

HEARING ON ALLEGATIONS OF WASTE,
FRAUD, AND ABUSE IN SECURITY CONTRACTS
AT THE U.S. EMBASSY IN KABUL
June 10, 2009

Senator McCaskill's Opening Statement

Today's hearing examines a \$190 million contract to provide the guard force at the U.S. Embassy in Kabul. This contract is an important one because it relates directly to the protection of our U.S. Embassy and American personnel in Afghanistan.

This contract is also unique. At most U.S. embassies around the world, the State Department hires local nationals if they need a guard force. In Iraq and Afghanistan, however, the State Department has decided to contract out the Embassy's security to a mix of Americans, expatriates, and third country nationals. In Kabul, our Embassy security force is largely comprised of individuals from Nepal.

The Kabul Embassy contract can be viewed as a case study of how mismanagement and lack of oversight can result in poor performance. AGNA's performance on the Kabul Embassy contract has been deficient since the start of the contract in July 2007. The result is that, at times, the security of the U.S. Embassy in Kabul may have been placed at risk.

In July 2007, the State Department contracting officer issued a cure notice, a formal letter saying that the contractor had failed to meet major contract requirements. The contracting officer told AGNA: "I consider the contract deficiencies addressed below to endanger performance of the contract to such a degree that the security of the US Embassy in Kabul is in jeopardy."

The State Department also told AGNA that it questioned the contractor's ability to provide security for the Embassy in the hostile environment of Afghanistan. According to the State Department: "[T]he Government has serious concerns regarding AGNA's ability to respond in the aftermath of a mass casualty incident or an extreme loss of personnel due to mass resignation, hostile fire or loss of manpower due to illness. ... Therefore, AGNA needs to come

quickly to terms with contract requirements especially in light of the current incidents occurring in and around Kabul and the corresponding threat environment they pose.”

In September 2008, AGNA’s performance problems had grown so severe that the State Department advised AGNA that the State Department was considering terminating the contract. According to the State Department, AGNA’s failure to provide sufficient guards “has negatively impacted the security posture of the Local Guard Program for the U.S. Mission to Kabul. ... [T]he staffing situation has further deteriorated to a level that ... gravely endangers performance of guard services in a high-threat environment such as Afghanistan.”

In March 2009, in inspections of the guard force operations, the State Department observed that at least 18 guards were absent from their posts at the Embassy. In response, AGNA stated that the guards’ absences were due to “supervisory personnel negligence.”

Documents produced to the Subcommittee also show that the AGNA official responsible for buying winter clothing and boots for the guard force acquired over \$130,000 of counterfeit goods – from a company owned and managed by his wife. In total, the AGNA official purchased \$380,000 worth of equipment from his wife’s company. That’s shocking. But instead of letting the contract end after the first year, the State Department chose to exercise the first option year. And we have learned that the Department intends to exercise the second option year, which begins on July 1. If they do, the Kabul Embassy will be guarded by this contractor until next June.

In testimony to be delivered today, the witness from the State Department said: “at no time was the security of American personnel at the U.S. Embassy compromised.” I hope that is the case. I have been told it is. But the State Department’s own prior statements indicate that the safety of the U.S. Embassy was at risk, and that is something we need to examine.

The State Department and AGNA have also advised that the contractor is now fully compliant with requirements relating to staffing. I am satisfied that the Department and AGNA have made major progress and there are no remaining deficiencies which endanger the security of the Embassy. But I am not satisfied with the record of mismanagement that is before us today.

So I have one simple question for our witnesses today: Is this the best we can do?

There are profound lessons to be learned from the Kabul Embassy contract. By examining how the State Department and the contractor allowed so much to go wrong, we can begin the process of ensuring that mismanagement of a contract doesn't jeopardize our U.S. embassies again. My staff has prepared an analysis of the evidence that the Subcommittee has received, and without objection I will enter the staff analysis as well as these 13 documents into the hearing record.