

## Winning Contractors – An Update

### As the number of contracts rises, problems continue to plague the contracting process

By [Daniel Politi](#)

WASHINGTON, July 7, 2004 — More than 150 American companies have received contracts worth up to \$48.7 billion for work in postwar Afghanistan and Iraq, according to the latest update of the Center for Public Integrity's Windfalls of War project.

This figure represents an increase of 82 companies and more than \$40 billion since the Center first released its study of contracts awarded to U.S. companies for postwar work in Afghanistan and Iraq on Oct. 30, 2003.

The Center has continued to file Freedom of Information Act requests with, among others, the Department of Defense, the State Department and the U.S. Agency for International Development in hopes of getting the complete picture of U.S. contractors involved with Operation Iraqi Freedom and Operation Enduring Freedom. As was the case with the Center's initial report, contractors and dollar values have only been included in the overall list if there was authoritative information from either an official government source or a company source.

Since the Center's first release in October 2003, there has been more scrutiny of these postwar contracts by Congress, the media and various government agencies. This was partly due to the revelation that employees of private contractors Titan Corporation and CACI were present during the alleged torture of Iraqi prisoners at the Abu Ghraib prison.

The agencies that have been awarding these postwar contracts have in turn become more organized with contract information and more responsive to requests from the media; some agencies have even increased the amount of information available to the general public. For example, USAID has enhanced the Iraq section of its Web site, posting redacted versions of some contracts the agency awarded. The Coalition Provisional Authority, which formally ceased to exist on June 28, added a listing of awarded contracts on its Web site, while the Commerce Department's list of contracts awarded for work in Iraq is more complete now than it was previously.

Still, much of the work continues to be uncoordinated within federal agencies and no agency seems to have a full picture of all the postwar contracts. For example, the Center did not receive a contract or any list of contracts that included Titan Corporation or CACI; those contract values came, rather, from Congressional testimony. This may be due to the number of agencies involved in the contracting process. The CACI contract, for example, is funded by the Army but was awarded through the Department of the Interior.

Although agencies are providing more information regarding the postwar contracts awarded for work in Iraq, there is scant information available to the general public—just as there was months ago—on contracts for work in postwar Afghanistan.

This lack of information about postwar Afghanistan is also notable in the U.S. government's examinations of the contracting process. Although there have been several official reports and congressional hearings on the postwar reconstruction of Iraq, considerably less attention has been paid to the Afghanistan effort.

Several of these reports and hearings regarding the Iraq effort painted a picture of undermanned and overworked contracting staffs without sufficient knowledge of the contracting process, who stretched contracting rules for the sake of expediency, particularly in the early days of postwar reconstruction.

This lack of resources has also resulted in inadequate oversight of the current contracts, according to published reports by the General Accounting Office and the inspector general of the Department of Defense.

Problems with awarding contracts plagued the Iraq reconstruction process from the get-go. In the early days, the Office of Reconstruction and Humanitarian Assistance (which became the CPA in May 2003) suffered from a lack of personnel. Additionally, there was no formal contracting plan to purchase equipment.

"A key oversight of the DoD planners was not recognizing earlier in the process the need for acquisition personnel," the DoD inspector general wrote.

A specialist from the Defense Contract Management Agency told IG investigators from the Department of Defense that officials of the Office of Reconstruction and Humanitarian Assistance "neither followed nor tried to learn the acquisition process." In addition, ORHA wanted quick results and, yielding to pressure, contracting officers from the Defense Contracting Command-Washington did not correctly award or manage the contracts. Of the 24 contracts awarded by the DCC-W that the Defense Department's IG investigated, 22 did not follow the Federal Acquisition Regulation, part of the official guidelines governing the contracting process.

This lack of structure in the contracting process, coupled with the need to start work as quickly as possible, led to contractors providing draft statements of work and cost estimates to contracting officers, when the government usually provides this information, according to GAO. In addition, contracting officers often allowed contractors to begin work before key terms of the contracts, including price, had been agreed on.

Contracts were also awarded to those with connections to the ORHA. In one instance, ORHA requested that a contract for a protocol officer be awarded to an individual who had once been a private-sector colleague of the former ORHA director, retired Army Lt. Gen. Jay Garner. In hopes of eliminating any appearance of conflict, the protocol officer left her job with the contractor for a position with another firm, Native American Industrial Distributors. They then received a contract to hire this same protocol officer that ORHA had requested. (A copy of the contract is available here: [www.publicintegrity.org/wow/docs/Native\\_American.pdf](http://www.publicintegrity.org/wow/docs/Native_American.pdf))

Acquisition rules were also often not followed when ORHA officials extended the scope of contracts. For example, ORHA used the Iraqi Free Media contract awarded to SAIC, which was designed to aid in the development of local media, to hire an expert who, it turned out, did no work related to the objective of the contract.

The Iraqi Free Media contract was awarded in March 2003 with a value of \$15 million; by the end of that September, the contract was valued at \$82.3 million. (See the original contract here: [www.publicintegrity.org/wow/docs/SAIC\\_0533.pdf](http://www.publicintegrity.org/wow/docs/SAIC_0533.pdf)) An acquisition specialist with the Defense Contract Management Agency told investigators with the DoD's inspector general that the program manager for the Iraqi Free Media contract bought a Hummer H2 and a Ford pickup truck, then chartered a cargo jet to fly the vehicles to Iraq for his use on the contract.

The GAO investigation also noted that there was less compliance with regulations when contracting officers issued task orders for existing contracts. The law does not require work issued under a task order on an existing contract to be competitively bid if the task is within the scope of the main elements of the original contract.

Several agencies, however, gave out task orders that went beyond the work delineated in the original contract. For example, through an interagency agreement (see it here: [www.publicintegrity.org/wow/docs/USAID\\_AFCAP.pdf](http://www.publicintegrity.org/wow/docs/USAID_AFCAP.pdf)) the Air Force Contract Augmentation

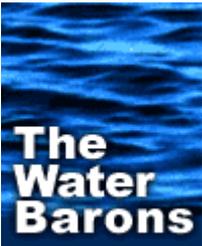
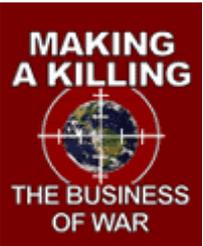
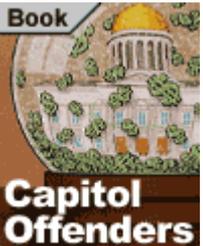
Program was used to provide logistical support services to USAID. In addition to the regular logistical tasks the contract was designed for, AFCAP was also used for such services as creating plans for fixing the power generation for Baghdad water treatment plants, which, according to the GAO, were outside the scope of the original contract. The original contract, awarded March 2003, had a value of \$26 million. As of June 2003, USAID has allocated more than \$91 million under this interagency agreement.

After the contracts are awarded, agencies often suffer from a lack of resources and personnel to oversee the contracts.

The DoD IG determined that 13 of the 24 contracts it reviewed did not adequately monitor contractors. Those assigned to monitor the contracts were not properly trained to assure the contractors were performing the required work. Similarly, State Department officials told investigators from the General Accounting Office that they did not have enough staff to monitor their law enforcement support contract. (See the contract: [www.publicintegrity.org/wow/docs/DynCorp.pdf](http://www.publicintegrity.org/wow/docs/DynCorp.pdf))

Federal agencies have sometimes hired contractors to oversee the work being done by yet other contractors. This, however, can raise questions of conflicts of interest. A report by the minority staff of the House Committee on Government Reform and the Senate Democratic Policy Committee detailed such conflicts in two oversight contracts awarded by the CPA to Parsons and CH2M Hill. Both companies are partners in other projects with the very firms they have been tasked to oversee. For example, one of the companies Parsons is tasked to oversee is [Fluor](#), even though the two firms have a \$2.6 billion joint venture contract in Kazakhstan.

Several agencies have recognized that there are problems with the contracting process; with the initial rush to reconstruction having passed, officials there are trying to develop new ways to oversee the work of contractors. USAID, for example, requested that the Army Corps of Engineers provide oversight for a \$1 billion infrastructure contract awarded to Bechtel. Additionally, USAID has come to an agreement for the Defense Contract Audit Agency to audit its contracts. Despite these new arrangements, a USAID procurement official told GAO that the agency still did not have enough permanent staff to properly oversee all the contracts in Iraq.

			
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