

The seal of the Office of the Special Inspector General for Iraq Reconstruction is a large, circular emblem in the background. It features an eagle with its wings spread, perched on a shield with vertical stripes. The eagle holds an olive branch in its right talon and arrows in its left. The shield is positioned on the eagle's chest. The seal is surrounded by text in both English and Arabic. The English text reads "INSPECTOR GENERAL" at the top and "RECONSTRUCTION" at the bottom. The Arabic text reads "مفتش العام" at the top and "إعادة إعمار العراق" at the bottom.

PROGRESS ON RECOMMENDED
IMPROVEMENTS TO CONTRACT
ADMINISTRATION FOR THE IRAQI
POLICE TRAINING PROGRAM

SIGIR-08-014
APRIL 22, 2008



SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

April 22, 2008

MEMORANDUM FOR SECRETARY OF STATE
U.S. AMBASSADOR TO IRAQ
ASSISTANT SECRETARY, BUREAU OF INTERNATIONAL
NARCOTICS AND LAW ENFORCEMENT AFFAIRS, U.S.
DEPARTMENT OF STATE
DIRECTOR, IRAQ TRANSITION ASSISTANCE OFFICE

SUBJECT: Progress on Recommended Improvements to Contract Administration for the Iraqi Police Training Program (SIGIR-08-014)

This is a follow-up to SIGIR's October 2007 report.¹ It updates the status of (1) improvements undertaken by the Department of State's Bureau of International Narcotics and Law Enforcement Affairs (INL) in its management of the DynCorp contract for the Iraqi Police Training Program (IPTP), and (2) INL's implementation of SIGIR's recommendation in that report. This report also updates the status of recommendations made in the January 2007 joint report of SIGIR and the Department of State (DoS), Office of Inspector General, on Task Order 0338 of the DynCorp contract.² Moreover, this report continues SIGIR's oversight of INL's contract administration for the IPTP. The follow-up work for this report was conducted under project 8015.

Results

INL has made a concerted effort to implement the recommendations in prior reports by SIGIR and the DoS Office of Inspector General on the IPTP. With regard to the recommendation in the October 2007 report, INL has developed a detailed project plan that includes initiatives to improve contract management. For example, the plan identifies detailed tasks associated with property management in Iraq, efforts to recover contested charges under the contract, the reconciliation of invoices, and the various tasks to recomplete and award the contract in 2009.

With regard to the recommendations in SIGIR's January 2007 report, INL has several responsive actions underway. For example, it has arranged to make use of the trailers associated with the 1,040-person residential camp,³ sought reimbursement for payments that may not have been properly authorized, and requested and received invoice audits.

¹ *Interim Review of DynCorp International, LLC, Spending Under Its Contract for the Iraqi Police Training Program*, (SIGIR-07-016, October 23, 2007)

² *Review of DynCorp International, LLC, Contract Number S-LMAQM-04-C-0030, Task Order 0338, for the Iraqi Police Training Program Support* (SIGIR-06-029 and DoS-OIG-AUD/IQO-07-20, January 30, 2007)

³ A key part of Task Order 0338 was the manufacture and installation of a residential camp to house 1,040 police training and advisory personnel; associated facilities included dining and office space.

While INL's actions are in various stages of completion, SIGIR believes that, taken together, they are improving the overall administration of the contract. SIGIR encourages INL to bring its efforts to a timely completion and plans to continue to monitor INL's progress. Because of the actions taken and underway, SIGIR provides no additional recommendations.

Background

INL's mission is to develop policies and manage programs to combat international narcotics production and trafficking, combat international crime, and strengthen law enforcement and other rule-of-law institutional capabilities outside the United States. To that end, INL awarded contract S-LMAQM-04-C-0030 to DynCorp on February 18, 2004. The contract—for a base year and four one-year options—is now in its last option year.⁴ According to INL, the contract for the IPTP will only be extended for the period of time necessary to recomplete the contract in 2009.

Although the contract includes task orders in support of INL programs for Iraq and Afghanistan, SIGIR's focus is on the contract task orders for Iraq. Among those task orders, DynCorp is required to provide housing, food, security, facilities, training support systems, and a cadre of law enforcement personnel with various specialties to support the Iraqi civilian police-training program. The current task order covering the IPTP expires April 30, 2008, at which time a new task order will be awarded.

According to INL officials, as of March 28, 2008, INL had obligated \$1,749 million and had spent \$1,419.5 million in pursuit of the Iraq program. *Appendix A* provides further details on the task orders, including obligations, expenditures, purpose, and status.

SIGIR's October 2007 report stated that INL officials had previously uncovered serious weaknesses in the bureau's management of the contract and had undertaken a number of improvements, including

- organizing contract files
- increasing the number of INL headquarters staff and contract-management personnel in Iraq
- improving project oversight and business processes as well as oversight of property management, and
- collecting for excess or erroneous charges.

Because of the magnitude of the problems confronting INL and the number of actions planned to address them, SIGIR recommended that INL: (1) develop a coordinated, comprehensive corrective-action plan that is approved by the assistant secretary, (2) make a commitment to provide the resources necessary to implement the plan, and (3) establish a process to assess the plan's implementation and its impact on the bureau's oversight of the DynCorp contract.

The January 2007 joint report stated that poor contract administration by INL and the DoS Office of Acquisition Management resulted in property unaccounted for and million of dollars put at unnecessary risk. Specifically, DoS had paid about \$43.8 million to manufacture and

⁴The fourth option year is from February 18, 2008 through February 17, 2009.

temporarily store trailers for a residential camp that had never been used; the sum included \$4.2 million for unauthorized work associated with the camp. In addition, DoS may have spent another \$36.4 million for weapons and equipment, including armored vehicles, body armor, and communications equipment that could not be accounted for because invoices were vague and backup documentation and property–book listings were lacking for the specific items. The joint report recommended a number of actions to help remedy the situation.

Status of Actions to Address Contract Management Weaknesses

The following describe the status of INL’s contract management improvements as reported by SIGIR in October 2007, as well as the actions taken by INL since that report. Essentially, INL has organized all of the contract files, taken actions to increase the number of contract management staff, increased collections for excess or erroneous charges, conducted reviews of DynCorp-maintained inventories, and launched initiatives to increase contract competition for the next task-order award.

Contract Files:

Prior Status: INL stated that it had compiled about 60% of the contract files.

Current Status: According to INL, as of April 1, 2008 it has fully compiled the contract files.⁵ The voluminous documents received have been organized in the invoice library by country, contract, and invoice number. As discussed later in this report, INL is in the process of using those files to reconcile historical invoices and plans to complete that process in three to five years. SIGIR plans to selectively review that process in the future.

Contract Management Staff:

Prior Status: INL had increased the number of contract management personnel in Iraq from one to five, and two individuals were awaiting clearances to join them. The bureau had accepted seven of 10 detailees (financial management experts) to assist INL staff in the U.S. with invoice reconciliation, and was in the process of selecting individuals for the three remaining positions.

Current Status: According to INL, the two additional individuals scheduled for Iraq are being cleared. The individuals in Iraq will (1) validate invoices for receipt of goods and services; (2) provide technical direction to the contractors; (3) coordinate between INL program staff and the contractors; (4) perform construction and asset-management oversight, including reviews and disposition of property; and (5) develop independent government-cost estimates.

There are six financial management experts on detail to INL, and applicants are being reviewed for the other four positions. The financial management experts are to reconcile all historical invoices for Iraq and the contract/task order closeout process, ensuring that goods and services were properly documented, received, and utilized in accordance with the contract and that all fiscal expenditures for the same were in fact within the scope of the contract/task order. INL’s goal is to reconcile about 10% to 20% of the historical invoices in 2008. The 20% goal would be in line with INL’s estimate of three to five years to fully review and reconcile all invoices.

⁵ According to INL, the files will continue to be updated and adjusted, as needed, until the contract has been closed out.

The above individuals are complemented by seven Washington-based Contracting Officer Representative (COR) staff that provide additional contract management, oversight, and coordination of various contractors and government elements and six contract support staff. Two additional contract support personnel are in-processing. In addition, the U.S. Army Corps of Engineers is assisting with contracting and oversight of the prison and other construction projects. According to INL, the Corps provides weekly and monthly reports and an on-post specialist inspects the various construction sites.

Collection of Excess or Erroneous Charges:

Prior Status: INL had negotiated an October 2006 contract modification that allows it to review invoices after they are paid and to request reimbursement for excess or erroneous charges. According to INL officials, it has issued demand letters for reimbursement of excess or erroneous charges paid before that date and had been successful in getting those funds reimbursed. As of September 20, 2007, INL had identified savings from the initiatives in Iraq as follows: negotiated reductions in cost/price proposals - \$113.7 million; rejected invoiced amounts - \$1.1 million; and refunds received from DynCorp - \$0.7 million. In addition, it had identified potential savings from invoiced amounts of \$1.1 million.

Current Status: According to INL, it has continued to realize savings from its initiatives to apply tougher scrutiny in dealing with contractors, which has led to more rejections of out-of-scope work and negotiated reductions in the cost of work. Such changes have allowed INL to collect associated excessive or erroneous charges. As of March 13, 2008, INL had identified savings from its initiatives in Iraq as follows: negotiated reductions in cost/price proposals - \$116.1 million (increase of \$2.4 million); rejected invoiced amounts - \$1.6 million (increase of \$0.5 million); and received refunds from DynCorp - \$14.3 million (increase of \$13.6 million). In addition, the bureau had identified potential savings from invoiced amounts of \$4.1 million (increase of \$3.0 million).⁶

Property Management:

Prior Status: INL had received from DynCorp an inventory of contractor-procured, government-owned equipment in Iraq containing 31,680 line items valued at \$85.6 million. The INL contract management team in Iraq had requested a 100% audit of all contractor inventory records. That audit was to include a review of weapons and weapons-support equipment.

Current Status: According to INL, on February 26, 2008 it completed a 100% weapons-accountability check for Iraq. A total of 3,292 weapons (9mm Berettas) were inventoried. Based on weapons shipments under the DynCorp contract, 27 hand-held weapons have been lost or stolen, of which 10 were due to battle loss. DynCorp will be held financially accountable for the remaining 17 weapons. INL personnel in Iraq, accompanied by DynCorp staff, inventoried 100% of the 31,680 line items. The inventory found that DynCorp could not account for just over 5% (\$4.4 million) of the value of the items on the list. The missing items were vehicles and personal property (equipment, furniture, and furnishings). Subsequently, DynCorp located the vehicles valued at \$2.5 million. In late-April 2008, an Iraq COR logistics team will visit DynCorp to reconcile the inventory and begin to resolve the missing property issue. At the conclusion of the inventory reconciliation, the Iraq COR team along with INL officials in

⁶ The increases are measured against the September 20, 2007 amounts.

Washington will recommend actions to the contracting officer to resolve the shortages.⁷ The contracting officer will make the final decision on how to resolve the issue of the missing items. Overall, INL found DynCorp's property management operation to be satisfactory, but with a potential for improvement. INL stated it plans to continue monitoring DynCorp's detailed inventory reports on a monthly basis, and is considering plans to direct DynCorp to assign more managers at the camp level.

Efforts to Increase Contract Competition:

Prior Status: Although this topic was not discussed in our previous report, it is important to improved contract administration.

Current Status: According to INL, it is improving and refining its contract management and oversight in the new task order by improving statements of work and more clearly defining reporting mechanisms. For example, requirements in the new task order that will be competed are broken into four major components, or sub-tasks, as follows: advisor services, life and mission support, security, and information technology and communications. Under each sub-task, close coordination will be required between the contractors and INL program managers in Iraq and Washington. Deliverables, which have been identified with reporting schedules specified, include: management staffing plans, subcontracting management plans, property transition and inventory control plans, and financial /cost tracking reports.

Status of Actions to Address SIGIR Recommendations

October 2007 Report

Concerning SIGIR's October 2007 recommendation for a coordinated, comprehensive corrective-action plan, INL has developed such a plan using Microsoft Project, which includes contract-management improvement initiatives within the Afghanistan, Iraq, Jordan Support (AIJS) Division of INL.⁸ In addition to the various improvement initiatives, the plan also shows the start and finish dates for the initiatives. According to INL, the project manager and executive director have approved the AIJS priority tasks, time frames, and resources needed for accomplishing the comprehensive plan; those items are due for formal approval by INL's principal deputy assistant secretary and assistant secretary. In the interim, SIGIR was told that INL's executive director had briefed the assistant secretary on AIJS plans, activities, progress, and contract oversight accomplishments. According to INL, some portions of the plan have been accomplished and contract oversight results achieved. We were told that INL's assistant secretary is being kept fully informed of contract oversight efforts.

January 2007 Report

Concerning the January 2007 recommendations pertaining to Task Order 0338, INL provided a status of its actions concerning those recommendations in its management comments to SIGIR's October 2007 report. Corrective actions continue to be in process. Essentially, INL (1) arranged to make use of the trailers associated with the 1,040 person residential camp, (2) sought reimbursement for payments that may not have been properly authorized, (3) requested and

⁷ The contracting officer is in DoS's Office of Acquisition Management.

⁸ The division is responsible for managing the DynCorp contract within INL.

received invoice audits, and (4) has taken actions to improve the role of contracting officials. The following paragraphs present updated status information on INL's implementation of those recommendations;

Recommendation on 1,040 person residential camp: Present to the U.S. Ambassador to Iraq a plan for review and approval of the use of the residential camp to house police trainers, as originally intended, or the disposal of the facility.

Response: Corrective actions are in process. INL conducted an inventory of all 1,181 trailers associated with the camp. By mid-October 2007, INL had transferred 495 residential trailers to the Bureau of Overseas Building Operations for use at the U.S. Embassy in Baghdad. The remaining trailers are to be used for a 500 person residential camp at the Baghdad International Airport, where INL secured a land agreement in May 2007. That camp will house police trainers and support personnel. According to INL, the contractor was given the notice to proceed on March 18, 2008, at which time the contractor indicated it would take a couple of weeks to mobilize. INL does not anticipate the contractor to physically "Turn Dirt" until possibly the second week of April 2008.

Recommendation on disputed payments: Seek reimbursement from DynCorp for the improperly authorized \$4.2 million payment for contractually unauthorized work directed by the Iraqi Ministry of Interior. This work included the relocation of the residential camp, the manufacture of additional trailers for very-important-persons, and the construction of an Olympic-size swimming pool.

Response: Corrective actions are in process. According to INL, its review of documents relating to the contractually unauthorized work identified ambiguous statements-of-work relating to the expenses and associated burden rates for the additional trailers.⁹ In June 2007, the Office of Acquisition Management issued a demand letter to DynCorp for \$4,060,959; the office indicated that there was unequivocal and overwhelming justification in support of the government's position. DynCorp disagreed and contested the office's position that the work was unauthorized and improper. The company stated that the work had been authorized by the previous contracting officer and COR. At the request of INL, DynCorp provided documents to support its position. According to INL, the response is being reviewed and the matter will be appropriately resolved.

Recommendation on invoice reviews: Request that the Defense Contract Audit Agency (DCAA) review two DynCorp invoices: one dated July 30, 2004, which included a residential-camp mobilization fee, to determine whether a prepayment of \$18.0 million occurred; and a second one dated October 30, 2006, for approximately \$1.1 million pertaining to labor costs associated with Task Order 0338. On receipt of the DCAA audit report, the contracting officer should take the appropriate action.

Response: Corrective actions are in process. According to INL, DCAA issued reports on its reviews of the two invoices in September and October 2007, respectively. DynCorp's response to both DCAA reports has been received. INL says it will evaluate both perspectives and decide

⁹ The burden rate is comprised of additional rates and fees applied to actual standard operating costs.

on the appropriate actions. The bureau stated that it will give DCAA's analyses and recommendations full consideration and plans to respond to the agency's audit advisory services after considering the contractor's documentation and response.

Recommendation on duties and responsibilities: Enforce procedures to ensure that the contracting officer and COR comply with duties and responsibilities as identified in the DoS *Foreign Affairs Handbook*. These procedures should address the following matters: receiving and retaining technical and financial reports; examining invoices and supporting documentation before certification for payment; processing "receiving and inspection reports" for equipment; and maintaining a COR file.

Response: Corrective actions are in process. According to INL, these implementation efforts are now being taken:

- a) INL continues to routinely receive and retain financial and technical reports which are retained by the COR.
- b) INL/AIJS rejects all invoices not properly supported or not in agreement with all terms and conditions in the contracts. To date, INL has rejected invoices amounting to more than \$260 million and nearly 23% of the total value of all invoices received from contractors in Iraq and Afghanistan. Rejected invoices are often corrected and resubmitted for lesser amounts, resulting in savings of \$5.6 million to date.¹⁰
- c) As discussed previously, INL recently completed a 100% weapons-accountability check. The bureau also routinely requires monthly accountability reports from contractors for weapons and other equipment, and makes spot checks to verify the reports.
- d) As also discussed previously, the contract files are now fully compiled. The voluminous documents received have been organized in the invoice library by country, contract, and invoice number.

Management Comments

SIGIR provided a draft of this report to INL for its review and comments. INL concurred with SIGIR's presentation of the facts and chose not to provide official comments. However, INL did provide some technical comments that have been incorporated, as appropriate.

Scope and Methodology

On February 27, 2008, SIGIR requested status information from INL on its (1) initiatives to improve management of the DynCorp contract for the IPTP, and (2) implementation of the recommendation made by SIGIR in its October 23, 2007, report. Subsequently, it requested status information on INL's implementation of the recommendations in the joint SIGIR and DoS Office of Inspector General report of January 2007. SIGIR reviewed INL's response and supporting documents, which provides INL's official position on actions taken or planned. Specifically, SIGIR reviewed the INL executive director's written description of (1) actions to

¹⁰ According to INL, the savings apply to both Iraq and Afghanistan.

implement SIGIR's recommendations and (2) the status of INL initiatives to strengthen contract management. In addition, SIGIR reviewed (1) INL's corrective action plan to determine if it incorporates the management initiatives described in SIGIR's October 2007 report and if INL has established specific milestones to accomplish those initiatives, (2) documentation of the inventory of the trailers for the 1040 person residential camp and the transfer of those trailers, and (3) DynCorp's response concerning the requested refund of contested charges amounting to \$4,060,959. SIGIR also considered internal controls to the extent that they were applicable to INL's actions on the recommendations in SIGIR's reports. In the future, SIGIR plans a detailed review of the DynCorp contract to assess the effectiveness of INL improvement initiatives.

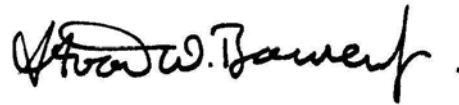
This audit was performed under the authority of Public Law 108-106, as amended, which also incorporates the duties and responsibilities of inspectors general under the Inspector General Act of 1978. SIGIR performed its audit work during March and April 2008, in accordance with generally accepted government auditing standards. Those standards require that SIGIR plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis to support the information presented based on its audit objectives. SIGIR believes that the evidence obtained provides a reasonable basis for its conclusions based on those objectives.

Prior Coverage

SIGIR reviewed the following prior reports:

- *Interim Review of DynCorp International, LLC, Spending Under Its Contract for the Iraqi Police Training Program* (SIGIR-07-016), October 23, 2007.
- *Review of DynCorp International, LLC, Contract Number S-LMAQM-04-C-0030, Task Order 0338, for the Iraqi Police Training Program Support*, (SIGIR-06-029 and DoS-OIG-AUD/IQO-07-20), January 30, 2007.
- *Independent Auditor's Report on the Application of Agreed-Upon Procedures Related to Selected DynCorp Invoices*, (DoS-IG-AUD/FM-07-41), July 2007.
- *Report of Inspection, Bureau of International Narcotics and Law Enforcement Affairs* (ISP-I-05-14), July 2005.

SIGIR appreciates the courtesies extended to its staff. For additional information on this report, please contact Glenn D. Furbish at ([703-428-1058](tel:703-428-1058) / glenn.furbish@sigir.mil). For a list of the audit team members, see *Appendix C*.

A handwritten signature in black ink, reading "Stuart W. Bowen, Jr." with a period at the end. The signature is written in a cursive style.

Stuart W. Bowen, Jr.
Inspector General

Appendix A—Task Order Summaries (March 28, 2008)

Task Order	Obligations (In millions)	Expenditures (In millions)	Purpose	Status
0582	Funds moved to task order 1436		Provide pre- and post-deployment support for 12 U.S. judicial and criminal-justice experts in such areas as training, equipment, body armor, housing, meals, transportation, information technology, medical services, and security. The support could require the construction, repair, or refurbishment of facilities and buildings to support the judicial personnel.	Combined with task order 1436.
0765	\$70.4	\$70.4	Provide all labor, materials, supervision, tools, equipment, services, quality assurance, and other necessary items and services for the construction of the Jordan International Police Training Center in Amman.	Complete
A528	\$55.3	\$55.3	Provide operations and maintenance support for the Jordan International Police Training Center. Support includes program management, logistics, quality assurance, human resources, procurement, contracting, budget, finance, catering, payroll, and government relations.	Complete
2059	\$47.2	\$47.2	Provide funds to reimburse DynCorp for equipment, construction, supplies, materials, services, and other functions delivered between July 17 and October 22, 2004. DynCorp continued to perform essential services during this period, despite the fact that the task-order performance period had expired. The contracting officer determined that the company should be issued a task order under the contract to cover its performance during the period.	Complete
0338	\$152.2	\$152.0	Provide training services for international police-liaison officers, training support equipment, construction of five regional camps, and construction of a residential camp—on the Adnan Palace grounds in Baghdad—to house training personnel.	Complete
1436	\$1,423.9	\$1,094.6	Provide field support (lodging, food, fixed-site security, weapons, ballistic armor, and ballistic helmets) for personnel assigned to the Iraq police-development program in Baghdad. This task order is being re-competed.	Ongoing
Totals	\$1,749.0	\$1,419.5		

Source: INL provided the financial and task-order status information. We did not verify its accuracy. Task order purposes were taken from contract documents and confirmed by INL officials.

Appendix B—Acronyms

AIJS	Afghanistan, Iraq, Jordan Support Division
COR	Contracting Officer Representative
DCAA	Defense Contract Audit Agency
DoS	Department of State
INL	Bureau of International Narcotics and Law Enforcement Affairs
IPTP	Iraqi Police Training Program

Appendix C—Audit Team Members

This report was prepared, and the audit conducted, under the direction of David R. Warren, Assistant Inspector General for Audit, Office of the Special Inspector General for Iraq Reconstruction. The staff members who contributed include:

Robert L. Pelletier

Roger M. Williams

SIGIR's Mission

Regarding the U.S. reconstruction plans, programs, and operations in Iraq, the Special Inspector General for Iraq Reconstruction provides independent and objective:

- oversight and review through comprehensive audits, inspections, and investigations
- advice and recommendations on policies to promote economy, efficiency, and effectiveness
- deterrence of malfeasance through the prevention and detection of fraud, waste, and abuse
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