



April 20, 2004

MEMORANDUM

TO: Acting/AA/ANE, Gordon West
M/OP, Timothy T. Beans

FROM: AIG/A, Bruce N. Crandlemire/s/

SUBJECT: USAID's Compliance with Federal Regulations in Awarding
the Iraq Infrastructure Reconstruction Program Phase II
Contract (AIG/A Memorandum 04-006)

SUMMARY

The Office of Inspector General (OIG) has completed a review to determine compliance with federal regulations in awarding a contract for the Iraq Infrastructure Reconstruction Program Phase II to Bechtel National, Inc. (Bechtel).

The OIG determined that the U.S. Agency for International Development (USAID), in making its award to Bechtel, complied with applicable federal regulations.

BACKGROUND

This is the first contract awarded by USAID in the second phase of contracts to be awarded for reconstruction work in Iraq. In the initial phase of work in Iraq, USAID awarded contracts for \$1.5 billion for economic governance, personnel support, seaport administration, local governance, education, infrastructure reconstruction, monitoring and evaluation, health, airport administration and agriculture. USAID has also awarded grants, cooperative agreements, and interagency agreements in connection with Iraq reconstruction efforts. This contract to Bechtel was competitively awarded using full and open competition.

On October 2, 2003, USAID published a Request for Proposal (RFP) on the Federal Business Opportunities website for the Iraq

Infrastructure Reconstruction Program Phase II. Questions regarding the RFP were submitted by five firms and addressed in a subsequent amendment to the RFP. The firms were given until October 31, 2003 to respond, and an RFP amendment changed the closing date to November 6, 2003. Three firms submitted proposals by the closing date.

A technical evaluation panel reviewed the proposals and determined that all three were acceptable. These three firms submitted final revised technical and cost proposals by the closing date of December 9, 2003. After reducing the competition to the two higher ranked firms, additional discussions were held with both firms regarding their cost proposals.

On January 5, 2004, USAID awarded Bechtel a cost-plus-fixed-fee term contract for approximately \$1.823 billion for the time period of January 5, 2004 through December 31, 2005.

REVIEW RESULTS

The OIG reviewed USAID documentation and conducted interviews to determine the events that took place and decisions made supporting the award of the contract. In our opinion, USAID complied with applicable federal regulations in making the award.

We appreciate the courtesies extended to the OIG staff on this review, and we are continuing to examine other Iraq contracts as they are awarded.

cc: AA/LPA, E. Fox
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