SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

January 29, 2012

LETTER FOR SECRETARY OF DEFENSE
COMMANDER, U.S. CENTRAL COMMAND
COMMANDING GENERAL, U.S. ARMY CORPS OF ENGINEERS

SUBJECT: Few Contracts Terminated by the U.S. Army Corps of Engineers Resulted in Wasted Funds in Iraq (SIGIR 12-011)

As of July 2011, over $38 billion had been appropriated or allocated to the Department of Defense for reconstruction programs in Iraq. Primary funding sources for the department's contracts were: $4 billion of Commander's Emergency Response Program funds, $14 billion from the Iraq Relief and Reconstruction Fund, and $20.5 billion from Iraq Security Forces Funds.

This report examines the U.S. Army Corps of Engineers' (USACE) Iraq reconstruction contracts terminated from June 2008 through April 2011. We undertook this review to examine the outcomes of USACE-terminated contracts to determine if the agency maintains effective controls over contracts and if wasted U.S. funds resulted from the execution of these contracts.

USACE terminated 55 reconstruction contracts during the period reviewed. This is far fewer than the 227 contracts terminated by USACE from 2005 through June 2008. According to USACE senior contracting officials, the reduction is attributable to several reasons, including improved security conditions in Iraq, USACE improvements in contract management, and a smaller reconstruction program. Thirty-one contracts were terminated at the convenience of the government because requirements changed and the services were no longer needed, and 24 contracts were terminated for default due to poor contractor performance.

We could not determine if there was waste associated with 22 of the 55 terminated contracts because USACE could not find eleven contract files, and we could not determine from available documentation if the other eleven terminated contracts were reawarded and the projects successfully completed. For the remaining 33 terminated contracts, we determined that 10 resulted in approximately $3.8 million in waste, 8 had possible waste in amounts that were indeterminate, and 15 had no waste that we could determine. Better planning and coordination by USACE, its customers, and the Iraqi government could have avoided much of the waste. We recognize that wasted funds on 18 terminated contracts do not indicate systemic problems for an agency that has managed hundreds of contracts. For example, according to USACE, it completed or terminated 864 contracts with a total value of $2.5 billion from June 2008 through April 2011. However, we believe lessons can be learned from these terminations.

Background

USACE changed its organizational structure in Iraq several times since 2005; however, we refer to the responsible contracting agency as USACE throughout the report. USACE's reconstruction

contracts in Iraq were funded primarily by the Iraq Relief and Reconstruction Fund, the Commander's Emergency Response Program, and the Iraq Security Forces Fund.

The Federal Acquisition Regulation (FAR) provides the most authoritative government guidelines for terminating contracts and identifies three types of terminations:

- **Termination for Default—**If a contractor fails or is anticipated to fail to perform its contractual obligations, the government has the right to completely or partially terminate the contract for default. Default terminations are most often due to the contractor's failure to make delivery of the required supplies or perform the required services within the time specified in the contract.
- **Termination for Convenience—**If the government determines that cancellation of a contract is in its best interest, it can cancel work under that contract for "convenience." For example, the government can cancel a contract for convenience when funds are no longer available for continued contract performance, the requirements are no longer needed, or changed circumstances make it impossible for the contractor to perform the work.
- **Termination for Cause**—If a contractor fails to comply with any contract terms and conditions for *commercial* items, or fails to provide the government, upon request, with adequate assurances of future performance, the government may terminate the contract, or any part of the contract, for cause.

Missing contract files and incomplete documentation to determine project results limited our review of USACE's contract terminations. In general, SIGIR believes that the missing contract files are a temporary condition resulting from the withdrawal of U.S. forces from Iraq and the relocation of files and records back to the United States. However, the result is that in some cases, we could not determine the total amount spent and the final outcome of the project, two elements necessary to identify waste.

USACE performed contracting and construction management services for hundreds of reconstruction projects in Iraq on behalf of a customer, usually a U.S. military unit. The government of Iraq and the U.S. Embassy also played significant roles in the planning and successful completion of projects. In addition, unforeseen and uncontrollable events also impacted project outcomes. The decision to terminate a contract is sometimes in the best interest of the U.S. government when it prevents the further expenditure of funds on a project headed for an unfavorable outcome. The contracting agency and the customer jointly make decisions to terminate a contract or to continue. Each contract has multiple parties involved that share responsibility for contract success or failure and any wasted funds.

USACE Contract Management Improvements and Other Factors Contributed to Fewer Contract Terminations

We found that only 55 USACE contracts in Iraq were terminated from June 2008 through April 2011 whereas 227 USACE contracts were terminated through June 2008. There were fewer terminated contracts during the recent period because USACE managed fewer contracts, security

conditions in the country improved, contractor performance improved, and the agency improved its contract management.

Fewer USACE Contracts Were Terminated in the Reconstruction Program's Latter Stages

Our prior review of contract terminations[1] found that 227 USACE Iraq reconstruction contracts were terminated, including 137 for the convenience of the government and 90 for cause or default. From June 2008 through April 2011, however, only 55 USACE reconstruction contracts were terminated: 31 for the convenience of the government, and 24 for default. None were terminated for cause. The reconstruction program in Iraq changed in size, scope, and direction between these two time periods, thus inhibiting a good comparison; nonetheless we believe the significantly smaller numbers indicate positive changes in the management of the contracts.

Terminations Declined for Multiple Reasons, Including Contract Management Improvements

USACE senior contracting officials cited multiple reasons for the significant decline in the number of terminations in the latter period. First, according to the officials, USACE used better tools for vetting potential contractors in Iraq before contract award. We were told by the officials that USACE contracting personnel review past performance evaluations in USACE's Construction Contractor Appraisal Support System. The information system serves as a repository for USACE contractor performance evaluations required under Federal Acquisition Regulation 42.1502.

USACE senior contracting officials further stated that in 2009, USACE gained access to U.S. Central Command Contracting Command's Joint Contingency Contracting System, another information system that housed contractor data. The officials stated USACE also used the Federal Awardee Performance and Integrity Information System, a web-based system that came online in 2010 and that integrates information about contractors from multiple sources. In addition, inter- and intra-agency coordination improved over time. USACE senior contracting officials stated that starting in January 2004, USACE had three districts and multiple offices throughout Iraq. Information about a contractor in one office was not always effectively shared with the others. As the Iraq reconstruction program matured, USACE evolved, consolidated, and eventually drew down. The sharing of information among its offices improved, and coordination with U.S. Central Command and the United States Agency for International Development improved as well.

In addition to better vetting of contractors, USACE contracting officials stated there were other reasons for the decline in the number of terminations. Improved security conditions in Iraq were a major factor supporting the successful completion of USACE contracts. In addition, as the Iraqi government was established, the country's borders became more secure and it became easier to import construction materials. The officials stated that Iraq's banking system improved, facilitating the financial component of construction projects. These advances contributed to an environment where contractors stood a better chance of completing their contracts.

Senior contracting officials also stated that the agency improved its development of contract scope-of-work and became more sophisticated in determining the appropriate period of

[1] *Iraq Reconstruction Project Terminations Represent a Range of Actions*, SIGIR 09-004, 10/27/08.

performance. Furthermore, the officials stated they were able to emphasize to USACE customers the importance of performing preliminary reviews of potential projects in determining what could be achieved. These reviews pose questions such as:

- Will contractors be able to bid on the proposed contract?
- Will contractors be able to build the proposed structure?
- Once built, will the users be able to operate the project?

U.S. military units were USACE's major customers and the units turned over frequently. USACE contracting officials stated that each time a new unit arrived with ambitious plans, USACE had to reargue the importance of planning and reviews. However, over time, USACE gathered enough historical evidence of the relationship between planning and the success of projects to impress arriving military units of the value of the preliminary review process. USACE officials believe this emphasis on reviews helped the program develop projects and contracts that had a better chance of success.

Improvements in contract and project oversight also contributed to the reduction in terminations. The USACE contracting officials stated the agency significantly improved the contracting officer representative program, deploying better qualified staff to oversee projects. These representatives are the U.S. government's most common interface with the contractors at the construction sites. The senior contracting officials further stated that USACE also developed smart and reliable Iraqi local nationals to support oversight. In addition, the officials stated the reconstruction program's smaller size and improved contractor performance also contributed to the reduction in the number of terminations.

USACE Used Performance Evaluations To Document Poor-Performing Contractors

We identified 24 contracts terminated for default during the relevant period. USACE used performance evaluations to document poor performing contractors in Iraq. We could not find one instance where USACE referred a contractor for suspension or debarment, although we found a few instances that raised questions about the degree to which contractors' performance are being reviewed for suspension or debarment.

Federal Regulations Prescribe Conditions for Suspension and Debarment of Contractors

The FAR states that an agency should consider debarment when a contractor is convicted or loses a civil judgment for commission of a fraud or criminal offense connected with obtaining or performing a public contract. Debarment should also be considered when a contractor is convicted or loses a civil judgment for, among other things, commission of embezzlement, theft, bribery, falsification of records, or commission of any offense indicating a lack of business integrity or business honesty that seriously affects the responsibility of a government contractor. A suspension of the contractor can occur when the agency merely suspects, with adequate evidence, the contractor of the same violations. The U.S. Army, Legal Services Agency has been designated the debarring and suspending authority for the Army.

The existence of a cause for debarment does not necessarily require that the contractor be debarred; the seriousness of the contractor's acts or omissions and any remedial measures or mitigating factors should be considered in the debarment decision. The debarring official may debar a contractor for violation of the terms of a government contract or subcontracts, such as willful failure to perform in accordance with the terms of one or more contracts or a history of failure to perform or unsatisfactory performance.

Agencies are required to post the names and addresses of suspended and debarred contractors on the Excluded Parties List System (EPLS), a web-based database system. The posting is to include the name of the agency taking the action, the cause of the action, the effect of the action, the termination date for each listing, and the identifying employer numbers, if available. The FAR, subpart 9.4, requires agencies to use EPLS to screen contractors prior to award of contracts.

Contractors debarred, suspended, or proposed for debarment are excluded from receiving contracts, and agencies should not solicit offers from, award contracts to, or consent to subcontracts with these contractors, unless the agency head determines there is a compelling reason for such action. After the opening of bids or receipt of proposals, the contracting officer should review the EPLS. Bids received from any listed contractor should be rejected unless the agency head determines that there is a compelling reason to consider the bid.

We Found No Records of Suspension or Debarment of USACE Contractors

USACE terminated 114 contracts for default during the entire reconstruction period. Our earlier review found no records that USACE referred poor performing contractors in Iraq for suspension or debarment through June 2008.[2] Likewise, our current review found no records that USACE referred contractors for suspension or debarment from June 2008 through April 2011. We found two terminated contracts that raise questions about the degree to which contractor performance is being reviewed for suspension or debarment.

USACE terminated contract W917BE-10-C-0004, a contract to construct a school, for default on October 25, 2010. The U.S. government did not spend any funds on the contract as it was terminated before any work was performed. A USACE engineer completed a performance evaluation on the contractor, writing in the remarks section:

> I heartily recommend we disbar or terminate this contractor based not only [on] information I've recently found out, but also for non-responsiveness in the execution of the contract. Primarily, however, the submission of fraudulent paperwork to attain this bid which they were awarded should be sufficient to stand by itself. With what I'll present below, I'm 99.99% convinced [contractor's name] used fraudulent paperwork and manufactured evaluation comments to attain the AI Oahkel School award. In short, the TEB [Technical Evaluation Board] board for this contract was 'hoodwinked' by [contractor's name].

The evaluator further states that the contractor was formerly a company that had been debarred and had simply changed its name and reestablished itself under the new name. The USACE

[2] *Iraq Reconstruction Project Terminations Represent a Range of Actions*, SIGIR 09-004, 10/27/08.

evaluator also found that the phone numbers and e-mail addresses of past performance evaluators listed in the contractor's proposal were nonworking and concluded they were phony. In addition, the USACE evaluator determined that the contractor's proposal was too similar in format and content to another proposal, suggesting they were prepared by the same company. The evaluator concluded that the contractor was just an offshoot of another already debarred contractor, only working under a different name. The USACE reviewer of the performance evaluation, a contracting officer, concurred with the evaluation. The evaluation suggests the contractor acted unethically, but there is no indication the Army suspended or debarred the contractor.

USACE terminated contract W917BE-09-C-0031, a contract to refurbish the Al Rashad water compact unit, for default on March 25, 2010. The U.S. government did not spend any funds on the contract as it was terminated before any work was performed. In his contractor performance evaluation, the USACE Resident Engineer wrote, "Contractor refused to complete or start the project due to security concerns. The security situation did not change between the contractor's bid and the start of the project. Contractor under bid (sic) the contract and sited (sic) security concerns in order to get out of the contract." Again, the contractor acted unethically, but there is no indication the Army suspended or debarred the contractor.

A senior USACE contracting official who served in Iraq stated that USACE would consider suspension or debarment of contractors if the circumstances warranted it. The official said that the agency must look at the contractor's performance on all contracts, not just the one that ends in default. The official stated that terminations for default sometimes happen when good, productive contractors simply take on too much work and do not have the resources to finish it. The official further stated that tribalism in Iraq sometimes impacts contractor performance. The official said that a contractor might successfully complete projects in Baghdad, for example, but the same contractor might fail when taking work in Talil or southern Iraq.

USACE contracting officials emphasized the contractor performance evaluations entered into the Construction Contractor Appraisal Support System as USACE's primary action against poor-performing contractors. We did not find a case where the contractor on a contract terminated for default was subsequently awarded another contract that was terminated. One contractor had two terminations for default, but the periods of performance overlapped. We acknowledge that USACE's contracting office has discretion regarding suspensions and debarments. However, we find it remarkable that USACE terminated 114 contracts for default since the start of the reconstruction program in Iraq, yet we cannot identify a single suspension or debarment.

Some Terminated Contracts Resulted in Unfinished Projects and Wasted Funds

We could not determine if there was any waste for 22 terminated contracts because USACE could not find 11 contract files, and we could not determine from available documentation if the other 11 terminated contracts were reawarded and the projects successfully completed. For the remaining 33 terminated contracts, we determined that 10 resulted in nearly $3.9 million in waste, 8 contracts at a total cost of $11.1 million resulted in possible waste of an indeterminate amount, and 15 had no waste that we could determine. The termination of a contract and any associated waste is not solely USACE's responsibility. The U.S. military units that were the

customers for these projects share responsibility when poor planning, badly written contracts, lax oversight of poor performing contractors, and other deficiencies occur that result in waste. Other parties such as the contractor, the U.S. Embassy, and the government of Iraq and its ministries also contribute to the success or failure of construction contracts. For a full list of contracts that resulted in waste or possible waste, see Appendix B.

Terminated Contracts Resulted in Approximately $3.8 Million in Waste

We identified 10 terminated contracts that we believe resulted in $3.8 million of wasted funds. In most cases, the waste might have been avoided by better U.S. government planning and better coordination among the various parties, especially with the Government of Iraq. We recognize that 10 wasteful contracts out of the hundreds managed by USACE is not an indicator of systemic problems. For example, according to USACE, it completed or terminated 864 contracts with a total value of $2.5 billion from June 2008 through April 2011. However, we believe lessons can be learned from the two terminations discussed below.

Ghazaliya Pump Station Contract

On October 10, 2008, USACE terminated contract W917BG-07-C-0088 for the construction of the Ghazaliya sewage and pump station. USACE suspended work on June 24, 2008, because the Baghdad Amanat (the city's public works department) sent a letter to USACE directing that the construction be stopped until the contractor obtained Amanat approval of all designs, material tests, and permit. The Mayor of Baghdad and the Amanat would not allow the contractor to resume work; therefore USACE terminated the contract for the convenience of the U.S. government. The U.S. government had already spent over $1.9 million on the project. While responsibility for the waste does not fall exclusively on USACE, we believe better planning and coordination between the U.S. agencies involved and the Baghdad government might have prevented $1.9 million in waste that could have been put to better use.

Al Kut Force Protection Base Contract

On September 28, 2009, USACE awarded contract W917BK-09-C-0069 for the construction of a new training center in Al Kut. However, after more than one year of work, USACE and the customer, United States Forces–Iraq, determined that the facility was no longer needed by the Iraqi police because the Iraqi police planned to start constructing their own training facility in August 2011. Since the requirement for the contract no longer existed, USACE terminated the contract on December 18, 2010, for the convenience of the government. The U.S. government spent almost $1 million on the terminated contract. Better planning and coordination between the U.S. agencies and the Iraqi Police might have provided nearly $1 million that could have been put to better use.

Terminated Contracts May Have Resulted in Additional Wasted Funds

We identified eight contracts costing a total of $11.1 million that may have had an indeterminate amount of waste because we could not determine the utility of the contracts' ultimate products. For example, two contracts, W917BG-07-C-0001 and W197BG-09-C-013, were for the renovation of the Baghdad International Airport Convention Center. The U.S. government spent

approximately $5.3 million on the two terminated contracts. As we previously reported[3], shortly before the transfer of the project to the government of Iraq on January 20, 2010, the convention center still required significant work and was not connected to the main power supply. Nonetheless, two events were held in an unfinished hall in late 2008 and a third in December 2009. USACE provided pictures and a site inspection report from December 2011 indicating one terminal still required significant work, but the second terminal was functional. Although it appears funds were wasted on the project, it is difficult to determine the precise amount of waste.

In another example, the contractor abandoned contract W91BG-05-C-0218 for the renovation of the Radwaniya water treatment plant network, and USACE terminated the contract for default. On April 30, 2009, USACE unilaterally transferred the project to the Iraqi Ministry of Municipalities and Public Works "as is." In a memorandum, USACE stated the project was 95% complete, but also identified deficiencies at the time of the transfer, including:

- The service connections were not completed.
- The reservoir tank was not installed.
- The booster pumps were not installed.
- The hydrostatic pressure test of the water network was not conducted.

The U.S. government had spent approximately $2.9 million at the time of the transfer. The project was not functional when it was unilaterally transferred to the Ministry. If the Iraqis do not complete the project, the funds will be mostly wasted.

Concluding Observation

As the U.S.-led reconstruction program in Iraq matured, improvements in USACE's contract management, as well as better security conditions and a more stable Iraqi government, reduced the number of USACE contract terminations and the associated waste. For USACE contracts terminated from June 2008 through April 2011, we identified approximately $3.8 million in waste on 10 contracts and an indeterminate amount of waste on 8 other contracts costing approximately $11.1 million. While all waste should be avoided, we believe that USACE, in conjunction with its customers, contractors, and the Iraqi government, executed its contracts more efficiently and effectively during this latter period.

We found no evidence that USACE referred contractors in Iraq for suspension or debarment. However, the agency did use performance evaluations to identify poor-performing contractors and to avoid recurring problems. While the use of suspension and debarment tools is discretionary, they are appropriate remedies in certain situations where contractors behave unethically, as outlined in the FAR. We found examples of terminated contracts that raise questions about the degree to which contractor performance is being reviewed for suspension or debarment.

[3] *Commander's Emergency Response Program: Projects at Baghdad Airport Provided Some Benefits, but Waste and Management Problems Occurred,* SIGIR 10-013, 4/26/10.

Management Comments and Audit Response

USACE stated that it believes the report should clarify that USACE does not have the authority to suspend or debar contractors. SIGIR believes that it has addressed USACE's concern in the final report. The final report states that the U.S. Army, Legal Services Agency has been designated the debarring and suspending authority for the Army. Also, the report now states that SIGIR found no records that USACE *referred* contractors for suspension or debarment.

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We appreciate the courtesies extended to the SIGIR staff. For additional information on the report, please contact Glenn D. Furbish, Assistant Inspector General for Audits (Washington, DC) (703) 604-1388/ glenn.d.furbish.civ@mail.mil or Jim Shafer, Principal Deputy Assistant Inspector General for Audits (Washington, DC), (703) 604-0894/ fred.j.shafer.civ@mail.mil.

Stuart W. Bowen, Jr.
Inspector General

Appendix A—Scope and Methodology

Scope and Methodology

In April 2011, the Special Inspector General for Iraq Reconstruction (SIGIR) initiated Project 1108 to examine U.S. Department of Defense terminated contracts in Iraq and potential waste. In October 2011, we issued a report on the U.S. Central Command Contracting Command's terminated contracts.[4] Our objectives for this report are to examine the outcomes of the U.S. Army Corps of Engineers' (USACE) terminated contracts to determine if USACE maintains effective controls over contracts and to determine whether terminated contracts resulted in wasted U.S. funds. This report discusses USACE contracts terminated from June 2008 through April 2011. This audit was performed by SIGIR 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 conducted its work from April 2011 through January 2012 in Baghdad, Iraq and Winchester, Virginia.

To identify the numbers, types, and basis for all USACE-terminated reconstruction contracts, we obtained and reviewed a list of terminations provided by USACE. We also reviewed contract files.

To determine why the number of terminated contracts had decreased over time, we interviewed USACE contracting officials. We also reviewed contract files.

To determine actions taken against poor performing contractors, we reviewed relevant sections of the Federal Acquisition Regulation and contractor performance evaluations in the contract files. We also interviewed senior USACE contracting officials.

To determine whether terminated contracts resulted in waste, we obtained and analyzed financial data, planning documents, contracts, modifications, termination letters, and correspondence in the terminated contract files provided by USACE. We also obtained and analyzed additional information about project outcomes provided by current USACE officials.

The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Use of Computer-processed Data

To achieve the audit objectives, we relied on computer-processed data contained in the Corps of Engineers Financial Management System and Excel spreadsheets. We also used the Iraq Reconstruction Management System as a secondary source to confirm data and to fill in some missing data where records were incomplete. We sampled source documents to test the accuracy

[4] *U.S. Central Command Contracting Command Had Few Contract Terminations That Resulted in Wasted Funds in Iraq*, SIGIR 12-005, 10/28/2011.

of the data. Based on these tests, we conclude the data are sufficiently reliable to be used in meeting the audit's objectives.

Internal Controls

In conducting the audit, we assessed certain internal controls pertinent to the audit objectives with respect to USACE's contract management. Specifically, we identified and assessed management controls, including procedures for (1) management and legal review of contracting actions, (2) vetting non-U.S. vendors in Iraq, (3) determining responsible prospective contractors, and (4) terminating contracts.

Prior Coverage

We reviewed the following reports by SIGIR and the Government Accountability Office:

Special Inspector General for Iraq Reconstruction

U.S. Central Command Contracting Command Had Few Contract Terminations That Resulted in Wasted Funds in Iraq, SIGIR 12-005, 10/28/2011.

Iraq Reconstruction Project Terminations Represent a Range of Actions, SIGIR 09-004, 10/27/2008.

Interim Report on Iraq Reconstruction Contract Terminations, SIGIR 08-013, 4/28/2008.

Government Accountability Office

Defense Acquisitions: Termination Costs Are Generally Not a Compelling Reason to Continue Programs or Contracts that Otherwise Warrant Ending, GAO-08-379, 3/2008.

Appendix B – Contracts That Resulted in Waste or Possible Waste

Contracts That Resulted in Waste

We found 10 terminated contracts that resulted in waste totaling $3,833,834. The U.S. Army Corps of Engineers (USACE) did not reaward these contracts, and there is no evidence of a completed project. Table 1 presents a summary of the contracts.

Table 1—Summary of USACE Contracts with Waste

Contract Number	Services	Reasons for Termination	Wasted Funds
W917BG-07-C-0088	Construct Sewage and Pump Station	Baghdad City Government Did Not Approve Plans	$1,964,451
W917BK-09-C-0069	Construct Force Protection Base	Iraqi Police Were Constructing Their Own Base	986,090
W917BG-07-D-0013-0008	Water Project	Discovery of Closer Water Source	498,500
W917BG-06-D-0021-0008	Construct Boys School	Failure to Obtain Required Land Deed	253,524
W917BE-08-C-0015-0007	Construct Police Station	Failure to Obtain Required Land Deed	54,538
W917BG-09-C-0035	Construct Police Station	Iraqi Police Did Not Want to Vacate Site to Allow Construction	40,000
W197BG-08-C-0061	Construct Fuel Station	Failure to Obtain Required Land Deed	11,880
W917BK-07-P-0021	Assessment of Primary Healthcare Centers	Contractor Failed to Perform	10,000
W917BG-07-D-0007-0026	Repairs at Taji National Depot	Services No Longer Required	7,500
W917BG-07-D-0010-0014	Repairs at Taji National Depot	Services No Longer Required	6,901
Total			**$3,833,834**

Source: SIGIR Analysis of USACE contract files and other USACE documentation.

Contracts with Possible Waste

We found eight contracts that resulted in possible waste, the amount of which we could not determine. The projects were not completed as planned, but the customer may have received some value, such as procurement of supplies and equipment used elsewhere, in return for the

spending on the contract. Therefore, although waste on the contract is likely, we could not determine the amount. Table 2 presents a summary of the contracts.

Table 2—Summary of USACE Contracts with Possible Waste

Contract Number	Services	Reasons for Termination	Total Spent on the Contract
W917BG-07-C-0001	Construct Baghdad Convention Center	Poor Contractor Performance	$5,103,028
W917BG-05-C-0218	Construct Water Treatment Plant	Contractor Failed to Complete	2,931,385
W91GY0-08-C-0054	Construct Police Stations	Poor Contractor Performance	1,950,563
W917BE-08-C-0018	Rosti Valley Joint Venture	Flash Floods Destroyed Most of the Project	560,542
W917BG-09-C-0013	Construct Baghdad Convention Center	Failure to Negotiate Management Contract	227,929
W917BK-05-P-0127	Construct School	Poor Contractor Performance	162,800
W917BG-09-P-0220	Signal Maintenance Platoon Facility	Poor Contractor Performance	152,340
W91GW-08-C-2013	Mosul Dam Grout Mixing Plant	Change in Requirements	25,383
Total			**$11,113,969**

Source: SIGIR Analysis of USACE contract files and other USACE documentation.

Appendix C—Acronyms

Acronym	Description
EPLS	Excluded Party List System
FAR	Federal Acquisition Regulation
SIGIR	Special Inspector General for Iraq Reconstruction
USACE	U.S. Army Corps of Engineers

Appendix D—Audit Team Members

This report was prepared and the audit conducted under the direction of Glenn D. Furbish, Assistant Inspector General for Audits, Office of the Special Inspector General for Iraq Reconstruction.

The staff members who conducted the audit and contributed to the report include:

Angelina Johnston

Robert Pelletier

William Shimp

Appendix E—Management Comments

DEPARTMENT OF THE ARMY
U.S. Army Corps of Engineers
441 G Street, NW
Washington DC 20314-1000

REPLY TO
ATTENTION OF:

CECT-P

26 January 2012

MEMORANDUM FOR Office of the Special Inspector General for Iraq Reconstruction (SIGIR)

SUBJECT: U.S. Army Corps of Engineers (USACE) Response to SIGIR Draft Report - Few Contracts Terminated by the U.S. Army Corps of Engineers Resulted in Wasted Funds in Iraq (SIGIR 12-011)

1. The U.S. Army Corps of Engineers (USACE) welcomes the opportunity to review the draft report and appreciates the efforts of the audit team to address our concerns. While the report does not contain any recommendation, USACE does have some comments provided below.

2. USACE believes that report should clarify that USACE does not have the authority to suspend or debar contractors . AFARS 5109.406-3 sets forth USACE's limited role in the process to referral of a contractor for investigation based on indication of fraud. Investigative officials work with the appropriate suspension and debarment official (Commander, U.S. Army Legal Services Agency) and the appropriate legal officer (Chief, Procurement Fraud Branch, U.S. Army Legal Services Agency) who processes and recommends debarment or suspension action to the debarring or suspension official). It is quite possible that a contractor may be investigated but not referred for suspension or debarment. Contractors referred for suspension or debarment may enter into settlement agreements with the suspending or debarring authority short of actual suspension or debarment. The suspension and debarment process is often long and complex, and should not be oversimplified.

3. My point of contact for these comments is Mr. John Daley, John.D.Daley@usace.army.mil, phone: (202) 761-5844.

Robin A. Baldwin
Chief, Contracting Policy Division
National Contracting Organization

Appendix F—SIGIR Mission and Contact Information

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 • information and analysis to the Secretary of State, the Secretary of Defense, the Congress, and the American people through Quarterly Reports
Obtaining Copies of SIGIR Reports and Testimonies	To obtain copies of SIGIR documents at no cost, go to SIGIR's Web site (www.sigir.mil).
To Report Fraud, Waste, and Abuse in Iraq Relief and Reconstruction Programs	Help prevent fraud, waste, and abuse by reporting suspicious or illegal activities to the SIGIR Hotline: • Web: www.sigir.mil/submit_fraud.html • Phone: 703-602-4063 • Toll Free: 866-301-2003
Congressional Affairs	Hillel Weinberg Assistant Inspector General for Congressional Affairs Mail: Office of the Special Inspector General for Iraq Reconstruction 2530 Crystal Drive Arlington, VA 22202-3940 Phone: 703-428-1059 Email: hillel.weinberg.civ@mail.mil
Public Affairs	Christopher Griffith Director of Public Affairs Mail: Office of the Special Inspector General for Iraq Reconstruction 2530 Crystal Drive Arlington, VA 22202-3940 Phone: 703-604-0693 Fax: 703-428-0818 Email: PublicAffairs@sigir.mil