

**Congress of the United States**  
**House of Representatives**  
**Washington, DC 20515**

April 8, 2003

The Honorable David M. Walker  
Comptroller General  
U.S. General Accounting Office  
441 G Street, N.W.  
Washington, D.C. 20548

Dear Mr. Walker:

In the past two weeks, information has surfaced in the press concerning contracts which the United States Government has quietly signed or intends to sign with private firms for business in Iraq. Apparently the U.S. Agency for International Development (USAID) has entered into two contracts for the rebuilding of Iraq's infrastructure and has solicited six other bids for reconstruction activities in Iraq. The U.S. Army Corps of Engineers has entered into one contract and intends to issue more contracts to extinguish oil well fires in Iraq and rebuild Iraq's oil infrastructure. The combined value of these contracts is estimated to be in the hundreds of millions, if not billions, of dollars.

Because the Administration has released few, if any, details about these contracts, little is known about the authority to enter into the contracts, or whether proper procurement procedures were followed. Questions have already appeared in the press concerning how these contracts were awarded. For example, an article that appeared in the *Wall Street Journal* on March 17, 2003, "Bush Has an Audacious Plan To Rebuild Iraq Within a Year," noted that all the companies selected by USAID to bid for the reported \$900 million contract "have deep political ties in Washington." One of the companies is Halliburton, which the Vice President ran from 1995 to 2000. The article also noted that the other big bidders – which include Bechtel Group, Inc., Parsons Corp., Louis Berger Group, and Fluor Corp. – "made political contributions of a combined \$2.8 million between 1999 and 2002, more than two-thirds of which went to Republicans." The article also pointed out that the contracts would "sideline United Nations development agencies and other multilateral organizations that have long directed reconstruction efforts in places such as Afghanistan and Kosovo."

The contract awarded by the Corps to a Halliburton subsidiary does not appear to have been subject to competition, and is a cost-plus contract, providing for company costs plus 2% to 5%. The costs, as well as the profits, appear to be open-ended.

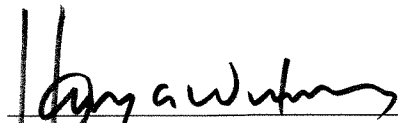
It is unclear to us whether these agencies acted within the scope of their authority and followed accepted procurement practices. We are also interested in how certain companies were invited to bid on these contracts, how the contract winners were selected, why so little information has been provided to the public and Congress about the contracts, and what role various agencies played in making the determination to proceed with these contracts. These contracts raise a number of issues ranging from foreign commerce policies to energy policies to procurement policies.

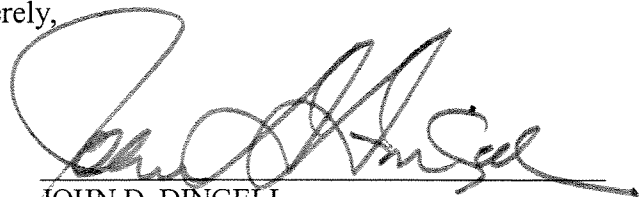
We request GAO carry out its statutory responsibility to oversee how government funds are being spent, and to review the process in the award of these contracts. Among the questions to be answered would be:

- (1) How were the decisions made to proceed to the award of these contracts? What agencies had input, and what individuals participated in the decisions? How were certain companies selected to bid on contracts?
- (2) Were proper procurement procedures followed in the award of each contract?
- (3) Under what statutory authorities, including appropriations authority, were these contracts awarded?
- (4) Were details about these contracts properly kept secret? What, if any, national security considerations were involved in light of the facts that the government's contingency plans to invade Iraq were not secret and that these contracts were announced while American troops were on the ground in Iraq?
- (5) What notice, if any, was given to Congress prior to the awarding of these contracts?
- (6) What consideration was given to the question of whether this work should be conducted by the U.S. Government or contracted to international organizations? Was any attempt made to compare the costs of these alternatives?

Of course we would expect GAO to review all documents relating to these contracts and the questions raised. We would appreciate an opportunity to further discuss the scope of the project at your earliest convenience. To arrange such a meeting please contact David Schooler, Minority Deputy Staff Director, Committee on Energy and Commerce, at 225-3641 and Paul Weinberger, Minority Counsel, Committee on Government Reform, at 225-5420.

Sincerely,

  
HENRY A. WAXMAN  
RANKING MEMBER  
COMMITTEE ON GOVERNMENT REFORM

  
JOHN D. DINGELL  
RANKING MEMBER  
COMMITTEE ON ENERGY AND COMMERCE