



*Office of Inspector General*

December 12, 2010

**MEMORANDUM**

**TO:** USAID/Iraq Mission Director, Alex Dickie

**FROM:** Office of Inspector General/Iraq Director, Lloyd Miller /s/

**SUBJECT:** Review of USAID/Iraq's Contractors' Compliance With the Trafficking Victims Protection Reauthorization Act of 2008  
(Report No. E-267-11-002-S)

This memorandum transmits our final report on the subject review. We have considered your comments on the draft report and included your response on page 9 of the report. This review was not an audit. The report has no recommendations.

I want to thank you and your staff for the cooperation and courtesy extended to us during this review.

# SUMMARY

The William Wilberforce Trafficking Victims Protection Reauthorization Act of 2008 (the Wilberforce Act), Public Law 110-457, requires the Office of Inspector General of USAID to investigate contracts and subcontracts under which there is a high risk that the contractor may engage in acts related to trafficking in persons. The Wilberforce Act requires a review each fiscal year from 2010 until 2012.

The Wilberforce Act describes actions that indicate trafficking in persons, including confiscation of an employee's passport, restriction of an employee's mobility, abrupt or evasive repatriation of an employee, deception of an employee regarding the work destination, and acts otherwise described in Section 106(g) of the Trafficking Victims Protection Act of 2000 (22 U.S.C. 7104).<sup>1</sup>

This review assessed whether (1) USAID/Iraq and its contractors have established sufficient controls to prevent trafficking in persons and (2) USAID/Iraq's contractors and subcontractors engaged in trafficking-in-persons practices. Because the majority of the third-country nationals working to implement the mission's program activities were professional staff at low risk of trafficking, the review focused on USAID/Iraq's two support contracts that employed low-skilled, low-wage third-country nationals to provide food service, housekeeping, and maintenance.

USAID/Iraq has established internal controls to manage the risk of trafficking in persons on its compound. Controls include ensuring that the required Federal Acquisition Regulation (FAR) clause on trafficking<sup>2</sup> is part of all contracts, meeting with contractor management, making site visits to employee living quarters, and communicating directly with the contracted employees.

There was no indication that contractors and subcontractors on the two USAID/Iraq contracts that employ low-skilled, low-wage third-country nationals engaged in trafficking in persons. Security procedures in Baghdad—including multiple vehicle checkpoints, access control by Iraqi authorities, and proper identification—restrict freedom of movement within the International Zone, but third-country national employees were not restricted in their movements during their personal time. Moreover, none of these employees complained of threats, abuse, or coercion, and the employees indicated that their pay under the two contracts equaled or surpassed what they had received from other employers in Iraq. The employees provided no reports or indications of debt bondage: many of the employees worked for other contractors before their current jobs, and many employees wire their pay to their families in their native countries.

As for employee repatriation arrangements, one contractor had made a provision to pay for plane tickets home for its employees, whereas the other deducted money from its employees' pay for transportation to their home countries.

Detailed results follow. The scope and methodology are described on page 7. Our evaluation of management comments is on page 6, and the full text of the comments begins on page 9.

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<sup>1</sup> The acts as otherwise described include (1) engaging in severe forms of trafficking in persons or procuring a commercial sex act while the grant, contract, or cooperative agreement is in effect and (2) using forced labor in the performance of the grant, contract, or cooperative agreement.

<sup>2</sup> FAR 22.17 requires the insertion of a clause on combating trafficking in persons (detailed in FAR 52.222-50) in all solicitations and contracts.

# REVIEW RESULTS

Details concerning the two contractors and their compliance with the requirements of the Wilberforce Act follow.

## **Najlaa International Catering Services**

USAID/Iraq contracted for dining facility food services from Najlaa International Catering Services, based in Kuwait. The contract period runs from February 1, 2010, until February 1, 2012, and the estimated contract<sup>3</sup> cost is \$3,027,875.

Najlaa International Catering Services employed 23 low-skilled, low-wage employees from India, Bangladesh, Sri Lanka, and Nepal to work at the USAID dining facility in Iraq. These employees were working as food servers, cooks, cleaners, and administrative assistants under the supervision of two project managers.

**Contract Clauses.** Najlaa's contract with USAID includes FAR Clause 52.222-50 on combating trafficking in persons.

**Contractor Policies.** Najlaa managers said that they communicated the company's policy on human trafficking to employees in staff meetings, in staff members' native languages. In addition, Najlaa managers posted information about human trafficking policies at the Najlaa housing compound and in the USAID dining facility.

**Hiring Practices.** All 10 employees interviewed by our audit team were already working in Iraq before the start of the USAID/Iraq contract in February 2010, some for other employers. The employees had been recruited by agencies in their home countries for jobs in Iraq. According to the employees, they paid fees to the agencies ranging from \$1,300 to \$4,500, which included airfare and administrative costs. The employees said they specifically chose to work in Iraq and were told in advance the type of work they would be doing.

**Passport Restrictions.** Employees maintained possession of their passports at all times. Their employment agreement explicitly forbids Najlaa from withholding their passports except when required for necessary administrative procedures.

**Movement Restrictions.** According to the employees and their employers, their movement was not restricted beyond normal security procedures. The employees are free to leave their housing compound during their 1 day off each week. Najlaa housed most employees on a compound near the U.S. Embassy and transported them to and from the USAID compound for work. Several staff persons were living on the USAID compound to ensure continuity of operations in case transportation in the International Zone is impeded.

**Repatriation.** The employment agreement includes a provision for repatriation, stating that the company will pay for transportation for employees back to their home countries after the end of the agreement. If employees resign or are terminated before the completion of the full year of the agreement, they become responsible for the cost of transportation to their home countries.

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<sup>3</sup> Contract type is fixed unit price plus award fee.

**Work Destination and Other Terms of Employment Agreements.** Each employee had a 1-year employment agreement written in English. Many of the employees spoke and read English, and all employees interviewed said that they understood the content of the agreement. In addition, some employees reported that the agency had explained the agreement to them in their native languages. The agreement also includes clauses expressly forbidding debt bondage and the confiscation and withholding of employee passports and other immigration documents.

## **GSI Business Services Inc.**

USAID/Iraq contracted housekeeping and facilities maintenance service with GSI Business Services Inc. (GSI), based in Silver Spring, MD. The contract period runs from September 30, 2008, until September 30, 2011. The estimated contract<sup>4</sup> cost is \$4,975,698.

GSI employed low-skilled, low-wage employees from Iraq<sup>5</sup> and the Philippines. The 27 employees from the Philippines were working as housecleaners, carpenters, landscapers, and maintenance technicians.

Our FY 2010 review of USAID/Iraq contracts also included GSI operations; that review found no violations of the law.<sup>6</sup> However, we determined that the contractor could do more to notify employees of the U.S. Government's zero-tolerance policy related to trafficking in persons. As a result, USAID/Iraq required this contractor to strengthen its procedures. In response, the contractor communicated to its employees its policies on anti-trafficking and provided a mechanism for reporting violations of these policies.

**Contract Clauses.** GSI's contract with USAID includes by reference FAR Clause 52.222-50 on combating trafficking in persons.

**Contractor Policies.** In January 2010, GSI distributed a letter to its employees in Baghdad describing the company's policy on trafficking in persons. The letter said that the company had "zero tolerance" for violations of its policy and stated that the company does not restrict the movement of its employees. The letter included a form for reporting abuses. GSI management officials said they had not received reports of abuse.

**Hiring Practices.** According to management officials, GSI did not recruit employees outside of Iraq. All of the Filipino employees were hired after they were already in Iraq; many had worked previously for other contractors and had been in Iraq for several years. The Filipino employees had entered Iraq under varying circumstances. Some had been recruited in the Philippines by other contractors, while others had traveled to Iraq on their own on the encouragement of friends who had found work. The employees learned about jobs at GSI through word of mouth.

**Passport Restrictions.** GSI's policy on trafficking in persons states that the company does not keep employees' passports.

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<sup>4</sup> Contract type is firm fixed price.

<sup>5</sup> We did not review potential violations of trafficking in victims for Iraqi employees because they were less susceptible to the trafficking acts outlined in the Wilberforce Act.

<sup>6</sup> The USAID Inspector General summarized the results of our FY 2009 review in a January 15, 2010, letter to the Chairman of the House Foreign Affairs Committee.

**Movement Restrictions.** The movement of employees was not restricted other than the normal restrictions for all inhabitants of the International Zone. GSI employees were transported to and from work on a bus. GSI had recently moved its housing compound to a new location in the International Zone in Baghdad to cut costs and increase safety through restricted access and security guards. GSI employees said that they had freedom of movement during their personal time and access to transportation within the International Zone.

**Repatriation.** Repatriation of employees from the Philippines has become a concern for contractors because the Philippine Government does not allow its citizens to work in Iraq.<sup>7</sup> A letter from the Philippine Embassy dated August 30, 2010, said that all Filipino nationals already working in Iraq were required to declare that (1) they were currently employed on U.S. Government-protected facilities, (2) they were continuing to work in Iraq voluntarily, and (3) their employer guaranteed their repatriation to the Philippines at the end of their engagement. GSI management officials stated that they were assisting employees with submitting the required information to the Philippine Embassy, but as of the end of the review, had not provided evidence that the required actions were completed. Officials stated that they were not responsible for their employees' repatriation because GSI had hired all of the Filipino workers for this contract after they came to Iraq. This statement is consistent with Philippine law, namely the Migrant Workers and Overseas Filipinos Act of 1995, which specifies that the repatriation of overseas Filipino workers is the responsibility of the agency that recruited or deployed the workers overseas.

**Work Destination and Other Terms of Employment Agreements.** GSI did not provide employment agreements for its 47 low-wage employees. A GSI official said the employees, both Iraqi and Filipino, did not want agreements and would not honor them anyway if they were offered another job for higher pay. The employees did not have an official document from GSI outlining the terms of their employment, the amount of their pay, or benefits. GSI officials provided the auditors a copy of a wage table listing the monthly pay for each employee. Employees are paid in cash every month and must sign to confirm receipt of their pay. On October 15, 2010, GSI management issued a letter to its Filipino employees noting that it would deduct \$100 per month (about 10 percent of a typical worker's wage) for 12 months from each employee's pay to ensure that all workers have money to buy an airline ticket to their home country after the USAID contract ends. However, GSI is under no contractual obligation to provide these funds for repatriation.

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<sup>7</sup> The Philippine Government imposed a ban on travel and work in Iraq on July 2004 after the kidnapping of a Filipino employee.

# EVALUATION OF MANAGEMENT COMMENTS

USAID/Iraq agreed with the results of the report. After reviewing the report's observations, the mission identified the most critical issue with potential for trafficking as ensuring that GSI staff members have the means, if they so choose, to return to their home countries. To address this issue, the mission stated that it would take two actions.

First, in regard to GSI's policy to withhold employee pay of \$100 per month to pay for staff repatriation, USAID/Iraq's contracting office will issue a contract modification. The modification will state that the mission reserves the right to withhold final payment to GSI if the company does not (1) account for funds it has collected, and (2) disburse them to employees as appropriate.

Second, the mission will act on a request from the Embassy of the Philippines to the U.S. Embassy and U.S. Government contractors and subcontractors employing Filipinos. The Philippine Embassy asked to receive certain information on its nationals, USAID/Iraq will post the request in areas visible to GSI's employees and make copies of the request available to GSI's employees. The mission will also follow up with GSI to ensure that it is providing the requested information to the designated representative of the Embassy of the Philippines.

USAID/Iraq expressed its belief that these two actions are the most direct and enforceable means to mitigate the potential risks identified in the report.

# SCOPE AND METHODOLOGY

The purpose of this review was to determine whether (1) USAID/Iraq and its contractors have established sufficient controls to prevent trafficking in persons and (2) USAID/Iraq's contractors and subcontractors engaged in trafficking-in-persons practices. This review was not an audit. The Office of Inspector General/Iraq conducted this review in accordance with the general standards in Chapter 3 of *Government Auditing Standards*. In addition, we followed these *Government Auditing Standards* for our fieldwork:

- Provide reasonable assurance that evidence was sufficient and appropriate to support the auditor's findings and conclusions, Section 7.03.
- Adequately plan and document the planning of the work, Section 7.06.
- Obtain an understanding of internal control that is significant, Section 7.16.
- Determine which laws, regulations, and provisions of contracts or grant agreements are significant, Section 7.28.
- Evaluate whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous engagements that are significant, Section 7.36.
- Identify criteria, Section 7.37.
- Obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions, Section 7.55.
- Prepare audit documentation, Section 7.77.

We reviewed a listing of USAID/Iraq's portfolio of awards and a report on the nationalities of contractor staff.<sup>8</sup> Of the 12 program awards active at the start of the review, none—according to the staff nationality report—employed more than six third-country nationals, most of whom were expatriate professional staff. Accordingly, the risk of trafficking in persons for USAID/Iraq's portfolio of program awards was low, whereas the mission's support contracts that employed low-skilled, low-wage third-country nationals carried a higher risk. Our review focused on the two USAID/Iraq contractors that employed third-country nationals in low-skilled and low-wage positions: (1) Najlaa International Catering Services and (2) GSI Business Services Inc. The estimated cost of these two contracts is \$8,003,573.

We examined significant controls at USAID/Iraq and contractors. At USAID/Iraq, these significant controls included required contract clauses, site visits, post-award meetings with contractor management, periodic meetings with contractor management, and direct discussions with contracted employees whose proximity (working on the USAID compound) allowed such interactions. At the contractors, significant controls included posting company policy on trafficking in persons in the employees' living quarters and workplace, delivering letters to employees explaining company policies on trafficking in persons and obtaining employees' signatures in acknowledgment, providing a form for reporting abuses, providing staff with employment agreements that include information about anti-trafficking policies, and conducting staff meetings to explain company policy.

Review fieldwork was performed from October 21 to November 24, 2010. The audit team undertook the fieldwork at the USAID/Iraq Mission and at the offices and housing compounds of

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<sup>8</sup> The portfolio of awards was as of September 30, 2010, and the report on contractor staff nationality was as of June 30, 2010.

Najlaa International Catering Services and GSI in the International Zone of Baghdad. To address the review objectives, we examined the activities and policies of USAID/Iraq and the two contractors that employed third-country nationals in low-skilled or low-wage jobs at USAID/Iraq. We also interviewed contractor management and direct supervisors for third-country national staff, inspected employees' living quarters, and interviewed third-country low-wage staff employed by the contractors. We interviewed 10 of 23 staff from Najlaa International Catering Services and 10 of 27 staff working for GSI. We also followed up on issues from the prior year's review, including the notification of employees of the U.S. Government's zero-tolerance policy related to trafficking in persons. We did not review the applicability of Iraqi labor law.

# MANAGEMENT COMMENTS



**USAID** | **IRAQ**  
FROM THE AMERICAN PEOPLE

December 9, 2010

## MEMORANDUM

### UNCLASSIFIED

**TO:** Lloyd Miller, Office of the Inspector General/Iraq

**FROM:** Alex Dickie, Mission Director /s/

**SUBJECT:** Management Comments in Response to Draft Review of USAID/Iraq's Contractors' Compliance with the Trafficking Victims Protection Reauthorization Act of 2008 (Report Number E-267-11-00X-S)

On December 8, 2010, the Office of the Inspector General/Iraq (OIG/Iraq) transmitted its draft Review of USAID/Iraq's Contractors' Compliance with the Trafficking Victims Protection Reauthorization Act of 2008 (Report Number E-267-11-00X-S) (Tab A). The report contains no recommendations.

The Mission concurs with the results of the report and appreciates the value of observations contained therein as an aid to Mission management. Based upon the report's observations, the Mission has identified the most critical issue creating the potential for vulnerability to trafficking as ensuring that the staff of GSI Business Services Inc. (GSI) has the means, if they so choose, to repatriate back to their home country. To address this issue, the Mission will take two actions.

First, the report indicates that GSI recently initiated a policy to withhold employee pay of \$100 per month ostensibly to pay for their staff's repatriation. This has raised the Mission's concerns that such funds be properly accounted for and either used for repatriation or returned to the employees at the end of the agreement. As a mechanism to ensure compliance by GSI, and to ensure that GSI's employees, if they so choose, are able to repatriate at the end of their contract, USAID/Iraq's Contracting Office will issue a contract modification that requires accounting for those funds collected by GSI, and disbursement to the employees as appropriate, with the option held by the Mission to withhold final payment to GSI.

Second, most GSI employees are Filipinos, so in accordance with a request from the Embassy of the Philippines to the U.S. Embassy and U.S. government contractors/subcontractors employing Filipinos to facilitate transmission of certain information on their nationals to their

Embassy, the Mission will post the request in areas where GSI's employees will see it and make copies of the request available to GSI's employees. The Mission will also follow-up with GSI to ensure that they are following through with transmission of the requested information to the designated representative of the Embassy of the Philippines.

The Mission believes the foregoing two actions are the most direct and enforceable means to mitigate the potential risks identified as a result of the observations contained in the report.

USAID/Iraq extends its thanks to OIG/Iraq for the thoroughness and cooperation exhibited throughout the production of this valuable report.