The seal of the Office of the Special Inspector General for Iraq Reconstruction is a large, circular emblem in the background. It features a central eagle with wings spread, holding an olive branch and arrows. The eagle is superimposed on a shield with vertical stripes. 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" at the bottom.

OUTCOME, COST, AND OVERSIGHT OF  
THE SECURITY AND JUSTICE  
CONTRACT WITH PARSONS  
DELAWARE, INC.

**SIGIR-08-019**  
**JULY 28, 2008**



## SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

July 28, 2008

MEMORANDUM FOR U.S. AMBASSADOR TO IRAQ  
DIRECTOR, IRAQ TRANSITION ASSISTANCE OFFICE  
COMMANDER, U.S. CENTRAL COMMAND  
COMMANDING GENERAL, MULTI-NATIONAL FORCE-IRAQ  
COMMANDING GENERAL, U.S. ARMY CORPS OF ENGINEERS  
COMMANDER, JOINT CONTRACTING COMMAND-  
IRAQ/AFGHANISTAN  
COMMANDING GENERAL, GULF REGION DIVISION, U.S.  
ARMY CORP OF ENGINEERS

SUBJECT: Outcome, Cost, and Oversight of the Security and Justice Contract with Parsons Delaware, Inc. (SIGIR 08-019)

We are providing this audit report for your information and use. We performed this audit in accordance with our statutory responsibilities contained in Public Law 108-106, as amended. This law provides for independent and objective audits of policies designed to promote economy, efficiency, and effectiveness of programs and operations and to prevent and detect fraud, waste, and abuse. This report discusses the results of our review of Parsons Delaware, Inc. Contract W914NS-04-D-0009 for design and construction services in Iraq's security and justice sector. This audit was conducted as project number 8006.

We considered comments from the U.S. Army Corps of Engineers Gulf Region Division when preparing the final report. The comments are addressed in the report, where applicable, and a copy is included in the Management Comments section of this report.

We appreciate the courtesies extended to our staff. For additional information on this report, please contact Mr. Glenn D. Furbish (703) 428-1058 / glenn.furbish@sigir.mil.

Stuart W. Bowen, Jr.  
Inspector General

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## **Outcome, Cost, and Oversight of the Security and Justice Contract With Parsons Delaware, Inc.**

**SIGIR-08-019**

**July 28, 2008**

### **Executive Summary**

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#### **Introduction**

A December 2006 amendment to the Special Inspector General for Iraq Reconstruction's (SIGIR) enabling legislation and an expanded mandate in the 2008 National Defense Authorization Act, P.L. 110-181, require that SIGIR prepare a final forensic audit report "on all amounts appropriated or otherwise made available for the reconstruction of Iraq." Under this requirement, SIGIR has undertaken a series of focused contract audits to examine major Iraq reconstruction contracts. The objective of these audits is to examine contract outcome, cost, and management oversight, emphasizing issues related to vulnerabilities to fraud, waste, and abuse.

This report is the seventh in a series of focused contract audits. It examines reconstruction work contracted by the U.S. government and performed by Parsons Delaware, Inc. (Parsons). In March 2004, the U.S. Army Corps of Engineers, on behalf of the Coalition Provisional Authority, awarded Parsons a cost-plus award-fee contract (W914NS-04-D-0009) to provide design and construction services in Iraq's security and justice sector.

This contract was one of twelve design-build construction contracts approved by the Deputy Assistant Secretary of the Army for Policy and Procurement to provide an overarching framework of construction capability to restore the Iraqi infrastructure. The contracts were issued in six defined work sectors, such as water, oil, transportation, and electric. The contracts were competitively awarded and included a two-year base period with three one-year option periods. This contracting approach was intended to allow continuity of operations and facilitate re-competition after the completion of these contracts.

A variety of U.S. agencies have been responsible for program management and contract management of this contract. Initially, the Coalition Provisional Authority's Program Management Office had program management responsibilities; however, in May 2004, the Project and Contracting Office replaced the Program Management Office and took over those responsibilities. In October 2006, the U.S. Army Corps of Engineers, Gulf Region Division (GRD), replaced the Project and Contracting Office. In November 2004, the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) assumed contract management responsibilities from the Coalition Provisional Authority.

Because of the large number of program and contract management offices involved and the changes in responsibilities, SIGIR refers collectively to these offices as "U.S. government."

Funding for this contract was provided by the Iraq Relief and Reconstruction Fund (IRRF) and the Development Fund for Iraq.

### ***Limitation on the Audit***

The scope of the audit work was limited by incomplete contract documentation. SIGIR contacted a number of responsible contracting offices, but at the conclusion of our review the U.S. government has been unable to locate the files for the contract bid and award process. Most recently, officials at the Office of the Assistant Secretary of the Army for Acquisition, Logistics, and Technology informed SIGIR that they would make inquiries to assist in locating the contract award files. SIGIR also could not locate inventory records for items purchased by the contractor in support of construction activities.

During this review, the SIGIR audit team did not visit project construction locations; however, SIGIR has visited Parson's construction sites on other audits and inspections. As appropriate, this report includes information from that work. SIGIR could not locate individuals who worked directly on the contract during the construction period to discuss contract history or project management issues. Consequently SIGIR relied primarily on the contract files and discussions with current contract officials to accomplish this work.

## **Results**

Far less was accomplished under this contract than originally planned; only about one-third of the planned projects were completed. Although the failure to complete some of the work is understandable because of its complex nature and the unstable security environment in Iraq, millions of dollars in waste are likely associated with incomplete, terminated and abandoned projects under this contract. However, precise amounts of funds expended for projects that have not been completed are not easily aggregated because of the uncertain future of incomplete projects. Some measure of the funds expended for which there was not a usable facility is suggested by the fact that slightly more than \$142 million, or almost 43% of the contract's disbursed funds, were spent on projects that were either terminated or canceled, although a number of projects were subsequently completed. Contract management weaknesses also played a key role in the contract outcomes.

As of May 21, 2008, almost \$333 million had been disbursed against the contract's \$900 million construction ceiling,<sup>1</sup> and an additional \$34 million was obligated for the settlement of claims made by Parsons and its subcontractors.<sup>2</sup> Of the 56 task orders issued under the contract, 3 were for mobilization, program support, and contract closeout; 53 were for construction projects.

Of the 53 construction project task orders, 18 were completed, 7 were partially completed before being terminated for the U.S. government's convenience, 2 were terminated for default, and 26

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<sup>1</sup> The contract had a \$900 million ceiling, consisting of \$789,300,000 for construction, a base fee of \$2,700,000, and a maximum award fee of \$108,000,000. Final contract costs are pending required incurred-cost audits of the contractor's work by DCAA and the settling of contractor claims.

<sup>2</sup> Under the Parson's contract, when the government terminates a task order for default, the U.S. government remains liable to Parson's subcontractors for any unsettled amounts that are determined to be allocable, allowable, and reasonable.

were canceled before any significant construction activity.<sup>3</sup> The U.S. government cited repeated delays in construction as the reason for terminating seven task orders for convenience and two for default. One of the defaulted task orders, the partially completed Kahn Bani Sa'ad Corrections Facility, was followed by a bridge contract and two follow-on construction contracts in an attempt to complete the project. In June 2007, the U.S. government, citing security concerns, terminated the remaining, but incomplete, follow-on construction contract and abandoned the partially completed Kahn Bani Sa'ad Corrections Facility. This decision was made after the U.S. government disbursed approximately \$40 million against project costs and the project was reported to be approximately 52% complete. Of this amount, \$31 million was paid to Parsons, and \$9 million was paid to other contractors. Parsons received no award fee on this task order. At this point the entire amount disbursed for this project may ultimately be wasted because the Government of Iraq (GOI) currently has no plan for completing or using this facility.

The other task order terminated for default was Phase I of the An Nassriya Corrections Facility. The project included the construction of 2 maximum/medium-security buildings and 13 other administrative and operations buildings at the An Nassriya site. The task order called for completion of construction in November 2005. In July 2006, after repeated delays in construction, the government terminated the task order for default. At termination, the two security buildings were approximately 45% complete, and the remaining 13 buildings ranged from 26% to 48% complete. A total of \$30,998,481 was disbursed in payment for this work, and about \$17 million in obligations still need to be settled. Further, SIGIR was unable to determine the status of about \$3 million in property purchased under this task order, including four armored vehicles valued at \$150,000 each. Parsons received no award fee on this task order.

After terminating the task order, the government awarded a short-term bridge contract to Parsons' subcontractor for continuity of operations. It also awarded a contract for the remaining work on Phase I to a different Iraqi contractor. The bridge contract and the follow-on contract had a total value of approximately \$16.5 million. Phase I of this project, the same phase started by Parsons in 2004, was completed by the follow-on contractor and turned over to the GOI in May 2008. As of May 21, 2008, disbursements for work performed by Parsons, the bridge and the new contract totaled \$47,491,742—about 4% more than the original estimate—with almost \$17 million in obligations still to be settled.<sup>4</sup>

Table 1 shows for each group of task orders the current obligation and disbursement status for each group of task orders.<sup>5</sup> Although all task orders under the contract have been completed, terminated, or canceled, the contract costs are not final until the contractor's claims are settled and the required audits have been completed.

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<sup>3</sup> Completed task orders, for purposes of this report, are defined as task orders where Parsons fulfilled its contractual obligations and finished work that was requested of them by the U.S. government.

<sup>4</sup> Obligations refer to unpaid invoices and other commitments the U.S. government is obligated to pay.

<sup>5</sup> Definitization is the process whereby the U.S. government and the contractor reach agreement on the key terms and conditions of the task order, including scope of work, schedule, and cost.

**Table 1 - Summary of Task Order Outcome and Costs as of 5/21/2008**

<b>Task Orders</b>	<b>Number of Task Orders</b>	<b>Obligations</b>	<b>Disbursements</b>	<b>Percent of Contract Disbursements</b>
Administrative Task Orders for Mobilization, Program Support, or Closeout <sup>a</sup>	3	\$57,491,471	\$57,491,247	17%
Canceled Task Orders <sup>b</sup>	26	5,874,409	5,884,037	2%
Completed Task Orders	18	133,672,928	132,830,287	40%
Task Orders Terminated for the Government's Convenience	7	92,204,702	74,368,239	22%
Task Orders Terminated for Default	2	77,148,414	62,055,678	19%
<b>Totals</b>	<b>56</b>	<b>\$366,391,924</b>	<b>\$332,629,488</b>	<b>100%</b>

Source: SIGIR analysis of JCC-I/A contract data, as of May 21, 2008.

<sup>a</sup> Administrative costs are understated because program support costs were charged directly to project task orders before November 2004.

<sup>b</sup> Disbursements for canceled task orders exceed obligations by \$9,628. This amount is attributable to Task Order 46. JCC-I/A is aware of this difference and is researching it.

The terminated and canceled task orders accounted for \$142,307,954—almost 43% of the contract's \$332,629,488 in disbursements. In many cases, terminating or canceling a task order should not be construed as a negative action. Depending on the facts and circumstances, termination may be the best business decision the government can make. Some of the terminated task orders had substantial work completed before their termination, and three of the task orders with disbursements of approximately \$87.1 million were subsequently completed by other contractors.

Table 2 shows the outcome for the 27 completed or terminated task orders by the type of facility constructed. The most successful projects were for the construction of border control facilities and other security-related facilities. Projects for the construction of fire stations, police facilities, and courthouses had less successful outcomes.

**Table 2 – Task Order Outcome by Type of Facility**

<b>Type of Facility</b>	<b>Number of Task Orders</b>	<b>Task Orders Completed</b>	<b>Task Orders Terminated</b>
Border Control Facilities	8	8	0
Police and Civil Defense Training Facilities	3	1	2
Corrections, Courthouse, and Municipal Facilities	5	3	2
Fire Stations	7	2	5
Other Security Related Facilities	4	4	0
<b>Totals</b>	<b>27</b>	<b>18</b>	<b>9</b>

Source: SIGIR analysis of JCC-I/A contract data, as of May 21, 2008.

The following summarizes what SIGIR found by type of facility:

**Border Control Facilities.** Eight task orders were awarded to build border control facilities, and all eight were completed with disbursements of \$76 million— about 23% of the total disbursements under this contract. SIGIR reviewed the three largest task orders (Task Orders 3, 34, and 36) and found that they called for the construction of 123 facilities at an estimated cost of about \$57 million. Ultimately, 114 border control facilities were constructed under these task orders with disbursements of about \$63 million as of May 21, 2008.

**Police and Civil Defense Training Facilities.** Three task orders were awarded to build police and civil defense training facilities, and one was completed. Two task orders to construct the Baghdad Police Academy were terminated for the convenience of the government because of repeated delays, the failure to remediate construction deficiencies, and increasing costs. At termination, most of the buildings at the Baghdad Police Academy were approximately 95% complete; a dining hall was approximately 75% complete, and the gymnasium was approximately 55% complete. A total of about \$56 million was disbursed as of May 21, 2008, under the task orders. The award fee paid to Parsons for work on these tasks order was \$3,568,303—approximately 51% of the total award fee available.

After Parsons was terminated, the Multi-National Security Transition Command-Iraq chose to use the Air Force Center for Engineering and the Environment to award a contract to repair the defective work. The Center awarded a \$9 million contract to a different contractor to repair defective work under the original contract and to complete the facilities. Some problems could not be fixed, however. For example, the failure to properly install expansion joints could not be remediated, and in several buildings the plumbing deficiencies were so significant that the water had to be turned off and a separate building erected for shower and lavatory use.



**Corrections, Courthouses, and Municipal Facilities.** Five task orders were awarded for corrections, courthouses, and municipal facilities (Task Orders 7, 8, 50, 52, and 54), and three were completed. Two task orders for the construction of prisons were terminated for default. Approximately \$85 million was disbursed on these five task orders as of May 21, 2008. The completed task orders were for the construction of the Iraqi Special Tribunal (\$19 million) and the Central Court in Baghdad (\$4 million).<sup>6</sup> The government's original estimated cost for the Iraqi Special Tribunal was \$12,658,294, but disbursements totaled more than \$19 million as of May 21, 2008 because of administrative changes, scope and funding changes, and cost overruns. The award fee paid to Parsons for this task order was \$1,232,765—79% of the available award fee. In March 2006, a Department of Justice project engineer noted significant deficiencies in the construction of the Iraq Special Tribunal. To correct these deficiencies, approximately \$2 million in additional contracts were awarded to other contractors.

The two task orders terminated for default were the Kahn Bani Sa'ad Corrections Facility and Phase I of the An Nassriya Corrections Facility. Both facilities were terminated for default in June 2006. In June 2007, the U.S. government, citing security concerns, abandoned further attempts to complete the Kahn Bani Sa'ad Corrections Facility after approximately \$40 million had been disbursed. The An Nassriya Corrections Facility was terminated after approximately \$31 million had been disbursed. This project was subsequently awarded to another contractor and completed.

**Fire Stations.** Seven task orders were awarded for the construction of fire stations, of which only two were completed. Five task orders were terminated for the convenience of the government. Approximately \$23 million was disbursed for these seven task orders—about 7% of total disbursements under this contract. SIGIR reviewed the largest task order, Task Order 51, which called for Parsons to design and construct 21 fire stations in the central Iraq areas of Anbar and Baghdad. Because of multiple delays and cost increases, the U.S. government reduced the number of stations to be constructed to 11. Later, another fire station was eliminated before construction began because of land ownership issues, and a second was terminated for the convenience of the government after it was bombed twice during construction, leaving nine. In 2006, Parsons completed the nine fire stations and transferred them to the GOI. The award fee paid to Parsons for work on this task order was \$296,294—23% of the total available award fee.

**Other Security Related Facilities.** Four task orders were awarded for other security related services (Task Orders 14, 15, 47 and 48), and all four were completed with disbursements of about \$26 million—about 8% of total disbursements under this contract. Key projects include the National Iraqi Police Service Counter Terrorism Training Facility (with disbursements of almost \$8 million), the Taji Military Training Facility, (with disbursements of almost \$9 million), and the Dignitary Protective Service Academy, (with disbursements of about \$9 million.)

SIGIR's work identified significant weaknesses in the U.S. government's oversight of the contract. These weaknesses created an environment that was conducive to waste and inefficiency, as evidenced by the large number of project terminations and cancellations. The weaknesses included a high turnover of contracting officers, a heavy contracting officer workload, missing records, and a failure to follow-up on deficiencies. More specifically:

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<sup>6</sup> Task Orders 50 and 52 were both for Central Court construction.

The government's contracting and program management oversight was hindered by high personnel rotation. About 18 contracting officers worked on this contract over its two-year life from award to termination, which resulted in poor continuity of operations, lack of historical knowledge specific to the contract, and weak working relationships between the U.S. government and Parsons.

The government's contracting and project management officials had an excessively high workload with responsibility for a significant number of contracts, many with multiple task orders. SIGIR could find no criteria detailing the number of contracting and project management staff that should be assigned to a contract. However, a JCC-I/A official said that a contract the size of the Parsons Security and Justice contract in the United States might have 50-60 contracting professionals assigned, including administrative contracting officers, contracting specialists, and contracting officer representatives. Yet only 10 to 12 contracting officers and specialists were working on the Security and Justice contract in Iraq, according to a senior contracting officer. This workload appears to have prevented contracting officials from devoting the time and attention necessary to properly oversee the contract.

SIGIR could not locate inventory records for items purchased by the contractor in support of construction activities and contract award documentation. The exact value of inventory purchased to support the task orders is unknown. However, under Task Order 8, the value of inventory purchased for one project, the An Nassriya Corrections Facility project, was approximately \$3 million. Without proper accountability, inventory purchased to support task orders is vulnerable to loss and theft. In its comments on a draft of this report, GRD reported that it believes it has located these records. SIGIR also could not locate contract award documentation. SIGIR contacted a number of responsible contracting offices, but at the conclusion of our review the U.S. government has been unable to locate the files for the contract bid and award process. Most recently, officials at the Office of the Assistant Secretary of the Army for Acquisition, Logistics, and Technology informed SIGIR that they would make inquiries to assist in locating the contract award files.

SIGIR found no evidence that the U.S. government tracked construction deficiencies to ensure that Parsons remediated faulty work on a timely basis. The review identified multiple incidents in which contracts were later awarded to fix construction deficiencies in the original contractor's work.

## **Recommendation**

SIGIR recognizes that GRD bears limited responsibility for issues identified in this report because many of these issues occurred before GRD assumed responsibility for the contract. Nonetheless, Parsons left Iraq approximately two years ago, and responsibility for closing this contract now lies with GRD and JCC-I/A. Consequently, SIGIR recommends that the Commanding General, GRD, and the Commander, JCC-I/A, take action to locate the property records and ensure that property purchased by Parsons and paid for by the U.S. government under the contract is tracked and accounted for through its final disposition, in accordance with the Federal Acquisition Regulation.

SIGIR also recommends that the Commanding General, GRD, and the Commander, JCC-I/A, locate the contract award file and ensure that it is included in the master contract file.

## **Lessons Learned**

The reconstruction projects under this contract were executed in unstable security conditions and were beset by insufficient contract management and oversight personnel. Because of poor security conditions and limited personnel resources, it was difficult for responsible government officials to visit project sites, plan and define project requirements, and oversee contractor performance once construction began. These conditions created a high-risk contracting environment and approaches that ultimately led to a high level of project failure and waste. SIGIR has identified the following lessons that the U.S. government should consider before undertaking reconstruction projects in a similar contingency environment:

- In operation plans, the government should include reconstruction risk guidance specific to the operation—including risk-benefit analysis guidelines if possible—that commanders and civil agency managers can use to guide their reconstruction planning and management decision-making process. These guidelines at a minimum should address the degree of risk that is acceptable as it relates to an operation’s reconstruction goals and federal resource stewardship responsibilities.
- Commanders should avoid initiating projects without comprehensive preconstruction planning, including realistic and well-defined work scopes and cost and schedule estimates unless strategic objectives are deemed to outweigh the risks of project failure. In such situations the projects should receive the explicit approval of senior commanders or government managers before initiation.
- If the government decides to undertake a high-risk construction project, it should prepare a comprehensive and independent government estimate that accurately identifies the costs associated with the project, particularly those costs associated with the accepted risk. This information should be a mandatory part of the risk-benefit analysis.
- If government oversight and surveillance of project activities is impeded to any significant degree by security concerns, senior management should be made aware and construction should continue only when strategic objectives are deemed to outweigh the risks of project failure.

## **Management Comments and Audit Response**

GRD provided comments and stated that it concurred with the recommendations in the report. GRD also stated that it took exception to the use of the word “waste” throughout the report when used to describe incomplete, terminated, and abandoned projects. SIGIR considered this comment and revised certain language to clarify our message. Specifically, SIGIR believes that waste can occur if incomplete and terminated projects are not ultimately finished and used by the

Iraqi government. GRD's comments are printed in their entirety in Appendix E of this report. GRD also provided technical comments that are addressed in the report where appropriate.

# Introduction

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A December 2006 amendment to the enabling legislation of the Special Inspector General for Iraq Reconstruction (SIGIR) requires that, before its termination, SIGIR prepare a final forensic audit report on funds made available to the Iraq Relief and Reconstruction Fund (IRRF). To help meet this requirement, SIGIR is undertaking a series of focused contract audits examining major Iraq reconstruction contracts. These audits examine contract outcomes and the U.S. government's contract management and oversight of cost, with emphasis on issues related to fraud, waste, and abuse. This report, the seventh in the series of such reviews, examines reconstruction work contracted for by the U.S. government and performed by Parsons Delaware, Inc. (Parsons).

## Background

In March 2004, the U.S. Army Corps of Engineers, on behalf of the Coalition Provisional Authority awarded Parsons a cost-plus -award-fee, indefinite delivery/indefinite quantity contract (W914NS-04-D-0009) to provide design and construction services for Iraq's security and justice sector. Funding for this contract was provided by the IRRF and the Development Fund for Iraq.

This contract was one of ten design-build construction contracts approved by the Deputy Assistant Secretary of the Army for Policy and Procurement to provide an overarching framework of construction capability to restore the Iraqi infrastructure. The contracts were issued in six defined work sectors, including the water, oil, transportation, and electric sectors. The contracts were competitively awarded and included a two-year base period with three one-year option periods. This contracting approach was intended to allow continuity of operations and facilitate re-competition after the completion of these contracts.

## Responsible Organizations

From May 2003 through June 2004, the Coalition Provisional Authority was responsible for overseeing, directing, and coordinating the relief and reconstruction effort in Iraq. In early 2004, when Parsons was awarded contract W914NS-04-D-0009, the Coalition Provisional Authority had a two-tier process in place to manage and implement the Iraq reconstruction program. To administer the program, it established the Program Management Office to prioritize and manage projects and provide contract support. To assist in managing projects, the Program Management Office established six sector program-management offices, such as electricity and public works/water. These offices were led by U.S. government employees. However, to provide program-management support services for these offices, seven contracts were awarded in March 2004—one for PMO support and one for each sector office. These contractors were known as Sector Program Management Office Contractors.

When the Coalition Provisional Authority was dissolved in June 2004, two new offices were established. The Project and Contracting Office replaced the Program Management Office and was to provide acquisition and project management support of activities in Iraq. The other office—the Iraq Reconstruction Management Office—was established under the Department of

State to coordinate reconstruction priorities for the Ambassador. As a result of this change, the Sector Program Management Office became the Sector Project and Contracting Office, and the supporting contractors became known as Sector Project and Contracting Office Contractors.

Over the next three years, additional changes were made in the organizations responsible for project management and contract administration. In October 2006, the U.S. Army Corps of Engineers Gulf Region Division (GRD) replaced the Project and Contracting Office. GRD and its three district offices—Gulf Region North, Central, and South— provided construction management direction and quality assurance for the projects under this contract. Also, in May 2007 the Iraq Transition Assistance Office was created as the successor organization to the Iraq Reconstruction Management Office.

Other U.S. government organizations having responsibilities for contract W914NS-04-D-0009 include the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A), which assumed contract management responsibilities in November 2004. In addition, the Defense Contract Audit Agency provided support in auditing proposals and other contract actions.

## **Objective**

The SIGIR reporting objective for this audit was to examine contract outcome, cost, and management oversight, with an emphasis on any vulnerability to fraud, waste, and abuse.

For a discussion of the audit scope and methodology and a summary of prior coverage, see Appendix A. For a summary of award fees paid to Parsons, see Appendix B. For acronyms used, see Appendix C. For the audit team members, see Appendix D.

## Contract Outcome and Cost

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Far less was accomplished under this contract than was originally planned. The contract records shows that only 34% of the task orders were completed and 66% were terminated or canceled. These terminated and canceled task orders accounted for approximately \$142 million, or 43 percent, of the contract's disbursements.

The contract's \$900 million ceiling consisted of \$789.3 million for construction, a base fee of \$2.7 million, and a maximum award fee of \$108 million. From March 2004 to November 2004, 53 task orders were issued for construction projects, plus one task order for mobilization and another for program support services. A final, contract closeout task order was issued in August 2006—for a total of 56 task orders issued under this contract. Because of the U.S. government's concerns over Parsons' slow progress, 26 task orders were canceled from August through December 2004 before any significant construction activity.<sup>7</sup> Of the 53 task orders for construction projects, 18 were generally considered successful and completed.

The completed task orders resulted in material improvements in Iraqi security and justice infrastructure, including new or reconstructed border control facilities, courts, fire stations, and military and protective service academies. Another nine task orders were terminated, either for the government's convenience or for default. Some projects under these task orders had significant construction deficiencies, some of which were not corrected by Parsons. One of the terminated task orders, the Kahn Bani Sa'ad Corrections Facility, was abandoned after approximately \$40 million had been spent. This decision was made after the U.S. government expended approximately \$40 million and the project was reported to be approximately 52% complete.<sup>8</sup>

Table 1 below shows that as of May 21, 2008, over \$366 million had been obligated and almost \$333 million disbursed on the Parsons security and justice contract. The \$33 million obligated but not disbursed represents invoices submitted and unpaid, as well as amounts available for negotiated settlements to Parsons and its subcontractors.<sup>9</sup>

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<sup>7</sup> Total disbursements for the 26 canceled task orders through May 21, 2008, were \$5,884,037. See Table 3 for a complete list of canceled task orders.

<sup>8</sup> \$31 million was disbursed to Parsons under this contract, and another \$9 million was paid to a bridge and follow-on contractor to continue work after Parsons' termination.

<sup>9</sup> Final contract costs are pending required incurred-cost audits of the contractors work by DCAA and the settling of contractor claims. Under this contract, when the government terminates a task order for default, the U.S. government remains liable to Parsons' subcontractors for any unsettled amounts.

**Table 1 – Summary of Task Order Outcome**

<b>Category</b>	<b>Number of Task Orders</b>	<b>Obligated</b>	<b>Disbursed</b>	<b>Percent of Contract Disbursements</b>
Administrative Task Orders for Mobilization, Program Support, or Closeout	3	\$57,491,471	\$57,491,247	17%
Canceled Task Orders	26	5,874,409	5,884,037	2%
Completed Task Orders	18	133,672,928	132,830,287	40%
Task Orders Terminated for the Government's Convenience	7	92,204,702	74,368,239	22%
Task Orders Terminated for Default	2	77,148,414	62,055,678	19%
<b>Totals</b>	<b>56</b>	<b>\$366,391,924</b>	<b>\$332,629,488</b>	<b>100%</b>

*Source: SIGIR Analysis of JCC-I/A contract data, as of May 21, 2008.*

The following sections provide further information on the task orders in each of these categories.

## **Administrative Task Orders**

The three administrative task orders, totaling \$57,491,247, were for mobilization, program support services, and closeout. Mobilization includes costs to mobilize project management staff, including direct labor, indirect labor, travel, housing and life support, office computer and equipment, security, and communications. Program support services include costs for life support, security management, information technology, direct and indirect labor for in-country project management staff, travel, project office, insurance, warranty, and Defense Base Act insurance. Closeout includes costs associated with the disposition of government property, final settlement proposals, obtaining lien releases, closeout of subcontracts, submission of files and records, and responding to audit findings. Table 2 shows obligations, and disbursements for the three administrative task orders. As the table shows, most of the disbursements (86%) for this category relate to program support services.



**Table 2 – Administrative Task Orders**

<b>Task Order</b>	<b>Task Order Name</b>	<b>Modifications</b>	<b>Obligated</b>	<b>Disbursed</b>
1	Mobilization	3	\$6,735,183	\$6,734,959
55	Program Support Services	19	49,607,965	49,607,965
56	Closeout Support	1	1,148,323	1,148,323
<b>Totals</b>			<b>\$57,491,471</b>	<b>\$57,491,247</b>

*Source: SIGIR analysis of JCC-I/A contract data as of May 21, 2008.*

Previous SIGIR and Government Accountability Office reports have identified average contract administrative costs for work in Iraq of about 33% of total contract costs, considerably higher than the 17% for the Parsons contract.<sup>10</sup> An explanation for this difference was offered by a contracting official who noted that the program support task order was not approved until November 2004, eight months into the contract, and that Parsons was charging administrative costs directly to project-related task orders during that eight-month period.

## **Canceled Task Orders**

In August 2004, the Commanding General, Multi-National Security Transition Command-Iraq, expressed concern about Parsons' lack of progress on numerous projects. As a result, task orders with \$5,884,037 in disbursements were canceled by mutual agreement before any significant construction activity. The task orders were for a variety of facilities, including 16 for police facilities, 6 for border facilities, 3 for training facilities, and 1 for courts. Table 3 shows the canceled task orders and their obligations and disbursements. The disbursements were for costs incurred by Parsons, such as planning and design work, along with a negotiated 9% profit.

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<sup>10</sup>*Review of Administrative Task Orders for Iraq Reconstruction Contracts*, SIGIR-06-028 (October 23, 2006); *Rebuilding Iraq: Status of DOD's Reconstruction Program*, GAO-07-30R (December 15, 2006)

**Table 3 – Canceled Task Orders**

<b>Task Order</b>	<b>Task Order name</b>	<b>Modifications</b>	<b>Obligated</b>	<b>Disbursed</b>
4	Zurbatia Point of Entry	1	\$395,056	\$395,056
9	Muntheria Point of Entry	1	211,491	211,491
13	Haj Omeran Point of Entry	1	142,924	142,924
17	Police Stations/Joint Coordination Centers (JCC)	2	105,093	105,093
18	GRD North Regional Police HQ	2	71,344	71,344
19	GRD Central Regional HQ	3	308,034	308,034
20	GRD South JCCs	2	65,434	65,434
23	GRD Central Regional HQ and JCCs	3	239,059	239,059
24	GRD South JCCs	2	49,787	49,787
25	GRD South Regional Police HQ	2	43,451	43,451
26	GRD South Police HQ/JCCs	2	42,287	42,287
27	GRD South JCCs	2	71,344	71,344
30	Police Stations/Joint Coordination Centers	2	48,691	48,691
31	Police Stations/Joint Coordination Centers	3	1,197,891	1,197,891
33	GRD North Class A Points of Entry	4	230,413	230,413
37	Grade Access Roads	1	98,195	98,195
38	Grade Access Roads	1	87,703	87,703
40	Construct Highway Patrol Stations*	3	41,703	41,703
41	GRD South Police Stations - New	2	34,882	34,882
42	GRD Central Police Stations	3	442,510	442,510
43	GRD North Police Stations	2	27,538	27,538
44	GRD Central Courts	2	1,121	1,121
45	Kirkuk Public Safety Training Academy	3	1,457,229	1,457,229
46	Reconstruct Police Stations*	3	35,384	45,012
49	Basrah Public Safety Training Academy*	1	107,605	107,605
53	TIPS Training Academy	2	318,240	318,240
<b>Totals</b>			<b>\$5,874,409</b>	<b>\$5,884,037</b>

Source: SIGIR Analysis of JCC-IA contract data, as of May 21, 2008.

\* DFI-funded task orders

## Completed Task Orders

The 18 completed task orders, totaling \$132,830,286 in disbursements, included border control facilities, security-related facilities, prisons, courts, municipal facilities, fire stations, and a civil defense training facility. Table 4 provides the details for these task orders.

**Table 4 – Completed Task Orders**

<b>Task Orders</b>	<b>Task Order Name</b>	<b>Modifications</b>	<b>Obligated</b>	<b>Disbursed</b>
2	Civil Defense Headquarters	8	\$2,981,688	\$2,981,688
3	Border Denial Points	15	9,413,204	9,413,204
5	Al Shalamacha Point of Entry	7	2,691,841	2,691,841
10	Ar Ar Class A Point of Entry	10	3,049,846	3,049,846
11	Safwan Point of Entry	7	2,764,018	2,764,018
12	Rabea'a Point of Entry	9	1,754,651	1,754,651
14	National Iraqi Police Services Counterterrorism	16	7,879,290	7,879,290
15	Taji Military Training Facility*	5	9,427,024	8,606,713
21	GRD North Fire Stations	7	3,330,562	3,330,562
32	GRD Central Class A Points of Entry	5	2,564,402	2,564,402
34	GRD South Class C Points of Entry	9	16,947,161	16,947,161
36	GRD North Class C Points of Entry	13	36,833,224	36,833,224
39	GRD North Fire Stations - New	6	1,365,240	1,365,240
47	Dignitary Protective Service Academy*	4	8,797,132	8,780,042
48	Provide Security Updates*	3	1,014,293	1,011,613
50	GRD Central Court Building	11	2,023,853	2,021,292
52	GRD Central Court Construction	5	1,542,677	1,542,677
54	Iraqi Special Tribunal	19	19,292,822	19,292,822
<b>Totals</b>			<b>\$133,672,928</b>	<b>\$132,830,286</b>

Source: SIGIR Analysis of JCC-IA contract data, as of May 21, 2008.

\* DFI-funded task orders

## **Task Orders Terminated for the Government's Convenience**

Seven task orders, totaling \$74,368,240 in disbursements, were mostly completed but terminated for the government's convenience. Federal acquisition regulations do not require the government to provide a reason when terminating a contract for convenience; however, a review of the contract files showed a general dissatisfaction with construction progress. Two of the task orders were for the Baghdad Police Academy, and five were for fire stations. Table 5 provides the details for these task orders.

**Table 5 – Task Orders Terminated for the Government’s Convenience**

<b>Task Orders</b>	<b>Task Order Name</b>	<b>Modifications</b>	<b>Obligated</b>	<b>Disbursed</b>
6	Baghdad Police Academy	18	\$42,909,234	\$32,160,675
29	Baghdad Police Academy*	8	29,344,909	23,912,084
16	National Fire Station	5	487,326	487,326
22	GRD Central Fire Stations	8	2,831,349	2,083,163
28	GRD South Fire Stations Renovation	8	5,040,107	4,544,156
35	GRD South Fire Stations - New	5	1,128,746	717,805
51	GRD Central Fire Stations	13	10,463,031	10,463,031
<b>Totals</b>			<b>\$92,204,702</b>	<b>\$74,368,240</b>

*Source: SIGIR analysis of JCC-I/A contract data, as of May 21, 2008.*

\* DFI funded task orders

## **Task Orders Terminated for Default**

Two task orders, totaling \$62,055,678 in disbursements, were not completed and were terminated for default. Both were for western-style prisons. The stated reasons for the termination were Parsons’ failure to make sufficient progress on the projects so as to endanger performance, lack of schedule adherence, and a failure to control costs so as to endanger the government’s ability to adequately fund the projects to completion. At the Kahn Bani Sa’ad prison, 4 security buildings were approximately 25% complete and 15 other buildings required under the task order ranged from 0% to 30% complete. At the An Nassriya prison, 2 security buildings were approximately 45% complete, and 13 other buildings required under the task order ranged from 26% to 48% complete. Table 6 provides details on these task orders.

**Table 6 – Task Orders Terminated for Default**

<b>Task Orders</b>	<b>Task Order Name</b>	<b>Modifications</b>	<b>Obligated</b>	<b>Disbursed</b>
7	Kahn Bani Sa'ad Prison	10	\$31,057,197	\$31,057,197
8	An Nassriya Prison	10	\$46,091,218	\$30,998,481
<b>Totals</b>			<b>\$77,148,415</b>	<b>\$62,055,678</b>

*Source: SIGIR analysis of JCC-I/A contract data, as of May 21, 2008.*

## **Selected Task Orders Illustrate Accomplishments and Shortfalls in Planned Outcomes**

We selected the 10 most expensive task orders for detailed review.<sup>11</sup> These task orders accounted for about \$219,857,921 of the disbursements (66%) under the contract through May 21, 2008. Five of the task orders were completed, three were mostly completed and terminated for the government's convenience, and two were terminated for default. The five completed task orders show that results were achieved consistent with the contract's initial goals. However, others show inefficient contracting practices, waste, and outcomes that are less than originally planned. Table 7 shows the status and funds obligated and disbursed for the 10 task orders.

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<sup>11</sup> See Appendix A for further explanation of audit scope and methodology.

**Table 7 – Task Orders Reviewed in Detail**

<b>Task Orders</b>	<b>Description</b>	<b>Status</b>	<b>Obligated</b>	<b>Disbursed</b>
3	Border Denial Points	Completed	\$9,413,204	\$9,413,204
34	GRD South Class C Points of Entry <sup>a</sup>	Completed	\$16,947,161	\$16,947,161
36	GRD North Class C Points of Entry	Completed	\$36,833,224	\$36,833,224
54	Iraqi Special Tribunal	Completed	\$19,292,822	\$19,292,822
47	Dignitary Protective Service Academy	Completed	\$8,797,132	\$8,780,042
51	GRD Central Fire Stations	Terminated for Convenience	\$10,463,031	\$10,463,031
6	Baghdad Police Academy	Terminated for Convenience	\$42,909,234	\$32,160,675
29		Terminated for Convenience	\$29,344,909	\$23,912,084
7	Kahn Bani Sa'ad Correction Facility	Terminated for Default and abandoned because of security problems	\$31,057,197	\$31,057,197
8	An Nassriya Correction Facility	Terminated for Default due to construction deficiencies.	\$46,091,218	\$30,998,481
<b>Subtotals</b>			<b>\$251,149,132</b>	<b>\$219,857,921</b>

Source: SIGIR analysis of JCC-I/A contract data, as of May 21, 2008.

**Notes:**

<sup>a</sup> Points of Entry are border facilities where cross traffic is permitted. Border forts are facilities meant to deny entry.

## **Task Orders for Border Control Facilities**

In 2004, the Coalition Provisional Authority issued eight task orders to build or repair border forts and border denial points along the Iraq-Iran border. The three task orders we reviewed (Task Orders 3, 34, and 36) directed the construction of 123 facilities and had an estimated cost of about \$57 million. As work progressed, the number of border facilities to be constructed was reduced to 114, and the amount of funds disbursed increased to about \$63 million. Each of these projects was completed. Table 8 shows obligations and disbursements for these task orders.

Our review identified the following construction issues.

- During construction a structural change was made to the border fort design in which concrete beams were replaced with steel beams to reduce construction time. However, inspectors later observed that the steel beams were sagging under the weight of the roofing material. This occurred because Parsons' subcontractor used beams with the wrong specifications and, in some cases, improperly installed the beams. JCC-I/A identified problems at 45 border forts and directed the contractor to fix the deficiencies. The task order was also modified to correct the design deficiency. This resulted in additional construction time and increased costs by approximately \$3 million.
- In August 2005, JCC-I/A noted that Parsons had incurred \$1.2 million in costs above the approved funding level for Task Order 3 and that JCC-I/A had not been notified as required by the contract and federal regulations. JCC-I/A stated in a letter to Parsons that the problem resulted from Parsons' failure to maintain an effective accounting system and maintain proper cost controls.
- In November 2005, JCC-I/A noted that Parsons incurred costs for the construction of two roads that were not in a task order's scope of work. Nonetheless, the government paid for the roads at a cost of about \$1 million. Although the need for these roads may have been legitimate, the contract should have been modified before construction.
- During 2005 and 2006 Parsons completed Task Orders 3, 34 and 36 and transferred 114 border forts and border denial points to the Iraqi Government. The total award fee paid to Parsons for Task Orders 3 and 34 was \$1,039,479, or 49% of the available award fee pool. No award fee was paid for work on Task Order 36. See appendix B for a complete listing of award fees by task order.

Figures 1 and 2 show border forts that were built under Task Orders 1 and 2.



**Figure 1** Task Order 34 – Border Fort at Arafat

**Figure 2** Task Order 36 – Border Fort at Esawi

Source: Parsons Report to Award Fee Determination Official, Presented May 3, 2006

**Table 8 – Task Orders 3, 34, 36**

Task Orders	Modifications	Definitized Cost	Obligated	Disbursed
3	15	\$7398191	\$9,413,204	\$9,413,204
34	9	\$13,632,636	\$16,947,161	\$16,947,161
36	13	\$35,900,149	\$36,833,224	\$36,833,224
<b>Totals</b>		<b>\$56,930,976</b>	<b>\$63,193,589</b>	<b>\$63,193,589</b>

Source: SIGIR analysis of JCC-I/A contract data, as of May 21, 2008.

## Task Order for Central Fire Stations

In July 2004, the Coalition Provisional Authority issued seven task orders to build or repair fire stations in the Iraq governorates. We reviewed Task Order 51, the largest of the seven task orders, representing almost 46% of the \$22,991,283 disbursed for fire stations. Table 9 shows obligations and disbursements for this task order.

Task Order 51 called for Parsons to design and then construct 21 fire stations in the central Iraq areas of Anbar and Baghdad. During construction, multiple delays occurred and costs increased. As a result, the U.S. government decided to reduce the number of stations to be constructed to 11. Later, another fire station was dropped before the start of construction because of land ownership issues, and a second was terminated for the convenience of the government after it was bombed twice during construction. This left nine fire stations on the task order. In 2006,



Parsons completed the nine fire stations and transferred them to the Iraqi government. The award fee paid to Parsons for work on this task order was \$296,294, which was 23% of the total available award fee.

Figures 3 and 4 show two of the fire stations built under Task Order 51.



**Figure 3** Task Order 51 – Fire Station at Husainea

**Figure 4** Task Order 51- Fire Station at Yarmook

Source: Parsons Delaware Design Build Cost Plus Award Fee Report to Award Fee Determination Official, Presented May 3, 2006

**Table 9 – Task Order 51**

<b>Task Orders</b>	<b>Modifications</b>	<b>Definitized Cost</b>	<b>Obligated</b>	<b>Disbursed</b>
51	13	\$12,462,141	\$10,463,031	\$10,463,031

Source: SIGIR analysis of JCC-I/A contract data, as of May 21, 2008.

## Task Order for Iraqi Special Tribunal

In August 2004, Parsons was issued Task Order 54 to renovate the Iraqi Special Tribunal facility in Baghdad, which is used to adjudicate individuals for crimes against humanity. The project was completed by Parsons in April 2005. The government’s original estimated cost for this facility was \$12,658,294, but disbursements totaled more than \$19 million as of May 21, 2008, because of multiple modifications for administrative changes, scope and funding changes, and cost overruns. The award fee paid to Parsons for this task order was \$1,232,765, or 79% of the available award fee.

**Table 10 – Task Order 54**

<b>Task Orders</b>	<b>Modifications</b>	<b>Definitized Cost</b>	<b>Obligated</b>	<b>Disbursed</b>
54	19	\$12,658,294	\$19,292,822	\$19,292,822

Source: SIGIR analysis of JCC-I/A contract data, as of May 21, 2008.

In March 2006, a Department of Justice Project Engineer noted significant construction deficiencies. Approximately \$2.5 million in contracts were awarded to remediate these deficiencies. Some of the remediation work included the following:

- sewer system renovation (\$200,000)
- heating, ventilation, and air conditioning system renovations (\$2 million)
- water leak repairs (\$50,000)
- removal of more than 10 tons of construction debris left behind by Parsons (\$100,000)

## **Task Order for Dignitary Protective Services Academy**

In June 2004, Parsons was issued Task Order 47 to design and construct facilities for the Dignitary Protective Service. These facilities are training sites for agents that protect local and national officials and visiting foreign dignitaries. The facilities include educational and residential buildings as well as recreational and maintenance areas. In December 2007, the facilities were completed and transferred to the Ministry of Interior. The award fee paid to Parsons for work on this task order was \$725,934, which was 78% of the total award fee pool for this task order.

**Table 11 – Task Order 47**

<b>Task Orders</b>	<b>Modifications</b>	<b>Definitized Cost</b>	<b>Obligated</b>	<b>Disbursed</b>
47	4	\$9,000,000	\$8,797,132	\$8,780,042

Source: SIGIR analysis of JCC-I/A contract data, as of May 21, 2008.

## **Task Orders for the Baghdad Police Academy**

Parsons was issued two task orders for work at the Baghdad Police Academy. Task Order 6 was issued in May 2004 to “construct and/or renovate buildings to expand and supplement the existing Public Safety Training Academy.” Task Order 29 was issued in June 2004 “to provide all labor, materials and services necessary to perform the work of constructing new buildings and/or renovating, improving or expanding existing buildings to supplement the Baghdad Public Safety Training Academy.” Table 12 shows obligations and disbursements for Task Orders 6 and 29.

**Table 12 – Task Orders 6 and 29**

<b>Task Orders</b>	<b>Modifications</b>	<b>Definitized Cost</b>	<b>Obligated</b>	<b>Disbursed</b>
6	18	\$37,777,415	\$42,909,234	\$32,160,675
29	8	\$29,968,685	29,344,909	23,912,084
<b>Totals</b>		<b>\$67,746,100</b>	<b>\$72,254,143</b>	<b>\$56,072,759</b>

*Source: SIGIR analysis of JCC-I/A contract data, as of May 21, 2008.*

Construction at the Baghdad Police Academy was deficient and delayed. In prior inspection reports, SIGIR identified weaknesses and deficiencies including failure to design project components before construction and work that did not meet standards of the contract or task orders, such as poor plumbing installation and substandard expansion joints.<sup>12</sup> SIGIR's inspection report also noted that although Parsons' quality-control plan was sufficiently detailed, Parsons failed to identify significant construction deficiencies during the implementation, and the government's quality-assurance program was essentially nonexistent prior to Parsons' termination.

Work under Task Order 6 was originally scheduled for completion in January 2005. After repeated delays and increasing costs, the government terminated the task order for convenience in May 2006. Work under Task Order 29 was originally scheduled for completion in July 2005. In May 2006, it was also terminated for the convenience of the government because of repeated delays and construction deficiencies. At termination most of the buildings at the Baghdad Police Academy were approximately 95% complete. A dining hall was approximately 75% complete, and the gymnasium was approximately 55% complete. The award fee paid to Parsons for work on this task order was \$3,568,303 or approximately 51% of the total award fee available.

After Parsons' termination, responsibility for contract management transferred from GRD to the Air Force Center for Engineering and the Environment. The Center awarded a \$9 million contract to a different contractor to repair defective work under the original contract and to complete the facilities. Some problems could not be fixed, however. For example, the failure to properly install expansion joints could not be remediated, and in several buildings the plumbing deficiencies were so significant that the water had to be turned off and a separate building erected for shower and lavatory use.

<sup>12</sup> SIGIR PA-06-078.2 and SIGIR PA-06-079.2, Baghdad Police College, January 29, 2007

Figures 5, 6, 7, and 8 show the Baghdad Police Academy.



**Figure 5** BPA Language Building A



**Figure 6** BPA Classroom Building B

*Source: Parsons Delaware Design Build Cost Plus Award Fee Report to Award Fee Determination Official, Presented May 3, 2006.*



**Figure 7** BPA Improper Plumbing Installation in cadets' barracks and expansion crack on rear side of instructors' barracks

*Source: BPA Baghdad, Iraq, SIGIR PA-06-078.2, PA-06-07902, January 29, 2007*



**Figure 8** BPA-Improperly placed and exposed reinforcement bar and PVC conduit  
*Source: SIGIR PA-06-078.2, PA-06-07902, January 29, 2007*

## **Task Order for Kahn Bani Sa’ad Corrections Facility**

In May 2004, Parsons was issued Task Order 7 for the phase I construction of a new correction facility in Kahn Bani Sa’ad, Iraq. The objective of the task order was to increase the Iraqi Corrections Service’s prison capacity. Parsons was to provide design/build, procurement, construction, testing, and commissioning services for a maximum- and medium-security facility. The task order was modified 10 times because of changes in the scope of work and funding. The project included the construction of three medium-security buildings and one maximum-security building, as well as 15 other buildings for such functions as segregation, visitation, medical, education, prayer, and facility support. Following phases to the project would provide additional wings and increase capacity.

In June 2007, the U.S. government, citing security concerns, abandoned in a partially completed state, the Kahn Bani Sa’ad Corrections Facility. This decision was made after the U.S. government disbursed approximately \$40 million against project costs and the project was reported to be approximately 52% complete. Of this amount, \$31 million was paid to Parsons and \$9 million to other contractors.

In June 2008, the SIGIR Inspectors visited the Kahn Bani Sa’ad site to inspect the project and issued a draft report on July 7, 2008, on the results of its inspection that provided additional detail on the project.<sup>13</sup> According to the report, Task Order 7 had a projected start date of May 12, 2004, and a required completion date of November 12, 2005. The task order was definitized on August 11, 2004, in the amount of \$72,934,413; however, construction did not begin until November 2004. On June 16, 2006, the U.S. government notified Parsons that it was terminating the task order for default because of a failure to make progress. According to the U.S. government’s termination letter, “Parsons has endangered completion both by continued

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<sup>13</sup> (SIGIR PA-08-138)

schedule slips and by incurring massive cost overruns that cannot be sustained by the government.” Parsons received no award fee on this task order.

After terminating Parsons, the U.S. government believed the Kahn Bani Sa’ad Correctional Facility was still required by the Iraqi Ministry of Justice and awarded a firm fixed price bridge contract to Parsons’ subcontractor to continue construction of the facility. The intent of the bridge contract was to continue construction until a new contract could be awarded. The focus was on the completion of prefabricated buildings, essential concrete pours for the superstructure, masonry work, and facility systems. The bridge contract was awarded on June 19, 2006 for a fixed period, in the amount of \$3,299,983. The contract ended on September 15, 2006. When the contract ended, the contractor had completed the concrete pours and other miscellaneous work; however, the project was not complete.

To complete the project, the U.S. government awarded two other contracts in September 2006. A contract in the amount of \$42,467,440 was awarded on September 15, 2006 to continue construction, and an electrical contract in the amount of \$1,644,900 was awarded on September 19, 2006, to rehabilitate the existing Kahn Bani Sa’ad substation and install and commission an underground feeder line. In March 2007, the U.S. government notified the follow-on contractor of items the contractor had failed to deliver. The U.S. government also proposed a 45 day period to “assess three evaluation factors critical to the success” of Kahn Bani Sa’ad. The contractor was instructed to halt construction while the structural assessment was performed. On June 30, 2007, the U.S. government informed the contractor that the contract was “terminated partially for the government’s convenience...” At the time of termination, the follow-on contractor had partially completed the prefabricated facilities; however, the project was not complete.

Included in the cost of this project is about \$1.2 million of construction materials that the government left at the site because it could not find anyone to load and transport the materials to another construction site. SIGIR requested a list and accounting of equipment and property purchased under this contract, but GRD has been unable to provide such a list or accounting. Additionally, the \$40 million disbursed on this contract does not include the project’s share of the amounts paid to Parsons for mobilization, program support, and contract closeout that are included in administrative task orders. Additional amounts paid to GRD for project support are also not included in the \$40 million total. Parsons received no award fee on this task order.

The SIGIR Inspection report assessed the role of security on the ultimate failure of this project. In August 2005, the site manager for one of Parsons’ subcontractors was shot and killed in his office. Parsons argued that the U.S. government misrepresented that there would be a permissive, benign environment for Parsons to work. Parsons claimed that on an almost daily basis, its subcontractors faced security threats that either shut down work or curtailed performance.

GRD officials stated that there was no mention of a permissive or benign environment in Parsons’ base contract or in any task order. Further, the U.S. government argued that Parsons’ proposal stated that they understood the security environment. Regarding Parsons’ claim of daily threats, the U.S. government countered that Parsons submitted only infrequent reports of security threats. For example, according to the Corps of Engineers, the “record shows that Parsons Schedule Delay Request log reflects an accumulation of only seven days of requests due to

ongoing violence...only seven days have been beyond the control and without the fault or negligence of the contractor.”

The U.S. government ultimately decided to terminate Parsons’ contract because it determined that “Parsons’ failure to perform under this task order is undeniable...” Specifically, the U.S. government stated that “Parsons provided inadequate field oversight as the design build contractor. Its “hands-off” approach to monitoring construction is instrumental in its imminent failure...Parsons failure to perform has been a systemic issue related to management of the project.

In SIGIR’s July 2008 inspection report on the Kahn Bani Sa’ad facility, we detailed significant construction deficiencies that could have been the result of fraudulent procedures. Based on that report and our audit work, we are referring these matters to our investigative staff for further review.

Figures 9 and 10 show the Kahn Bani Sa’ad facility.



**Figure 9** Task Order 7 Kahn Bani Sa’ad Building 6, Wing 3 Building 02



**Figure 10** Task Order 7 - Kahn Bani Sa’ad

*Source: Parsons Delaware Design Build Cost Plus Award Fee, Report to Award Fee Determination Official, Presented May 3, 2006*

**Table 13 – Task Order 7**

<b>Task Orders</b>	<b>Modifications</b>	<b>Definitized Cost</b>	<b>Obligated</b>	<b>Disbursed</b>
7	10	\$72,934,413	\$31,057,197	\$31,057,197

*Source: SIGIR analysis of JCC-I/A contract data, as of May 21, 2008.*

## **Task Order for the An Nassriya Corrections Facility**

In May 2004, Parsons was issued Task Order 8 for the construction of phase I of a new corrections facility in An Nassriya, Iraq. The objective of the task order was to increase the prison capacity of the Iraqi Corrections Service for the Iraqi Ministry of Justice.

Parsons was to provide design/build, procurement, construction, testing, and commissioning services for a maximum- and medium-security facility. The 10 modifications on this task order refined the scope of work and changed the funding. The project included the construction of two maximum/medium-security buildings as well as 13 other administrative and operations buildings at the An Nassriya site. Following phases to the project would provide additional wings and increase capacity.

The task order called for completion of construction in November 2005. In July 2006, after repeated delays in construction, the government terminated the task order for default. At termination, the two security buildings were approximately 45% complete, and the remaining 13 buildings ranged from 26% to 48% complete. A total of \$30,998,481 was disbursed in payment for this work. Parsons received no award fee on this task order.

After terminating Parsons, the U.S. government awarded a firm fixed price bridge contract with a value of \$2,615,000 to Parsons' subcontractor to continue construction of the facility. The intent of the bridge contract was to continue construction until a new contract could be awarded. The U.S. government then awarded a contract to complete the Phase I work to a different Iraqi contractor. This contract had a value of \$15,632,352. Phase I was completed by the follow-on contractor and turned over to the GOI in May 2008.

As of May 21, 2008, disbursements for work performed by Parsons plus the two new contracts totaled \$47,491,742. This was about 4% more than the original estimate. Approximately \$17 million in obligations<sup>14</sup> remain to be settled.

We were unable to determine the status of equipment and property purchased under this contract. SIGIR identified more than 400 items valued at about \$3 million that were purchased with government funds to support this task order. These included four armored vehicles costing about \$150,000 each, generator sets valued at \$70,000 each, residential trailers valued at \$24,000 each, and other equipment such as computers, handheld radios, radio base stations, satellite

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<sup>14</sup> Obligations refer to unpaid invoices and other commitments the U.S. government is obligated to pay.



transceivers, and utility vehicles. As of June 2008, the Corps of Engineers has not provided information on the status of this equipment.

**Table 14 – Task Order 8**

<b>Task Orders</b>	<b>Modifications</b>	<b>Definitized Cost</b>	<b>Obligated</b>	<b>Disbursed</b>
8	10	\$45,884,166	\$46,091,218	\$30,998,481

*Source: SIGIR analysis of JCC-I/A contract data, as of May 21, 2008.*

Figure 11 shows the An Nassriya Prison



**Figure 11** Task Order 8 - An Nassriya Prison

Source: Parsons Delaware Design Build Cost Plus Award Fee Report to Award Fee Determination Official, Presented May 3, 2006

# **Contract Oversight and Administration**

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During our review, we identified weaknesses in the U.S. government's contract oversight and project management processes. These weaknesses include high contracting officer turnover, high contracting officer workload, and a failure to remedy construction deficiencies. These weaknesses contributed to the construction quality deficiencies, cost overruns, and waste.

## **High Contracting Officer Turnover**

We identified over 18 contracting officers assigned to this contract from March 2004, when the contract was awarded, through termination of the last task order in July 2006.<sup>15</sup> The high turnover of contracting officers limits historical knowledge of previous contracting actions, contractor performance issues, scope of work changes, construction deficiencies, and quality assurance. Parsons officials also identified the frequent rotation of contracting officers as perhaps the most burdensome of the problems that affected its Iraq reconstruction activities.

Compounding the lack of familiarity caused by high turnover was the lack of any written record of significant contract events. Communicating all the nuances of the contract, especially one with 56 task orders, would be difficult without a written record. Furthermore, although contracting files were available to incoming contracting officers, the documents in those files did not appear to be organized in any particular format and were sometimes quite voluminous. Although JCC-I/A has a standard format for organizing contract files, it did not appear to have been used on this contract.

## **High Contracting Officer Workload**

According to a JCC-I/A official, as of March 12, 2008, JCC-I/A had 8,977 active contracts being managed by 100 contracting officers in Iraq, an average of almost 90 contracts per contracting officer. With many contracts containing multiple task orders, the scope of work for each contracting officer is enormous. While we could find no criteria for the number of contracting personnel that should be assigned to a contract, one official said that a contract in the United States the size of this contract would likely have 50 to 60 contracting professionals assigned, including administrative contracting officers, contracting specialists, and contracting officer representatives. According to a senior contracting officer, only 10 to 12 contracting officers and specialists were working on the security and justice contract in Iraq.

## **Missing Records**

SIGIR could not locate inventory records for items purchased by the contractor in support of construction activities and contract award documentation. The exact value of inventory purchased to support the task orders is unknown. However, under Task Order 8, the value of inventory purchased for one project, the An Nassriya Corrections Facility project, was

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<sup>15</sup> The number of contracting officers we identified is based on a count of the different authorizing signatures on contract task orders during the contract period. There is no formal listing of contracting officers maintained by JCC-I/A.

approximately \$3 million. Without proper accountability, inventory purchased to support task orders is vulnerable to loss and theft. In its comments on a draft of this report, GRD reported that it believes it has located these records.

SIGIR also could not locate contract award documentation. SIGIR contacted a number of responsible contracting offices, but at the conclusion of our review the U.S. government has been unable to locate the files for the contract bid and award process. Most recently, officials at the Office of the Assistant Secretary of the Army for Acquisition, Logistics, and Technology informed SIGIR that they would make inquiries to assist in locating the contract award files.

## **Lack of Follow Through on Construction Deficiencies**

Although significant construction deficiencies under this contract<sup>16</sup> were noted, such as major plumbing deficiencies and substandard expansion joints in concrete structures at the Baghdad Police Academy, we found that Parsons was not required to make the necessary repairs. Instead, the U.S. government awarded a bridge contract to Parsons' subcontractor and a contract to a different Iraqi contractor to continue construction and to remediate the deficiencies. As of June 2008, JCC-I/A had not taken any action to recover the cost of remediating these deficiencies; however, according to the contracting officer it remains an option in settling final costs.

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<sup>16</sup> Plumbing fittings were assembled using masonry cement versus PVC glue. As a result, sewage began leaking from drainage joints shortly after the facilities were occupied. Expansion joints are necessary to keep buildings from cracking and potentially causing the structure to fail.

# **Conclusion, Recommendation, and Lessons Learned**

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## **Conclusion**

Although the government and Parsons accomplished a great deal of work under this contract, approximately 43% of the money disbursed, about \$142 million, went to projects that were either terminated or canceled by the government, although a number of projects were subsequently completed. Funds disbursed for canceled and incomplete projects may be considered wasted depending on whether the Iraq government uses the designs, plans, and incomplete facilities that were produced. The problems stem in large part from the unstable security environment and the problems it caused in visiting job sites, developing realistic plans, and remediating construction deficiencies. Shortages of qualified contracting personnel and high personnel turnover also played a role in the poor outcome of this contract.

The absence of records to support the contract award decision, and the disposition of inventory purchased by the government to support the task orders impeded our full review of this contract. The multiple agencies involved in this contract likely contributed to the recordkeeping problem. However, as SIGIR has pointed out in several reports, contract file management is a continuing problem.

## **Recommendation**

SIGIR recognizes that GRD bears limited responsibility for issues identified in this report because many of the issues identified existed before it assumed responsibility for the contract. Nonetheless, Parsons left Iraq approximately 2 years ago, and responsibility for closing this contract lies with GRD and JCC-I/A. Consequently, we recommend that the Commanding General, GRD, and the Commander, JCC-I/A, take action to locate the property records and take all necessary actions to ensure that property purchased by Parsons and paid for by the U.S. government in furtherance of the contract is tracked and accounted for through its final disposition, in accordance with the Federal Acquisition Regulation.

We also recommend that the Commanding General, GRD, and the Commander, JCC-I/A, locate the contract award file and ensure it is made a part of the master contract file.

## **Lessons Learned**

The reconstruction projects under this contract were executed in unstable security conditions and were beset by insufficient contract management and oversight personnel. Because of poor security conditions and limited personnel resources, it was difficult for responsible government officials to visit project sites, plan and define project requirements, and oversee contractor performance once construction began. These conditions created a high-risk contracting environment and approaches that ultimately led to a high level of project failure and waste. SIGIR has identified the following lessons that the U.S. government should consider before undertaking reconstruction projects in a similar contingency environment:

- In operation plans, the government should include reconstruction risk guidance specific to the operation—including risk-benefit analysis guidelines if possible—that commanders and civil agency managers can use to guide their reconstruction planning and management decision-making process. These guidelines at a minimum should address the degree of risk that is acceptable as it relates to an operation’s reconstruction goals and federal resource stewardship responsibilities.
- Commanders should avoid initiating projects without comprehensive preconstruction planning, including realistic and well-defined work scopes and cost and schedule estimates unless strategic objectives are deemed to outweigh the risks of project failure. In such situations the projects should receive the explicit approval of senior commanders or government managers before initiation.
- If the government decides to undertake a high-risk construction project, it should prepare a comprehensive and independent government estimate that accurately identifies the costs associated with the project, particularly those costs associated with the accepted risk. This information should be a mandatory part of the risk-benefit analysis.
- If government oversight and surveillance of project activities is impeded to any significant degree by security concerns, senior management should be made aware and construction should continue only when strategic objectives are deemed to outweigh the risks of project failure.

## **Management Comments and Audit Response**

GRD provided comments and stated that it concurred with the recommendations in the report. GRD also stated that it took exception to the use of the word “waste” throughout the report when used to describe incomplete, terminated, and abandoned projects. SIGIR considered this comment and revised certain language to clarify our message. Specifically, SIGIR believes that waste can occur if incomplete and terminated projects are not ultimately finished and used by the Iraqi government. GRD’s comments are printed in their entirety in Appendix E of this report. GRD also provided technical comments that are addressed in the report where appropriate.

## Appendix A—Scope and Methodology

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This audit was performed by the Special Inspector General for Iraq Reconstruction 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. It was completed during the period of November 2007 through June 2008. It addressed the U.S. government's contract with Parsons Delaware, Inc., for reconstruction projects in Iraq's security and justice sector. It specifically examined contract outcome, cost, and management oversight, with an emphasis on any vulnerability to fraud, waste, and abuse.

To determine the outcome and related cost of work initiated under the contract, we did the following:

obtained and reviewed their financial reports, formal policies, and procedures

obtained and gained an understanding of the basic contract, contract task orders, change orders, and scope modifications

reviewed in detail task order modifications and outcome for 10 of the largest task orders

gained an overall understanding of the status of task orders not reviewed in detail

obtained and reviewed the most recent task order status spreadsheet prepared by JCC-I/A

obtained the most recent U.S. Army Corps of Engineers Financial Management System report to determine the status of disbursements and obligations

interviewed key officials at the Gulf Region Division, Joint Area Support Group-Iraq, Multi-National Security Transition Command-Iraq, the Department of State's Bureau of International Narcotics and Law Enforcement Affairs, and the Joint Contracting Command – Iraq/Afghanistan.

To determine the adequacy of internal controls used for contract and project management we did the following:

reviewed cost-plus award-fee contract administration desk guide

obtained Parsons' responses to an audit questionnaire, including responses concerning the subcontractor bid-to-award process, oversight process for subcontractor, and challenges that may have resulted in terminations

reviewed relevant Defense Contract Audit Agency and Government Accountability Office reports

inquired of Parsons' and GRD's Project Management Offices as to the number and frequency of quality-assurance and costs reports; determined how many site visits were made to projects by Parsons and GRD project management personnel; reviewed previous SIGIR audit and inspection reports for similar weaknesses, if any, in contract and project management systems

We conducted this performance audit from November 2007 to June 2008 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.

This report also incorporates findings of selected SIGIR inspection reports providing information on construction quality and weaknesses. These reports were completed in accordance with the Quality Standards for Inspections issued by the President's Council on Integrity and Efficiency.

## **Limitations on the Audit**

The scope of the audit work was limited by incomplete contract documentation. SIGIR contacted a number of responsible contracting offices, but at the conclusion of our review the U.S. government has been unable to locate the files for the contract bid and award process. Most recently, officials at the Office of the Assistant Secretary of the Army for Acquisition, Logistics, and Technology informed SIGIR that they would make inquiries to assist in locating the contract award files.

SIGIR also could not locate inventory records for items purchased by the contractor in support of construction activities. The exact value of inventory purchased to support the task orders is unknown. However, under Task Order 8, the value of inventory purchased for one project, the An Nassriya Corrections Facility project, was approximately \$3 million. Without proper accountability, inventory purchased to support task orders is vulnerable to loss and theft. In its comments on a draft of this report, GRD reported that it believes it has located these records.

During this review, the SIGIR audit team did not visit project construction locations; however, SIGIR has visited Parson's construction sites on other audits and inspections. As appropriate, this report includes information from that work. SIGIR could not locate individuals who worked directly on the contract during the construction period to discuss contract history or project management issues. Consequently SIGIR relied primarily on the contract files and discussions with current contract officials to accomplish this work.

## **Use of Computer-Processed Data**

We reviewed financial data relating to contract costs maintained in the Corps of Engineer's Financial Management System. We relied on the financial system as the official source because it is the most complete source for such data. However, almost all of the key financial data used in this report was traced to and validated with supporting documentation in the contract files. Accordingly, we determined that performing substantive testing of the reliability of Financial Management System data was not necessary.

## **Internal Controls**

We reviewed the specific controls used in managing and administering this Parsons contract. This included reviewing controls related to contract award, contract oversight, definitization of

cost and schedule estimates, DCAA support, quality-assurance processes, and award-fee decisions.

## **Prior Coverage**

In conducting this audit, we reviewed applicable reports issued by SIGIR, DCAA, and GAO. These reports include the following:

### ***SIGIR Inspection Reports***

*REPORT NO. SIGIR PA-06-036, Fire Station Construction Ankara, Iraq, April 12, 2006*

*REPORT NO. SIGIR PA-06-054, Nassriya Prison Facility, Nassriya, Iraq, July 24, 2006*

*REPORT NO. SIGIR PA-06-078&79.2, Baghdad Police College, Baghdad, Iraq, January 29, 2007.*

*REPORT NO. SIGIR PA-05-021, 022, 023&024, Border Forts Numbered 602, 604, 628, and 634, Sulaymaniyah, Iraq, January, 2006*

### ***DCAA Reports:***

*REPORT NO. 2131– 2005N17900011, Property on Design-Build Construction, May 26, 2005*

*REPORT NO. 2131– 2005N17900012, Agreed-Upon Procedures of Government Property for Task Order NO. 14, July 2, 2005*

*REPORT NO. 2131– 2005N17900013, Agreed-Upon Procedures of Government Property for Task Order NO. 47, July 4, 2005*

*REPORT NO. 2131–2005N27000007, Parts of a Cost Plus Fixed Fee and Award Fee Post Definitization proposal for Task Order NO. 5, May 20, 2005*

*REPORT NO. 2131– 2005N27000009, Parts of a Cost Plus Fixed Fee and Award Fee Post Definitization Proposal for Task Order NO. 007, August 13, 2005*

*REPORT NO. 2131–2005N27000010, Parts of a Cost Plus Award Fee Re-definitization Proposal for Task Order NO. 8, May 31, 2005*

*REPORT NO. 2131– 2005N27000011, Post Definitization Audit of Task Order NO. 10, May 16, 2005*

*REPORT NO. 2131– 2005N27000012, Post Definitization Audit of Task Order NO. 11, May 20, 2005*

*REPORT NO. 2131– 2005N27000013, Parts of a Cost Plus Fixed Fee and Award Fee Post Definitization Proposal for Task Order NO. 12 July 24, 2005*



*REPORT NO. 2131–2005N27000014, Parts of a Cost Plus Fixed Fee and Award Fee Post Definitization Proposal for Task Order NO. 14, June 23, 2005*

*REPORT NO. 2131– 2005N27000015, Parts of a Cost Plus Fixed Fee and Award Fee Post Definitization Proposal for Task Order NO. 15, May 31, 2005*

*REPORT NO. 2131–2005N27000016, Parts of a Cost Plus Fixed Fee and Award Fee Post Definitization Proposal for Task Order NO. 21, August 19, 2005*

*REPORT NO. 2131– 2005N27000017 Parts of a Cost Plus Fixed Fee and Award Fee Post Definitization Proposal for Task Order NO. 22, June 26, 2005*

*REPORT NO. 2131– 2005N27000018, Parts of a Cost Plus Fixed Fee and Award Fee Post Definitization Proposal for Task Order NO. 28, August 20, 2005*

*REPORT NO. 2131–2005N27000019, Parts of a Cost Plus Fixed Fee and Award Fee Post Definitization Proposal for Task Order NO. 29, July 11, 2005*

*REPORT NO. 2131–2005N27000020, Parts of a Cost Plus Fixed Fee and Award Fee Post Definitization Proposal for Task Order NO. 32, August 8, 2005*

*REPORT NO. 2131–2005N27000022, Parts of a Cost Plus Fixed Fee and Award Fee Post Definitization Proposal for Task Order NO. 35, July 23, 2005*

*REPORT NO. 2131– 2005N27000023, Parts of a Cost Plus Fixed Fee and Award Fee Post Definitization Proposal for Task Order NO. 36, August 22, 2005*

*REPORT NO. 2131–2005N27000024, Parts of a Cost Plus Fixed Fee and Award Fee Post Definitization Proposal for Task Order NO. 39, August 19, 2005*

*REPORT NO. 2131–2005N27000025, Parts of a Cost Plus Fixed Fee and Award Fee Post Definitization Proposal for Task Order NO. 47, June 24, 2005*

*REPORT NO. 2131–2005N27000026, Parts of a Cost Plus Fixed Fee and Award Fee Post Definitization Proposal for Task Order NO. 48, July 10, 2005*

*REPORT NO. 2131– 2005N27000027, Parts of a Cost Plus Fixed Fee and Award Fee Post Definitization Proposal for Task Order NO. 50, June 22, 2005*

*REPORT NO. 2131–2005N27000028, Parts of a Cost Plus fixed Fee and Award Fee Post Definitization Proposal for Task Order NO. 51, August 21, 2005*

*REPORT NO. 2131– 2005N27000029, Parts of a Cost Plus Fixed Fee and Award Fee Post Definitization Proposal for Task Order NO. 52, July 17, 2005*

*REPORT NO. 2131–2005N27000030, Parts of a Cost Plus Fixed Fee and Award Fee Post Definitization Proposal for Task Order NO. 54, August 19, 2005*

*REPORT NO. 2131– 2006N21000018, Audit of Task Order NO. 56, S&J Programmatic Close Out, July 31, 2006*

*REPORT NO. 4901– 2006B17900006, Audit of Public Voucher Numbers 1-12, Task Order No. 07, February 21, 2007*

*REPORT NO. 4901–2006B17900021, Parsons Global Service, Inc.'s (PGSI) cost billed on Public Voucher No. 1-33 and 39, Task Order NO. 21, March 12, 2007*

## Appendix B—Award Fees Paid

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### Award Fee Schedule

<b>Task Order</b>	<b>Description</b>	<b>Award Fees</b>
1	Mobilization	\$457,730
2	Civil Defense HQ	139,159
3	Border Denial Points	444,173
5	Al Shalamacha Point of Entry	205,154
6	Baghdad Police Academy	1,846,798
10	Ar Ar Class A Point of Entry	192,497
11	Safwan Point of Entry	159,100
12	Rabea'a Point of Entry	142,896
14	National Iraqi Police Services Counterterrorism	772,389
15	Tajdi Military Training Facility*	620,663
21	GRD North Fire Stations	199,001
22	GRD Central Fire Stations	146,743
28	GRD South Fire Stations Renovation	265,280
29	Baghdad Police Academy*	1,721,505
32	GRD Central Class A Point of Entry	140,468
34	GRD South Class C Points of Entry	595,306
39	GRD North Fire Stations - New	34,343
47	Dignitary Protective Service Academy*	725,934
48	Provide Security Updates*	89,435
50	GRD Central Court Bldg	165,668
51	GRD Central Fire Stations	296,294
52	GRD Court Central Construction	141,755
54	Iraqi Special Tribunal	1,232,765
55	Program Support Services	546,441
<b>Total</b>		<b>\$11,281,497</b>

Source: SIGIR analysis of JCC-I/A contract data as of May 21, 2008.

\* DFI Funded.

## Appendix C—Acronyms

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<b>Acronym</b>	<b>Description</b>
CPA	Coalition Provisional Authority
DFI	Development Fund for Iraq
GRD	Gulf Region Division
IRRF	Iraq Relief and Reconstruction Fund
JCC	Joint Coordination Center
JCC-I/A	Joint Contracting Command – Iraq/Afghanistan
SIGIR	Special Inspector General for Iraq Reconstruction

## **Appendix D—Audit Team Members**

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This report was prepared and the review was conducted under the direction of David R. Warren, Assistant Inspector General for Audit, Office of the Special Inspector General for Iraq Reconstruction.

The following staff members conducted the audit and contributed to the report:

Rick Kusman

Waheed Nasser

James Pollard

Diane Recio

# Management Comments

## U.S. Army Corps of Engineers – GRD

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REPLY TO  
ATTENTION OF

DEPARTMENT OF THE ARMY  
U.S. ARMY CORPS OF ENGINEERS  
GULF REGION DIVISION  
BAGHDAD, IRAQ  
APO AE 09348

CEGRD-CG

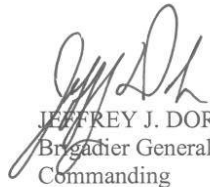
21 July 2008

MEMORANDUM FOR Special Inspector General for Iraq Reconstruction, US Embassy Annex,  
M-202, Old Presidential Palace, APO AE 09316

SUBJECT: Draft SIGIR Audit Report – Outcome, Cost, and Oversight of the Security and  
Justice Contract with Parsons Delaware (SIGIR-08-019)

1. This memorandum provides the U.S. Army Corps of Engineers, Gulf Region Division response to the subject draft audit report.
2. The Gulf Region Division reviewed the draft report and takes exception to the use of the word “waste” throughout the report. We have provided additional information regarding the recommendations, conclusions and discussion in the enclosure.
3. Thank you for the opportunity to review the draft report and provide our written comments for incorporation in the final report.
4. If you have any questions, please contact Mr. Robert Donner at (540) 665-5022 or via email [Robert.L.Donner@usace.army.mil](mailto:Robert.L.Donner@usace.army.mil).

Encl  
as

  
JEFFREY J. DORKO  
Brigadier General, USA  
Commanding

**COMMAND REPLY**  
to  
**SIGIR Draft Audit Report – Outcome, Cost, and Oversight of the Security and Justice  
Contract with Parsons Delaware  
SIGIR Report Number - SIGIR 08-019  
(Project 8022)**

**Recommendation 1.** SIGIR recognizes that GRD bears limited responsibility for issues identified in this report because many of the issues identified existed before it assumed responsibility for the contract. Nonetheless, Parsons left Iraq approximately 2 years ago, and responsibility for closing this contract lies with GRD and JCC-I/A. Consequently, we recommend that the Commanding General, GRD, and the Commander, JCC-I/A, take action to locate the property records and take all necessary actions to ensure that property purchased by Parsons and paid for by the U.S. government in furtherance of the contract is tracked and accounted for through its final disposition, in accordance with the Federal Acquisition Regulation.

**GRD Response.** Concur. GRD will take action to locate the property records and take all necessary actions to ensure that property purchased by Parsons and paid for by the U.S. government in furtherance of the contract is tracked and accounted for through its final disposition, in accordance with the Federal Acquisition Regulation.

**Recommendation 2.** We also recommend that the Commanding General, GRD, and the Commander, JCC-I/A, locate the contract award file and ensure it is made a part of the master contract file.

**GRD Response.** Concur. GRD will attempt to locate the contract award file and ensure it is made a part of the master contract file.

**Overall Comment.** GRD takes exception to the use of the word “waste” throughout the report. Waste was not the objective of the projects included in this contract. In addition, it appears that SIGIR downplays the security conditions in effect during the contract period.

**Additional Comments.**

**Draft Report, page i., paragraph 3, 4<sup>th</sup> line.** Change Pico’s to PCO’s.

**Draft Report, page ii, paragraph 1.** GRD believes it located documentation to account for the \$3 million of materials under TO 8 and is currently summarizing the information. Once the summarization is complete, GRD will provide a copy to SIGIR.

Enclosure

<b>SIGIR's Mission</b>	<p>Regarding the U.S. reconstruction plans, programs, and operations in Iraq, the Special Inspector General for Iraq Reconstruction provides independent and objective:</p> <ul style="list-style-type: none"> <li>• oversight and review through comprehensive audits, inspections, and investigations</li> <li>• advice and recommendations on policies to promote economy, efficiency, and effectiveness</li> <li>• deterrence of malfeasance through the prevention and detection of fraud, waste, and abuse</li> <li>• information and analysis to the Secretary of State, the Secretary of Defense, the Congress, and the American people through Quarterly Reports</li> </ul>
<b>Obtaining Copies of SIGIR Reports and Testimonies</b>	<p>To obtain copies of SIGIR documents at no cost, go to SIGIR's Web site (<a href="http://www.sigir.mil">www.sigir.mil</a>).</p>
<b>To Report Fraud, Waste, and Abuse in Iraq Relief and Reconstruction Programs</b>	<p>Help prevent fraud, waste, and abuse by reporting suspicious or illegal activities to the SIGIR Hotline:</p> <ul style="list-style-type: none"> <li>• Web: <a href="http://www.sigir.mil/submit_fraud.html">www.sigir.mil/submit_fraud.html</a></li> <li>• Phone: 703-602-4063</li> <li>• Toll Free: 866-301-2003</li> </ul>
<b>Congressional Affairs</b>	<p>Hillel Weinberg  Assistant Inspector General for Congressional Affairs  Mail: Office of the Special Inspector General  for Iraq Reconstruction  400 Army Navy Drive  Arlington, VA 22202-4704  Phone: 703-428-1059  Email: <a href="mailto:hillel.weinberg@sigir.mil">hillel.weinberg@sigir.mil</a></p>
<b>Public Affairs</b>	<p>Kristine R. Belisle  Director for Public Affairs  Mail: Office of the Special Inspector General  for Iraq Reconstruction  400 Army Navy Drive  Arlington, VA 22202-4704  Phone: 703-428-1217  Fax: 703-428-0818  Email: <a href="mailto:PublicAffairs@sigir.mil">PublicAffairs@sigir.mil</a></p>