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ONE HUNDRED TENTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

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April 22, 2008

Mr. James H. Andrews
Director of Government Affairs
KBR, Inc.
2451 Crystal Drive
Arlington, VA 22202

Dear Mr. Andrews:

The Oversight Committee is conducting an investigation into government contractors that use foreign subsidiaries to compensate workers under contracts with the United States government, especially in Iraq and Afghanistan. I appreciate the briefing that representatives of your company provided to Committee staff on March 31, 2008, regarding this issue. I am writing today to request additional information about two KBR subsidiaries incorporated in the Cayman Islands: Service Employees International, Inc., (SEII) and Overseas Administrative Services (OAS).

According to the information provided in the March 28 briefing, SEII and OAS employ thousands of U.S. citizens who perform work in Iraq and other countries under KBR's contracts with the United States government. As your representatives explained during the briefing, the primary purpose of this arrangement is to reduce KBR's tax obligations. As they also stated, no KBR, SEII, or OAS employees perform any significant work in the Cayman Islands. In order to further assist the Committee in understanding this arrangement, I request the following documents and information:

1. Articles of incorporation and all amendments thereto, bylaws, annual or other periodic reports, audited financial statements, and a list of the names and titles of the current directors and officers of SEII and OAS;
2. Documents sufficient to show the persons or entities that hold ownership interests in SEII and OAS;
3. A list of contracts under which SEII or OAS provided goods or services to any agency of the United States government between January 1, 2002, and the present, whether directly or indirectly;

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4. Copies of contracts, subcontracts, memoranda of understanding, or other agreements between KBR and SEII or OAS;
5. A description of activities SEII or OAS perform in the Cayman Islands pursuant to the contracts responsive to question 3 above;
6. A description of the gross profits SEII and OAS earned between January 1, 2002, and the present, through the performance of the contracts responsive to question 3 above, and the percentage of these profits that was allocated to the Cayman Islands;
7. A description of the number of United States and foreign nationals paid by SEII and OAS between January 1, 2002, and the present, to perform services pursuant to the contracts responsive to question 3 above; the location where the workers performed the work; the categories of jobs these workers performed; the number of U.S. national personnel who worked within each job category; and the average compensation (in U.S. dollars) paid to U.S. national personnel working within each job category;
8. Examples of the types of records of wages earned that SEII and OAS provide their workers, including any monthly or annual payroll statements such as federal W-2 forms;
9. Legal opinions or other communications prepared by third parties at the request KBR or any of its affiliates relating to the legal or regulatory implications of incorporating or operating SEII and/or OAS in the Cayman Islands;
10. Examples of employment contracts or other agreements between SEII or OAS and workers hired to perform work pursuant to the contracts responsive to question (3) above;
11. Informational materials that KBR, SEII, or OAS provided to prospective or current employees that explain employment status and describe the health care, life insurance, disability insurance, unemployment coverage, or other benefits they may or may not receive; and
12. Any previously prepared estimates or calculations estimating the amount of Social Security, Medicare, unemployment, or other taxes and benefits KBR has not withheld or paid as a result of compensating U.S. workers through Cayman Island subsidiaries rather than through KBR.


Please provide the requested documents and information by May 13, 2008.

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The Committee on Oversight and Government Reform is the principal oversight committee in the House of Representatives and has broad oversight jurisdiction as set forth in House Rule X. Enclosed with this letter is a document providing additional information about how to respond to the Committee's document request.

If you have any questions, please contact Michael Gordon or John Williams of the Committee staff at (202) 225-5420.

Sincerely,

A handwritten signature in black ink that reads "Henry A. Waxman". The signature is written in a cursive, slightly slanted style.

Henry A. Waxman
Chairman

Enclosure

cc: Tom Davis
Ranking Minority Member