

Management Assistance Report: Results of 2014 Audit of Bureau of Diplomatic Security Worldwide Protective Services Contract Task Orders 2, 9, and 11
AUD-MERO-19-23, April 2019
Summary of Review

In 2013, the Bureau of Diplomatic Security (DS) asked the Office of Inspector General (OIG) to conduct an audit of Task Orders 2, 9, and 11 awarded under the Worldwide Protective Services (WPS) contract. These task orders were awarded to the contractor International Development Solutions, LLC (IDS) to provide movement and static security services in Jerusalem and Afghanistan. The objectives of the audit were to determine whether 1) DS adequately monitored IDS's work to ensure it was performing in accordance with contract terms and conditions and 2) DS's invoice review and approval procedures were sufficient to ensure proper payments. During the audit, OIG received allegations of potential civil or criminal violations of Federal law concerning the contract, task orders, and IDS. As a result, the Office of Audits suspended issuing the draft audit report as OIG's Office of Investigations (OIG/INV) worked with the U.S. Department of Justice to investigate the allegations. A copy of excerpts from OIG's 2014 unissued draft report is presented in Appendix A for informational purposes only.

OIG and the Department of Justice ultimately closed the investigation after the Department and IDS's parent company, Constellis, LLC, reached an administrative settlement. However, OIG has not yet received confirmation that the settlement agreements described in the Department's response fully addressed the Defense Base Act (DBA) worker's compensation insurance charges that OIG questioned in its 2014 unissued draft report. Specifically, OIG questioned 13 invoices that charged \$454,578 for overhead and general and administrative (G&A) charges associated with DBA insurance premiums that OIG concluded were unallowable. OIG reached this conclusion because the IDS price proposals incorporated into the Task Order 9 and Task Order 11 contracts, as well as subsequent modifications, did not include these items. Nonetheless, IDS submitted, and the Contracting Officer's Representative (COR) approved, four Task Order 9 invoices for DBA premiums, containing \$179,813 in overhead and G&A costs, and nine Task Order 11 invoices for DBA premiums, containing \$274,765 in overhead and G&A costs.

OIG issued this Management Assistance Report because the audit finding from the 2014 audit report remained relevant and warrants attention, not only for the costs questioned in the audit but because the practice of charging overhead and G&A costs associated with DBA insurance premiums may be occurring in similar Department contracts.¹ OIG therefore recommended that the Department determine whether the \$454,578 in overhead and G&A charged by IDS for DBA insurance premiums was allowable and to seek reimbursement for any amount deemed unallowable. In addition, OIG recommended that the Department review similar Department contract task orders associated with IDS, its parent company, Constellis, LLC, and its subsidiaries to determine if this practice was commonplace and to seek

¹ OIG did not make questioned costs draft recommendations in the 2014 unissued draft report because of INV's then newly opened investigation.

reimbursement for all costs deemed unallowable. The Bureau of Administration, Office of the Procurement Executive (A/OPE), concurred with the recommendations but stated that the identified questioned costs referenced in Recommendation 1 had in fact been addressed in the settlements and that all claims regarding these amounts were released. On the basis of A/OPE's concurrence with the recommendation, OIG considers this recommendation resolved pending further action. With respect to the second recommendation concerning a review of similar Department contract task orders associated with IDS and its parent company, Constellis, LLC, A/OPE stated that AQM required additional information about the specific cost elements questioned. OIG provided A/OPE with copies of the IDS cost proposals furnished to OIG during fieldwork for the 2014 audit, which served as the basis for the task order award, and provided other related information regarding OIG's analysis. On the basis of A/OPE's concurrence with the recommendation and agreement to review other contracts associated with International Development Solutions and its parent company, Constellis, LLC, OIG considers this recommendation resolved pending further action. A synopsis of A/OPE comments and OIG's reply follows each recommendation in the Conclusion section of this report. A/OPE's response to a draft of this report is reprinted in its entirety in Appendix B.