



SECRETARY OF THE ARMY
WASHINGTON

FEB 06 2007

The Honorable Henry A. Waxman
Chairman
Committee on Oversight and Government Reform
United States House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

This responds to your letter dated December 7, 2006, to the former Secretary of Defense, Donald H. Rumsfeld, and your January 22, 2007, letter to current Secretary of Defense, Robert M. Gates, requesting information about a possible contractual relationship between ESS Support Services Worldwide (ESS), Blackwater Security Services (Blackwater), and Kellogg, Brown and Root Services, Inc. (KBRS) under the Army's Logistics Civil Augmentation Program (LOGCAP-III) contract. The Office of the Secretary of Defense has asked me to respond to both of your letters.

When this issue was first brought to the U.S. Army's attention, the U.S. Army Materiel Command (AMC) researched the potential contractual relationship between these firms. Based on all available documentation in contract files and on correspondence from KBRS, AMC was unable to substantiate a link. This conclusion formed the basis for my letter of July 14, 2006, to you on this subject and was also the basis for testimony provided by the Deputy Assistant Secretary of the Army (Policy and Procurement), Ms. Tina Ballard, before the Committee on September 28, 2006.

Following the hearing, AMC's major subordinate command, the U.S. Army Sustainment Command (ASC), continued to pursue information on this important matter. As a result of extensive research, and U.S. Army correspondence with ESS/Compass Group and KBRS, ESS did confirm that they obtained security services. ESS built and operated DFAC facilities both as a direct contractor to the U.S. Government and as a subcontractor to KBRS and other companies. On January 30, 2007, we learned that ESS engaged Blackwater through Regency Hotel and that ESS employed private security primarily to protect its management employees traveling in Iraq and to transport currency to pay vendors and employees. Based on information we received from KBRS, we understand that these security costs, which were not itemized in the contracts or invoices, were factored into ESS' labor costs under its DFAC service contracts with KBRS under LOGCAP III.

The U.S. Army is continuing to investigate this matter and we are committed to providing full disclosure of the results of our investigations to the Committee. Contract

documents are being gathered and will be provided to your staff. We will continue to forward additional documents as they become available to us from KBRS and others.

Please be assured that we share your commitment to ensuring that contractors supporting the military and reconstruction efforts in Iraq comply with the terms and conditions of their contracts. I have asked my staff to work expeditiously toward addressing the issues. A similar response is also being sent to Representative Van Hollen.

Sincerely,



Francis J. Harvey