstruction 400 Army Navy Drive Arlington, VA 22202-4704 Phone: 703-428-1217 Fax: 703-428-0817 Email: PublicAffairs@sigir.mil
