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ONE HUNDRED NINTH CONGRESS

# Congress of the United States

## House of Representatives

COMMITTEE ON GOVERNMENT REFORM

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March 14, 2006

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The Honorable David M. Walker  
Comptroller General of the United States  
Government Accountability Office  
Washington, DC 20548

Dear Mr. Walker:

This Committee has been engaged in continuous oversight of the award and execution of contracts for the rebuilding of Iraq. The effort has involved four hearings on the challenges of contracting in a war zone, several briefings from the Department of Defense and other agencies involved in the rebuilding efforts as well as the review of thousands of documents that the Committee has requested from relevant agencies over the last several years. The Government Accountability Office (GAO) has provided invaluable assistance to the Committee in this endeavor through a series of outstanding briefings, reports and testimonies.

We understand that the Army Corps of Engineers (Corps) has recently entered into a settlement agreement with Kellogg, Brown and Root (KBR) for the costs charged by that firm under the Restore Iraqi Oil (RIO) contract. The Corps settlement also includes award fee payments to KBR.

The RIO contract was originally awarded to restore Iraq's oil infrastructure, but was expanded to provide for the emergency importation of a considerable quantity of refined fuels to alleviate serious shortages that plagued the Iraqi people soon after the occupation began. During the performance of this cost-type contract, the Defense Contract Audit Agency (DCAA) issued a number of audit reports in support of the Corps. These reports questioned the various cost proposals submitted by KBR as a part of the contract "definitization" process and other requests for reimbursements of costs submitted by KBR. DCAA also issued several reports that identified deficiencies in KBR's estimating and billing practices. We understand that DCAA audit reports are submitted to aid the contracting officer in making the final determination of whether particular costs are reasonable, allocable, consistent with applicable accounting standards and practices, and compliant with the contract and applicable statutes and regulations. The contracting officer makes the final determination of whether costs are allowable based on the

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assistance of DCAA and other experts and after considering all the relevant facts and circumstances.

Given the unprecedented conditions surrounding the performance of this contract and the disparity between the magnitude of the costs questioned by DCAA and the settlement amount agreed to by the Corps, the Committee requests that the GAO conduct a comprehensive review of the Corps' settlement with KBR under the RIO contract.

We ask that you meet with our staff at your earliest convenience to obtain a more complete understanding of our needs and concerns. Any questions should be directed to John Brosnan at 225-5074 and Jeff Baran at 225-5420.

Sincerely,



Tom Davis  
Chairman



Henry A. Waxman  
Ranking Member