

Inspector General

United States
Department of Defense



Security Guard Services Contract at
Naval Weapons Station Earle

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Acronyms and Abbreviations

CDR	Contract Discrepancy Report
FAR	Federal Acquisition Regulation
FSCM	Facilities Support Contract Manager
IG	Inspector General
MO	Maintenance and Operation Manual
NAC	National Agency Check
NAVFAC	Naval Facilities Engineering Command
NWS	Naval Weapons Station
OPNAVINST	Office of the Chief of Naval Operations Instruction
QA	Quality Assurance
QAE	Quality Assurance Evaluator
QAP	Quality Assurance Plan



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

January 23, 2009

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION,
TECHNOLOGY, AND LOGISTICS
NAVAL INSPECTOR GENERAL

SUBJECT: Security Guard Services Contract at Naval Weapons Station Earle
(Report No. D-2009-045)

We are providing this report for review and comment. We considered comments from the Commander, Navy Installations Command; Naval Facilities Engineering Command, Mid-Atlantic; and the Commander, Naval Weapons Station Earle when preparing the final report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. The comments from the Commander, Navy Installations Command were responsive. However, the comments from Naval Facilities Engineering Command, Mid-Atlantic were only partially responsive. Therefore, we request additional comments from Naval Facilities Engineering Command, Mid-Atlantic on Recommendations B.2.b. and B.2.c. by March 23, 2009.

Please provide comments that conform to the requirements of DoD Directive 7650.3. If possible, send your comments in electronic format (Adobe Acrobat file only) to AUDACM@dodig.mil. Copies of your comments must have the actual signature of the authorizing official for your organization. We are unable to accept the / Signed / symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Questions should be directed to me at (703) 604-9201 (DSN 664-9201).

A handwritten signature in black ink, reading "Richard B. Jolliffe".

Richard B. Jolliffe
Assistant Inspector General
Acquisition and Contract Management

January 23, 2009



Results in Brief: Security Guard Services Contract at Naval Weapons Station Earle

What We Did

This report responds to Congressman Christopher H. Smith's request that the DoD Inspector General review the security guard services contract at Naval Weapons Station Earle, New Jersey, in light of the Navy's plan to open base housing to the public. The congressional request included allegations that Myers Investigative and Security Service, Inc., violated its contract with the Navy.

We reviewed contract administration and contractor performance for the security guard services contract to determine whether the Navy properly administered the contract and whether the contractor performed according to contract requirements. We also addressed the following specific allegations contained in the congressional request.

- The contractor did not conduct background checks on prospective contractor employees.
- The contractor did not properly staff security shifts.
- The contractor did not properly train security guards and falsified training documentation.
- A security exercise identified security flaws.

What We Found

- The Navy was not able to provide documentation showing that all contractor security guards had completed a background check.
- With few exceptions, the contractor was properly staffing security posts.
- The contractor did not document whether security guards completed all training required by the contract.
- Navy security assessments did not identify any significant security concerns about the contractor security guards.

- The Navy did not perform quality assurance according to Navy guidance.
- The Navy did not adequately document contractor performance.

What We Recommend

- The Navy should maintain a record of when contractor employees complete criminal background checks and National Agency Checks.
- The Navy should implement procedures to document that contractor security guards have completed Navy required training.
- The Navy should revise the quality assurance plan to comply with Navy requirements, and implement an appropriate surveillance plan.
- The Navy should provide the required training to quality assurance personnel.

Corrective Actions

The Navy provided draft comments in January 2009 stating that they modified the contract for processing National Agency Checks. In addition, the Navy revised the quality assurance plan to include random sampling.

Navy Comments and Our Response

The Commander, Navy Installations Command; Naval Facilities Engineering Command, Mid-Atlantic; and the Commander, Naval Weapons Station Earle concurred with our recommendations. However, the Naval Facilities Engineering Command, Mid-Atlantic comments on one recommendation were only partially responsive and on another recommendation were nonresponsive. Please see the recommendations table on the back of this page.

Recommendations Table

Navy	Recommendations Requiring Comment	No Additional Comments Required
Commander, Navy Installations Command		B.1.
Commander, Naval Facilities Engineering Command, Mid-Atlantic	B.2.b., B.2.c.	A.1.a., A.1.b., B.2.a.
Commander, Naval Weapons Station Earle		A.2., B.3.a., B.3.b.

Please provide comments by March 23, 2009.

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Introduction

Objectives

The audit objective was to determine whether the Navy properly administered the contract and whether the contractor performed according to contract requirements. In addition, the audit addressed specific allegations raised in the congressional request. Please see the appendix for scope and methodology and prior audit coverage.

Background

Congressman Christopher H. Smith, who represents New Jersey's fourth district, requested that the DoD Office of Inspector General (IG) review the security guard services contract at Naval Weapons Station (NWS) Earle, New Jersey, following complaints from a former contractor employee about security procedures.

A former employee for Myers Security and Investigative Services, Inc. (Myers) contacted Congressman Smith about alleged lapses in the security procedures at NWS Earle. The allegations were as follows.

- Myers was not conducting background checks on prospective contractor employees.
- Myers was not properly staffing the security posts at NWS Earle.
- Myers did not properly train security guards and falsified training records.
- A security exercise identified security flaws at NWS Earle.

See finding A for a discussion of the allegations and DoD IG responses.

The DoD Office of Inspector General issued DoD IG Report No. D-2008-116, "DoD Section 801 On-Base Housing," on August 12, 2008, concerning the proposed leasing of 300 section 801 housing units located on base at NWS Earle by Laurelwood, Inc. The audit determined that NWS Earle officials were acting within the terms and conditions of the 1988 Section 801 housing agreement with Laurelwood, Inc., and the Navy will review security considerations for inclusion in the Environmental Impact Statement.

NWS Earle

NWS Earle is located in Colts Neck, New Jersey, and is one of three naval weapons stations on the East Coast. The station occupies 11,851 acres and comprises two separate land-holdings connected by a 14-mile highway and rail line. NWS Earle's mission includes:

- receiving, renovating, maintaining, storing, and issuing ammunition, explosives, expendable ordnance items, and weapons and technical ordnance materiel;
- providing logistics and administrative support to home-ported ships; and

- performing additional tasks as directed by the Commander, U.S. Fleet Forces Command or similar authority.

NWS Earle has its own police force, which is responsible for law enforcement and visitor control, and also oversees a contracted guard force that provides gate guards and roving patrols.

Security Guard Services Contract

The Naval Facilities Engineering Command (NAVFAC) awarded a firm-fixed-price, indefinite-quantity contract for security guard services at NWS Earle to Myers on January 29, 2004. NAVFAC awarded the contract for an initial 7-month period (March 1 through September 30, 2004) at a cost of \$1.9 million with 4 option years. As of September 2008, the contract at NWS Earle was in its fourth option year, with the total cost of the contract and the exercised options estimated at \$20.7 million. The fixed-price contract required that the contractor furnish all labor, supervision, materials, equipment, transportation, and management necessary to provide armed guards, patrols, and related services to protect personnel, property, facilities, and land. The contractor does not perform law enforcement at NWS Earle, but is mainly responsible for the prevention of unauthorized access to the base through the use of entry controls, exit controls, and roving patrols. NAVFAC Mid-Atlantic Public Works Department, NWS Earle, provides contract administrative services and quality assurance (QA) for the security guard services contract.

Quality Assurance Requirements

The Federal Acquisition Regulation (FAR) and the NAVFAC “Facility Support Contract Quality Management Manual (MO-327),” July 1, 1994, provide requirements for QA. FAR Subpart 46.4, “Government Contract Quality Assurance,” requires the creation of a quality assurance plan (QAP) that specifies all contract work requiring surveillance and the surveillance method. Maintenance and Operation Manual (MO)-327 provides guidance for creating and administering the plan. MO-327 states that QAPs:

- (a) Provide quality assurance evaluators (QAEs) with a systematic plan for the surveillance of the contractor’s work,
- (b) Provide the methods for collecting information necessary to evaluate the contractor’s performance,
- (c) Provide a basis for documenting the official contract file on matters pertaining to performance and quality,
- (d) Provide the methods for collecting data to justify deductions to the contract price in the event of unsatisfactory performance by the contractor, and
- (e) Provide shore establishment with a basis for providing QA resources at an adequate level.

Review of Internal Controls

We identified no material internal control weaknesses for the security guard contract at NWS Earle. However, the Navy’s internal controls over contract administration were inadequate as they applied to the audit objectives because Navy personnel were not

adequately performing and documenting Government oversight. Implementing Recommendations A.1., A.2., B.1., B.2., and B.3. will correct the internal control weaknesses.

Finding A. Security Concerns: Allegations and Responses

DoD IG received a request from Congressman Christopher H. Smith to review compelling security concerns at NWS Earle in light of the Navy's plan to open base housing to the public. The congressional request included allegations by a former contractor employee of violations of the contract between the Navy and Myers. The allegations included the following.

- Myers did not conduct background checks on prospective contractor employees.
- Myers did not properly staff security shifts.
- Myers did not properly train security guards and falsified training documentation.
- A security exercise identified security flaws.

The allegations included in the congressional request from Congressman Smith are discussed below.

Allegation 1. Background Checks

Myers did not conduct background checks on prospective contractor employees.¹

DoD IG Response

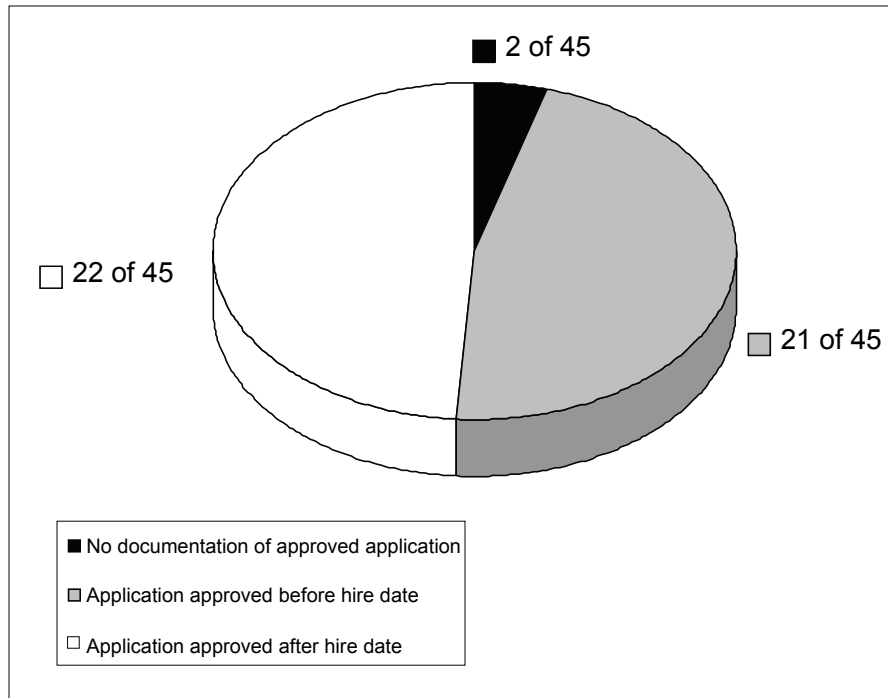
Navy security personnel were not able to provide documentation that all contractor security guards had completed required security checks because the Navy did not always keep the results of criminal background checks or National Agency Checks (NACs). Therefore, we were unable to determine whether the required security checks were completed for all contractor security guards.

Criminal Background Checks

NWS Earle security personnel provided documentation showing that the Navy completed a criminal background check for 43 contractor security personnel in our 45-person judgmental sample. The appendix provides additional detail on the sample. Contractor security personnel are required to undergo a criminal background check to work as security officers at NWS Earle. NWS Earle security personnel provided documentation showing that 43 of a judgmental sample of 45 current and former contractor employees had completed a criminal background check. According to the NWS Earle security director, NWS Earle security personnel conduct criminal background checks on contractor personnel. The contractor submits an application that NWS Earle security personnel use to complete the criminal background check through the Federal Bureau of Investigation Criminal Justice Information Services. The criminal background check application includes a signature block for Navy personnel to sign on the completion of the criminal background check. Navy personnel signed 43 of the 45 applications for

¹ The Navy, not the contractor, conducted background checks.

personnel in our sample. NWS Earle security personnel provided the applications as proof that the checks were approved; however, we could not determine whether the Navy approved checks for 2 of the 45 contractor security guards in our sample because the applications were not signed. In addition, of the 43 signed applications, 22 were not completed before the individuals' hire date. The Navy should implement procedures to document the completion of criminal background checks. The figure shows the breakdown of the signed application forms obtained for the judgmental sample of 45 contractor employees.



Note: Figure represents a judgmental sample of 45 current and former employees. It does not represent all contractor employees. Among all contractor employees, there may be individuals having no documentation of a criminal background check.

Contractor Security Guards' Applications for Criminal Background Checks

National Agency Check

Navy personnel provided documentation showing that 16 of a judgmental sample of 24 current and former contractor personnel had applied for a NAC. Navy personnel also provided documentation that the Office of Personnel Management completed NACs for 13 of the 24 contractor personnel. The NWS Earle installation security manager explained that he did not know whether he was required to keep a copy of the NAC applications; however, he did keep a copy for NACs that he had performed. Before October 2007, the installation security manager explained that he was responsible for processing NACs through the Office of Personnel Management. For each new contractor security guard, NWS Earle security personnel prepared a Standard Form 85P, "Questionnaire for Public Trust Positions," revised September 1995, and submitted the

application to the Office of Personnel Management. The Office of Personnel Management completed the check and notified the NWS Earle security manager of the results.

The NWS Earle installation security manager stated that he stopped processing NACs as of October 2007, when the NAC began requiring a local agency check and credit check that he did not have the capabilities to perform. He stated that the Defense Industrial Security Clearance Office should be processing NACs. The contractor guard force manager stated that requiring the contractor to process the NACs through the Defense Industrial Security Clearance Office would be an additional cost to the contractor. The contractor guard force manager stated that, as of July 2008, NACs were not being conducted, and any contract security guard not possessing a NAC was not permitted to be stationed in ordnance areas. NWS Earle security should establish a means for prospective security guard employees to receive NACs. In addition, NAVFAC facilities support personnel should maintain a record or require the contractor to maintain a record of when an individual completes a NAC.

Allegation 2. Contractor Staffing

The contractor did not always properly staff security shifts at NWS Earle—specifically, the contractor did not always cover posts when a guard did not report for work (resulting in an open post), and guards sometimes slept while on duty.

DoD IG Response

Overall, the contractor was properly staffing the security posts at NWS Earle. Navy personnel acknowledged that the contractor had a few instances of open posts immediately after the 2004 contract was awarded, but that it is no longer a problem. Navy personnel stated that it is unlikely the contractor could leave a security post open without Navy security being aware of it. The allegation noted incidents of a guard sleeping on post; however, the allegation also noted that the contractor later dismissed the individual. While overall the contractor properly staffed the security posts, we could not determine that it performed in a satisfactory manner. See finding B for additional details.

Open Posts

Navy personnel acknowledged some instances of open posts; however, they were minimal. The contractor is required to cover all guard posts as stated in the contract. If a guard is unavailable, the contractor may cover the post with a security supervisor for no more than 3 hours. The contractor is required to notify the Navy when an open post occurs. If the contractor cannot staff the post after 3 hours, then the Navy may assign uniformed Navy personnel to perform the missing guard's function. The Navy then withholds payment to the contractor for work not performed.

Overall, the contractor was properly staffing the security posts at NWS Earle. We obtained and reviewed invoice packages for March 2004 through December 2007 and noted deductions in 13 of the 46 months reviewed, all for open posts. The deductions totaled approximately \$4,500 on a contract totaling about \$22 million. The contract

allows the contractor to have as many as 207 hours per month of open posts for 21 posts and still maintain a satisfactory performance rating. Table 1 shows the number of hours of open posts compared with the possible hours staffed and the open post hours allowed for a satisfactory rating.

Table 1. Occurrence of Open Posts

Year	Number of Months	Hours of Open Posts	Possible Hours Staffed	Open Post Hours Allowed for a Satisfactory Rating
2004	10	144	113,076	2,075
2005	12	9	135,691	2,490
2006	12	5	135,691	2,490
2007	12	8	135,691	2,490

Navy Responsibility

NWS Earle installation security personnel have overall responsibility for security at NWS Earle. According to the NWS Earle security director, Navy security personnel perform law enforcement duties and security patrols of the installation at the same time that contractor guards are working. The Navy watch commander attends each shift's guardmount² and verifies that the required number of contractor guards reported and are ready for duty. In addition, the Navy watch commander is required to visit security posts during each shift.

Guard Oversight

The Navy watch commander, the Navy Quality Assurance Evaluator (QAE), and the contractor shift supervisors all monitor how the contractor staffs a shift and how the guards perform their duties. Each day, the following people perform the duties described to ensure contractor performance and the completion of shifts.

- The Navy watch commander is required to patrol within the confines of the Earle installation and the 17 miles of Federal road connecting the NWS Earle main-side complex and the waterfront complex. The watch commander's duties include conducting inspections of posts to ensure cleanliness, proper uniform and gear for watch standers, proper qualifications, and proficiency.
- The QAE conducts surveillance as stated in the QAP. During his surveillance of the guard posts, the QAE prepares a daily report that details the date, weather conditions, posts observed, and the surveillance results.

² A guardmount is a briefing and inspection of guards coming on duty at shift change. Guards are briefed on any pertinent information related to their post assignments; issued weapons, radios, and the like; and inspected for compliance with uniform and appearance standards.

- Contractor shift supervisors supervise other guards at their designated posts. During their shifts, supervisors are responsible for filling out a daily activity report, which details everything that is done at the respective guard post. These daily activity reports detail all relevant activities that occurred during the shift and ensure that the contractor is fulfilling the assigned duties.

Other individuals also perform oversight. Contractor security dispatchers compile a desk journal during their shift that documents who was scheduled to work at which post, as well as all events occurring on base that are either out of the ordinary or relevant. Contractor guards performing perimeter patrols and munitions inspections must both radio the dispatchers and complete written logs of their actions. The contractor security dispatchers record the watch commander's observations and the guards' radio calls in the desk journal. The Navy watch commander reviews and signs off on the desk journal if he feels that it is a correct representation of the shift's work.

Security Shift Documentation

Navy security personnel confirm that the contractor guards are properly staffing shifts by examining documentation such as the desk journal, which identifies the personnel assigned to work during a shift and any activities performed, and the daily activity reports, which document the contractor shift supervisor's actions and confirm that the guard posts were staffed in accordance with the contract. In addition, all guards assigned to roving patrols must fill out vehicle logs, which detail the mileage, time, and condition of the vehicle at the beginning and conclusion of their shift. The QAE's daily reports document the surveillance conducted to make sure that the contractor is conforming to contract requirements. When properly completed, the documentation provides a good audit trail verifying that the correct people were at their assigned posts, were conducting patrols, and were adhering to the contract guidelines. However, Navy and contractor personnel did not always fully document contractor deficiencies. See finding B for additional details.

Allegation 3. Contractor Training

The contractor did not properly train security guards and falsified training documentation.

DoD IG Response

The contractor documented in the employee training records that all guards in the audit team's judgmental sample of 45 contractor security guards had completed Phase I training and firearms training, and that 44 of 45 had completed physical agility training. In addition, the contractor documented that all 20 of the guards in our sample who had been employed by Myers for more than 2 years had completed Phase II training. However, the contractor did not document in employee training records the required number of hours of training or all of the required topics because the Navy did not specify how the contractor should document that information. Therefore, the audit team was not able to determine whether all contractor security personnel had completed the required number of hours of training or all required topics. The audit team did not identify any instances of falsified training documentation.

Training Requirements

The contractor did not document in employee training records the completion of the required number of hours of training or all of the required topics. The Navy required that contractor security guards complete 80 hours of Phase I training before staffing a guard post, and 40 hours of Phase II training annually. Phase I training includes classroom coursework, firearms training (time at the firing range), and on-the-job training. Phase II training includes refresher classes from Phase I, as well as recertification for firearms and additional on-the-job training. In addition, contractor security guards were required to pass an annual physical agility test. Contractor training records were insufficient to show that guards had completed the required number of hours or the required topics. However, the Navy did not specify in the contract how the contractor should document that information to meet contract requirements.

Training Completed

The contractor documented in the employee training records that all guards in the audit team's judgmental sample of 45 contractor security guards had completed Phase I and firearms training, and that 44 of 45 had completed physical agility training. Of these 45 training files reviewed, all 45 showed the employees completed Phase I classroom coursework and their firearms certification. In addition, all 20 guards in our sample that had been employed by Myers for more than 2 years had completed Phase II training. Further, only one individual's physical agility test had expired, and as of August 4, 2008, the contractor had scheduled physical agility testing for all of the guards. However, the contractor did not document in the contractor personnel training records the required hours of training, including time spent receiving certifications and on-the-job training, or all topics required by Chief of Naval Operations Instruction (OPNAVINST) 5530.14C, "Navy Physical Security Manual," December 10, 1998.³

Training Hours

The contractor did not fully document in the training records the required hours of training completed, such as on-the-job training or time spent at the firing range. The training records included a list of courses and the number of hours for each in Phase I and Phase II but identified only 18.5 hours of Phase I and 24 hours of Phase II instruction. The contractor provided the Phase I training schedule, which accounted for all 80 hours of training, including firearms and on-the-job training, and other certifications as required. However, the number of hours completed were not documented in the contractor personnel's training files. The Phase II training plan provided only a list of courses and did not demonstrate the breakdown of course hours. The audit team verified that the contractor training officer covers a Phase II topic each month and, on completion, annotates the training record and signs and dates the training file.

³ Superseded by OPNAVINST 5530.14D in January 2007.

Training Topics

The contractor did not fully document in the training records all of the topics required by OPNAVINST 5530.14C. The contract states that OPNAVINST 5530.14C provides guidance for the training requirements by specifying course topics to be covered. However the contractor-prepared training files did not list all of the topics required by OPNAVINST 5530.14C. We obtained copies of the draft revised training schedule for Phase I training and the plan for Phase II training to determine whether they covered all required course topics. The contractor training officer stated that some of the required topics are covered under a different course title in the training schedule. For example, the training schedule lists a course titled “Jurisdiction and Authority,” which provides instruction on selective enforcement, as required by OPNAVINST 5530.14C. Another example on the training schedule is the course titled “Crime Prevention and Crimes in Progress,” which provides instruction on drugs and drug abuse, as required by OPNAVINST 5530.14C. As of July 2008, the contractor training officer was working to update all contractor security guards’ training records.

In addition, contractor officials informed us that OPNAVINST 5530.14C was superseded by OPNAVINST 5530.14D, “Navy Physical Security and Law Enforcement Manual,” on January 30, 2007. The contract requires that the most recent version of directives be used. The Navy should implement procedures to adequately document that contractor security guards have completed Navy required training.

Allegation 4. Security Assessments

An article in the *New Jersey Star Ledger* reported on alleged security flaws discovered through a security exercise held at NWS Earle.⁴ The article specifically noted poor responses to packages containing dangerous materials when they were smuggled into the base; insufficient safety gear, such as too few protective helmets and vests; inadequate personnel levels; and failed inspections by security officers. The article said that one day’s test showed that manpower levels were inadequate at some guard posts. The article also explained that the base’s communications system failed to operate properly during another test.

DoD IG Response

The news article misrepresented NWS Earle security and was not indicative of significant security problems at NWS Earle. We met with the NWS Earle security director regarding the alleged security flaws identified in the article. According to the security director, the exercise detailed in the article was a routine exercise performed to check for deficiencies and to develop recommendations to address any deficiencies. Furthermore, the security director provided us with additional information on security assessments performed at NWS Earle. After meeting with NWS Earle security director and reviewing the Lessons Learned After-Action Report as well as additional security assessments and

⁴ “Terror drills expose Earle security flaws, secret papers reveal,” *New Jersey Star Ledger*, Sunday, 11 Nov. 2007.

appraisals, we determined that the news article was not indicative of significant security problems at NWS Earle.

Security Assessments

The Navy assesses installation security continuously. We reviewed internal and external assessments for 2004 through 2007. None of the assessments identified significant problems related to the contractor security guards. The security assessments performed at NWS Earle are discussed as follows.

Risk Assessment

The installation antiterrorism officer completes a risk assessment at the beginning of each calendar year. The assessment includes:

- a criminal and terrorist threat assessment that identifies the local and global threats to the installation,
- a vulnerability assessment that identifies installation-specific vulnerabilities that could be exploited by criminals or terrorists, and
- a criticality assessment that identifies which installation assets are critical to mission accomplishment and could be considered vulnerable to a terrorist or criminal threat.

At the conclusion of the assessment by the installation antiterrorism officer, Navy security personnel complete a risk assessment that identifies all critical assets vulnerable to criminal and terrorist threats.

Comprehensive External Antiterrorism Integrated Vulnerability Assessment

The Chief of Naval Operations Integrated Vulnerability Assessment Team or the Joint Service Integrated Vulnerability Assessment Team conducts a comprehensive external antiterrorism integrated vulnerability assessment every 3 years. The purpose of the external assessment is to identify antiterrorism program deficiencies and vulnerabilities that could be exploited, and provide realistic recommendations aimed at improving antiterrorism program implementation and risk-mitigation strategies. The assessment is conducted using Defense Threat Reduction Agency benchmarks. A local assessment is required annually in the years when no external assessment is scheduled. The last Joint Service Integrated Vulnerability Assessment on NWS Earle was conducted in July 2004, and the last Chief of Naval Operations Integrated Vulnerability Assessment was conducted in August 2007. A higher headquarters review is scheduled in 2010.

The NWS Earle contract specialist provided us with an e-mail that discusses the positive outcome from the Chief of Naval Operations Integrated Vulnerability Assessment in August 2007. Specifically, the e-mail stated:

The team leader performing the inspection commented that, out of the 15 inspections he has conducted, the working relationship between the Navy and Myers is the best he has ever seen between military and civilian guards. Both get along, but most noted and most importantly, all work together without friction or anything that will get in the way of the mission.

Increased Security at DoD Installations

DoD installations face increased security concerns today. Before September 11, 2001, many DoD installations were open and allowed the general public access with very little security monitoring. Following the terrorist attacks of 2001, DoD implemented various antiterrorism and force protection measures to limit public access to sensitive military information.

DoD Regulation 5200.08-R, “Physical Security Program,” April 9, 2007, implemented DoD policies and minimum standards for the physical protection of DoD personnel, installations, operations, and related resources. The physical security program consists of active and passive measures to prevent unauthorized access to personnel, equipment, installations, and information and to safeguard them against espionage, sabotage, terrorism, damage, and criminal activity. DoD Regulation 5200.08-R, Chapter 3, implemented general procedures that meet minimum Federal standards for controlling entry onto and exit from military installations and the facilities therein. Access control measures include:

- implementing DoD antiterrorism standards and DoD antiterrorism program-specific security measures based on the level of threat;
- designating restricted or controlled areas to safeguard property or resources for which the commander is responsible; and
- denying access to or enforcing the removal of persons who threaten security, order, or the discipline of the installation.

Conclusion

We reviewed the allegations contained in Congressman Smith’s audit request, and we identified one administrative concern at NWS Earle regarding the processing of background checks and a second administrative concern regarding contractor training. NWS Earle security personnel were not always able to provide documentation showing that the proper background checks had been completed prior to the hire date for contractor security guards because NWS Earle Security did not always keep the results of criminal background checks or NACs. As of July 2008, contractor security personnel were not undergoing NACs because of a change in the requirements for processing the NACs. In addition, the contractor did not fully document that all contractor security guards completed the required number of training hours in the specified topics because the contract did not specify how the contractor should document the training completed. We did not identify any instances in which the contractor falsified training records.

Navy Planned Corrective Actions

In October 2008, NAVFAC Mid-Atlantic officials provided documentation that they intend to modify the contract to pay the contractor to process NACs through the Defense Industrial Security Clearance Office. The action was taken as a result of our audit and, when completed, should satisfy the requirements of Recommendation A.1.a.

Recommendations, Navy Comments, and Our Response

A.1. We recommend that the Commander, Naval Facilities Engineering Command, Mid-Atlantic direct the Naval Weapons Station Earle facilities support contract manager to:

a. Maintain records of when contractor employees complete their National Agency Checks.

Navy Comments

Naval Facilities Engineering Command, Mid-Atlantic, responding through the Commander, Navy Installations Command, concurred and commented that the Navy plans to modify the contract to require the contractor to process National Agency Checks through the Defense Industrial Security Clearance Office. Upon completion of these checks, the facilities support contracts manager will maintain a copy, and a copy will be forwarded to the quality assurance evaluator, who will maintain a spreadsheet to track the dates when the guards receive the required clearances. According to additional draft comments dated January 14, 2009, the modification was executed on December 18, 2008.

Our Response

Comments of the Naval Facilities Engineering Command, Mid-Atlantic were responsive. No additional comments are required.

b. Implement procedures to adequately document that contractor security guards have completed Navy required training.

Navy Comments

Naval Facilities Engineering Command, Mid-Atlantic, responding through the Commander, Navy Installations Command, concurred and commented that new procedures have been established requiring the quality assurance evaluator to maintain a spreadsheet monitoring when training is completed. The quality assurance evaluator will also attend Physical Security Specialist courses to qualify him/her to interpret current requirements.

Our Response

Comments of the Naval Facilities Engineering Command, Mid-Atlantic were responsive. No additional comments are required.

A.2. We recommend that the Commander, Naval Weapons Station Earle require the security director to maintain a record of when contractor employees completed criminal background checks.

Navy Comments

The Chief of Staff, Navy Region Mid-Atlantic, responding for the Commander, Naval Weapons Station Earle, concurred and commented that Naval Weapons Station Earle personnel have increased controls over the maintenance of contractor employees' criminal background checks to preclude the hiring of contractor employees before completion of criminal background checks. The process requires that criminal background check records be kept for the duration of the contract. In addition, the Naval Weapons Station Earle security investigator was developing a standard operating procedure to document this process. The target completion date for the standard operating procedure is January 15, 2009. As of January 15, 2009, the standard operating procedures were being reviewed for approval.

Our Response

The Chief of Staff's comments were responsive. No additional comments are required.

Finding B. Improved Quality Assurance Needed for Security Guard Services Contract

QA procedures for the security guard services contract at NWS Earle could be improved. Navy QA and security personnel did not always properly perform or document Government oversight. Inadequate oversight occurred because the Navy did not prepare a QAP or perform QA according to NAVFAC guidance. Specifically, Navy personnel:

- employed an improper surveillance method;
- created an inadequate QAP;
- did not perform QA during nights, weekends, or holidays;
- did not prepare a surveillance schedule; and
- did not adequately document oversight.

As a result, although Navy personnel determined that contractor performance was satisfactory, we could not verify that determination.

Quality Assurance Plan

NAVFAC facility support personnel did not prepare a proper QAP that identified a suitable surveillance method. Instead, they selected a method that did not agree with naval guidance for the type of contract and the QA resources that were available. In addition, the QAP was unsigned, undated, and had no evidence of review.

Surveillance Method

NAVFAC facility support personnel chose an incorrect primary surveillance method to oversee the security guard services contract. The QAP identified planned sampling as the primary surveillance method. However, Navy guidance states that random sampling is more appropriate for this type of service. The QAE should use the correct surveillance method because it determines how the contractor's performance is inspected, a factor that affects the amount of resources devoted to the QA effort. MO-327 states that random sampling is preferred for monitoring guard services when:

- inspection resources are limited,
- the number of tasks performed is large and the tasks are relatively homogenous,
- contract tasks occur frequently or continuously, and
- there is a well-documented audit trail of contractor activities, such as completed work orders or vehicle maintenance logs, to evaluate.

The facilities support contract manager (FSCM) provided a document titled "Quality Assurance Guide for Contract No. N62472-03-R-083 Security Guard Services Naval Weapons Station Earle Colts Neck, New Jersey," along with the QAP. The QA guide was designed to assist the QAE under the direction of the FSCM in executing the QA program for the security guard services contract. The QA guide also considers random

sampling an appropriate surveillance method because of the high frequency and number of tasks performed in the typical guard services contract. Table 2 illustrates applications of random and planned sampling to meet surveillance requirements as stated in MO-327 and the QA guide.

Table 2. Applications of Random and Planned Sampling

Surveillance Requirement	Preferred Sampling Method	
	Random	Planned
Inspection resources are limited	X	
The total number of services is small		X
Specified contract locations must be monitored because of individual importance		X
Contract tasks occur frequently or continuously	X	
Attention is focused on known problem areas		X
Contract tasks do not require vigorous inspections		X
A well-documented audit trail of contractor activities exists	X	
Follow-up on customer complaints is required		X
The quality assurance evaluator is a trained physical security specialist		X

Source: MO-327 and the QA guide

Under random sampling, the QAE evaluates a portion of the work and estimates contractor performance statistically. Conversely, under planned sampling, the QAE subjectively chooses both the work to be evaluated and the sample size and focuses on known problem areas or areas of higher importance.

NAVFAC facility support personnel did not consider inspection limitations when they chose planned sampling as the primary surveillance method. The QA guide states that QAE staffing should be based on the contract’s surveillance requirements, rather than basing those requirements on the availability of QAEs. Planned sampling should be used if one of the assigned QAEs is a trained physical security specialist, even if only as a secondary responsibility. Otherwise, random sampling should be used. MO-327 recommends random sampling when the number of tasks the contractor performs is large and inspection resources are limited. NAVFAC facility support personnel selected planned sampling when only one QAE, who had no security training, was assigned to oversee the security guard services contract. The QAE also oversees QA on three other service contracts.

In addition, NAVFAC facility support personnel’s chosen surveillance method did not agree with the day-to-day operation of the security services contract. At NWS Earle, the contractor security guards staffed 21 posts daily and provided fixed and continuous guard services 24 hours a day, 7 days a week. The guards prepared documents such as vehicle logs, daily activity reports, and the desk journal to document their performance. The one Navy QAE performed numerous observations of all posts; however, the QAE observed the contractor primarily weekdays on the day shift and did not perform inspections at

night, when most of the contractor deficiencies occurred. The day-to-day operations call for a random surveillance method. Table 3 lists NWS Earle surveillance considerations and shows which surveillance method is better suited for the security services contract.

Table 3. Sampling Method Suited to NWS Earle Operations

Surveillance Considerations	Sample Method	
	Random	Planned
One QAE assigned	X	
Contractor personnel staffed 21 posts daily	X	
The QAE monitored all posts regardless of a post's individual security risk	X	
The contractor performed guard services 24/7	X	
The majority of deficiencies occurred on third shift		X
The contractor had a sufficient audit trail of guard activities	X	
The customer prepared very few customer complaints	X	
The QAE was not a trained physical security specialist	X	

NAVFAC facility support personnel chose a surveillance method (planned sampling) that did not properly address NWS Earle's needs or considerations. The size and nature of the security services contract called for random sampling. Planned sampling was designed to observe a few services, not numerous security services provided to an entire installation. NAVFAC facility support personnel should choose a surveillance method suitable for a security services contract that can fill the requirements of the QA program.

Quality Assurance Plan Creation and Approval

NAVFAC facility support personnel created an inadequate QAP for the security guard services contract. The FSCM provided us the most recent version of the QAP, which was not dated or signed. Further, QA personnel could not provide evidence that the QAP had been reviewed or updated. MO-327 states that the QAP is created through the joint efforts of the specification writer, the QAE, the FSCM, and the customer representative or functional manager. However, the QAE stated that he largely created the current QAP himself, basing it on a NAVFAC template, when he was assigned to the contract in 2004. The QAE stated that he sent the QAP to the FSCM for approval but never received a response. Further, the QAE stated that he had used the QAP ever since, and it had never been updated. NAVFAC facility support personnel should revise the QAP so the QAE can monitor contractor performance in accordance with agreed-on practices.

Quality Assurance Performance

NAVFAC facility support personnel should improve their QA procedures. The QAE did not perform after-hours inspections, used an inappropriate surveillance method, did not fully document oversight, and did not perform inspections according to naval guidance or the QAP. Although Navy security personnel oversee the contractor 24/7 for the installation's physical security, Navy security personnel did not always document their oversight to meet QAP and MO-327 requirements.

After-Hours Quality Assurance

NAVFAC facility support personnel did not perform after-hours post inspections for a highly sensitive and continual performance security services contract. MO-327 and the QA guide suggest that QAE staffing be based on the importance of a particular service. Yet, the NAVFAC Public Works Department assigned only one QAE to oversee contractor performance. The QAE was also responsible for QA on three other contracts. The QA guide recommended against having a single QAE oversee performance on multiple shifts and consequently required sufficient resources to perform inspections during off-peak hours. However, the assigned QAE rarely performed QA during nights, weekends, or holidays. NWS Earle is a large station that provides significant services, such as armament functions, to many. Because of the round-the-clock and sensitive nature of the contractor's services, NAVFAC facility support personnel should require inspections during nights, weekends, and holidays.

NAVFAC facility support personnel acknowledged that they rarely performed QA on other-than-weekday shifts. We judgmentally selected the month of October 2006 to determine when the majority of QA inspections occur. We reviewed 6 worksheets and 19 daily reports used to support the October 2006 monthly performance evaluation. Of the 105 documented observations for October 2006, we determined that the QAE made 84 observations during the first shift and 21 observations during the second. The QAE never monitored the third shift, yet contractor personnel staff the majority of the posts around the clock. The QAE made second-shift observations on only 4 days and did not confirm any actual work performance. Those recorded observations addressed only guard attendance at guardmount and proper work attire. In addition, the QAE made observations only during the week, not on weekends or holidays.

The QAE should be performing QA inspections during off-peak hours because that is when the majority of open posts occurred. NAVFAC facility support personnel assessed the majority of contract payment deductions for contractor nonperformance on the third shift. All 48 deductions occurring between March 2004 and December 2007 were for open posts, totaling 167 unstaffed post hours and about \$4,500. Over half of the deductions (33) occurred during the third shift. Both the FSCM and the QAE agreed that surveillance was rarely performed during off-peak hours. QA personnel should provide oversight of the contractor during off-peak hours. Table 4 shows the number of occurrences, length, and cost of each open post by the shift on which the deficiency occurred.

Table 4. Open Posts by Shift, March 2004-December 2007

Open Posts	Shift 1	Shift 2	Shift 3	Total
Number	9	6	33	48
Length (hours)	19	17	131	167
Cost (Deductions taken before liquidated damages*)	\$ 415	\$ 399	\$ 3,037	\$ 3,851

* An additional \$683 in liquidated damages was also assessed and deducted.

Surveillance Schedules

The QAE relied on unscheduled (incidental) inspections as the primary method of QA. However, the QAP specifically states that planned sampling is the primary surveillance method supported by unscheduled inspections and validated customer complaints. The QAE stated that he tried to observe each post weekly, but did not document the processes he used to determine how and when he reviewed each post. He also did not prepare a surveillance schedule that could be used when he was unavailable.

NAVFAC facility support personnel did not prepare a surveillance schedule to determine and document the sample size and the evaluation procedures to allow others to complete QA surveillance in the same manner. MO-327 requires that QA personnel create and use surveillance schedules. Surveillance schedules show where and what the QAE is monitoring at all times. Completing surveillance schedules optimizes the use of available time and provides management with the information necessary to monitor the QA program. The QAP states that before an evaluation period the QAE will choose and document an appropriate number of posts to sample. Without a surveillance schedule, the QAE performed unscheduled inspections as the primary surveillance method. MO-327 specifically states that unscheduled inspections cannot be used to determine the contractor's overall level of performance. The QAE agreed that planned sampling was not being performed and that a surveillance schedule was not in place. Further, without a surveillance schedule, the FSCM's signature on the monthly invoice was the only evidence of supervisory review of the QA program. NAVFAC facility support personnel should implement a surveillance schedule to consistently administer and review the QA program.

Although the QAE did not prepare a surveillance schedule to determine and document the sample size, he did regularly observe the security posts. We reviewed 6 worksheets and 19 daily reports used to support the October 2006 monthly performance evaluation to determine whether the QAE observed an adequate number of posts. All 21 posts staffed daily were monitored and, with the exception of 2 posts, were reviewed 3 or more times. The QAE made a total of 105 observations for the 21 posts that included 239 required tasks. Of the 105 observations, the QAE recorded 84 during the first shift and 21 during the second shift. However, the QAE never monitored the third shift. NAVFAC facility support personnel should prepare a surveillance schedule that meets MO-327 standards.

Oversight Documentation

QA personnel did not provide any documentation to show that QA occurred when the assigned QAE was unavailable. We obtained all of the QAE's available monthly performance evaluations between March 2004 and March 2008. However, we could not obtain evaluations for 5 full months and 2 half-months for that 49-month period. QA personnel were unable to locate monthly performance evaluations and related QA documentation for April 1-June 12, 2005, and April 1-July 16, 2006. The QAE stated that he was on extended leave during those times and was unaware who performed the surveillance or whether the surveillance was documented. In addition, the QAE did not prepare inspection schedules for use by a replacement when he was unavailable. QA

personnel should prepare surveillance schedules to document QA surveillance procedures so others can properly perform and record contractor surveillance.

Importance of Quality Assurance Observations

NAVFAC facility support personnel did not require inspections during off-peak hours. QAE inspections are important because they are the only method for observing actual guard performance. QA and Navy security personnel stated that the Government can review various pieces of contractor and Government documentation to ensure that the contractor properly performed guard duties. We reviewed daily reports, worksheets, daily activity reports, security logs, incident reports, and desk journals for 10 deficiencies that occurred between January 2005 and November 2007 and determined that the QAE cannot always rely on the available documentation to identify an open post. Table 5 lists each of the 10 deficiencies and indicates whether or not a deficiency was noted in the reviewed documentation.

Table 5. Deficiencies Recorded in Government and Contractor Documents

Deficiency Date	Government (QAE)-Maintained		Contractor-Maintained			
	Daily Report	Worksheet	Daily Activity Report	Security Log	Incident Report	Desk Journal
Jan. 7, 2005	Not Prepared	Yes	No	Yes	Yes	No
March 1, 2005	Yes	No	No	No	No	No
March 1, 2005	Yes	No	No	No	No	No
Dec. 25, 2005	Not Prepared	No	No	Yes	Yes	No
Oct. 24, 2006	Yes	Yes	No	No	No	No
Dec. 19, 2006	Not Prepared	Yes	No	Yes	Yes	Yes
Jan. 2, 2007	Not Prepared	Yes	No	No	No	No
Jan. 3, 2007	No	Yes	No	No	No	No
April 22, 2007	Not Prepared	Yes	No	Yes	No	No
Nov. 23, 2007	Not Prepared	No	Yes	Yes	Yes	No

We could not trace a single deficiency through all six types of documentation. The documentation to demonstrate contractor performance is an effective audit trail only when Navy and contractor personnel prepare the documentation properly and consistently. The audit trail was inadequate to identify the 10 open posts.

- The QAE documented only 1 of the 10 incidents on both the daily report and the worksheet. Daily reports document the posts observed and the results of the QAE’s surveillance. The QAE prepares worksheets that document the satisfactory or unsatisfactory performance rating for each observation noted on

the daily report. We determined that these documents are the only naval documentation used to show when contractor deficiencies occur. However, these documents are designed to record only the QAE's observations during surveillance, *not* all instances of contractor nonperformance. For example, the QAE documents do not reflect the contractor's own admission of deficiencies, as on November 23, 2007. The QAE stated that his daily reports and worksheets are the support for the contractor's monthly performance evaluations and payment.

- The QAE stated that contractor-maintained daily activity reports document the results of a shift supervisor's inspection. However, only one daily activity report identified the occurrence of an open post.
- Contractor personnel documented only 4 of the 10 incidents in both the security log and incident report. The contractor could not locate or had not prepared incident reports for the six remaining open posts. Incident reports are numbered corresponding to the security log and are used by the contractor to document abnormal occurrences or areas of noncompliance during the performance of duties. The contractor prepares and maintains the security logs and incident reports.
- The NWS Earle security director stated that desk journals record all instances of open posts and are the primary records used for Government oversight of the contractor during off-peak hours. However only 1 of the 10 contractor-maintained desk journals reviewed included any reference to an open post.

The QAE could not determine whether an open post occurred during off-peak hours because inspections were not performed then, and the audit trail was inadequate. Instead of relying on Government resources, the QAE relied on the contractor's guard force manager to notify him of any deficiencies occurring during off-peak hours. This is important because the majority of deficiencies occurred during the third shift. Between March 2004 and December 2007, 166 unstaffed post hours were documented; of these, 130.5 occurred during the third shift. Navy security personnel were present on all three shifts and could have, but did not, fill out customer complaint forms. NAVFAC facility support personnel should require QAE inspections during off-peak hours. Further, both Government and contractor personnel should complete documentation to establish an audit trail.

Navy Security Personnel Oversight Documentation

Navy security personnel were not using the customer complaint form as a means of documenting contractor nonperformance because NAVFAC facility support personnel did not fully implement a customer complaint program. The QAP specifically states that customer complaints are a secondary surveillance method. According to MO-327, customers use complaint forms to notify the QAE of any instances of unsatisfactory contractor performance. The QAE investigates the complaints, and documents and uses the complaints he validates in QA assessments and contractor payment deductions. However as of August 2008, Navy security personnel had prepared only one customer complaint form since the start of the contract in 2004. In addition, Navy security

personnel had not received training on the complaint form as required by both the QAP and MO-327.

Navy security personnel did not use the complaint forms or understand the complaint program's importance without having had any training on its use. MO-327 states that an aggressive customer complaint program needs to be established, explained to the customer, and documented in an operation instruction. The customer should understand the scope of the contract and be willing to participate in the program. NAVFAC facility support personnel could not provide any documentation, such as an operation instruction, to show that a customer complaint program was in place.

Navy security and QA personnel stated that Navy security was more concerned with the physical security of the installation and were not as concerned with the administrative aspects of the contract. Navy security personnel work alongside the contractor under the direction of Navy watch commanders to provide security at the base 24 hours a day, 365 days a year. Navy security personnel could serve as additional eyes for the QAE if they used the customer complaint forms as intended for a secondary surveillance method. Navy security personnel's proper use of the complaint form would document contractor discrepancies and Government oversight after hours and when the QAE was unavailable. NAVFAC facility support personnel should implement a customer complaint program. In addition, Navy security personnel should attend QA training that would allow them to act as auxiliary QAEs.

Contractor Performance at NWS Earle

Overall, the contractor performed satisfactorily as determined by Navy personnel. All Navy personnel with whom we met—the commander, deputy commander, security director, contracting officer, the FSCM, and the QAE—spoke favorably about the contractor's performance. Further, the performance documentation that we reviewed, such as monthly performance reports, contractor invoices, contractor complaint forms, contract discrepancy reports (CDRs), FSCM recommendations, and contractor appraisals, supported such statements. All of the 39 full-month and 2 half-month performance reports that the audit team was able to obtain for the 46-month period (March 2004-December 2007) contain satisfactory ratings. Only 13 of the 46 reviewed invoices withheld a portion of payment for nonperformance, and all portions withheld were for minimal dollar amounts. The Navy has prepared only one customer complaint form and two contract discrepancy reports since the start of the contract. In addition, the contracting officer made positive referrals for other contract work. However, because of improper QA procedures and incomplete documentation, we could not determine whether the contractor performed satisfactorily.

Monthly Performance Reports

The QAE rated the contractor's performance as satisfactory on the 39 full-month and 2 half-month performance reports that we reviewed for the 46-month period, March 2004 through December 2007. At the end of each month, the QAE prepares a performance report detailing the contractor's work. The performance report is based on the daily

reports prepared by the QAE. The QAE uses those daily reports to assign the contractor a monthly grade of excellent, satisfactory, or unsatisfactory.

The contractor receives an unsatisfactory rating if its defect rate exceeds the maximum allowable defect rate. The defect rate is calculated by taking the number of defects observed for a work requirement and dividing it by the total population of that work requirement in a month. The QAE's documentation revealed that, for the 39 full-month and 2 half-month performance reports that we reviewed, the contractor never exceeded the maximum allowable defect rate for services performed and never received an unsatisfactory rating.

Contractor Invoices

The Navy made only minor deductions to the contractor's invoices for contractor nonperformance. When the contractor does not perform in accordance with the contract, the Navy deducts from the amount of the monthly invoice it receives from the contractor. The FSCM calculates the deduction from the invoice amount by taking the hourly payment figure specified in the contract for the service not performed, multiplying that figure by the hours of nonperformance, and then assessing liquidated damages. For 46 months (March 2004-December 2007), the Navy made only 13 deductions to the contractor's invoice amounts, for a total of about \$4,500. During those 46 months, the Navy paid the contractor \$16.3 million for contract services. The \$4,500 in deductions represented only 0.03 percent of the total contract cost for those 46 months.

Customer Complaints

Over a 46-month period, Navy personnel filed only one customer complaint against the contractor. The security director at NWS Earle filed the complaint when a background check revealed that an access badge had been issued to a person employed by a services contractor at NWS Earle for whom an arrest warrant had been issued. The investigation into the incident revealed that the contractor did not err in providing the badge, because the badge allowed only "escort only" access to the base. The small number of customer complaints filed with the Navy indicates either that Navy personnel did not witness the contractor performing below standards or that NAVFAC facility support personnel did not fully implement a customer complaint program.

Contract Discrepancy Reports

From March 2004 through February 2008, Navy personnel prepared only two CDRs according to the monthly performance reports. Although the contract does not require the use of CDRs, the QAP states that CDRs are a useful tool to assess contractor performance. Navy personnel prepare a CDR when the contractor violates the contract through nonperformance or incorrect performance of duties. On each monthly performance report that the QAE prepares, the QAE must report the number of CDRs issued to the contractor. The two CDRs prepared by the Navy indicate either that the contractor was consistently performing in accordance with the contract or that Navy personnel were not using CDRs.

Contracting Officer Evaluations

The contracting officer at NWS Earle has more than 20 years of experience working on service contracts. The contracting officer's evaluations have provided positive recommendations regarding the contractor and its performance. In two referrals the contracting officer stated that the current contractor, when compared with previous security guard contractors, was the best performing and "good to work with." The contracting officer has stated in two contractor performance assessment reports that the contractor has performed all duties in a timely, safe, and efficient manner. The contracting officer has also stated in the reports that:

The contractor continues to provide well trained, knowledgeable, and safety minded personnel in performing all duties of providing security functions. Management and supervision is maintained at a high level with communications toward the customer highly satisfactory.

Follow-On Contract

The contract for security guard services at NWS Earle was in its final option year and was scheduled to expire on October 1, 2008. On October 1, 2008, NAVFAC Mid-Atlantic issued a change order to extend the period of performance by exercising an option for 6 additional months in accordance with FAR 52.217-8, "Option to Extend Services." The Navy plans to award a new contract for security guard services for NWS Earle. Navy should incorporate the report's recommendations in the regional contract.

According to personnel from Commander, Navy Installations Command, the Navy plans to perform Government oversight according to Commander, Navy Installations Command Instruction 4860.1, "Nomination Training and Certification of Senior Performance Assessment Representatives (SPARS), Assistant SPARS, and Performance Assessment Representatives (PARS) for Security Services Contracts," April 30, 2008, for the new security guard services contract. The objective of the instruction is to provide proper oversight of all Commander, Navy Installations Command security services contracts by training and appointing qualified Government personnel to assist the contracting officer in the administration of the contracts, and to institute a program to validate the competency and work of those assigned. The instruction also states that contract security services require close and continuous coordination among the contracting officer, the senior performance assessment representative, the contractor, and the activity receiving the services. Under the plan, Navy security personnel will have a greater role in contractor performance assessment.

Conclusion

Navy QA and security personnel did not adequately document their oversight of the contractor at NWS Earle. NAVFAC personnel responsible for QA used an improper surveillance method to oversee the contractor and observed the contractor less than one-third of the time that the contractor performed security services. NWS Earle security personnel provide security services around the clock for a large installation. However, Navy security personnel did not adequately document their oversight efforts. We could not determine whether contractor performance was satisfactory because of improper QA

procedures and inadequate documentation. Updating QA procedures to reflect the available QA resources and requiring Navy personnel to document their oversight would lead to more effective contractor oversight.

Navy Corrective Actions

NAVFAC Mid-Atlantic provided a revised QAP that includes procedures for random sampling. Implementation of the new QAP in addition to Commander, Navy Installations Command Instruction 4860.1 should improve Government oversight of contract security guard services at NWS Earle.

Recommendations, Navy Comments, and Our Response

B.1. We recommend that the Commander, Navy Installations Command ensure that this report's recommendations are included in the requirements for future security guard services contracts.

Navy Comments

The Commander, Navy Installations Command concurred and commented that the Command is designing new software for security guard contracts that will comply with all report recommendations. The target completion date for this software is June 30, 2009.

Our Response

The comments of the Commander, Navy Installations Command are responsive. No additional comments are required.

B.2. We recommend that the Commander, Naval Facilities Engineering Command, Mid-Atlantic direct the facilities support contract manager at Naval Weapons Station Earle to:

a. Revise the quality assurance plan to comply with Navy guidance and the performance environment, and implement an appropriate surveillance method.

Navy Comments

Naval Facilities Engineering Command, Mid-Atlantic, responding through the Commander, Navy Installations Command, concurred and commented that the quality assurance plan has been revised and was incorporated in the contract in November 2008. Quality assurance will include unscheduled random sampling. In addition, scheduled random sampling will be used to provide oversight on a 24-hour/7-day-a-week process. Military police will also perform inspections on nights and weekends.

Our Response

The comments from the Naval Facilities Engineering Command, Mid-Atlantic are responsive. No additional comments are required.

b. Provide required training to quality assurance personnel.

Navy Comments

Naval Facilities Engineering Command, Mid-Atlantic, responding through the Commander, Navy Installations Command, concurred and commented that the quality assurance evaluator is qualified to perform quality assurance for the contract because he is an experienced facility support contract quality assurance evaluator who had training in 1989 and related training in June 2006. Further, the quality assurance evaluator provided instruction to the security department's Master at Arms, who now performs selected after-hour inspections (see Recommendation B.2.a.).

Our Response

The comments from the Naval Facilities Engineering Command, Mid-Atlantic are partially responsive. During the audit, neither the facility support contract manager nor the quality assurance evaluator could provide documentation of any related training that the quality assurance evaluator attended in the past 15 years. The Commander, Naval Facilities Engineering Command should reconsider and provide additional comments to the final report.

c. Implement a customer complaint system.

Navy Comments

Naval Facilities Engineering Command, Mid-Atlantic, responding through the Commander, Navy Installations Command, concurred and commented that the quality assurance evaluator meets with the customer regularly and receives and addresses customer complaints verbally or through e-mail.

Our Response

Although the Naval Facilities Engineering Command, Mid-Atlantic concurred, we do not consider the comments responsive. We agree that the location of the security manager and the quality assurance evaluator offices encourages regular communication and discussion of contractor performance. However, the revised quality assurance plan requires every customer complaint to be investigated, validated, resolved, and documented on the customer complaint form. The complaint form can be used to document contractor performance, which can then be used as a basis for deductions from contractor payments for unsatisfactory performance when necessary. We request that the Commander, Naval Facilities Engineering Command, Mid-Atlantic provide a response to the final report on the specific actions the Command will take to establish a customer complaint program.

B.3. We recommend that the Commander, Naval Weapons Station Earle require that the Security Director direct security personnel to:

a. Document their oversight of the contractor.

Navy Comments

The Chief of Staff, Navy Region Mid-Atlantic, responding for the Commander, Naval Weapons Station Earle, concurred and commented that, beginning in October 2008, the Naval Weapons Station Earle security director directed assigned security personnel to conduct and document quality assurance spot checks on the contractor during the second and third shifts.

Our Response

The comments of the Chief of Staff are responsive. No additional comments are required.

b. Attend training that will allow them to act as auxiliary quality assurance evaluators.

Navy Comments

The Chief of Staff, Navy Region Mid-Atlantic, responding for the Commander, Naval Weapons Station Earle, concurred in principle and commented that the Naval Weapons Station Earle security department is not funded, staffed, or responsible to conduct quality assurance over the contractor. Further, any additional quality assurance procedures performed by the Naval Weapons Station Earle security department would compromise the installation's force protection capabilities. The Chief of Staff stated, however, that additional personnel will be assigned to conduct contractor performance assessments after the Commander, Navy Installations Command implements a Most Efficient Organization under its nationwide A-76 Commercial Activity competition. In principle, the Chief of Staff agrees that personnel completing the performance assessments should also perform contractor quality assurance; however, personnel resources cannot be identified until April 2009.

Our Response

Although the Chief of Staff concurred only in principle, the comments are responsive. No additional comments are required in light of the changes that will result from the Commander, Navy Installations Command's implementation of a Most Efficient Organization; from the implementation of Commander, Navy Installations Command Instruction 4860.1, which identifies the roles and responsibilities of performance assessment representatives; and from the performance of spot checks by Naval Weapons Station Earle security personnel (see Recommendation B.3.a.).

Appendix. Scope and Methodology

We conducted this performance audit from January through November 2008, 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.

We conducted this audit at the request of Congressman Christopher H. Smith to review the Navy's administration and the contractor's performance of the security guard services contract at Naval Weapons Station Earle, New Jersey. We did not assess the overall security procedures and safety at NWS Earle. We did, however, review the contract and the administration of the contract to see whether they conform to Federal regulations.

Specifically, we reviewed contract N62472-03-D-0803 with Myers Investigative and Security Service, Inc. As of September 2008, the contract estimated value was \$20.7 million. We reviewed the contract to determine whether the Navy was administering the contract in accordance with the FAR and Navy guidance. In addition, we determined whether the contractor was performing in accordance with the contract. We focused on the contractor's quality control procedures, the completion of employee background checks and functional training, and overall performance of assigned duties. Also, we reviewed the specific allegations that the contractor did not perform background checks, provide adequate staffing, or provide proper training. We also reviewed an allegation about security flaws at NWS Earle that appeared in a local newspaper.

We reviewed FAR Part 46, "Quality Assurance"; FAR Part 43, "Contract Modifications"; FAR Part 42, "Production and Surveillance and Reporting"; FAR Part 37, "Service Contracts"; FAR Part 6, "Competition Requirements"; Office of the Chief of Naval Operations Instruction (OPNAVINST) 5530.14 C and D; the "Facility Support Contract Management Manual" (MO-327); and Commander, Navy Installations Command Instruction 4860.1, "Nomination Training and Certification of Senior Performance Assessment Representatives (SPARS), Assistant SPARS, and Performance Assessment Representatives (PARS) for Security Services Contracts."

We interviewed the following personnel at NWS Earle, New Jersey: the commander, the security director, the FSCM, the contract specialist, and the QAE. We also contacted NAVFAC contracting personnel. In addition, we met with the contractor's guard force manager and the training officer.

We obtained and reviewed the following Navy and contractor information from NWS Earle: contract N62472-03-D-0803, monthly performance reports, QA daily reports, desk journals, incident logs, vulnerability assessments, incident reports, customer complaint forms, contractor performance assessment reports, contractor quality control plan, contractor employee training records, contractor daily activity reports, contractor

vehicle logs, contract discrepancy reports, contractor employee background checks, and Phase I and Phase II training guides.

We judgmentally selected a sample of 25 of 70 contractor employee names listed on the desk journals dated October 1, 2006; May 10, 2007; and March 6, 2008. We also judgmentally selected an additional 20 contractor employees from a current employee listing of 106 names dated May 7, 2008. We used those 45 names to review contractor training records and background security checks.

Use of Computer-Processed Data

We did not rely on computer-processed data to perform this audit.

Prior Coverage

During the last 5 years, the Government Accountability Office (GAO), the Army Audit Agency, and the Naval Audit Service have issued four reports discussing security guard service contracts. Unrestricted GAO reports can be accessed over the Internet at <http://www.gao.gov>; the other reports shown below are not available over the internet.

GAO

GAO-06-284, "Contract Security Guards," April 2006

Army Audit Agency

A-2007-0108-ALO, "Installation Contract Guards," April 4, 2007

A-2006-0029-ALA, "Funding Contract Security Guards at Army Ammunition Installations," December 21, 2005

Naval Audit Service

N2005-0034, "Staffing of Security Functions at Naval Installations," March 23, 2005

Department of the Navy Comments



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
(RESEARCH, DEVELOPMENT AND ACQUISITION)
1000 NAVY PENTAGON
WASHINGTON DC 20350-1000

11 December 2008

MEMORANDUM FOR DEPARTMENT OF DEFENSE - INSPECTOR GENERAL
ARLINGTON, VIRGINIA

SUBJECT: Department Of Defense Inspector General Draft Report
Security Guard Services Contract at Naval Weapons Station Earle
(Project No. D2008-D000CG-0116.000)

The Department of the Navy (DoN) hereby endorses and forwards the attached consolidated response to the subject draft report. The attached letter from Commander, Navy Installations Command (CNIC), dated 04 December 2008, provides detailed responses from CNIC, the Naval Facilities Engineering Command, Mid-Atlantic (NAVFAC ML) and Naval Weapons Station (NWS) Earle regarding the findings and recommendations contained in the subject draft report. The Navy's response should be incorporated into the final DODIG report.

If you have any questions pertaining to this memo or its attachments, please refer them to Mr. Dwayne Weaver at Dwayne.Weaver@navy.mil or at 703-693-4073.

A handwritten signature in black ink, reading "Bruce A. Sharp", is positioned above the typed name.

Bruce A. Sharp
Director, Program Analysis and
Business Transformation
Deputy Assistant Secretary of the Navy
(Acquisition and Logistics Management)

Attachments:
As Stated

Copy to:
CNIC OIG
NAVIG



DEPARTMENT OF THE NAVY
COMMANDER, NAVY INSTALLATIONS COMMAND
716 SICARD STREET, SE, SUITE 1000
WASHINGTON NAVY YARD, DC 20374-5140

7650
Ser N00G/8U32230
4 Dec 08

From: Commander, Navy Installations Command
To: Assistant Secretary of the Navy (Research, Development,
and Acquisition)

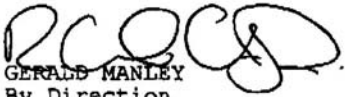
Subj: REPORT ON SECURITY GUARD SERVICES CONTRACT AT NAVAL
WEAPONS STATION EARLE (PROJECT #D2008-D000CG-0116.000)

Ref: (a) DoD IG memo of 19 Nov 08

Encl: (1) CNIC & NAVFAC Responses to Subject Report
(2) NWS Earle ltr 7510 N01IG of 3 Dec 08

1. As requested by reference (a), CNIC and NAVFAC have reviewed draft report and specific comments are provided at enclosure (1). Enclosure (2) is Commander, Naval Weapon Station Earle's response to subject report.

2. The CNIC technical point of contact for this report is Pat Jones, CNIC N3, at 202-433-4733. The Audit Liaison point of contact is Wanda Delia, CNIC OIG, at 202-433-9806.


FR GERALD MANLEY
By Direction

Copy to:
NAVFAC Mid Atlantic
NAVWPNSTA Earle

COMMANDER, NAVY INSTALLATIONS COMMAND (CNIC)
NAVAL FACILITIES ENGINEERING COMMAND, MID-ATLANTIC (NAVFAC ML)
COMMENTS TO RECOMMENDATION TO DOD IG REPORT
SECURITY GUARD SERVICES CONTRACT AT NAVAL WEAPONS STATION EARLE
(D2008-D000CG-0116.000)

We reviewed the draft audit report and concur with the findings and recommendations contained therein that relate to CNIC and NAVFAC. Below are our responses to the recommendations.

FINDING A. SECURITY CONCERNS ALLEGATIONS AND RESPONSES

Recommendation A.1: We recommend that the Commander, Naval Facilities Engineering Command, Mid-Atlantic direct the Naval Weapons Station Earle facilities support contract manager to:

a. Maintain records of when contractor employees complete their National Agency Checks.

Response. Concur. A modification is to be issued pending approval of funds. Anticipate execution of the modification by 31 December 2008. This modification will require the contractor to process National Agency Checks through the Defense Industrial Security Clearance Office. The Facilities Support Contracts Manager will maintain records of when contractor employees complete their National Agency Checks. When a guard receives the required clearance a copy of the documents will be forwarded to the Quality Assurance Evaluator (QAE) who will maintain record the dates completed on a spreadsheet and track the overall guard force clearance issuance. Target completion date: 31 December 2008

b. Implement procedures to adequately document that contractor security guards have completed Navy required training.

Response. Concur. Prior to the audit, the Physical Security Specialist for the Security Department performed an annual review of all contractor guards training to verify all requirements are met. New procedures have been established which will require the contract QAE to maintain a spreadsheet monitoring when Phase I & Phase 2 Training, as well as required initial and annual training is completed. The QAE will attend courses for Physical Security Specialist to qualify him/her to interpret current requirements and determine what training is required and if the Contractor's current training meets the established requirements. No further action is required; request this recommendation be closed for reporting purposes.

FINDING B. IMPROVED QUALITY ASSURANCE NEEDED FOR SECURITY GUARD SERVICES CONTRACT

Recommendation B.1: We recommend that the Commander, Navy Installations Command ensure that this report's recommendations are included in the requirements for future security guard services contracts.

Enclosure (1)

Response: Concur. CNIC will ensure compliance with security guard services contracts. CNIC N3AT is prototyping new software for their guard contracts called seeSOR which will achieve compliance on all recommendations. Target completion date is 30 June 2009.

Recommendation B.2: We recommend that the Commander, Naval Facilities Engineering Command, Mid-Atlantic direct the facilities support contract manager at Naval Weapons Station Earle to:

a. Revise the quality assurance plan to comply with Navy guidance and the performance environment, and implement an appropriate surveillance method.

Response: Concur. The Quality Assurance Plan has been rewritten to correct the deficiencies indicated in the IG's findings and was modified into the contract on 20 November 2008. Unscheduled random sampling will be performed for the life of the contract. The new inspections are Scheduled Random Sampling based on a 24 hour/7 day a week process using Military Police to perform inspections on the 2nd and 3rd shifts and weekends with the exception of alternate inspection by the government QAE. The QAE has developed a new checklist to identify the points of inspection and provides a monthly schedule of the random inspection points to the Security Manager who issues to his staff. No further action is required; request this recommendation be closed for reporting purposes.

b. Provide required training to quality assurance personnel.

Response: Concur. The individual who provides the Quality Assurance Evaluation services on this Contract has been a NAVFAC Facility Support Contract QAE since 1989. He attended QAE training at the Engineering Field Activity Northeast in 1989, and attended a course in Performance Based Assessment in June of 2006. The QAE has since provided instruction to the Security Department's Master at Arms who perform the off-hour scheduled random sampling. No further action is required; request this recommendation be closed for reporting purposes.

c. Implement a customer complaint system.

Response: Concur. The QAE's office is located in the Security facility next to the Security Manager and the Security Officer's offices. Complaints are handled either verbally or in e-mail if the complaint is generated in the off hour operations. He meets with the Customer several times a week to handle issues, new requirements or complaints. No further action is required; request this recommendation be closed for reporting purposes.



DEPARTMENT OF THE NAVY
COMMANDER
NAVY REGION, MID-ATLANTIC
1510 GILBERT ST.
NORFOLK, VA 23511-2737

IN REPLY REFER TO:
7510
N01IG
DEC 03 2008

From: Commander, Navy Region, Mid-Atlantic
To: Commander, Navy Installation Command, Inspector General

Subj: SECURITY GUARD SERVICES CONTRACT AT NAVAL WEAPONS STATION,
EARLE (PROJECT NO. D2008-D000CG-0116.000)

Ref: (a) DoDD 7650.3, Follow-up on General Accounting Office (GAO),
DoD Inspector General (DoD IG), and Internal Audit Reports
(b) E-Mail Wanda Delia (CNIC IG)/Anne Anderson (COMNAVREG
MIDLANT IG) of 26 Nov 08

1. In accordance with reference (a), the following information is forwarded in response to the recommendations assigned to the Commanding Officer, Naval Weapons Station (WPNSTA), Earle, contained in the Draft Audit Report provided by reference (b):

a. Recommendation A.2: "...require the Security Director to maintain a record of when contractor employees completed criminal background checks." Response: Concur. WPNSTA Earle Security is currently maintaining records of completed criminal background checks of all contractor employees hired and assigned to WPNSTA Earle Security. Since the time of the onsite audit, the following process/actions have been implemented in order to increase controls over the maintenance of contractor employee criminal background check records and to preclude the hiring of individuals prior to completion of criminal background checks: The Access Control Form is received via E-Mail from Pass and Identification (ID) and reviewed for completion and legibility. The individual's criminal background is then checked via the National Criminal Information Center (NCIC). If there are no criteria that would deny the individual access to the station, the information is entered into the WPNSTA Earle Security Department's tracking system (Excel spreadsheet); if there are negative criteria, the individual's application is reviewed by the Security Director, who makes the determination to allow or deny base access based on the criteria, and the information is entered into the Excel tracking system. Basic background check information on each applicant is entered into an official logbook in order to maintain a physical record and the Access Control Forms are then filed to complete the process. This process also calls for an annual review of these records to ensure that the Lautenberg Amendment has been satisfied and the records are kept for the duration of the contract with WPNSTA Earle. It is important to note that all current and former Meyers Company employees assigned to WPNSTA Earle Security have a hard-copy criminal background check on file. In addition, the WPNSTA Earle Security Investigator is developing a Standard Operating Procedure (SOP) documenting this process. Target completion date for completing the SOP is 15 January 2009.

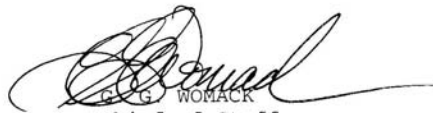
Enclosure (2)

Subj: SECURITY GUARD SERVICES CONTRACT AT NAVAL WEAPONS STATION,
EARLE (PROJECT NO. D2008-D000CG-0116.000)

b. Recommendation B.3.a.: "...require that the Security Director direct security personnel to document their oversight of the contractor." Response: Concur. As of the beginning of October 2008, the WPNSTA Earle Security Director directed security personnel assigned to begin conducting Quality Assurance (QA) "spot checks" on the Meyers Company second and third shifts. A check-list is used to document these "spot checks" and the check-lists are currently maintained in the QA Contractor office. No further action is required; request this recommendation be closed for reporting purposes.

c. Recommendation B.3.b.: "...require that the Security Director direct security personnel to attend training that will allow them to act as auxiliary quality assurance (QA) evaluators." Response: Concur in principle. WPNSTA Earle Security Department does not have the personnel resources to perform as auxiliary QA evaluators. Due to this lack of sufficient personnel, performing the additional duty of QA evaluation would significantly compromise WPNSTA Earle's force protection capabilities. The contract was awarded and is administered by Commander, Naval Facilities Engineering Command (NAVFACENGCOM) and, therefore, NAVFACENGCOM is responsible for providing trained and qualified personnel to perform QA oversight. The WPNSTA Earle Security Department is neither funded nor responsible for QA oversight of the Meyers Company contract. However, as a result of a Commander, Navy Installations Command's (CNIC) Nation-wide A-76 Commercial Activity competition, CNIC will implement a Most Efficient Organization (MEO) during the time-period of 1 December 2008 - 1 April 2009. As a result, there will be additional personnel assigned to conduct Performance Assessments of the MEO. It is agreed in principle that the personnel assigned to conduct Performance Assessments of the MEO should be trained to also conduct QA evaluations of the Meyers Company contract performance; however, these personnel resources have not been identified to date and further information will not be available to make that identification until after 1 April 2009. In light of the "spot checks" currently being conducted by WPNSTA Earle Security personnel (see Recommendation B.3.a.) and the changes that will result from the implementation of the CNIC MEO, request this recommendation be closed for reporting purposes.

2. Should you have any questions, please contact Ms. Anne Anderson, COMNAVREG MIDLANT Inspector General. Ms. Anderson can be reached by telephone, (757)445-4283, DSN 565-4283, and E-Mail: anne.anderson@navy.mil.


C. G. WOMACK
Chief of Staff

Copy to:
COMNAVREG MIDLANT (N3)
WPNSTA Earle (00)

2

Enclosure (2)

Report No. D-2009-045

January 23, 2009



Inspector General Department of Defense

Security Guard Services Contract at
Naval Weapons Station Earle