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December 23, 2014

TO: U.S. Embassy Baghdad—Ambassador Stuart E. Jones
A—Joyce A. Barr

FROM: OIG/AUD—Norman P. Brown

SUBJECT: Management Assistance Report—Concerns With the Oversight of Medical Support Service Iraq Contract No. SAQMMA11D0073 (AUD-MERO-15-20)

The Office of Inspector General (OIG), Office of Audits, has identified concerns with the oversight of the Medical Support Service Iraq (MSSI) contract that could expose the Department of State (Department) to unauthorized commitments and subsequent contractor claims for work performed outside the scope of the contract. Specifically, OIG has learned of recent actions directing the contractor to perform work outside the scope of the MSSI contract and of limited onsite oversight of the contract by a technically qualified and designated Contracting Officer's Representative (COR).¹ These actions expose the Department to incurring unauthorized commitments and possible contractor claims. The concerns and three recommendations raised in this report should be addressed on an urgent basis.

In November 2014, the Executive Office for the Bureaus of Near Eastern Affairs and South and Central Asian Affairs for Iraq (NEA-SCA/EX/Iraq) provided written comments to a draft of this report. The comments did not directly address the recommendation made to U.S. Embassy Baghdad but provided explanations for actions taken. A summary of NEA-SCA/EX/Iraq's comments and our replies are presented in Appendix A. We also received comments from the Bureau of Administration, Office of Logistics Management (A/LM), that indicated agreement with the two recommendations addressed to it and provided no additional comments to the report. Management comments regarding our recommendations and our replies are presented after each recommendation. Comments received from both NEA-SCA/EX/Iraq and A/LM are presented in their entirety in Appendices B and C, respectively.

Based on evidence provided by A/LM, OIG considers Recommendations 1 and 2 closed. We consider Recommendation 3 resolved because steps have been taken to implement it, but it will remain open until A/LM provides written guidance to U.S. Embassy Baghdad to ensure that all direction to CHS Middle East, LLC, is through authorized MSSI contract personnel and

¹ OIG is finalizing an audit of the U.S. Mission Iraq Medical Services. We anticipate that the draft audit report will be issued for comment in January 2015.

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identifies the consequences and penalties for embassy staff engaging in unauthorized contractor commitments.

Background

In May 2011, the Department awarded contract No. SAQMMA11D0073 for MSSSI to CHS Middle East, LLC (CHS). The contract is an indefinite-delivery, indefinite-quantity contract,² valued at up to \$1 billion over 5 years. MSSSI is a highly complex contract that provides critical life support and health services to personnel under Chief of Mission (COM) authority at five facilities located in Baghdad, Basrah, and Erbil.

As of September 15, 2012, the Department issued 15 task orders under the base MSSSI contract to provide medical services at 14 mission facilities. The 15 task orders have a total authorized value of \$197 million, of which \$186 million had been obligated and \$181 million had been expended as of November 6, 2014.

The Contracting Officer (CO) for the MSSSI contract is located in Arlington, Virginia. In November 2011, the CO appointed one COR in Baghdad to provide onsite monitoring and oversight of the contract services for all 15 task orders. In May 2013, the Department awarded an independent validation and verification (IV&V) contract because CHS often submitted invoices with hundreds of individual charges, accompanied by hundreds of pages of supporting documentation. In part, the purpose of awarding the IV&V contract was to ensure that CHS fulfilled the terms and conditions of the MSSSI contract by reviewing invoices, auditing costs as needed, and providing review results to the CO and COR, which would provide the COR greater opportunity to review contractor performance. In August 2013, the Mission established a Contract Management Office at U.S. Embassy Baghdad to provide general oversight of embassy support contracts, and the COR position was placed within this office. In March 2014, the CO added an Assistant COR (A/COR) in Baghdad who was dedicated solely to the MSSSI contract.

The duties of the COR and A/CORs include ensuring that the services provided by CHS meet the performance standards set forth in the contract and also conducting contract surveillance through quarterly site visits to all contract locations. Given the technical requirements of the medical services being provided, the CO assigned professionals with medical backgrounds to the COR and A/COR positions.³

² Specific services under this contract are to be provided by separate task orders. The contract allows for a variety of delivery options—firm-fixed price, cost-reimbursement, labor hour, and time and materials—depending on the type, complexity, and urgency of the task order requirements. In addition, some task orders may be performance based.

³ Prior to taking their positions of overseeing and administering the MSSSI contract, the COR was a Medical Services Corps Officer for the Department of Defense, and the A/COR was a phlebotomist who was experienced in medical technology.

Embassy Management's Removal of the COR From the Minimal List Increased the Risk of Fraud, Waste, and Abuse

In June 2014, due to deteriorating security conditions in Iraq, the Bureau of Near Eastern Affairs and U.S. Embassy Baghdad reduced COM personnel in Baghdad by 1,379—from 3,988 direct hires and contractors to 2,609. These personnel were then relocated to Basrah and Erbil, Iraq; Amman, Jordan; Kuwait City, Kuwait; and to their countries of origin.⁴ To determine which COM personnel would be relocated, U.S. Embassy Baghdad and the Bureau of Near Eastern Affairs utilized a minimal staffing list, which is maintained to support emergency actions at post and is based on how many personnel the embassy could support in an emergency. Staff who were not included on the minimal staffing levels list were relocated.

At the time of the relocation, the COR who manages the day-to-day operations of the contract was outside Iraq on leave. The COR position for the MSSSI contract was initially included on the embassy's minimal staffing list so the COR could return to Iraq following leave and resume his responsibilities of providing onsite oversight of services provided by CHS, according to the Program Manager of the Contract Management Office. However, embassy management decided to remove the COR position from the minimal list; therefore, the COR was not authorized to return to the embassy.⁵ Therefore, upon returning from leave, the COR provided contract oversight from Washington, D.C., until his departure from the Department in August 2014.

In addition, the A/COR relocated to Amman in mid-June 2014, and the IV&V contractors returned to Washington, D.C. The A/COR stated that while in Amman she could provide only limited contract oversight because of poor internet connectivity and limited telephone access. Although the Program Manager for the Contract Management Office subsequently made two requests to have the COR or A/COR positions added to the minimal list so the COR or A/COR could return to Iraq, the Deputy to the Management Counselor (DMC) initially denied the requests.

Upon her return from personal leave in early August, the MSSSI A/COR was reassigned to Basrah. According to a July 29, 2014 email from the CMO Director to the Embassy Baghdad Management Office and copied to the DMC, the A/COR would assist with the day-to-day direction of CHS operations at Consulate General Basrah, "but more importantly to provide assistance as a [Baghdad Life Support Services contract (BLISS)] A/COR in Basrah." In addition, the A/COR stated she was allowed to return to Basrah, in part, to assist the Consulate General's Management Office with duties unrelated to the MSSSI contract.

⁴ U.S. Embassy Baghdad developed a "minimal staffing" list to identify the personnel who would remain in Baghdad and those who would be required to relocate.

⁵ On June 30, 2014, the minimum staffing level in Baghdad was 2,687, and on September 9, 2014, the minimal staffing level was 2,983—an increase of 296 positions.

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From June to late September 2014, the A/COR could not physically oversee MSSSI contract operations in Baghdad and Erbil because she was not allowed to travel to those locations. In October 2014, the A/COR resumed limited oversight of the MSSSI contract from Basrah, but she was not allowed to spend more than 10 days at any given location. Accordingly, no MSSSI contract oversight personnel currently remain in Baghdad.

Reducing oversight to only one authorized position in Iraq, on a contract with average monthly expenditures of \$4.4 million, increases the risk of fraud, waste, and abuse for the Department.

U.S. Embassy Baghdad Personnel Directed Contractor Activities Without Authority

Contracting Officers have numerous responsibilities under law and applicable regulations. According to the Federal Acquisition Regulation (FAR), Section 1.602-1, contracting officers have authority to administer contracts and are responsible for ensuring compliance with the terms of the contract. The FAR⁶ also states that Contracting Officers "are responsible for ensuring performance of all necessary actions for effective contracting, ensuring compliance with the terms of the contract, and safeguarding the interests of the United States in its contractual relationships." The FAR⁷ and Department of State Acquisition Regulations (DOSAR)⁸ allow Contracting Officers to designate and authorize technically qualified Department personnel as CORs to assist in the administration of contracts. However, CORs do not have the authority to establish the contract terms, conditions, and general provisions for contracts, including the methods of pricing.⁹ An unauthorized commitment occurs when someone other than a warranted Contracting Officer commits the U.S. Government to a contractual action, such as directing a contractor to perform work or deliver items.¹⁰ The *Foreign Affairs Handbook* (FAH) states that unauthorized commitments "may result in personal liability for the individual who made the commitment" and that Department personnel responsible for such commitments may be subject to disciplinary action.

OIG found that after the COR and A/COR relocated from Baghdad, various embassy personnel began directing the contractor to perform tasks that were outside the contract's scope of work or degraded CHS's ability to perform under the contract, which could have endangered the health of COM personnel, including 2,290 contractors (as of September 9, 2014) who receive medical services from CHS staff. These actions were made without authority from the CO or in coordination with the CO, COR, or A/COR. For example:

- U.S. Embassy Baghdad's DMC directed CHS to work with the Regional Medical Office and the Facilities Management Office to relocate the health unit to a more secure location on the embassy compound. These directions were beyond the authority of the DMC

⁶ FAR 1.602-2, "Responsibilities."

⁷ FAR 1.602-2(d).

⁸ DOSAR 642.270(a) and (b).

⁹ FAR 1.602-2(d)(5).

¹⁰ 14 FAH-2 H-132b.

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because they constituted a new work requirement outside the scope of the contract. Neither the A/COR nor the CO was consulted or notified of the DMC's directive. When the A/COR contacted the DMC to "propose three options that will allow CHS to continue seeing [the] contractor population until the clinic reopens," the Senior Regional Facilities Manager (SRFM) replied in an email that the A/COR's communication with the DMC "only serve[d] to muddy the waters." The SRFM also designated two CHS staff members as points of contact and requested that the A/COR coordinate any project requirements through these points of contact rather than contacting the DMC directly. Although the DMC had the authority to reassign the work space for the health unit, the DMC's directive constituted a new work requirement outside the scope of the contract with CHS. In addition, the DMC and the SRFM should have coordinated activity involving CHS through the COR or the A/COR.

- The MSSI contract includes a task order requiring CHS Public Health Technicians to conduct health screenings of contractor employees and to complete health inspections of food preparation facilities. However, the contractor was unable to fully perform these functions. On two occasions, embassy personnel hindered the contractor's and the COR's ability to conduct inspections and perform testing related to an outbreak of gastroenteritis. On August 26, 2014, the A/COR requested that the current Public Health Technician's temporary duty at the embassy compound be extended to September 20, 2014, the scheduled end date of the task order. Embassy management denied the request, stating the embassy was "already over on contractor numbers." In addition, because of a surge in gastrointestinal illnesses, on August 30, 2014, the A/COR requested that she and a second Public Health Technician visit the embassy compound to complete testing of patients' medical samples and to complete health inspections of embassy food preparation workers and the food supply chain. The DMC also denied this request. As a result, the A/COR and CHS contractor staff were not permitted to return to Baghdad and could not perform their oversight and contractual duties.
- In an email on September 8, 2014, a CHS Public Health Technician reported a meeting with the Facility Manager, Post Occupational Safety and Health Office, during an inspection of the water treatment facility. The CHS Public Health Technician reported that the Facility Manager stated that the technician should not be writing reports about safety and health hazards at the embassy compound and questioned why CHS was inspecting the reverse-osmosis water purification unit. The email stated that the Facility Manager wanted to review and provide input on CHS's public health reporting and validation process. The email further stated that the Facility Manager "still has the reports and wants a few days to think over our process."

Risk of Incurring Unauthorized Commitments and Contractor Non-Performance

OIG recognizes that the DMC has the authority to assign work space and determine appropriate staffing levels at an embassy. However, while doing so, the DMC must be mindful

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that all CHS activities must be coordinated through the COR, the A/COR, or the CO. Because the COR position was eliminated from the minimal list and the A/COR has not been allowed to return to Baghdad, no U.S. Embassy Baghdad personnel are authorized by the CO to direct the contractor. Therefore, there is increased risk that unauthorized commitments may be initiated with subsequent claims by CHS for work performed outside the scope of the contract. In recognition of this risk, on September 5, 2014, the CO formally notified CHS that it may take direction on contract work requirements only from a designated COR, A/COR, or CO and that no costs billed based on direction from any other source would be authorized or honored after the fact. However, we are not certain that this information has been communicated to the DMC or to other U.S. Embassy Baghdad managers.

Onsite monitoring and oversight by a technically qualified and designated COR is of paramount importance because of the complexity of the MSSSI contract and the critical services that CHS provides to Chief of Mission personnel in Iraq. Before the relocation of Department personnel from Iraq because of security concerns, day-to-day oversight of the contract was conducted by two professionals with medical backgrounds. The COR and the A/COR received invoice review assistance from two IV&V contract employees, along with general oversight by the Contract Management Office. Thus the MSSSI contract has gone from four people providing daily oversight before the relocation to one person (the A/COR) providing part-time oversight from Basrah with only a limited ability to oversee contractor actions in Baghdad and Erbil. Moreover, CHS invoices on the MSSSI contract are now being reviewed and approved in Washington, D.C., with limited validation of the services being provided in Iraq.

Recommendation 1. OIG recommends that U.S. Embassy Baghdad include in its minimal staffing list Contracting Officer's Representative and Assistant Contracting Officer's Representative positions, as appropriate, to provide onsite contract oversight from Baghdad and assist in the administration of the \$1 billion Medical Support Service Iraq contract.

Management Response: In November 2014, the Executive Office for the Bureau of Near Eastern Affairs and South and Central Asian Affairs for Iraq (NEA-SCA/EX/Iraq) provided written comments to a draft of this report. NEA-SCA/EX/Iraq did not specifically address the recommendation.

OIG Reply: Although NEA-SCA/EX/Iraq in its written comments did not indicate it would take steps to address the recommendation, OIG verified that the former A/COR has been designated as the COR for the MSSSI contract and that she was reassigned to U.S. Embassy Baghdad on November 18, 2014, and relocated on December 4, 2014. OIG therefore considers this recommendation closed.

Recommendation 2. OIG recommends that the Bureau of Administration, in coordination with U.S. Embassy Baghdad, designate a qualified Contracting Officer's Representative and Assistant Contracting Officer's Representatives for the Medical

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Support Service Iraq contract, as appropriate, to provide onsite contract oversight from Baghdad and safeguard taxpayer funds and the interests of the Department.

Management Response: A/LM concurred with the recommendation and indicated that the Contracting Officer had appointed the new COR on September 18, 2014, replacing the previous COR who departed post in August 2014. The new COR previously served as the A/COR and interim COR until the formal appointment. A/LM also provided a copy of the COR appointment letter on October 28, 2013. A/LM also stated that all of the current task orders, along with the IDIQ (base contract) document, would be modified to reflect the COR appointment and that all modifications should be completed no later than December 1, 2014.

OIG Reply: OIG received and accepted documentation provided by A/LM showing the appointment of the new COR. OIG therefore considers this recommendation closed.

Recommendation 3. OIG recommends that the Bureau of Administration communicate to U.S. Embassy Baghdad (a) the identities of the designated Contracting Officer's Representative and Assistant Contracting Officer's Representatives authorized by the Contracting Officer to direct CHS Middle East, LLC (CHS); (b) guidance to embassy staff to ensure all direction provided to CHS is through these authorized personnel only; and (c) the consequences and penalties for embassy staff engaging in unauthorized contractor commitments.

Management Response: A/LM concurred with the recommendation, stating that it would provide U.S. Embassy Baghdad written procedural guidance "on handling requirements and the process of handling unauthorized commitments" for this contract. A/LM further stated the notification would "include [a] copy of the COR appointment and all active task orders, including the Performance Work Statements for each location."

OIG Reply: OIG considers this recommendation resolved because we received the official designation letter of a COR for the MSSSI contract. This recommendation can be closed when OIG receives and accepts A/LM's written guidance to U.S. Embassy Baghdad ensuring that all direction to CHS is through authorized MSSSI contract personnel and identifies the consequences and penalties for embassy staff engaging in unauthorized contractor commitments.

As the action entity for Recommendation 3, the Bureau of Administration, Office of Logistics Management, should provide information on actions taken or planned for the one open recommendation within 30 calendar days of the date of this report. Actions taken or planned are subject to follow-up and reporting in accordance with the enclosed compliance response information.

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If you have any questions, please contact me, Assistant Inspector General for Audits, at (b) [REDACTED] or 703-284-(b) [REDACTED] or Sam Bernet, Director, Middle East Region Operations, at (b) [REDACTED] or 703-284-(b) [REDACTED].

cc: M–Patrick F. Kennedy
NEA–Anne W. Patterson

Summary of NEA-SCA/EX/Iraq Comments and OIG's Replies

In its response to a draft of this report, the Executive Office for the Bureau of Near Eastern Affairs and South and Central Asian Affairs for Iraq (NEA-SCA/EX/Iraq), on behalf of U.S. Embassy Baghdad, stated that "we wish to clarify the following comments or statements by section, to add context and highlight our point of view, which does not seem to have been taken into account when preparing this report." A summary of NEA-SCA/EX/Iraq's comments and our replies are presented as follows.

COR and A/COR Involvement in CHS Oversight

NEA-SCA/EX/Iraq stated, "In May 2014, even prior to the June crisis and minimal staffing requirements, it was agreed that a reorganization of the Contract Management Office (CMO) would leave a single Medical Support Services Iraq (MSSI) Contracting Officer's Representative (COR) in Iraq as sufficient to provide contract oversight, with an additional MSSI COR position in CMO Frankfurt providing coverage in Iraq as required." In addition, NEA-SCA/EX/Iraq stated six other CORs and A/CORs remained in Baghdad and Basrah to provide continued contract oversight. NEA-SCA/EX/Iraq also stated that after the relocation of the COR and A/COR from Iraq, that both "continue to work actively overseeing and supporting the contract" via email and telephone with contractor staff on the ground in Iraq and in the United States. Moreover, NEA-SCA/EX/Iraq stated that the A/COR's reassignment to Basrah "was to fill her primary role of A/COR for the MSSI contract" rather than to assist the Consulate General's Management Office with other matters. Also, "Once travel restrictions were lifted, [A/COR] conducted TDY trips throughout Iraq to perform medical audits and oversee public health inspections." Finally, NEA-SCA/EX/Iraq stated, "A new qualified COR is now being hired for CMO Frankfurt as part of the implementation of the original right-sizing recommendation."

OIG Reply: We agree that prior to the June crisis there was a plan to leave a single MSSI COR in Iraq, and OIG acknowledged in the body of this report that the position was initially on the minimal list. OIG also agrees that the COR continued to work remotely from the United States after his rest and recuperation leave and until he left the Department in August 2014. However, we disagree that the MSSI A/COR worked remotely from Amman. The A/COR arrived in Amman on June 18, 2014. According to the A/COR, limited telephone service and poor internet connectivity prevented her from performing contract oversight activities while in Amman. In addition, the A/COR was on rest and recuperation leave from July 3 to August 4, 2014. Immediately upon returning from leave, the A/COR was reassigned to Consulate General Basrah, arriving on August 5, 2014. We added additional information in the body of this report to provide greater clarity on these issues.

OIG also disagrees that the A/COR was reassigned to Basrah primarily to oversee the MSSI contract. According to a July 29, 2014 email from the CMO Director to Embassy Baghdad's

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Management Office and copied to the Deputy Management Counselor (DMC), the A/COR would relocate from Amman to Basrah to assist with the day-to-day direction of CHS operations at Consulate General Basrah. "More importantly," the email continued, the A/COR would "provide assistance as a [Baghdad Life Support Services contract] A/COR in Basrah." In addition, in September 2014, the MSSSI A/COR stated that she had been temporarily reassigned to "U.S. Consulate General Basrah at the request of the [Deputy Principal Officer]" until a decision was made on her permanent assignment. In addition, the A/COR stated that she had only limited ability to oversee the MSSSI contract while in Basrah because of connectivity problems with email service that limited her ability to receive and review contractor invoices. Moreover, as noted in the body of this report, the A/COR could not physically oversee MSSSI contract operations in Baghdad and Erbil from June to late September 2014 because she was not allowed to travel to those locations. We added additional information in the body of this report to provide greater clarity on this issue.

With regard to the six CORs and A/CORs remaining in Baghdad and Basrah after the June relocation efforts, OIG notes that the MSSSI Contracting Officer had not designated any of the personnel as either the COR or an A/COR for the MSSSI contract. Therefore, no personnel occupying these positions were authorized to oversee CHS activities and operations. As noted in the body of this report, OIG confirmed that the Contracting Officer appointed the former MSSSI A/COR as the new MSSSI COR, that the new COR is presently assigned to Embassy Baghdad, and that the new COR arrived at post in December 2014. As a result, OIG considers the issue resolved and closed.

Embassy Baghdad Personnel Directed Contractor Activities Without Authority

NEA-SCA/EX/Iraq stated that following a sniper attack on September 2, 2014, and noting that the CHS medical clinic was located in a non-hardened structure directly in the line of site from where the sniper fire originated, the DMC determined that CHS staff were at immediate risk. NES-SCA/EX/Iraq further stated: "At 12:47 pm. the Deputy Management Counselor (DMC) contacted the CHS Program Manager, to inform him of the need to relocate operations temporarily for safety reasons. At 12:51 pm, four minutes later, this message was forwarded to the MSSSI A/COR so that she was also informed and involved in this process." NEA-SCA/EX/Iraq stated further that this temporary relocation of CHS health operations did not constitute a new requirement outside the scope of the contract, that CHS services were uninterrupted, but that the services were temporarily provided at a new location.

OIG Reply: OIG acknowledged in the body of this report that the DMC has the authority to assign work space at the Embassy. However, only the Contracting Officer may direct the contractor to take action. OIG reviewed the correspondence NEA-SCA/EX/Iraq cited and does not dispute the sequence of events. However, the DMC did not coordinate his direction with either the Contracting Officer or the A/COR prior to issuing the direction, nor did he include the Contracting Officer or the A/COR on his initial email correspondence to CHS. Rather, the A/COR

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learned of the DMC's direction only when the contractor copied the A/COR in its reply to the DMC acknowledging and accepting the direction.

Risk of Incurring Unauthorized Commitments and Contractor Non-Performance

NEA-SCA/EX/Iraq stated, "At no time over the course of the past five months since June has an MSSSI unauthorized commitment been incurred; the COR has been involved in all MSSSI decision making at the earliest possible stage and in turn has involved the CO in decision making as required."

OIG Reply: In the body of this report, OIG concluded there is increased risk that unauthorized commitments may be initiated with subsequent claims by CHS for work performed outside the scope of the contract. This conclusion was based upon several incidents in which unauthorized Embassy personnel directed the contractor to complete work outside the scope of the contract. As noted in the body of the report, on September 5, 2014, the Contracting Officer sent an email to CHS stating, "Since CHS continues to take direction from others without CO/COR approval that may affect the terms and conditions/costs of the contract—CHS operated at risk and shall incur any costs associated with the actions below." Also, on September 6, 2014, the A/COR sent an email to the Deputy Management Counselor stating, "CHS is forwarding many emails received from others for COR guidance and direction. I appreciate if you could ask your folks to include me in the CHS related emails." Those emails indicate that the CO and the A/COR were not always involved in MSSSI decision-making.

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Appendix B

Joint Executive Office of the Bureaus of Near Eastern
Affairs and South and Central Asian Affairs Response



United States Department of State

Washington, D.C. 20520

November 25, 2014

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MEMORANDUM

TO: OIG/AUD – Norman P. Brown

FROM: NEA-SCA/EX/Iraq – Alfred T. Canahuate 

SUBJECT: Management Assistance Report – Concerns with Oversight of
Medical Support Service Iraq Contract (SAQMMA11D0073)

Below is NEA-SCA/EX/Iraq and Mission Iraq's response to the subject report.
The point of contact for this response is Tom Canahuate, who can be reached at
202-647-2894.

The complete response to the November 13 OIG Management Assistance Report –
Concerns with the Oversight of Medical Support Service Iraq Contract includes
specific answers on each of the report's three recommendations. In general, we
believe the actions recommended were already accomplished proactively by post
and NEA-SCA/EX/Iraq even in advance of this report.

However, there are also several statements made in the body of the report which
we believe to be inaccurate or taken out of context. As part of the response, we
wish to clarify the following comments or statements by section, to add context
and highlight our point of view, which does not seem to have been taken into
account when preparing this report.

**Embassy Management's Removal of the COR from the Minimal List
Increased the Risk of Fraud, Waste, and Abuse**

- In May 2014, even prior to the June crisis and minimal staffing requirements, it
was agreed that a reorganization of the Contract Management Office (CMO)
would leave a single MSSSI COR in Iraq as sufficient to provide contract
oversight, with an additional MSSSI COR position in CMO Frankfurt providing
coverage in Iraq as required.

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- At the time of the minimal staffing designations in mid-June 2014, the MSSSI COR was on leave in the U.S. and the MSSSI A/COR (stationed at BDSC) was relocated to Amman. It was agreed at the time that, given the very real possibility of a broader post drawdown at any time, both individuals could best continue to provide coverage for the contract from these locations, using e-mail and telephone contact with both CHS staff on the ground in Iraq and with CHS corporate headquarters in the United States. In fact, both individuals did continue to work actively overseeing and supporting the contract throughout this period.
- When the MSSSI A/COR relocated to Basrah in July, in fact her main responsibility was to fill her primary role of A/COR for the MSSSI contract, and not “to assist the Consulate General’s Management Office with duties unrelated to the \$1 billion MSSSI contract,” as stated in the report. Once travel restrictions were lifted, this Level III COR conducted TDY trips throughout Iraq to perform medical audits and oversee public health inspections.
- During this time, the principal MSSSI COR, [REDACTED], resigned. A new qualified COR is now being hired for CMO Frankfurt as part of the implementation of the original right-sizing recommendation.

Embassy Baghdad Personnel Directed Contractor Activities Without Authority

- On September 2, 2014 the Embassy experienced a very serious security incident involving two sniper rounds received on the compound. The CHS medical clinic is in a non-hardened structure directly in the line of site of the 215 Apartment Complex, from where the sniper fire originated; CHS staff were at immediate risk. At 12:47 pm the Deputy Management Counselor contacted the CHS Program Manager, to inform him of the need to relocate operations temporarily for safety reasons. At 12:51 pm, four minutes later, this message was forwarded to the MSSSI A/COR, so that she was also informed and involved in this process.
- The CHS Clinic was in a USG-provided facility and was temporarily relocated to another USG-provided facility – the Embassy Health Unit - so that no break in service to the contractor population occurred and this temporary relocation of CHS health operations did not constitute a new requirement outside the scope of the contract – CHS continued to provide the same services as called for

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under the contract, only in a temporary new location, and the Deputy Management Counselor did coordinate this activity involving CHS through the A/COR.

Risk of Incurring Unauthorized Commitments and Contractor Non-Performance

- The COR for the MSSSI contract has already relocated from Basrah to Baghdad and is now fully integrated into the Management section. The Deputy Management Counselor and all CMO and Management sections staff work with her on a daily basis. At no time over the course of the past five months since June has an MSSSI unauthorized commitment been incurred; the COR has been involved in all MSSSI decision making at the earliest possible stage and in turn has involved the CO in decision making as required.

Below is our response to recommendation 1. The Bureau of Administration, Office of Logistics Management will transmit the responses to recommendations 2 and 3 in a separate memorandum.

Recommendation 1: OIG recommends that U.S. Embassy Baghdad include in its minimal staffing list qualified COR and A/CORs, as appropriate, to provide onsite contract oversight and assist in the administration of the \$1 billion Medical Support Service Iraq contract.

NEA-SCA/EX/Iraq and Mission Iraq's Response to Recommendation 1:

Despite the crisis in June, U.S. Embassy Baghdad has maintained a number of qualified CORs and A/CORs in Baghdad. When Mosul fell and the Islamic State in Iraq and the Levant (ISIL) made rapid advances towards Baghdad in June, U.S. Embassy Baghdad, under the direction and advice of the Department and the National Security Council (NSC), ordered the departure of all non-minimal direct hire and contract staff. When the relocation culminated on July 1, three CORs and A/CORs remained in Baghdad with three more in Basrah to provide continued contract oversight. The imposition of the minimal staffing requirement resulted in the immediate "right-sizing" of the Contract Management Office (CMO). A single MSSSI COR in Iraq was felt to sufficiently provide contract oversight with CMO Frankfurt providing administrative support. A MSSSI COR position in Frankfurt would provide R&R coverage in Iraq as required. In July 2014, Embassy Management requested the MSSSI A/COR to return to Basrah to perform MSSSI COR duties – not other duties, as inferred by this report. Due to travel restrictions

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that were later lifted, the MSSI A/COR, as a Level III MSSI COR, conducted TDY trips throughout Iraq to perform medical audits and oversee public health inspections. Once the security environment in Baghdad appeared less dire, Embassy Baghdad reviewed its staffing requirements and requested two more A/COR positions be added to the minimal list in October – including one designated for MSSI. As of early November, a total of eight COR and A/COR positions are on the Baghdad minimal staffing list. These positions are further supported by the CMO in Frankfurt, established in November to provide additional contract oversight and support for the CMO in Baghdad. This office includes a COR designated for MSSI. Unfortunately, during this time, the principal MSSI COR resigned. A new qualified COR is now being hired for CMO Frankfurt as part of the original right-sizing recommendation.

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Drafted: NEA-SCA/EX/Iraq: [REDACTED]; Cell: 802-356-[REDACTED]

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Management, Response



United States Department of State

Washington, D.C. 20520

November 19, 2014

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MEMORANDUM

TO: OIG/AUD/ – Norman P. Brown
FROM: A/LM – Catherine I. Ebert-Gray
SUBJECT: Management Assistance Report- Concerns with Oversight of Medical Support Service Iraq Contract (SAQMMA11D0073)

Below is the Office of Logistics Management's response to the subject report. The point of contact for this response is John Stever, who can be reached at 703-875-6845.

Recommendation 2: OIG recommends that the Bureau of Administration, in coordination with U.S. Embassy Baghdad, designate qualified COR and A/CORs for the Medical Support Service Iraq contract, as appropriate, to provide onsite contract oversight and safeguard taxpayer funds and the interests of the Department.

Management Response to Recommendation 2: The Office of Logistics Management agrees with this recommendation. A COR for the MSSSI contract was formally appointed on September 18, 2014 by the Contracting Officer, replacing the previous COR who departed post in August 2014. The A/COR served as the interim COR until the formal appointment of the current COR on September 18. A copy of the appointment letter was provided to the OIG on 10/28/2014. All of the current task orders, along with the IDIQ (base) document are being modified to reflect the appointment. All modifications should be completed no later than December 1, 2014.

Recommendation 3: OIG recommends that the Bureau of Administration communicate to Embassy Baghdad (a) the identities of the designated COR and

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A/CORs authorized by the CO to direct CHS Middle East, LLC (CHS); (b) guidance to embassy staff to ensure all direction provided to CHS is through these authorized personnel only; and (c) the consequences and penalties for embassy staff engaging in unauthorized contractor commitments.

Management Response to Recommendation 3: The Office of Logistics Management agrees with this recommendation. The Office of Acquisitions Management will notify the Embassy in writing on procedural guidance on handling requirements (new or changes) and the process of handling unauthorized commitments for this contract. The notification will also include copy of the COR appointment and all active task orders, including the Performance Work Statements for each location.

Attachment: COR Designation

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