

The background of the page features a large, faint watermark of the official seal of the Office of the Special Inspector General for Iraq Reconstruction. The seal is circular and contains an eagle with its wings spread, perched on a shield with vertical stripes. The eagle holds an olive branch in its right talon and arrows in its left. The seal is surrounded by text in both English and Arabic. The English text reads "INSPECTOR GENERAL" at the top and "RECONSTRUCTION" at the bottom. The Arabic text reads "مفتش العام" at the top and "إعادة إعمار العراق" at the bottom.

**NEED TO ENHANCE OVERSIGHT OF
THEATER-WIDE INTERNAL
SECURITY SERVICES CONTRACTS**

**SIGIR-09-017
APRIL 24, 2009**

Report Documentation Page

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SIGIR

Special Inspector General for Iraq Reconstruction

April 24, 2009

NEED TO ENHANCE OVERSIGHT OF THEATER-WIDE INTERNAL SECURITY SERVICES CONTRACTS

Summary of Report: SIGIR-09-017

Why SIGIR Did This Study

Private security contractors (PSCs) play an important role in Iraq by protecting U.S. personnel, facilities, and property related to reconstruction efforts. In September 2007, the Department of Defense (DoD) competitively awarded five Theater-Wide Internal Security Services (TWISS) contracts to five PSCs for static, or fixed site security services in Iraq. The contracts have a combined not-to-exceed maximum value of \$450 million. The companies are among the seven largest private security service providers in Iraq.

This report responds to a mandate in the National Defense Authorization Act for 2008, (Public Law 110-181) that requires audits of the performance of security functions to address the manner in which contract requirements were developed and contracts or task orders were awarded; and the manner in which DoD exercised control over the performance of contractors.

Specifically, this report examines the cost of the contracts, the requirements for the static security forces, the government's process for awarding the contracts, task orders, and modifications, and the oversight provided by the Contracting Officer Representatives (CORs).

What SIGIR Recommends

SIGIR recommends that to improve contract administration and oversight, the Commanding General, Multi-National Corps-Iraq; Director of the Defense Contract Management Agency; and the Commander of the Joint Contracting Command-Iraq/Afghanistan direct that the following actions be taken as they relate to their respective responsibilities under the contract:

1. Provide additional training to CORs on their private security contractor oversight responsibilities with regard to the TWISS contracts.
2. Assess the workload for TWISS CORs to identify actions that can be taken to balance workload demands so that sufficient time can be given to contract oversight responsibilities.

Management Comments

The Multi-National Force – Iraq and the Defense Contract Management Agency provided comments on a draft of this report. Both agencies generally agreed with the report.

What SIGIR Found

Between February 2008 and March 2009, DoD had expended \$154.6 million on the TWISS contracts. The contracts are funded from the Operation and Maintenance, Army, account. More than three quarters of the costs to date are for personnel costs. In most cases, life-support costs for contractor personnel such as food, water, and shelter are not included in contract costs and are paid by DoD. SIGIR estimates these costs at more than \$250 million per year. SIGIR reviewed selected personnel pay rates and found that on average, competing the task orders had driven down the costs of these services significantly.

The TWISS contract was created to streamline the contracting process for static security in anticipation of an increased need for these services in Iraq. The five contracts, and 47 of the 50 task orders, were competitively awarded. SIGIR found the requirements for the task orders were based on the need to replace troops performing static security with private security contractors (PSC) to make more troops available for combat operations.

SIGIR identified certain vulnerabilities in the government's oversight. Generally, the CORs' experience and training was limited, and their time available to devote to their oversight responsibilities for these contracts was insufficient. This hampered their ability to perform their oversight responsibilities. For example, of 27 CORs responding to SIGIR questions, only 4 CORs said that they had previous contracting experience, 11 said that their training was insufficient to meet their job requirements, and 6 said that other duties prevented them from conducting adequate oversight. Although Defense Contract Management Agency Quality Assurance Representative inspections help provide oversight, they are periodic and not a substitute for the day-to-day oversight provided by CORs.

Conclusions

Between February 2008 and March 2009, DoD had spent \$154.6 million on the TWISS contracts. Almost all contracts and task orders were awarded under full and open competition, with a well-supported decision-making process. Full and open competition has lowered the costs of these services.

The experience, training, and additional duties of CORs providing oversight of the TWISS contracts is another example of the difficulties experienced when the U.S. military lacks the capacity to manage its contractors in a contingency environment. Selecting CORs with limited or no direct contract management experience, providing them training on the job or on an ad hoc setting, and then assigning them other principal duties, increases the government's vulnerability. Moreover, in looking forward, difficulties in managing these contracts could easily be exacerbated as the U.S. military draws down its presence in Iraq and thus its available pool of experienced personnel to perform these functions. Furthermore, with the addition of the upcoming TWISS II, the TWISS contracts will grow in size to a potential \$935 million. Such a situation would make these contracts even more vulnerable to fraud, waste, and abuse.



SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

April 24, 2009

MEMORANDUM FOR COMMANDING GENERAL, CENTRAL COMMAND
COMMANDING GENERAL, MULTI-NATIONAL FORCE-IRAQ
COMMANDING GENERAL, MULTI-NATIONAL CORPS-IRAQ
COMMANDER, JOINT CONTRACTING COMMAND-
IRAQ/AFGHANISTAN
DIRECTOR, DEFENSE CONTRACT MANAGEMENT AGENCY

SUBJECT: Need To Enhance Oversight of Theater-Wide Internal Security Services Contracts
(SIGIR-09-017)

We are providing this report for your information and use. It pertains to the cost, requirements, award process, and oversight of the Department of Defense's Theater-Wide Internal Security Services contracts. The audit was conducted by the Special Inspector General for Iraq Reconstruction (SIGIR) as project 8032 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. The audit also responds to a requirement of the National Defense Authorization Act for 2008 (Public Law 110-181) that requires audits of the performance of security functions to address the manner in which contract requirements were developed and contracts or task orders were awarded, and the manner in which the Department of Defense exercised control over the performance of contractors.

We considered written comments on a draft of this report from Multi-National Force - Iraq and the Defense Contract Management Agency, when finalizing this report. The comments on the recommendations are included in Appendix D. Technical comments were also provided and are addressed in the report where appropriate.

We appreciate the courtesies extended to the SIGIR staff. For additional information on the draft report, please contact Glenn Furbish, Principal Deputy Assistant Inspector General for Audits, at (703-428-1058/glenn.furbish@sigir.mil), or Nancee Needham, Deputy Assistant Inspector General for Audits (240-553-0581, ext. 3793/ nancee.needham@iraq.centcom.mil).

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Inspector General



SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

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Need To Enhance Oversight of Theater-Wide Internal Security Services Contracts

SIGIR-09-017

April 24, 2009

Executive Summary

This report discusses the Department of Defense's (DoD) Theater-Wide Internal Security Services (TWISS) contracts for labor, weapons, equipment, and other essentials to augment and/or replace military security guard operations at forward operating bases and camps throughout Iraq. Altogether, DoD awarded TWISS contracts in September 2007, with a combined not-to-exceed value of \$450 million, to five companies: Aegis Defence Services, Limited;¹ EOD Technology, Inc.; Sabre International Security; Special Operations Consulting-Security Management Group; and Triple Canopy, Inc. The companies are among the seven largest private security service providers in Iraq. The five contractors participating in TWISS each received a \$250,000 task order obligation to meet the guaranteed minimum and initiate the contract; the contractors then competed to provide security services at various locations in Iraq. Between February 2008 and March 2009, 50 task orders had been issued to the companies.

This report responds to the mandate in the National Defense Authorization Act for 2008 (Public Law 110-181) that requires audits of the performance of security functions to address the manner in which contract requirements were developed and contracts or task orders were awarded, and the manner in which DoD exercised control over the performance of contractors.

The TWISS contracts and subsequent task orders were awarded by the Joint Contracting Command- Iraq/Afghanistan (JCC-I/A) on behalf of Multi-National Force-Iraq (MNF-I). To provide oversight of the contracts, JCC-I/A delegated contract administration and oversight to the Defense Contract Management Agency (DCMA).² The task orders set forth specific security services that are required. DCMA uses Contracting Officer Representatives (CORs) to conduct day-to-day oversight of the contractors' performance and compliance with contract requirements. CORs are selected by the installation command and report to DCMA and the contracting officer. Each task order has a COR, who is a military member located where the guard services are provided. DCMA also uses its own Quality Assurance Representatives to periodically inspect the CORs' and contractors' performance and compliance with requirements.

The objectives for this report are to identify:

- the costs of the contracts

¹ As of the date of this report, Aegis had been awarded a task order only to initiate the contract. The contract minimum of \$250,000 had been obligated against that task order. The obligated funds were to be used to pay for future tasks; however, because no additional tasks had been awarded, no funds had been paid to Aegis.

² JCC-I/A is the central authority for contracting in Iraq and Afghanistan. DCMA Iraq performs administrative services for effects-based contingency contracts in support of the Iraq theater of operations.

- the requirements for the static security forces
- the government's process for awarding the contracts, task orders, and modifications
- the oversight provided by the CORs

SIGIR plans to review government oversight of the contractors' bills, performance, operations, and processes for screening, selecting, and training its personnel in future reports.

Results

Between February 2008 and March 2009, DoD had expended \$154.6 million on the TWISS contracts. The contracts are funded from the Operation and Maintenance, Army, account. More than three quarters of the costs to date are for personnel costs. In most cases, life-support costs for contractor personnel—such as food, water, and shelter—are not included in contract costs and are paid by DoD. SIGIR estimates these costs at more than \$250 million per year. SIGIR reviewed selected personnel pay rates and found that on average, competing the task orders had driven down the costs of these services significantly.

The TWISS contract was created to streamline the contracting process for static security in anticipation of an increased need for these services in Iraq. SIGIR found that the requirements for the task orders were based on the need to replace troops performing static security with private security contractors (PSC) to make more troops available for combat operations. For example, at Camp Bucca, a task order for 417 personnel freed up approximately 350 soldiers for combat operations.

SIGIR found that most contract and task order awards were conducted under full and open competition, and the decision-making process was well supported. The 5 contracts and 47 of the 50 task orders were competitively awarded. Three noncompetitively awarded task orders, worth \$15.1 million, were appropriately justified as sole source awards.

SIGIR identified certain vulnerabilities in the government's oversight. Generally, the CORs' experience and training was limited, and they had insufficient time available to devote to their oversight responsibilities. This hampered their ability to perform their oversight responsibilities. For example, of 27 CORs responding to SIGIR questions, only 4 CORs said that they had previous contracting experience, 11 said that their training was insufficient to meet their job requirements, and 6 said that other duties prevented them from conducting adequate oversight. Although DCMA Quality Assurance Representative inspections help provide oversight, they are periodic and not a substitute for the day-to-day oversight provided by CORs who oversee task orders ranging from \$179.0 thousand to \$22.2 million.

Although SIGIR's review did not identify specific problems that have resulted from these limitations, SIGIR has identified poor oversight as a cause of fraud and waste. Given DoD's planned increase in the use of security contractors, this vulnerability could increase unless the problem is addressed.

Recommendations

To improve contract administration and oversight, SIGIR recommends that the Commanding General, Multi-National Corps-Iraq; the Director, Defense Contract Management Agency; and the Commander, Joint Contracting Command-Iraq/Afghanistan, direct that the following actions be taken as they relate to their respective responsibilities under the contract:

1. Provide additional training to Contracting Officer Representatives on their private security contractor oversight responsibilities with regard to the TWISS contracts.
2. Assess the workload for Theater-Wide Internal Security Services Contracting Officer Representatives to identify actions that can be taken to balance workload demands so that sufficient time can be given to contract oversight responsibilities.

Management Comments and Audit Response

Multi-National Force-Iraq (MNF-I) and the Defense Contracting Management Agency (DCMA) generally agreed with the report recommendations. Specifically, both agencies agreed on the need for additional training and workload assessments for Contracting Officer Representatives (CORs) and to take actions to address SIGIR's recommendations.

Concerning recommendation 1, MNF-I stated that Joint Contracting Command – Iraq/Afghanistan (JCC-I/A), in conjunction with DCMA, will reach out to CORs to provide targeted training in areas that CORs perceive to be their individual weaknesses. DCMA stated that some aspects of training are the responsibility of the COR's unit and DCMA's responsibility is training related to contract administration oversight and specific contract familiarity. DCMA stated that as a result of a review it performed in March 2009, DCMA plans to improve future COR training sessions by more directly involving the DCMA Administrative Contracting Officer and Quality Assurance staff in the instruction.

With regards to recommendation 2, MNF-I stated that while the requiring activity is responsible for nominating CORs based on individual qualifications and abilities, JCC-I/A will work with the requiring activities to ensure that they understand the responsibilities demanded of CORs. MNF-I also stated that JCC-I/A will work with requiring activities to recommend CORs who have prior experience with contract oversight and/or be familiar with the function. DCMA concurred with the need to assess COR workload. DCMA has recognized a gap in the number of assigned CORs in the Iraq and Afghanistan areas of operation. It stated this gap includes CORs with specialized skills that are not core competencies within DCMA. It further stated that DCMA is working with the DoD Joint Staff to address this issue.

MNF-I also provided technical comments, which SIGIR incorporated as appropriate. SIGIR believes that the actions identified by management, if properly implemented, are responsive to the report's recommendations.

Introduction

Private security contractors (PSCs) play an important role in Iraq by protecting U.S. personnel, facilities, and property related to reconstruction efforts. The Department of Defense (DoD) relies on PSCs to provide static, or site security in Iraq by guarding and protecting fixed locations such as forward operating bases.³ In September 2007, DoD competitively awarded five Theater-Wide Internal Security Services (TWISS) contracts to five PSCs for static security services in Iraq. The contracts have a combined not-to-exceed maximum value of \$450 million. The five TWISS contractors competitively bid on firm fixed-price task orders to provide security for specific operating locations.

This report responds to the mandate in Section 842 of the National Defense Authorization Act for 2008, Public Law 110-181 that requires audits of the performance of security functions to address the manner in which contract requirements were developed and contracts or task orders were awarded; and the manner in which the Department of Defense exercised control over the performance of contractors.

Background

In September 2007, DoD's Joint Contracting Command – Iraq/Afghanistan (JCC-I/A), on behalf of Multi-National Force – Iraq (MNF-I), awarded TWISS contracts to five PSCs: Aegis Defence Services, Limited⁴; EOD Technology, Inc.; Sabre International Security; Special Operations Consulting-Security Management Group; and Triple Canopy. The companies represent five of the seven largest private security service providers in Iraq. The contracts provide the capability to replace troops, substitute PSCs for soldiers that are needed elsewhere, or streamline the contract award process.

Each of the five contracts has a \$250,000 minimum, and all 5 contracts combined have a \$450,000,000 maximum value.⁵ Each contract has a 1-year base period (September 28, 2007, through September 27, 2008) and two 1-year options (September 27, 2008, through September 25, 2010). As of March 17, 2009, a total of 50 task orders had been awarded, \$252.7 million had been obligated, and \$154.6 million had been expended under the contracts.

The TWISS contracts and subsequent task orders were awarded by JCC-I/A on behalf of MNF-I. To oversee the contracts, JCC-I/A delegated contract administration and oversight to the Defense Contract Management Agency (DCMA). DCMA relies on Contracting Officer Representatives (COR) for the day-to-day oversight of the contractors' performance and compliance with contract requirements. Each task order has a COR, who is a military member located where the services are provided. In addition, DCMA Quality Assurance Representatives periodically inspect the CORs' performance and contractors' performance and compliance with requirements.

³ A forward operating base is an area used to support tactical operations without establishing full support facilities.

⁴ As of the date of this report, Aegis had been awarded only a task order to initiate the contract. The contract minimum of \$250,000 had been obligated against that task order. The obligated funds were to be used to pay for future tasks; however, since no additional tasks were awarded, no funds had been paid to Aegis.

⁵ The minimum contract value for all task orders issued against the contract is \$250,000

Services Provided Under TWISS Contracts

The TWISS contractors are to (1) provide all labor, weapons, and equipment needed to staff entry control points and perimeter towers, (2) secure selected facilities, (3) provide armed escorts on installations for local national laborers, and (4) maintain liaison cells at selected headquarters sites. The number of personnel to be provided varies per task order. For example, the smallest task order requires only one individual to provide security consulting services, while the largest task order requires approximately 1,000 personnel to guard a major U.S. installation. To perform these services, PSCs provide individuals with varied skills and training. For example, they provide:

- guards who staff internal and external control points, perimeter towers, roving patrols, and escort teams
- explosive ordnance detection dog handlers who inspect vehicles, equipment, and supplies for explosives and explosive devices
- screeners and screener/interpreters who search visitors and their belongings for prohibited items
- supervisors and management staff, including guard team supervisors, medical and administrative officers, the deputy site manager, and the site manager

Table 1 shows the estimated number of personnel under the TWISS contracts for each of these services as well as the management and support personnel.

Table 1—Estimated Personnel on TWISS Contracts, by Function as of March 17, 2009

Function	Number of Personnel
Guard	7,399
Explosive Ordnance Detection Dog Handler	37
Screener/Interpreter	179
Supervisor/Management	885
Specialized Support Personnel	80
Total	8,580

Source: SIGIR, compiled from all TWISS task orders as of March 17, 2009.

Most of the personnel provided under TWISS are expatriates from countries such as Uganda and Kenya. In addition, about 200 Iraqis perform static security under the contracts.

Objectives

For this report, SIGIR examined (1) the cost of the contracts; (2) the requirements for the static security forces; (3) the government's process for awarding the contracts, task orders, and modifications; (4) and the oversight provided by the CORs. SIGIR plans to review the government's oversight of the contractors' bills, performance, operations, and processes for

screening, selecting, and training its personnel. These issues will be the subject of subsequent reviews which will be announced as separate projects at a later date.

For a discussion of the audit scope and methodology, and a summary of prior coverage, see Appendix A. For a list of acronyms used, see Appendix B. For the audit team members, see Appendix C. For management comments, see Appendix D.

Contract Costs

Between February 2008 and March 2009, DoD had expended \$154.6 million on the TWISS contracts. The contracts are funded from the Operation and Maintenance, Army, account and more than three quarters of their costs are for personnel. In most cases, life-support costs for contractor personnel such as food, water, and shelter are not included in contract costs and are paid by DoD. SIGIR estimates these costs at more than \$250 million per year. SIGIR reviewed selected personnel pay rates and found that on average, competing the task orders had driven down the costs of these services significantly.

Contract Costs Are Substantial

Table 2 shows the number of task orders awarded to each contractor and the total funds obligated and expended for those task orders.

Table 2—Task Orders, Obligations, and Expenditures, by Contractor, as of March 17, 2009⁶

Contractor	Task Orders Awarded	Obligations	Expenditures
SOC-SMG	17	\$118,722,963	\$77,324,207
EODT	11	\$56,534,091	\$30,745,416
Sabre	12	\$42,349,942	\$26,904,817
Triple Canopy	9	\$34,859,447	\$19,631,855
Aegis	1	\$250,000	-
Total	50	\$252,716,443	\$154,606,295

Source: Joint Contracting Command – Iraq/Afghanistan and Defense Contract Management Agency.

The task orders are firm fixed-price awards with personnel costs that account for 81% of the \$252.7 billion obligated to date. Those costs are computed using fixed monthly rates per person for various positions under the task orders.⁷ For example, specific rates apply to expatriate guards, dog handlers, medics, and supervisors. The rates include overhead, travel, and training. The fixed prices also include mobilization fees, which include most other costs—such as weapons, night vision goggles, and radios. Items purchased with mobilization fees become the contractors' property. As of March 17, 2009, \$41.5 million or 16% of the \$252.7 million obligated, was for mobilization fees.

Because obligations are projected to increase quickly toward the contract maximum value of \$450 million as requirements continue to grow; in January 2009, JCC-I/A began soliciting follow-on TWISS contracts, which according to the request for proposal, will have a maximum

⁶ The TWISS contracts are funded with Operation and Maintenance, Army funds.

⁷ We do not provide specific contractor rates since they are proprietary information.

value of \$485 million.⁸ A major change in the new contracts will be a requirement for all companies to have facilities clearances. A facilities clearance is an administrative determination that a company is eligible for access to classified information or award of a classified contract. According to JCC-I/A officials, MNF-I plans to add additional installations in Iraq to the new contracts, including Victory Base Camp, which has a requirement for approximately 2,600 security personnel.

In addition to the \$154.6 million in contract expenditures, the government provides most life-support services—for example, food, water, and shelter—to contractor personnel. SIGIR estimates these costs at more than \$250 million per year.

Personnel Rates Have Decreased

According to JCC-I/A officials, the use of competition has helped drive down the costs of security services. We analyzed the two personnel rates most frequently used (Expatriate Guards and Expatriate Supervisors) to determine if the rates have been reduced over time and found that average costs have been significantly reduced over the course of the contracts, especially when compared to the rates agreed upon at contract award. For example, as shown in Table 3 the average rate for an expatriate security guard decreased 26% between the time the contract was awarded and the award of the first task order. In the most recent task order, the rate decreased an additional 29% for a total decrease of 55%.

Table 3—Average Percentage Changes in Personnel Rates between Base Contract, First Task Order, and Most Recent Task Order Rates from February 2008 to February 2009

Service	Base Contract and First Order	Base Contract and Most Recent Order
Expatriate Guard	-26.43%	-54.89%
Expatriate Supervisor	-28.41%	-55.58%

Source: SIGIR Analysis of TWISS Task Orders

⁸ According to JCC-I/A, due to the security agreement signed by the United States and Iraq, some of the planned option years will not be exercised or task orders could be terminated for convenience depending on installation closures.

Requirements Primarily Based on Need to Make Military Personnel Available for Combat Duties

In April 2007, MNF-I issued a request for proposals for static security services. The contract was to standardize static security services, streamline the contracting for these services, augment existing static security, and/or replace troops who were providing security with contractor-provided personnel. At the time, security was performed by a mix of coalition forces and contract personnel. MNF-I anticipated a dramatic increase in the need for static security services at multiple locations and realized that by using a multiple award indefinite delivery and indefinite quantity contract, it could satisfy those requirements by issuing task orders instead of individual contracts.

In our review of task orders, we found that 40 were justified on the need to replace troops, that is, to substitute PSCs for soldiers that were needed elsewhere, or incorporate an existing PSC contract into TWISS. In 19 of the 40, PSCs replaced soldiers performing static security at an installation. For example:

- At Camp Taji, DoD issued a task order for over 900 personnel to replace 400 soldiers and to address deficiencies in existing site security
- At Camp Bucca, DoD issued a task order for 417 personnel to free up approximately 350 soldiers for combat operations
- At forward operating base Hammer, DoD issued a task order for 124 personnel to free up 102 soldiers for combat operations

The other 21 task orders involved using contractor personnel in lieu of soldiers to meet (1) increased security requirements or (2) to incorporate an existing PSC contract into TWISS. For example:

- At forward operating base Hussaniyah, additional static security personnel were required when the installation size quadrupled. Without PSCs to fill this additional requirement, the base would have had to provide military personnel, jeopardizing its mission of training and developing the Iraqi Army
- At contingency operations base Shocker, the unexpected redeployment of Republic of Georgia soldiers created a requirement for security personnel to maintain a secure compound.

Contract and Task Order Awards Well Supported

The contract and task orders were mostly awarded under full and open competition, and the decision-making process was well-supported. The 5 contracts and 47 of the 50 task orders were competitively awarded. The three noncompetitively awarded task orders, worth \$15.1 million, were appropriately justified as sole source awards.

TWISS Contractors Were Selected Under Full and Open Competition

Contractors performing under the TWISS contracts were selected under full and open competition. The government's evaluation of the proposals appears to be thorough and well documented. As part of the award process, a Source Selection Evaluation Board reviewed all proposals and rated each on technical capability, past performance, past experience, Iraqi participation, and price. The five contractors that were awarded contracts were the top bidders based on JCC-I/A's criteria. Although the awards were protested to the Government Accountability Office by one unsuccessful bidder, the protest was denied.

On April 30, 2007, JCC-I/A initially issued the Request for Proposal, which stated that there would be multiple awards of indefinite delivery and indefinite quantity contracts with firm fixed-price task orders for a 1-year base period, with up to two 1-year options, to the companies whose solicitations would be most advantageous to the government. Proposals were submitted and rated based on the following five factors:

- **Technical Capability:** Describes how the company plans to meet the requirements included in the performance work statement. For example, the companies were required to address how they would provide high-quality force protection with up to 500 qualified guards. In addition, the government requested vetting, deployment, training, transition, and program management plans.
- **Past Performance:** Measures how well a company in the past 3 years has satisfied its customers and efficiently and effectively managed its contracts on projects of similar scope and magnitude. The companies were required to submit five relevant projects or contracts that addressed their abilities to perform in accordance with the statement of work.
- **Past Experience:** Assesses the capability of the company to perform based on the capabilities that the company currently possesses and will rely on to complete work under the contract, including training, familiarity in skill areas, and access resources to perform the job. In addition, the government requested information on a company's years of experience, locations of work, logistics, experience in high security areas, and ability to deal with government restrictions in the United States and Iraq.
- **Iraqi Participation:** Demonstrates a company's ability to meet the intent of the Multi-National Force – Iraq headquarter's "Iraqi-First" policy. Companies were required to submit a plan for how they would use, train, and transfer knowledge, skills, and abilities to an Iraqi workforce.

- Price: Provides cost analysis for performing the tasks under the statement of work, including component costs, ordering period costs, factors and assumptions in the cost, and verification of license.

According to the Request for Proposal, past performance and past experience were approximately equal in weight and significantly more important than technical capability and Iraqi participation, which were equal in weight. The four factors combined were significantly more important than price.

Offers were submitted by 15 companies. After a Source Selection Evaluation Board evaluated each company using the evaluation and rating assessment criteria in the solicitation, a competitive range was set and two companies were excluded from further proposals. Following the Board's review, four of the five contractors that eventually won the contract were ranked in the top five. JCC-I/A then initiated discussions with the 13 remaining companies to identify deficiencies in their proposals and received revised proposals from each. The contracting officer reviewed the final proposals and determined that the proposals submitted by Aegis Defence Services, Limited; EOD Technology, Inc.; Sabre International Security; Special Operations Consulting-Security Management Group; and Triple Canopy, Inc., represented the best value for the government. In October 2007, one of the unsuccessful companies protested the bid to the Government Accountability Office, which denied the protest. According to JCC-I/A, while the protest delayed awarding TWISS task orders, installations still had immediate static security needs. As a result, JCC-I/A issued short-term Blanket Purchase Agreements until the task orders could be issued. The first TWISS task order was awarded in February 2008.

Majority of Task Order Awards Are Competitively Awarded

When awarding task orders, JCC-I/A requests proposals from all five TWISS contractors in accordance with Federal Acquisition Regulation 16.505 (b) (1) (i) "Fair Opportunity."⁹ Contractors then have the opportunity to submit proposals. Those proposals are evaluated by the contracting officer, who determines the awardee based on various factors, including price and past performance.

Of the 50 task orders we reviewed, 47 were awarded under fair opportunity, and 3 task orders worth \$15.1 million were sole source awards.¹⁰ All task orders had the necessary documentation—such as memorandums documenting the award, contractor proposals, and justification and approval documentation—to justify the award decisions. For one of the sole source awards, the task order was awarded to the contractor that was performing the work before TWISS was awarded. According to the justification, awarding the task order to a new contractor would cause unacceptable delays and increase operational risk while units were in rotation at the installation. Two task orders were protested on the basis that the winning contractor did not

⁹ FAR 16.505 (b) (1) (i) states that the contracting officer must provide each awardee a fair opportunity to be considered for each order exceeding \$3,000 issued under multiple delivery-order contracts or multiple task-order contracts, except as provided in FAR 16.505 (b) (2). Exceptions include: urgency where fair opportunity would create unacceptable delays, only one awardee is capable of providing the supplies or services, economy and efficiency because it is a logical follow-on contract, or to satisfy a minimum guarantee.

¹⁰ Of these task orders, five were initially awarded as part of the contract award minimum of \$250,000. Four of the five initial task orders were modified to reflect competed task orders.

possess a facilities clearance and was therefore ineligible for award. In both cases, the Government Accountability Office denied the protests.

Vulnerabilities in Government's Oversight

Weaknesses in the government's oversight processes create vulnerabilities that could contribute to waste, fraud, or abuse. Generally, the CORs' experience and training was limited, and their time available to devote to their oversight responsibilities insufficient. As a result, their abilities to perform their oversight responsibilities were hampered. For example, of 27 CORs responding to SIGIR questions, only 4 CORs said they had previous contracting experience, 11 said that their training was insufficient to meet their job requirements, and 6 said that additional duties prevented them from conducting adequate oversight. Although DCMA Quality Assurance Representatives' inspections help provide oversight, they are periodic and not a substitute for the day-to-day oversight provided by CORs who oversee task orders ranging from \$179.0 thousand to \$22.2 million.

Contracting Officer Representatives Oversight Hampered

The installation command assigns a COR for each task order to be the eyes and ears of the installation commander and the contracting officer. Overall, the COR is to monitor the contractor's performance and compliance with contractual requirements, including compliance with all applicable laws, regulations, orders, and directives. Furthermore, the COR is responsible for validating invoices for payment submitted by the contractor. In addition to the above COR duties, TWISS CORs are also responsible for ensuring that PSCs adhere to arming requirements, personnel reporting systems, serious incident reporting systems, badging, and compliance with MNF-I fragmentary orders. According to DCMA, most CORs spend at least 6 months on these duties before they are reassigned to other jobs. SIGIR provided questions to all 50 TWISS CORs and received responses from 27. Based on the 27 responses:

- **Prior Experience:** Four had previous contracting experience. Twenty seven CORs received their training on COR duties after they arrived in Iraq.
- **Training:** Eleven stated that the training provided did not fully prepare them for their responsibilities in overseeing PSCs. CORs receive initial training in Trafficking in Persons, a 40-hour online course by the Defense Acquisition University, and in some cases an additional class provided by JCC-I/A. Furthermore, eight CORs stated that training specific to private security contractors would be helpful. Fifteen CORs stated that they learned their duties from on the job training from their predecessor when available, the DCMA Quality Assurance Representative, or even the contractor that they are overseeing.
- **Additional Duties:** Six CORs assigned to oversee the task orders have additional duties and contracts that prevent them from conducting adequate oversight of the TWISS contractors. While MNF-I requires that CORs have contract oversight as their primary function, this is not necessarily the case. For example, one COR noted that his primary duty is that of a platoon leader. In addition, he is responsible for overseeing other contracts. As a result, he is able to devote about 40% of his time to overseeing the TWISS task order. Another COR, who is in charge of one of the largest TWISS task orders, stated that he spends about 50% of his time on TWISS and six other services'

contracts. In both cases, the CORs felt that their additional duties prevented them from dedicating the necessary time to oversee the PSCs.

- Six CORs were able to balance their duties when they were also involved with installation security. For example, one COR whose duties involve installation security said that he was able to adequately meet his COR responsibilities despite his other duties because they were interrelated.
- Three of the TWISS contractors we spoke with stated that CORs are often ill-prepared for their tasks. For example, one contractor stated that in the majority of cases, CORs' knowledge of contracting and responsibilities has been limited. In addition, 2 contractors noted that CORs are often late in signing the invoices or filled them out incorrectly, leading to up to 3 month delays in payment to the contractor.

DCMA Quality Assurance Representatives

As noted earlier, DCMA uses Quality Assurance Representatives to perform periodic inspections of the PSCs' performance and compliance with requirements. Most task orders are assigned a Quality Assurance Representative, who is required to (1) develop inspection checklists, (2) perform independent assessments, (3) provide training to the COR, (4) conduct COR validation audits, and if necessary (5) submit corrective action requests to document a contractor's noncompliance.

According to DCMA officials, these inspections are usually performed once a month or with greater frequency based on the level of risk. Between November and December 2008, we accompanied Quality Assurance Representatives on three quality assurance reviews. We observed that these visits were beneficial to the oversight process. Specifically, on one of our visits, we observed that the Quality Assurance Representative identified an instance where the contractor failed to perform in accordance with the contract's requirements. Further, we noted the COR had not been aware that the number of personnel in the contractor's operations center was not in accordance with the statement of work.

Conclusions and Recommendations

Conclusions

Between February 2008 and March 2009, DoD had spent \$154.6 million on the TWISS contracts. Almost all contracts and task orders were awarded under full and open competition, with a well-supported decision-making process. Full and open competition has lowered the costs of these services.

The experience, training, and additional duties of CORs providing oversight of the TWISS contracts is another example of the difficulties experienced when the U.S. military lacks the capacity to manage its contractors in a contingency environment. Selecting CORs with limited or no direct contract management experience, providing them training on the job or on an ad hoc basis, and then assigning them other principal duties, increases the government's vulnerability. Moreover, in looking forward, difficulties in managing these contracts could easily be exacerbated as the U.S. military draws down its presence in Iraq and thus its available pool of experienced personnel to perform these functions. Furthermore, with the addition of the upcoming TWISS II, the TWISS contracts will grow in size to a potential \$935 million. Such a situation would make these contracts even more vulnerable to fraud, waste, and abuse.

Recommendations

SIGIR recommends that to improve contract administration and oversight, the Commanding General, Multi-National Corps-Iraq; Director of the Defense Contract Management Agency; and the Commander of the Joint Contracting Command-Iraq/Afghanistan direct that the following actions be taken as they relate to their respective responsibilities under the contract:

1. Provide additional training to Contracting Officer Representatives on their private security contractor oversight responsibilities with regard to the TWISS contracts.
2. Assess the workload for Theater-Wide Internal Security Services Contracting Officer Representatives to identify actions that can be taken to balance workload demands so that sufficient time can be given to contract oversight responsibilities.

Management Comments and Audit Response

Multi-National Force-Iraq (MNF-I) and the Defense Contracting Management Agency (DCMA) generally agreed with the report recommendations. Specifically, both agencies agreed on the need for additional training and workload assessments for Contracting Officer Representatives (CORs) and to take actions to address SIGIR's recommendations.

Concerning recommendation 1, MNF-I stated that Joint Contracting Command – Iraq/Afghanistan (JCC-I/A), in conjunction with DCMA, will reach out to CORs to provide targeted training in areas that CORs perceive to be their individual weaknesses. DCMA stated that some aspects of training are the responsibility of the COR's unit and DCMA's responsibility is training related to contract administration oversight and specific contract familiarity. DCMA

stated that as a result of a review it performed in March 2009, DCMA plans to improve future COR training sessions by more directly involving the DCMA Administrative Contracting Officer and Quality Assurance staff in the instruction.

With regards to recommendation 2, MNF-I stated that while the requiring activity is responsible for nominating CORs based on individual qualifications and abilities, JCC-I/A will work with the requiring activities to ensure that they understand the responsibilities demanded of CORs. MNF-I also stated that JCC-I/A will work with requiring activities to recommend CORs who have prior experience with contract oversight and/or be familiar with the function. DCMA concurred with the need to assess COR workload. DCMA has recognized a gap in the number of assigned CORs in the Iraq and Afghanistan areas of operation. It stated this gap includes CORs with specialized skills that are not core competencies within DCMA. It further stated that DCMA is working with the DoD Joint Staff to address this issue.

MNF-I also provided technical comments, which SIGIR incorporated as appropriate. SIGIR believes that the actions identified by management, if properly implemented, are responsive to the report's recommendations.

Appendix A—Scope and Methodology

In August 2008, the Special Inspector General for Iraq Reconstruction (SIGIR) initiated Project 8032 to examine the Department of Defense's (DoD) Theater-Wide Internal Security Services (TWISS) contracts with Aegis Defence Services, Limited; EOD Technology, Inc.; Sabre International Security; Special Operations Consulting-Security Management Group; and Triple Canopy, Inc. The reporting objectives for this report are to identify (1) the costs of the contracts; (2) the requirements for the static security forces; (3) the government's process for awarding the contracts, task orders, and modifications; and (4) the oversight provided by the CORs. SIGIR plans to review the government's oversight of the contractors' bills, performance, operations, and processes for screening, selecting, and training its personnel. These issues will be the subject of subsequent reviews that will be announced as separate projects at a later date.

To identify the costs of the contract, we examined the contracts and task orders issued under TWISS. We identified costs in the contract by the line item listed in each task order and modification. To obtain expenditure information, we relied on information from the Defense Contract Management Agency (DCMA). To estimate the cost of government provided life-support, we obtained a daily/per person rate charged to the government under the Logistics Civil Augmentation Program contract. We used that rate and the number of TWISS personnel estimated to be on the contract to compute a daily rate. We then projected that to an estimated yearly rate based on the need for such services 365 days a year.

To review the government's requirements for contracted static security forces, we reviewed requirements documentation submitted by the installations requesting the services. In addition, we sent questions to all contracting officer representatives (CORs) and received responses from 27.

To evaluate the contracting process, we examined available documents pertaining to (1) government evaluations of contractor proposals, (2) bid protests, and (3) contractor proposals. To review whether or not fair opportunity was granted for each task order, we reviewed contract documentation. When fair opportunity provisions for task orders were not used, we reviewed the contract documentation to ensure that Federal Acquisition Regulations were followed. In addition, we spoke with Joint Contracting Command – Iraq/Afghanistan (JCC-I/A) contracting officers, DCMA, and TWISS contractors.

To review the level of oversight performed by the government; we reviewed MNF-I, DCMA, and JCC-I/A regulations and guidance regarding COR responsibilities. We reviewed COR training materials by JCC-I/A and DCMA. We sent questions to all TWISS CORs and received responses from 27. In addition, we attended three DCMA quality assurance reviews in the International Zone.

This audit was performed by SIGIR 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. It was conducted 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

We obtained obligation data from the Joint Contracting Command – Iraq/Afghanistan. In order to validate the information provided by JCC-I/A, we compared their data with information compiled from the task orders themselves. In addition, we relied on DCMA invoice data for expenditures. We relied on that system as the official source because it is the most complete source for such data. We selected a judgmental sample of data and tested it against payment information from the Defense Finance and Accounting Service and found it to be accurate.

Internal Controls

We conducted a limited review of the specific controls used in managing and administering the TWISS contracts. We focused on the contract oversight controls related to COR and DCMA oversight. We also reviewed controls related to contract award and oversight.

Prior Coverage

We reviewed the following applicable reports issued by SIGIR, the Government Accountability Office (GAO), and the Congressional Research Service:

Special Inspector General for Iraq Reconstruction

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

Agencies Need Improved Financial Data Reporting for Private Security Contractors, SIGIR-09-005, 10/30/2008.

U.S. Government Accountability Office

Rebuilding Iraq: DOD and State Department Have Improved Oversight and Coordination of Private Security Contractors in Iraq, but Further Actions Are Needed to Sustain Improvements, GAO-08-966, 7/ 31/ 2008.

Rebuilding Iraq: Actions Still Needed to Improve the Use of Private Security Providers, GAO-06-865T, 6/13/2006.

Rebuilding Iraq: Actions Needed to Improve Use of Private Security Providers, GAO-05-737, 7/28/2005.

Congressional Research Service

Private Security Contractors in Iraq: Background, Legal Status, and Other Issues, 8/25/2008.

Private Security Contractors in Iraq: Background, Legal Status, and Other Issues, 7/11/2007.

Appendix B—Acronyms

Acronym	Definition
COR	Contracting Officer Representative
DCMA	Defense Contract Management Agency
DoD	Department of Defense
JCC-I/A	Joint Contracting Command-Iraq/Afghanistan
MNF-I	Multi-National Force - Iraq
PSC	Private Security Contractor
SIGIR	Special Inspector General for Iraq Reconstruction
TWISS	Theater-Wide Internal Security Services

Appendix C—Audit Team Members

This report was prepared and the review was conducted under the direction of David R. Warren, Assistant Inspector General for Audit, Office of the Special Inspector General for Iraq Reconstruction.

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

Daniel Chen

Robert L. Pelletier

Lovell Walls

Appendix D—Management Comments

Multi-National Force – Iraq

UNCLASSIFIED

MNF-I RESPONSE TO 20090403-045 (MNF-I CT-3692)

Draft SIGIR Audit Report, "Need to Enhance Oversight of Theater-Wide Internal Security Services Contracts" (SIGIR 09-017)

BACKGROUND: This report discusses the Department of Defense's (DoD) Theater-Wide Internal Security Services (TWISS) contracts for labor, weapons, equipment, and other essentials to augment and/or replace military security guard operations at forward operating bases and camps throughout Iraq.

QUESTION: To obtain MNF-I response to the recommendation on page 12 of the report and any other general comments on the report. NLT 13 April, respond directly back to SIGIRAuditReports@sigir.mil, with copy to CCIG NLT 17 April. Per CENTCOM CoS guidance, all audit report taskers on draft or final reports must indicate they have been reviewed and approved at an O-6 level (minimum) prior to sending response to CCIG.

MNF-I PROPOSED RESPONSE: MNF-I responds with the following and Tab B:

TAB B- Response to SIGIR Report 09-017

UNCLASSIFIED

1

This is an official MNF-I RFI response.

MNF-I CJ3 RFI Manager//DSN 318.239.9865//stratops.soc.rfi@s-iraq.centcom.smil.mil

SUBJECT: MNF-I Response to SIGIR Draft Report PA-09-017, "Need to Enhance Oversight of Theater-Wide Internal Security Services Contracts," dated 3 April 2009

1. **MNF-I RESPONSE:** Concur with information provided in this report.

2. GENERAL COMMENTS ON THE REPORT

- a. (U) Page 8. Footnote 9 states that per FAR 16.505(b)(i) contracting officers **"must provide each awardee a fair opportunity to be considered for each order exceeding \$2,500."** That is incorrect. Contracting officers must provide fair opportunity for orders exceeding \$3,000. Also, the same footnote identifies **"local follow-on"** as an exception to fair opportunity. That is incorrect. The exception should read "logical follow-on."
- b. (U) SIGIR Public Affairs Press Release and Page 12. The SIGIR Public Affairs Press Release states that the contracts have a **"combined not-to-exceed cost ceiling of \$450 million."** and states again in the press release that, **"The TWISS contracts will grow in size to a potential \$935 million cost ceiling."** This statement is repeated again on page 12. Without qualifying the latter statement, one could easily, and incorrectly, conclude that the government might exceed the maximum value of its TWISS contracts by more than \$485 million. Pages 4 and 5 do state that JCC-I/A is conducting a source selection for follow on TWISS contracts; however, to avoid any misinterpretation, recommend qualifying the \$935 million figure with the fact that number represents the potential value of current and future, unawarded TWISS contracts.
- c. (U) Pages 1, 4, 5, and 12. Page 1, first paragraph states **"The contracts have a combined not-to-exceed cost ceiling of \$450 million;"** page 1, fourth paragraph states **"all 5 contracts combined have a \$450,000,000 cost ceiling;"** page 4, fourth paragraph states, **"contract ceiling of \$450 million;"** page 5, first paragraph states, **"ceiling of \$485 million;"** and page 12, paragraph 1 states, **"potential \$935 million cost ceiling."** In all instances, recommend changing the word "ceiling" to "maximum value." Maximum value more accurately describes the order limitations of an indefinite-delivery contract per FAR 16.5.
- d. (U) Page 12. **Recommendation 1: Provide additional training to CORs on their private security contractor oversight responsibilities with regard to the TWISS contracts.** JCC-I/A, in conjunction with DCMA, will reach out to TWISS CORs to provide targeted training in areas that CORs perceive to be their individual weaknesses. Additionally, JCC-I/A, in conjunction with DCMA, will be mindful of the fact that most CORs do not have prior contract oversight experience and commit time to ensuring CORs are carrying out their responsibilities as required by the position.
- e. (U) Page 12. **Recommendation 2: Assess the workload for TWISS CORs to identify actions that can be taken to balance workload demands so that sufficient time can be given to contract oversight activities.** The requiring activity is responsible for nominating CORs based on individual qualifications and abilities. JCC-I/A, will work with requiring activities to ensure they understand the responsibilities demanded of CORs and recommend CORs have prior experience with contract oversight and/or be familiar with the function

being contracted. Ultimately, commanders must weigh competing priorities and make personnel decisions based on what is best for the command.

APPROVED BY:
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PREPARED BY:
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Management Comments

Defense Contract Management Agency



DEFENSE CONTRACT MANAGEMENT AGENCY DEFENSE CONTRACT MANAGEMENT AGENCY INTERNATIONAL

6359 Walker Lane, Suite 220
Alexandria, Virginia 22310-3259

IN REPLY
REFER TO DCMAI-D

MEMORANDUM FOR Office of the Special Inspector General for Iraq Reconstruction
Principal Deputy Assistant IG for Audit

SUBJECT: Review of Draft Report SIGIR-09-017, April 03, 2009, Need To Enhance
Oversight of Theater-Wide Internal Security Services Contracts (TWISS)

The Defense Contract Management Agency (DCMA) reviewed the SIGIR draft report with respect to Theater Wide Internal Security Services Contracts (TWISS). The report identified two recommendations regarding Contracting Officer's Representatives (CORs). The DCMA comments for each recommendation are provided below:

SIGIR Recommendation 1: Provide additional training to CORs on their private security contractor oversight responsibilities with regard to the TWISS contracts.

DCMA Comments to Recommendation 1. DCMA partially concurs with the recommendation. A trained and ready workforce of Contracting Officer Representatives (CORs) is essential to effective administration of the TWISS contracts. The Department of Defense Federal Acquisition Regulation Supplement (DFARS) 201.602-2(2)(ii) confirms that a COR "[m]ust be qualified by training and experience commensurate with the responsibilities to be delegated ..." COR training has two components. The first is the technical training which is the responsibility of the COR's unit to provide. DCMA takes a supportive role in validating the COR's technical training and technical skills. DCMA requires the unit Commander's written assessment and signature endorsing the appointed COR as: (1) technically trained to adequately perform assigned duties, and (2) having the required security clearance and the available time to adequately perform COR duties.

The second component of COR training relates to the contract administration oversight training and specific contract familiarity. DCMA provides this COR training to nominees. Our COR training covers the DCMA mission, COR management and responsibilities, procurement integrity, acceptance documentation, and COR prohibitions. We also issue each COR an appointment letter signed by the DCMA Administrative Contracting Officer and the COR. The letter outlines the specific expectations of the COR and his/her responsibility with respect to the contract and contractor.


In March 2009, DCMA performed a Management Internal Control Review of DCMA Iraq and Kuwait offices. As a result of the review, we intend to improve future COR training sessions by more directly involving the DCMA Administrative Contracting Officer and Quality Assurance staff in the instruction.

SIGIR Recommendation 2: Assess the workload for TWISS CORs to identify action that can be taken to balance workload demands so that sufficient time can be given to contract oversight responsibilities.

DCMA Comments to Recommendation 2. DCMA concurs with the need to assess the CORs workload. DCMA's role in the workload assessment is not a primary agency function. The requiring unit activity is responsible for identifying and ensuring that the appointed COR has sufficient time to perform the assigned COR duties. However, as outlined above DCMA performs an independent validation with the COR's unit Commander to assure there is time available to perform the assigned duties. Further, DCMA maintains metrics on COR audit completions, which are provided to the respective DCMA office for analysis. This metrics analysis helps DCMA and the unit ensure COR effectiveness in completing assigned audits.

DCMA has recognized a gap in the number of assigned CORs in the Iraq and Afghanistan areas of operation. This gap includes CORs with specialized skills that are not core competencies within DCMA. DCMA is working with the DoD Joint Staff to address this COR gap.

If you have questions, please contact the undersigned at 703-428-1789 or Ms. Susan Hogge, DCMA International at 703-428-1757.



DAVID J. GRAFF
CAPT, SC, USN
Commander

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Congressional Affairs	<p>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</p>
Public Affairs	<p>Daniel Kopp Director for 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: 703-428-0818 Email: PublicAffairs@sigir.mil</p>