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Fact Sheet

GAO Issues Report on Halliburton's Troop Support Contract in Iraq

Today, Reps. Henry A. Waxman and Rep. John D. Dingell released a report by the Government Accountability Office entitled *Military Operations: DOD's Extensive Use of Logistics Support Contracts Require Strengthened Oversight*.¹ GAO focused on four logistics support contracts used by the military to support U.S. troops around the world. While GAO found that some of the logistical support contracts were working effectively, the GAO report documented extensive problems associated with the way in which the largest logistical support contract, the Army's Logistics Civil Augmentation Program (LOGCAP) contract, has been used in Iraq. The private contractor on the LOGCAP contract is a Halliburton subsidiary, Kellogg Brown & Root (KBR). To date, Halliburton has been awarded task orders under LOGCAP worth \$5.6 billion for work in Iraq.

In the report, GAO examined numerous facets of Halliburton's contract with the U.S. military to provide essential services to the troops in Iraq. GAO found significant problems in almost every area, including ineffective planning, inadequate cost control, insufficient training of contract management officials, and a pattern of recurring problems with controlling costs, meeting schedules, documenting purchases, and overseeing subcontractors.

Planning for Troops Delayed Until "After the Fall of Baghdad"

The LOGCAP contract is used to provide services such as food, housing, and laundry to military troops. GAO discloses in its report that despite the importance of these support services, "planning for the use of the LOGCAP contract to support the troops in Iraq did not begin until after the fall of Baghdad."² According to GAO, "Army guidance recommends that a comprehensive statement of work be developed during the early phases of contingency planning."³ GAO reports, however, that the Defense Department "did not follow that guidance when planning for Operation Iraqi Freedom."⁴

Although GAO did not examine the specific issue, the delay in developing plans for feeding and housing the troops contrasts markedly with the Administration's approach to protecting Iraq's oil fields. According to Defense Department officials, a group of senior Administration officials asked the Defense Department to start working on a plan for Iraq's oil fields in the summer of 2002, and the Defense Department in turn tasked Halliburton with developing this contingency

plan in November 2002.⁵ The final contingency plan for Iraq's oil fields was completed in February 2003 — three months before the development of plans for feeding and housing the troops began in May 2003.

Planning for Support Services “Ineffective”

When the planning for support services for the troops under LOGCAP finally occurred, it was “ineffective”⁶ and “piecemeal,”⁷ according to GAO. GAO further found that the plan eventually developed in May 2003 “was not comprehensive” because “there was a lack of detailed planning.”⁸

As a result of the poor planning, GAO reports that the task order for troop support in Iraq “was changed seven times in less than 1 year.”⁹ GAO also reports that the task order for troop support in Kuwait “was changed 18 times from September 2002 through December 2003, including five changes in 1 month, some on consecutive days.”¹⁰ GAO concludes that “a more deliberate approach” would have “resulted in a better product at a lower cost.”¹¹

Halliburton’s Uncontrolled Costs

GAO reports that the Army set “no spending limits for LOGCAP until spring 2004.”¹² According to GAO, “cost constraint did not become a factor in using LOGCAP in Iraq and Kuwait until almost a year into the operations.”¹³

GAO found that the Defense Department began realizing in December 2003 that Halliburton’s “costs were growing rapidly.”¹⁴ At that time, the Vice Chief of Staff of the Army issued a message directing units for the first time “to control costs.”¹⁵ In particular, GAO reports that Halliburton’s cost estimates “grew from \$5.8 billion to \$8.6 billion” between September 2003 and January 2004.¹⁶ As a result, in spring 2004, “a \$6.5 billion limit was placed on the amount that could be spent.”¹⁷

The GAO report provides an example of how costs were reduced significantly by taking responsibilities away from Halliburton. In a case involving meal services at six locations in Kuwait, GAO reported that “[b]y eliminating the use of LOGCAP and making the LOGCAP subcontractor the prime contractor, the command reduced meal costs by 43 percent without a loss of service or quality.”¹⁸ GAO calculated that by eliminating Halliburton as a middleman for these services, the U.S. taxpayer “could save almost \$31 million a year.”¹⁹

“Pattern” of “Recurring” Problems with Halliburton

As part of its review, GAO examined periodic “situation reports” prepared by federal agencies regarding Halliburton’s work in supporting the troops. GAO’s review “highlights a pattern of contractor management problems.”²⁰ Some of these include the following:

- “Inadequate” Cost Control: According to GAO’s review, it is “difficult to know how much the contractor has actually spent on the individual task orders.” Halliburton’s managers “have no knowledge of the costs associated with their task orders.”²¹
- “Difficulties” Meeting Schedules: According to GAO’s review, Halliburton “has not been able to produce task order schedules as required by the contract,” and “is behind schedule on both big and small projects.” Halliburton “did not provide some of the services required,” including “water production.”²²
- “Inadequate” Control over Purchases: According to GAO’s review, Halliburton’s requisitions “are not always provided,” “frequently lack sufficient documentation,” and “do not provide an accurate estimate of the cost.” Government contract monitors were unable to make an accurate assessment of materials being purchased, causing “frustration” among military units.²³
- “Inadequate” Control over Subcontractors: According to GAO’s review, Halliburton “does not have good control over its subcontractors.” For example, Halliburton allowed a subcontract to expire “without a transition plan, thus disrupting services.”²⁴

Although Halliburton has “acknowledged some of these problems,” and although “improvements have been noted,” GAO ultimately concludes that these issues “continue to be a problem.”²⁵

Inadequate Control and Oversight of Halliburton

GAO reports that military officials utilizing Halliburton’s services “do not understand their role in establishing LOGCAP requirements.”²⁶ GAO conducted interviews with military officials who “told us that they knew nothing about LOGCAP before they deployed and had received no training regarding their roles and responsibilities.”²⁷ GAO concluded that military officials “had little understanding of these contracts,” “did not fully understand their contract management responsibilities,” and “had little or no training on using contractors, including the LOGCAP contractor, on the battlefield.”²⁸

GAO also reports that logistical support units intended to help commanders utilize Halliburton’s services have “no prior LOGCAP or contracting experience.”²⁹ According to GAO, logistical support units are supposed to “write statements of work, prepare independent government cost estimates, review the contractor’s cost estimates and technical plans, and act as an interface between the customer and the contractor.”³⁰ But many individuals in these units “received only a 2-week training session before deploying and had little experience or training.”³¹ As a result, they had little basis on which to “judge the reasonableness” of Halliburton’s costs.³²

Other oversight agencies working in Iraq are also experiencing problems, according to the GAO report. The Defense Contract Management Agency (DCMA), for example, told GAO that “they need an increase in the number of qualified staff to fully meet their oversight mission” in Iraq.³³ DCMA contracting officers reported that “staffing has been reduced by 55 percent over the last

11 years”³⁴ and that they feel “overwhelmed.”³⁵ While GAO generally gave DCMA good marks for its oversight efforts, GAO believed that DCMA was stretched thin.

ENDNOTES

¹ GAO-04-854 (hereinafter “GAO Report”).

² GAO Report, 48.

³ *Id.* at 2.

⁴ *Id.* at 14.

⁵ See Letter from Rep. Henry A. Waxman to Vice President Richard B. Cheney (June 10, 2004) (online at http://www.house.gov/reform/min/pdfs_108_2/pdfs_inves/pdf_admin_halliburton_contract_inves_june_13_let.pdf).

⁶ GAO Report, 19.

⁷ *Id.* at 48.

⁸ *Id.* at 18.

⁹ *Id.* at 19.

¹⁰ *Id.*

¹¹ *Id.* at 48–49.

¹² *Id.* at 35.

¹³ *Id.* at 34–35.

¹⁴ *Id.* at 35.

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ *Id.* at 39.

¹⁹ *Id.*

²⁰ *Id.* at 25.

²¹ *Id.*

²² *Id.*

²³ *Id.* at 26.

²⁴ *Id.*

²⁵ *Id.*

²⁶ *Id.* at 42.

²⁷ *Id.* at 47.

²⁸ *Id.* at 46–47.

²⁹ *Id.* at 45.

³⁰ *Id.*

³¹ *Id.*

³² *Id.*

³³ *Id.* at 43.

³⁴ *Id.* at 44.

³⁵ *Id.* at 42.