



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

APR 6 2006

MEMORANDUM FOR AUDIT FOLLOWUP FOCAL POINT, OUSD(AT&L)

SUBJECT: Followup on GAO Report, GAO-04-605, "REBUILDING IRAQ: Fiscal Year 2003 Contract Award Procedures and Management Challenges," June 1, 2004 (GAO Review Code 120248)

Pursuant to the requirements of DoD Directive 7650.3, the subject case is being evaluated to ensure that adequate management action is taken on the report's agreed-upon findings and recommendations. Followup status will be reflected in the Defense Automated Management Information System (DAMIS) and, as appropriate, in reports to the Secretary of Defense, the GAO, and the Congress.

At this time, we request a current status report on actions in process to implement Recommendations 3, 4, and 5.

Recommendation 3: The GAO recommended that the Secretary of the Army address and resolve all outstanding issues in connection with the pending Justifications and Approvals for the contracts and related task orders used by the Army Corps of Engineers to restore Iraq's electricity infrastructure.

The September 30, 2005, response from your office stated that the two associated Justifications & Approvals (J&As) are still pending revision with the Army Corps of Engineers, and that an estimated completion date has not been set.

Information Requested: Discuss whether the Army Corps of Engineers revised the J&As for the contracts and related task orders used by the Army Corps of Engineers to restore Iraq's electricity, and if so, discuss whether the Assistant Secretary of the Army signed the J&As. If actions are not complete, please explain and provide estimated completion dates. If the actions have been completed, provide supporting documentation.

Recommendation 4: The GAO recommended that the Secretary of the Army direct the Commanding General, Army Field Support Command, and the Commanding General and Chief of Engineers, U.S. Army Corps of Engineers (USACE), to definitize outstanding contracts and task orders as soon as possible.

The September 30, 2005, response from your office stated that task orders 0003, 0008, 0009, and 0010 on the USACE contract to restore Iraq's oil infrastructure are still in the process of being definitized. Additionally, of the 14 task orders on the USACE contract to restore Iraq's electrical infrastructure, 1 task order for a total of \$104,001,345 continues to have \$35,345,545 undefinitized.

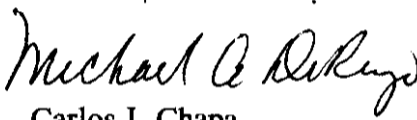
Information requested: Discuss whether task orders 0003, 0008, 0009, and 0010 on the USACE contract to restore Iraq's oil infrastructure have been definitized, and discuss whether the \$35,345,545 of the task order for \$104,001,345 on the USACE contract to restore Iraq's electricity has been definitized. If actions are not complete, please explain and provide estimated completion dates. If the actions have been completed, provide supporting documentation.

Recommendation 5: The GAO recommended that the Secretary of Defense, in consultation with the Administrator, U.S. Agency for International Development, evaluate the lessons learned in Iraq and develop a strategy for assuring that adequate acquisition staff and other resources can be made available in a timely manner.

The September 30, 2005, response from your office stated that Defense Procurement & Acquisition Policy (DPAP) conducted a review of existing and evolving post-war strategies throughout DoD and found existing strategies and doctrinal guidance which incorporates post-conflict operations. Additionally, a Joint Contingency and Contractor Management Team composed of representatives from the Joint Staff, Services, Combatant Commanders, DLA, DCMA, and DPAP is also reviewing joint contingency contracting doctrine to develop overarching joint doctrine on contracting support on the battlefield.

Information requested: Please discuss the status of DoD's review of joint contingency contracting doctrine and the development of the strategy and overarching joint doctrine on contracting support on the battlefield. If actions are not complete, please explain and provide estimated completion dates. If the actions have been completed, provide supporting documentation.

Please forward this information to us by May 5, 2006. Address mail to the Director, Audit Followup & GAO Affairs, Office of the Inspector General, Department of Defense, 400 Army Navy Drive, Arlington, VA, 22202. The action officer for this case is Tom Wright. You may reach him at 604-9652, fax 604-9608; or by e-mail at Thomas.Wright@dodig.mil.


for Carlos J. Chapa
Director
Audit Followup & GAO Affairs

Attachment: OUSD(AT&L) response dated September 30, 2005



OFFICE OF THE UNDER SECRETARY OF DEFENSE
3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

SEP 30 2005

ACQUISITION
TECHNOLOGY
AND LOGISTICS

MEMORANDUM FOR TECHNICAL DIRECTOR, AUDIT FOLLOWUP & GAO
AFFAIRS, DODIG

THROUGH: DIRECTOR, ACQUISITION RESOURCES AND ANALYSIS ^{CAR} 9/30/05

SUBJECT: Follow-up on GAO Report GAO-04-065 "REBUILDING IRAQ: Fiscal Year 2003 Contract Award Procedures and Management Challenges," dated June 1, 2004 (GAO Code 120248)

In response to your memorandum of May 3, 2005, requesting current status on actions in process regarding recommendations 3, 4, and 5 of the subject report, the following is provided:

Information Requested for Recommendation 3: Discuss whether the Assistant Secretary of the Army signed the justification and approvals for the contracts and related task orders used by the Army Corps of Engineers to restore Iraq's electricity.

Current Update: The two associated justification & approvals (J&As) are still pending revision with the Army Corps of Engineers. An estimated completion date has not been set.

Information Requested for Recommendation 4: Discuss (a) whether the Commanding General of the Army Field Support Command completed definitization of outstanding task orders under the LOGCAP contract; (b) the progress of DCAA audits of task orders and definitization of contracts and task orders, and (c) whether the 18 task orders were definitized.

Current Update: See attached update to Table 7 from page 23 of report.

Information Requested for Recommendation 5: Identify whether the study of DoD's strategy for post-war operations has been completed and discuss the provisions for acquisition support that were to be incorporated into the strategy.

Current Update: DPAP conducted a review of existing and evolving post-war strategies throughout DoD. Although we did not find any policies and strategies focused solely on post-war acquisition support, we found existing strategies and doctrinal guidance which incorporates post-conflict operations. A Joint Contingency and Contractor Management (JCCM) Team composed of representatives from the Joint Staff, Services, Combatant

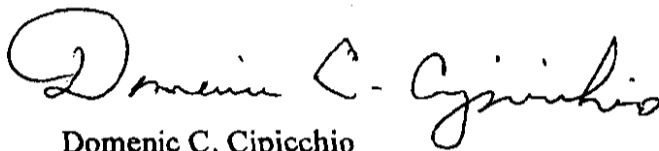


REV 2

Commanders, DLA, DCMA, and DPAP is also reviewing joint contingency contracting doctrine to develop overarching joint doctrine on contracting support on the battlefield. The Team met 22 – 26 August to work the strategy development. The estimated completion date of the on-going actions has moved to February 2006.

Considerations for acquisition support that are likely to be incorporated into the strategy include Section 811 of Public Law 108-375 (Ronald W. Reagan National Authorization Act for Fiscal Year 2005) which granted the Secretary of Defense authority to use expedited procedures to accomplish rapid acquisition of equipment urgently needed to eliminate a combat capability deficiency that has resulted in combat fatalities. The Under Secretary of Defense (AT&L) and the Under Secretary of Defense (Comptroller) established the Joint Rapid Acquisition Cell (JRAC) to facilitate meeting the urgent material and logistics requirements which the Combatant Commanders certify as operation critical.

My point of contact is Mr. Craig Curtis at (703) 614-6719 or via email at craig.curtis@osd.mil.



Domenic C. Cipicchio
Acting Director, Defense Procurement
and Acquisition Policy

Attachment:
As stated

REV 2

Table 7: Unfinalized Actic

Agency	Purpose of KT/TO	Work Status as of 9/20/05	Amt obligated as of 9/20/05 (millions)	Comments
USACE	Restore Iraqi's Oil infrastructure	Ongoing	\$2,600.0	USACE awarded a single, sole-source indefinite-delivery indefinite quantity contract in 03/03. Under this contract, USACE issued a total of 10 task orders. As of 09/20/05, \$1,006,308,694 of the \$2.6B is left to definitize. USACE (Southwest Division) reports that task orders 0001, 0002, 0004, the claim on 0004, 0005, 0006 and 0007 are definitized. Task orders 0003, 0008, 0009 and 0010 are still in process and estimated completion dates are not established. An updated proposal from KBR is pending for 0003.
USACE	Restore Iraq's electrical infrastructure	Work completed & 1 undefinitized order planned by 12/31/05	\$1,637.4	USACE-CETAC has definitized 13 out of 14 task orders. The current amount obligated on the remaining task order is \$104,001,345 and of that amount, \$35,345,545 is undefinitized. It is expected to be closed out within the next 90 days. All work in Iraq is complete. The cost reimbursable task orders on the 3 RIE I task orders and 11 RIE II & III task orders are in the closeout phase. To date, USACE-CETAC has obligated \$1,637,379,168 for the RIE program and has potential cost exposure of an additional \$50M (Note this figure represents a worst case estimate). A request for \$27M was sent to the DFI Comptroller 07/05 to resolve specified additional closeout costs (for example, increased overhead, minor direct costs and closeout administration costs) associated with the RIE I task orders.
Army FSC	Provide CPA support (LOGCAP)	Work completed 10/31/04 & definitized 03/05	\$579.0 (T/O 44 as identified by the original scope of work)	a) Army FSC completed definitization of all 18 outstanding task orders under the LOGCAP contract (and referenced in the original DoD response) in 03/05. b) DCAA audits were completed on all Army FSC task orders and considered in the definitization process. c) To correct the UCA issue described by GAO, Army FSC implemented a number of measures including Special Cost Analysis Teams and alpha contracting processes to eliminate the existing backlog and avoid future overage UCAs. As the result of AFSC's actions, all UCAs issued under LOGCAP have been definitized within the 180-day regulatory requirement since the backlog was eliminated in 03/05.
Army FSC	Pre-position fire fighting equip & persons (LOGCAP)	Work completed 03/03 & definitized 03/05	\$29.7 (T/O 42 as identified by the original scope of work)	
Army FSC	Logistical supt for personnel training for the new Iraqi Army (LOGCAP)	Work completed 08/04 & definitized 03/05	\$31.7 (T/O 64 as identified by the original scope of work)	
Army FSC	Contingency plan for repairing & maintaining Iraq's oil infrastructure (LOGCAP)	Work competed Feb 03 & definitized 03/05	\$2.0 (T/O 31 as identified by the original scope of work)	

REV 2