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COMMITTEE ON GOVERNMENT REFORM — MINORITY STAFF
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DOLLARS, NOT SENSE:

GOVERNMENT CONTRACTING UNDER THE BUSH ADMINISTRATION

PREPARED FOR
REP. HENRY A. WAXMAN

TABLE OF CONTENTS

EXECUTIVE SUMMARY

Under the Bush Administration, the "shadow government" of private companies working under federal contract has exploded in size. Between 2000 and 2005, procurement spending increased by over $175 billion dollars, making federal contracts the fastest growing component of federal discretionary spending.

This growth in federal procurement has enriched private contractors. But it has also come at a steep cost for federal taxpayers. Overcharging has been frequent, and billions of dollars of taxpayer money have been squandered.

There is no single reason for the rising waste, fraud, and abuse in federal contracting. Multiple causes — including poor planning, noncompetitive awards, abuse of contract flexibilities, inadequate oversight, and corruption — have all played a part. The problems are widespread, undermining such major initiatives as domestic spending on homeland security, the rebuilding of Iraq, and the recovery from Hurricane Katrina.

At the request of Rep. Henry A. Waxman, this report is the first comprehensive assessment of federal contracting under the Bush Administration. It is based on a review of over 500 reports, audits, and investigations by government and independent bodies, such as the Government Accountability Office, the Defense Contract Audit Agency, and agency inspectors general. It also draws on interviews with experts, the Special Investigation Division's own extensive investigations, data from the Federal Procurement Data System, and investigative reporting.

The report reaches three primary conclusions:

- **Procurement Spending Is Accelerating Rapidly.** Between 2000 and 2005, procurement spending rose by 86% to $377.5 billion annually. Spending on federal contracts grew over twice as fast as other discretionary federal spending. Under President Bush, the federal government is now spending nearly 40 cents of every discretionary dollar on contracts with private companies, a record level.

- **Contract Mismanagement Is Widespread.** The growth in federal contracts has been accompanied by pervasive mismanagement. Mistakes have been made in virtually every step of the contracting process: from pre-contract planning through contract award and oversight to recovery of contract overcharges.

- **The Costs to the Taxpayer Are Enormous.** The report identifies 118 federal contracts worth $745.5 billion that have been found by government officials to include significant waste, fraud, abuse, or mismanagement. Each of the Bush Administration's three signature initiatives — homeland security, the war and reconstruction in Iraq, and Hurricane Katrina recovery — has been characterized by wasteful contract spending.

Growth in Contracting

President Bush came into office promising to reduce the size of the federal government, but he has presided over a large expansion of the federal role. Under his Administration, the fastest-growing component of government is the "shadow government" represented by private companies doing public work under federal contract. In 2000, the federal government spent $203.1 billion on contracts with private companies. By 2005, this spending had soared to $377.5 billion. During this period, spending on federal contracts grew at nearly double the rate of other discretionary federal spending. Almost half of the growth in discretionary spending between 2000 and 2005 can be attributed to increased expenditures on private contractors.

This procurement spending is concentrated on the largest private contractors. The top five recipients of federal contracts — Lockheed Martin, Boeing, Northrop Grumman, Raytheon, and General Dynamics — received $80 billion in 2005, more than 21% of the total federal contract dollars. Just twenty corporations received 36% of the total dollars awarded in 2005. Lockheed Martin, the largest federal contractor, received $25 billion in 2005, more than the budgets of the Department of Commerce, the Department of Interior, the Small Business Administration, and Congress combined.

The single fastest-growing federal contractor between 2000 and 2005 was Halliburton. In 2000, Halliburton was the 20th largest federal contractor, receiving $763 million in federal contracts. By 2005, Halliburton had grown to become the 6th largest federal contractor, receiving nearly $6 billion in federal contracts.

Contract Mismanagement

The increase in spending on federal contracts under the Bush Administration has been accompanied by growing contract mismanagement. Recurring problems afflict nearly every aspect of contract planning, award, and oversight:

- **Award of Noncompetitive Contracts Is Increasing.** Under the Bush Administration, the award of no-bid and other noncompetitive contracts has ballooned. The dollar value of these contracts rose from $67.5 billion in 2000 to $145 billion in 2005, an increase of 115%. Without competitive bidding under full and open competition, federal taxpayers are left vulnerable to overpriced contracts.

- **Reliance on Abuse-Prone Contract Types Is Increasing.** Cost-based contracts expose taxpayers to increased risk because the government pays for all contract expenditures. Yet their use has increased by over 75% under the Bush Administration. Another type of abuse-prone contract — the monopoly contract — was widely used in Iraq, contributing to extensive waste and abuse.

- **Abuse of Contract Flexibilities Is Common.** Contract flexibilities — in particular, "commercial item" authority, "other transaction" authority, interagency contracts, purchase and travel cards, and Alaska Native preferences — have been repeatedly misused by officials during the Bush Administration. The result has been reduced competition and contract oversight affecting billions of dollars in federal contracts.

- **Poor Contract Planning Is a Recurring Problem.** Federal officials have frequently failed to determine government needs and program requirements before executing contracts. The repeated failure to engage in responsible contract planning led to wasteful federal spending on homeland security, the war and reconstruction in Iraq, and the response to Hurricane Katrina.

- **Contract Oversight Is Inadequate.** The acquisition workforce has not kept pace with the growth in federal contracting. The value of the contracts overseen by the average procurement official rose by 83% between 2000 and 2005. In key agencies such as the Department of Homeland Security, individual contract officials have been responsible for overseeing more than $100 million in federal contracts. At the same time, many contracting officials are under-qualified and poorly trained. In Iraq, these problems were compounded when key oversight responsibilities were assigned to private contractors with conflicts of interest.

- **Auditor Findings Are Disregarded and Contractor Performance Ignored in Fee Awards.** Contractor payments, including the award of bonuses, are often made without review of contractor performance. Even when government auditors identify extensive overcharging, these findings are ignored by procurement officials.

- **Corruption Appears to Be Growing.** The integrity of the procurement process is increasingly being called into question. Over 70 corruption investigations are currently underway in Iraq. At least 785 investigations of criminal activity, including procurement fraud and abuse, are being pursued in connection with the response to Hurricane Katrina. In 2004, a senior procurement official at the Air Force pled guilty to conspiracy. In September 2005, the top procurement official at the White House was indicted for lying to investigators and obstructing justice. Just two months later, in November 2005, a U.S congressman pled guilty to accepting bribes to influence the award of federal contracts.

Cost to the Taxpayer

This report identifies 118 contracts collectively worth $745.5 billion that have experienced significant overcharges, wasteful spending, or mismanagement over the last five years. In the case of each of these 118 contracts, reports from GAO, DCAA, agency inspectors general, or other government investigators have linked the contracts to major problems in administration or performance.

Since 2000, the Bush Administration has launched three major contract spending "binges." The first occurred after the attacks of September 11, 2001, which led to over $19 billion in spending on massive but often ill-conceived homeland security contracts. The second occurred as part of the war in Iraq, where the Administration has spent over $30 billion on Iraq reconstruction. And the third occurred after Hurricane Katrina, where $10 billion has been spent so far on the restoration of the Gulf Coast. Each initiative has been characterized by extensive waste, fraud, abuse, and mismanagement in contract spending. This report describes over 20 problem contracts worth nearly $38 billion involving these three Administration priorities.

Federal contracts involving homeland security, Iraq, and Hurricane Katrina are by no means the only procurement programs afflicted by problems over the last five years. Weapons acquisition programs at the Department of Defense have cost the taxpayer billions of dollars through flawed contract management. Other agencies have experienced similar problems.

INTRODUCTION

President Bush came into office in 2001 as the nation's first "MBA" President. In 2001, the President's Management Agenda envisioned a government that would be: "Citizen-centered, not bureaucracy-centered; Results-oriented; Market-based, actively promoting rather than stifling innovation through competition."[1]

"The general idea that the business of government is not to provide services, but see to it that [services] are provided, seems self-evident to me." -Mitch Daniels, OMB

From the start, one key element of the President's agenda was the privatization of government by using contractors to deliver government services. The President's "Management Agenda," which was first presented to Congress in 2002, promoted a "competitive sourcing" initiative designed to turn over nearly half of all federal jobs to the private sector.[2] As Mitch Daniels, the President's first head of the Office of Management and Budget, stated in 2001, "the general idea that the business of government is not to provide services, but see to it that [services] are provided, seems self-evident to me."[3]

Consistent with this privatization policy, the Bush Administration has repeatedly turned to contractors to fulfill government responsibilities. In 2002, as the wave of homeland security spending was starting, Secretary of Homeland Security Tom Ridge invited contractors to submit bids for billions in new spending, telling contractors: "The entrepreneurial spirit is a potent weapon against terrorism. We look to your enlightened self-interest."[4]

In Iraq, the Bush Administration called on contractors to undertake the work of rebuilding and reconstruction. In July 2003, Lt. Gen. Jay Garner, the first American official to oversee the reconstruction effort, acknowledged that the Administration's strategy was to "rebuild the country through contracts."[5]

The same approach is now being proposed to solve the problem of illegal immigration. In May 2006, Homeland Security Deputy Secretary Michael Jackson told potential contractors for the Secure Border Initiative, a federal contract to design, build, test, and operate a massive new border security system: "We're asking you to come back and tell us how to do our business."[6]

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[1] Office of the President of the United States, *The President's Management Agenda Fiscal Year 2002* (online at www.whitehouse.gov/omb/budget/fy2002/mgmt.pdf) (accessed June 5, 2006).

[2] *Id.*

[3] *The Best Deal in Town?*, Government Executive (Aug. 1, 2001).

[4] *Businesses See Bonanza in Homeland Security*, USA Today (July 11, 2002).

[5] PBS Frontline, *Truth, War, and Consequences: Interview with Gen. Jay Garner* (July 17, 2003) (online at www.pbs.org/wgbh/pages/frontline/shows/truth/interviews/garner.html).

[6] *Bush Turns to Big Military Contractors for Border Control*, New York Times (May 18, 2006).

At the request of Rep. Henry A. Waxman, this report is the first comprehensive evaluation of the award and management of contracts under the Bush Administration. It is based in large part on a review of over 500 reports from government auditors and investigators examining individual contracts. These reports include:

- 211 reports prepared by the Government Accountability Office, the independent, nonpartisan auditors and investigators working for Congress;

- 124 reports prepared by the Defense Contract Audit Agency, the agency responsible for performing contract audits for the Department of Defense and other government agencies; and

- 152 reports prepared by several agency inspectors general, who are charged by law with oversight of agency management and administration.

The report also reflects interviews with outside experts, as well as investigations into contract abuses conducted by the Special Investigations Division and investigative reporters.

For data on trends in contract spending, the report relies on the Eagle Eye Federal Prime Contracts (FPC) Database, a federal procurement database application published by Eagle Eye, Inc. The FPC database contains data from 1999 to 2005 that is compiled from the Federal Procurement Data System (FPDS), the federal contract tracking system established by the General Services Administration.[7] GAO has identified problems with the completeness and accuracy of the FPDS, but according to GAO, the FPDS is "currently the only system providing information on over $300 billion in annual government spending"[8] and is the best available data set for assessing "the impact that governmentwide acquisition policies and processes are having with respect to specific geographic areas, markets, and socio-economic goals."[9]

[7] Unless noted otherwise, data is given for the fiscal year, not the calendar year.

[8] Letter from Katherine Schinasi, Managing Director, Acquisition and Sourcing Management, U.S. Government Accountability Office, to Office of Management and Budget Director Joshua B. Bolten (Sept. 27, 2005) (online at www.gao.gov/new.items/d05960r.pdf).

[9] Letter from William T. Woods, Director, Acquisition and Sourcing Management, U.S. General Accounting Office, to Office of Management and Budget Director Joshua B. Bolten (Dec. 30, 2003) (online at www.gao.gov/new.items/d04295r.pdf).

I. THE GROWTH IN FEDERAL CONTRACTING

President Bush, in his own words, "ran on making sure we didn't grow the size of Government."[10] He has said that "limiting the size and scope of government" is one of the "values I hold dear to my heart."[11] Yet government has grown, not shrunk, under President Bush. Total federal expenditures in 2005 were $2.5 trillion, compared to $1.8 trillion in 2000.[12]

President Bush has said that "limiting the size and scope of government" is one of the "values I hold dear to my heart." Yet total federal expenditures have increased from $1.8 trillion to $2.5 trillion since he has been in office.

The part of the federal budget that the President has the most control over is the "discretionary" budget. Discretionary spending funds the operations of government departments and agencies and all federal programs, contracts, and grants other than "mandatory" spending programs, such as Social Security, Medicare, and Medicaid. Discretionary spending has grown from $614.8 billion in 2000 to $968.5 billion in 2005.[13]

The fastest-growing part of the discretionary budget over the last five years has been spending on federal contracts. From 2000 to 2005, procurement spending grew by 86%. This is twice as fast as the rest of discretionary spending, which has grown by 43%. Spending on federal contracts now consumes nearly 40 cents of every dollar of discretionary spending, a record level.

A. Overall Spending

Between 2000 and 2005, the federal government's annual procurement spending rose by $174.4 billion, from $203.1 billion in 2000 to $377.5 billion in 2005.[14] The largest annual increase occurred between 2004 and 2005, when procurement spending jumped by $48 billion. See Figure 1.

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[10] President Bush, *Remarks at Oak Park High School in Kansas City, Missouri* (June 17, 2002).

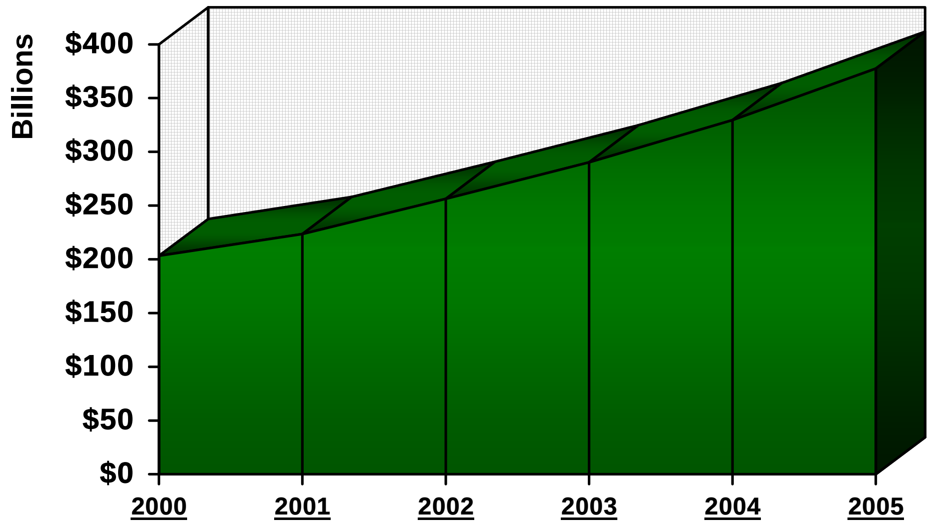
[11] President Bush, *Remarks at a Fundraiser for Representative Tom Lantham in Des Moines, Iowa* (Mar. 4, 2002).

[12] Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2007, Historical Tables* (Feb. 2006) (online at www.whitehouse.gov/omb/budget/fy2007/pdf/hist.pdf).

[13] *Id.*

[14] Unless otherwise noted, data on procurement spending in the report comes from the Eagle Eye Federal Prime Contracts (FPC) database application for FY 1999-FY 2003, FY 2004, and FY 2005 (Preliminary).

FIGURE 1: Overall Federal Contract Spending Has Increased



In percentage terms, procurement spending has increased by 86% between 2000 and 2005. This is equivalent to an annual increase of 13.2% per year under the Bush Administration. In contrast, inflation has increased by just 2.6% per year,[15] the gross domestic product by just 2.75% per year,[16] and the rest of the discretionary federal budget by 7.4% per year.[17]

Between 2000 and 2005, discretionary federal spending increased by $353.7 billion.[18] Nearly half of this increase — $174.4 billion — is due to increased spending on private contractors. As a result of the rapid increase in procurement spending, the size of the shadow government represented by federal contractors is now at record levels. In 2000, 33 cents of every discretionary federal dollar was spent on procurement. In 2005, 39 cents of every discretionary federal dollar was paid to private contractors.

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[15] U.S. Department of Labor, Bureau of Labor Statistics, *Inflation Calculator* (online at http://data.bls.gov/cgi-bin/cpicalc.pl) (accessed May 8, 2006).

[16] U.S. Department of Commerce, Bureau of Economic Analysis, *National Income and Product Accounts Tables* (online at www.bea.gov) (accessed May 8, 2006).

[17] Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2007, Historical Tables* (Feb. 2006) (online at www.whitehouse.gov/omb/budget/fy2007/pdf/hist.pdf).

[18] *Id.*

B. Spending by Department

Procurement spending is growing at many federal departments. The department with the largest growth in contract spending in dollar terms is the Department of Defense. In 2000, the Defense Department spent $133.5 billion on federal contracts. By 2005, this spending had leaped by $136.5 billion to $270 billion, an increase of 102%. In 2005, the Defense Department consumed over 70% of the total federal procurement budget.

The Department of Homeland Security has also seen enormous increases in its procurement budget. In 2003, the Department of Homeland Security spent $3.5 billion on federal contracts. By 2005, this spending had increased by $6.5 billion to $10 billion, an increase of 189%.

The Department of State had the largest percentage increase in procurement spending of any major federal agency over the last five years. In 2000, the Department of State spent $1.2 billion on federal contracts. By 2005, this spending grew by $4.1 billion to $5.3 billion, an increase of 331.9%. Overall, 18 federal agencies now have contracting budgets in excess of $1 billion. See Figure 2.

FIGURE 2: Agencies With Contracting Budgets Over $1 Billion

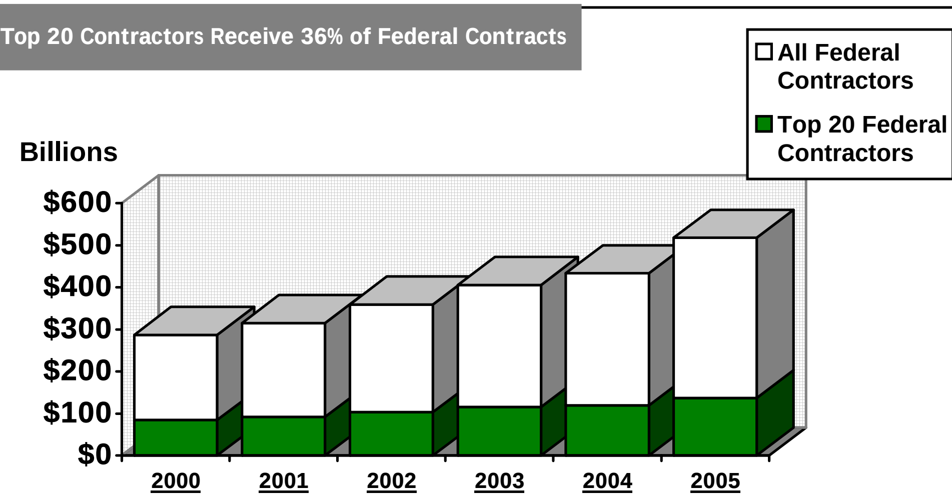
AGENCY	2000 Con. Budget	2005 Con. Budget	% Increase
DOD	$133,478,257,000	$270,028,727,487	**102.3%**
DOE	$17,007,176,000	$22,915,364,474	**34.7%**
NASA	$10,913,981,000	$14,973,687,518	**37.2%**
GSA	$11,304,606,921	$12,826,179,536	**13.5%**
DHS	0*	$9,997,384,261	*N/A*
DVA	$3,879,842,000	$8,545,084,495	**120.2%**
HHS	$4,058,009,000	$7,869,029,747	**93.9%**
STATE	$1,235,624,600	$5,337,068,210	**331.9%**
DOI	$1,872,241,000	$4,648,980,436	**148.3%**
TREAS	$2,776,720,000	$3,489,286,298	**25.7%**
USDA	$3,674,554,912	$3,423,054,713	*-6.8%*
DOJ	$3,112,283,795	$3,358,808,945	**7.9%**
DOC	$1,792,846,000	$1,678,182,054	*-6.4%*
DOL	$1,294,760,000	$1,632,453,209	**26.1%**
DOT	$1,855,043,000	$1,316,647,915	*-29%*
EPA	$986,854,643	$1,228,961,996	**24.5%**
DED	$896,765,120	$1,111,157,370	**23.9%**
HUD	$1,126,888,644	$1,014,596,243	*-10%*

*DHS was formed in 2002

C. Spending by Company

Federal procurement spending has been concentrated among a few large private contractors. The 20 largest federal contractors received 36% of the contract dollars awarded in 2005. See Figure 3.

FIGURE 3: Top 20 Contractors Receive 36% of Federal Contracts



The top five recipients of federal contracts are Lockheed Martin, Boeing, Northrop Grumman, Raytheon, and General Dynamics. Collectively, they received $80 billion in 2005, 21% of all federal procurement spending.

The single largest federal contractor is Lockheed Martin. In 2005, Lockheed Martin had 12,400 contracts with the federal government and received $25 billion in federal tax dollars. Federal spending on this one company in 2005 exceeded the gross domestic product of 103 countries, including Iceland, Jordan, and Costa Rica.[19] The amount of taxpayer dollars received by Lockheed Martin was also larger than the combined budgets of the Department of Commerce, the Department of the Interior, the Small Business Administration, and the entire legislative branch of government.[20]

The fastest-growing major federal contractor during the Bush Administration has been Halliburton, the company formerly headed by Vice President Cheney. In 2000, Halliburton was the 28th largest contractor, receiving $763 million in federal dollars. By 2005, the company had leaped to the sixth largest federal contractor, receiving nearly $6 billion. This is an increase of 672% over the five year period. In 2004, Halliburton received nearly $8 billion.

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[19] International Monetary Fund, *World Economic Outlook Database, April 2006* (online at www.imf.org/external/pubs/ft/weo/2006/01/data/dbginim.cfm) (accessed May 23, 2006).

[20] Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2007, Historical Tables* (Feb. 2006) (online at www.whitehouse.gov/omb/budget/fy2007/pdf/hist.pdf).

II. CONTRACT MISMANAGEMENT

Good contract outcomes depend on careful planning, fair and competitive awards, thoughtful administration, and vigilant oversight. Each step requires management by dedicated, well-trained contracting officials.

The surge in contract spending during the Bush Administration, however, has not been accompanied by responsible, competent contract management. Government reports and audits have documented failures in nearly all aspects of contract management. The primary areas of mismanagement can be grouped into seven categories:

- Award of Noncompetitive Contracts
- Reliance on Abuse-Prone Contract Types
- Abuse of Contract Flexibilities
- Poor Contract Planning
- Inadequate Contract Oversight
- Unjustified Award Fees
- Corruption

A. Award of Noncompetitive Contracts

Competition in federal contracting protects the interests of taxpayers by ensuring that the government gets the best value for the goods and services it buys. Competition also discourages favoritism by leveling the playing field for contractors while preventing fraud and abuse.

Since passage of the Competition in Contracting Act in 1984, "full and open competition" has been the gold standard in federal contracting. Under full and open competition, the government publishes a notice that it intends to award a contract. All responsible contractors are permitted to compete for the contract. Once bids are received, they are evaluated using a set of pre-established criteria, including price, technical expertise, and past performance. The government then makes a selection based on a determination of which bid will provide the government with the best value.[21]

Federal law recognizes that there are occasions when full and open competition is not feasible. Under the Competition in Contracting Act, agencies can award noncompetitive contracts in cases in which only one source can provide the needed goods or services or when emergency circumstances require immediate contract awards.[22] But these and the other permissible exceptions are intended to be limited. The Federal Acquisition

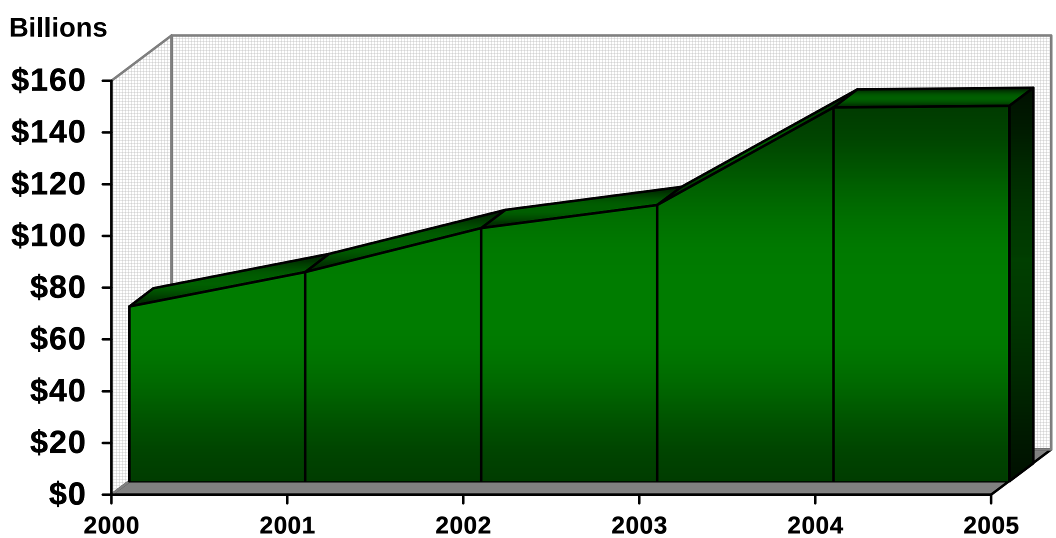
[21] 41 U.S.C. § 253(a)(1)(A); Federal Acquisition Regulation (hereinafter "FAR") § 6.1; FAR § 15.3.

[22] *See* Congressional Research Services, *Iraq Reconstruction: Frequently Asked Questions Concerning the Application of Federal Procurement Statutes* (June 23, 2003); 10 U.S.C. § 2304(c); 40 U.S.C. § 253(c); 48 C.F.R. § 6.302.

Regulation provides that "contracting officers shall promote and provide for full and open competition in soliciting offers and awarding Government contracts."[23] Contracting officers using one of the exceptions must submit a written justification and, for noncompetitive procurements over $500,000, gain the approval of a more senior official.[24]

Despite the advantages to the taxpayer of full and open competition, contracts awarded without full and open competition have grown rapidly under the Bush Administration. In 2000, the federal government spent $67.5 billion on noncompetitive contracts.[25] By 2005, federal spending on noncompetitive contracts had grown by $77.5 billion to $145 billion, an increase of 115%. See Figure 4.

FIGURE 4: Noncompetitive Contract Spending Has Increased



This growth in noncompetitive contract spending significantly outstripped the growth in overall procurement spending, causing noncompetitive contract dollars to represent a rising share of federal contract dollars. In 2000, 33% of federal contract dollars ($67.5 billion) was awarded without full and open competition. In 2005, 38% ($145 billion) was awarded without full and open competition.

There are several different categories of noncompetitive contracts. Of the $145 billion in noncompetitive contracts awarded in 2005, $97.8 billion was awarded in no-bid contracts

[23] 48 C.F.R. § 6.101.

[24] 48 C.F.R. § 6.303-6.304.

[25] For the purposes of this report, a "noncompetitive" contract is defined as a contract awarded without full and open competition.

without any competition at all. This is an increase of 110% from 2000, when $46.6 billion in federal contracts were awarded with no competition.

Of the $97.8 billion awarded in 2005 without any competition, $63.4 billion was awarded under the rationale that the only one contractor could supply the needed goods or services. The other $34.4 billion in no-bid contract dollars was awarded under a variety of other exceptions to full and open competition, including the exception for emergency circumstances ($8.7 billion) and the exception for circumstances where a statute authorizes or requires restricted competition ($2.9 billion).

In other cases, the contracts were awarded under conditions of "limited competition." Limited competition differs from full and open competition in that only a small number of pre-selected contractors are permitted to bid on the contract. Of the $145 billion in noncompetitive contracts awarded in 2005, $47.2 billion was awarded through limited competition. An example of limited competition is the award of the main Iraq reconstruction contracts. Through the misapplication of a process called "advisory downselect," the Administration allowed only a handful of chosen companies to submit bids for cost-plus reconstruction contracts worth billions of dollars.[26]

Federal regulations require "full and open competition" in awarding contracts. From 2000 to 2005, federal spending on noncompetitive contracts grew by $77.5 billion to $145 billion, an increase of 115%.

Hurricane Katrina provides a case study in how the exemptions to full and open competition have been stretched to justify the award of noncompetitive contracts. The urgent needs in the immediate aftermath of Hurricane Katrina provided a compelling justification for the award of noncompetitive contracts. Yet as the immediate emergency receded, the percentage of contract dollars awarded without full and open competition actually increased. In September 2005, the month after Hurricane Katrina, 51% of the contract dollars awarded by the Federal Emergency Management Agency were awarded without full and open competition. Rather than declining after September, the percentage of contract dollars awarded noncompetitively increased to 93% in October 2005. As late as December 2006, FEMA was still awarding 57% of the total dollar value of its contracts without full and open competition. In total, 66% of the contract dollars awarded by FEMA for the period ending May 29, 2006, were issued noncompetitively.[27] See Figure 5.

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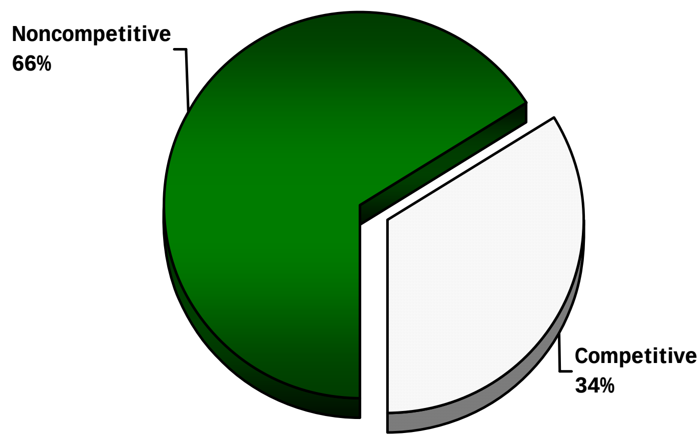
[26] Letter from Reps. Henry A. Waxman and John D. Dingell to Rear Admiral (ret.) David J. Nash, Director, Program Management Office, Coalition Provisional Authority (Dec. 18, 2003) (online at www.house.gov/commerce_democrats/press/nash.12.18.03.pdf).

[27] Department of Homeland Security, *FEMA Contracts Awarded in Support of Hurricane Katrina Recovery Efforts* (May 29, 2006).

FIGURE 5: Overall Hurricane Katrina Contracts Awarded by FEMA



B. Reliance on Abuse-Prone Contract Types

The problems generated by noncompetitive contracts have been compounded by the growing use by the Bush Administration of abuse-prone contract types, such as cost-plus contracts, monopoly contracts, and middlemen contracts. These contract vehicles create misalignments between the interest of the taxpayer in receiving good performance at a reasonable price and the interests of the profit-maximizing private contractors. Although these contract vehicles are lucrative for the private contractors, their growing use often entails steep costs for the taxpayer.

1. COST-PLUS CONTRACTS

An important principle in federal contracting is the preference for "fixed-price" contracts over "cost-plus" and other cost-based contracts.[28] Under fixed-price contracts, the private contractor bears the risk of cost overruns, providing the contractor with a powerful incentive to minimize costs. In contrast, under cost-based contracts, the government reimburses the contractor for its costs. Under "cost-plus" contracts, the government then pays an additional fee or bonus, which can be linked to a percentage of the costs incurred or fixed at a specific dollar amount. When the additional fee is not fixed, as is often the case, the contractor does not have an economic incentive to limit the costs of performance, making the contract type particularly prone to abuse.

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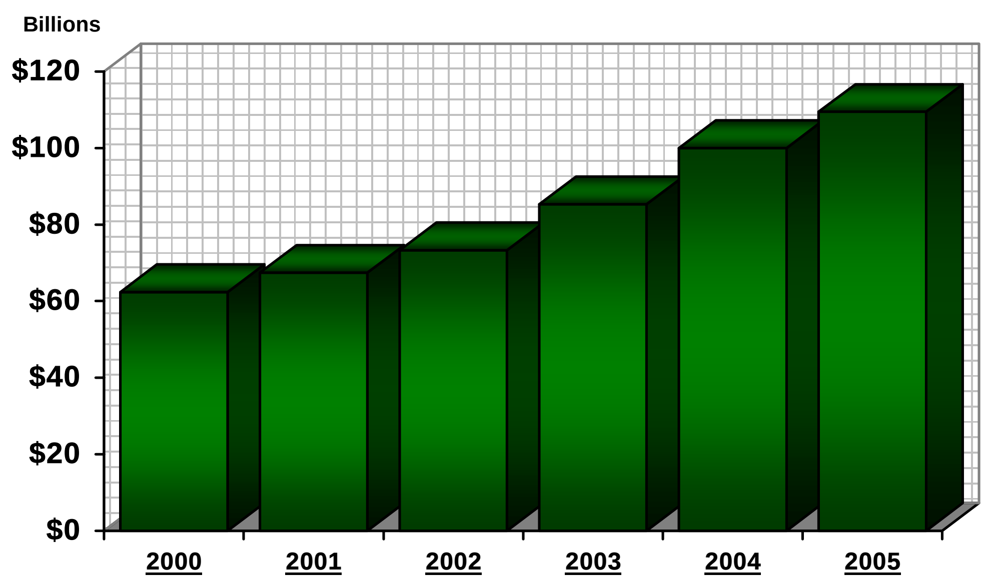
[28] *See, e.g.*, FAR § 16.103 and FAR § 16.301.

Experts, such as Peter Singer, Senior Fellow at the Brookings Institute, have expressed concerns about the "cost-plus" contract type. According to Mr. Singer:

> The incentive for businesses in a regular free market is to drive down costs to maximize profit margins. In the cost-plus mechanism, an incentive exists to raise costs, because your profit is based on the costs and goes up the more there are. It's a wicked reversal of the free market. ... We've completely turned Adam Smith on his head.[29]

Despite their disadvantages for the taxpayer, the Bush Administration has increasingly turned to cost-plus contracts. Between 2000 and 2005, the Administration's use of cost-plus contracts increased by 75%. In 2000, the federal government spent $62 billion on cost-plus contracts. By 2005, federal spending on cost-plus contracts had increased by nearly $50 billion to $110 billion. See Figure 6. Nearly half of the federal spending on these cost-plus contracts in 2005 ($52 billion) was spent on cost-plus-award-fee contracts, a type of cost-plus contract in which it is possible for the contractor to receive millions in profits even if the contract goes over budget.[30]

FIGURE 6: Cost Plus Contracts



[29] Telephone interview between Brookings Institute Senior Fellow Peter Singer and House Government Reform Committee Minority Staff (June 14, 2006).

[30] In a "cost-plus-award-fee" contract, the contractor's fee may include both a base fee, fixed at the inception of the contract (often as a percentage of the estimated costs), plus an additional fee based on the contractor's compliance with certain criteria set forth in the contract (*e.g.*, quality, timeliness, technical ingenuity, or cost-effective management). *See* FAR § 16.3-16.4. Under this fee structure, it is possible for a contractor to earn most (or even all) of the award fee even when contract costs balloon, providing no economic incentive to the contractor to limit contract costs. *See also* Section II.F. *infra*.

The Defense Department was responsible for approximately 70% of the Administration's expenditures on cost-plus contracts in 2005. Other agencies with cost-plus expenditures over $1 billion in 2005 included the Department of Energy ($15.6 billion), NASA ($8.7 billion), the Department of Health and Human Services ($3 billion), and the Department of Homeland Security ($1.1 billion).

The single largest cost-plus contract is the Logistics Civil Augmentation Program contract (called "LOGCAP") that was awarded by the Defense Department to Halliburton in 2001. This contract, which is used in Iraq, Afghanistan, and elsewhere to provide food, shelter, and other support services to U.S. troops, is currently valued at $16.4 billion.[31] In 2005 alone, Halliburton received over $5 billion through the LOGCAP contract.[32]

In 2005, the federal government paid over $1 billion each under eleven cost-plus contracts. See Figure 7.

FIGURE 7: Cost-Plus Contracts Worth Over $1 Billion in 2005		
Contractor	**Contract**	**2005 Value**
Halliburton - Kellogg Brown & Root	LOGCAP	$5,082,435,949
Lockheed Martin	Joint Strike Fighter System	$3,327,634,511
Boeing	Missile Defense Program	$2,515,234,778
Lockheed Martin	Sandia National Laboratories	$2,291,554,411
Humana Military Healthcare Ser.	Managed Health Care for DOD	$2,171,654,432
United Space Alliance	(NASA)	$2,041,458,378
Health Net Federal Services	Managed Health Care for DOD	$1,931,014,988
TriWest Healthcare Alliance	Managed Health Care for DOD	$1,894,225,281
Calif. Institute of Technology	(NASA)	$1,369,412,482
Westinghouse Savannah River Co.	Savannah River Site (DOE)	$1,325,619,805
Northrop Grumman	DD(X) Destroyer	$1,010,929,188

2. MONOPOLY CONTRACTS

A particularly pernicious form of contract is the "monopoly contract," which the Bush Administration made the cornerstone of its reconstruction effort in Iraq.

[31] Army Field Support Command, *Media Obligation Spreadsheet* (Apr. 20, 2006).

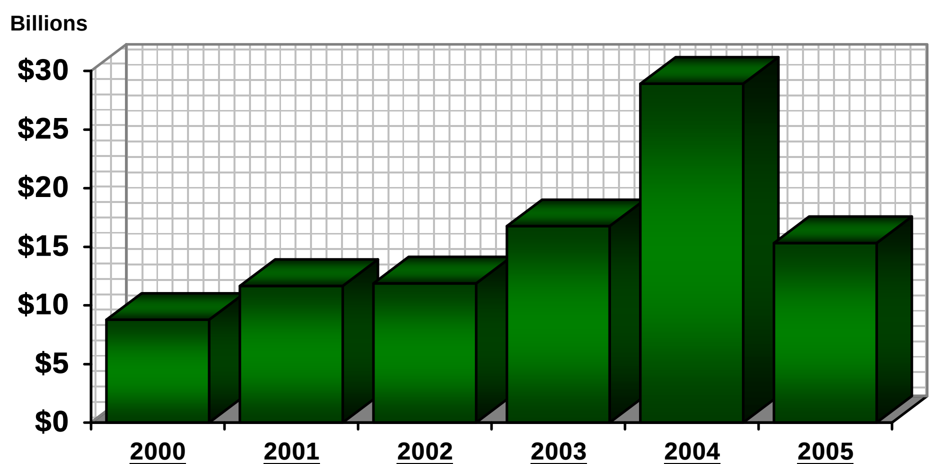
[32] Minority Staff, Special Investigations Division, House Committee on Government Reform, *Halliburton's Iraq Contracts Now Worth Over $10 Billion* (Dec. 9, 2004) (online at www.democrats.reform.house.gov/Documents/20050916123931-74182.pdf).

In technical procurement jargon, a monopoly contract is known as a "single-award indefinite-delivery/indefinite-quantity" contract. An indefinite-delivery/indefinite-quantity (IDIQ) contract permits the federal government to buy a range of undefined goods or services from a contractor. Ordinarily, IDIQ contracts are awarded to multiple contractors, who compete with each other to supply the good or service when specific "task orders" are issued for defined government procurements. In fact, federal procurement rules say that IDIQ contracts should be awarded to multiple contractors whenever possible.[33]

Under a single-award IDIQ contract, in contrast, the government commits to purchase the goods or services it may need from only one contractor. This precludes competition for individual task orders. In effect, it makes the winner of the overall contract a monopoly provider for every task order.

The Administration's use of monopoly contracts has exploded in the past five years. In 2000, the federal government spent $9 billion on single-award indefinite delivery contracts. In the five years since 2000, the Bush Administration awarded $85 billion in monopoly contracts. The largest volume of monopoly contracts was awarded in 2004, when the Administration spent nearly $28.9 billion on monopoly contracts. In 2005, the Administration spent $15.3 billion on these contracts. See Figure 8.

FIGURE 8: Monopoly Contract Spending Has Increased



Monopoly contracts have been particularly prevalent in the reconstruction of Iraq, with serious adverse consequences for the taxpayer. In 2003, the Administration created the Program Management Office (PMO) to manage the reconstruction of Iraq. The strategy selected by the PMO for the reconstruction was to divide Iraq geographically and by economic sector into twelve reconstruction contracts. Under this approach, one contract

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[33] 48 CFR § 16.504(c) ("[T]he contracting officer must, to the maximum extent practicable, give preference to making multiple awards of indefinite-quantity contracts under a single solicitation for the same or similar supplies or services to two or more sources").

was issued for oil infrastructure restoration in northern Iraq, while a second contract was issued for oil infrastructure work in southern Iraq. Other reconstruction contracts, such as the contracts involving electricity and water projects, were awarded similarly. The effect was to create a series of reconstruction fiefdoms. Individual contractors were awarded monopoly contracts for all the work in the economic sector within a given geographic region.

In December 2003, Rep. Waxman and Rep. Dingell objected to this contracting strategy, pointing out that because the monopoly contracts were to be awarded before specific reconstruction projects were identified, there would be no actual price competition for more than 2,000 discrete reconstruction projects.[34] These concerns were dismissed by Administration officials. Massive monopoly contracts worth over $7 billion were awarded in 2004 to eight companies for the reconstruction of Iraq.[35]

"What we did was so screwed-up that any other way would have been better."
-Prof. Charles Tiefer

Experts, such as Charles Tiefer, University of Baltimore Law School professor and former solicitor and deputy general counsel of the U.S. House of Representatives, have questioned the Administration's use of monopoly contracts in Iraq. According to Professor Tiefer:

> What we did was so screwed-up that any other way would have been better. … The catastrophe of a monopoly system, of the lack of competition, was not only that it drove profits and prices up, it drove down the pace of employing Iraqis usefully and providing services desperately needed by Iraqis.[36]

3. MIDDLEMEN CONTRACTS

The Bush Administration has repeatedly used private contractors to purchase goods and services from other private contractors. In these contracts, the prime contractor becomes, in essence, a middleman, adding a layer of fees to the contract that is often unnecessary. In some instances, contracts are set up with multiple layers of contractors between the government and the subcontractor that actually performs the work, vastly multiplying expenses and complicating oversight.

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[34] Letter from Reps. Henry A. Waxman and John D. Dingell to Rear Admiral (ret.) David J. Nash, Director, Program Management Office, Coalition Provisional Authority (Dec. 18, 2003) (online at www.house.gov/commerce_democrats/press/nash.12.18.03.pdf).

[35] Minority Staff, Special Investigations Division, House Committee on Government Reform, *Contracting Abuses Under the Bush Administration* (Sept. 20, 2005) (online at www.democrats.reform.house.gov/Documents/20050920172156-47879.pdf).

[36] Telephone interview between University of Baltimore Law School professor Charles Tiefer and House Government Reform Committee Minority Staff (June 8, 2006).

Because no database tracks middlemen contracts, a quantitative analysis of their growing use over the last five years is not possible. They have been used widely, however, from the reconstruction in Iraq to the response to Hurricane Katrina.

One example is the procurement of security services in Iraq. Because of the dire security environment in Iraq, major reconstruction contractors have hired security subcontractors, often through other subcontractors. For instance, Blackwater USA provided security services to Halliburton as a third-tier subcontractor under the LOGCAP troop support contract. The intermediate subcontractors were ESS and Regency Hotel. With each additional subcontractor level, there were more markups and less transparency. When Rep. Waxman requested documents from the Defense Department in order to understand how costs were incurred and billed through the chain of contractors, the Administration refused to provide the information.[37] According to one investigative account, the final cost to the taxpayer could be quadruple the actual cost of providing the security services.[38]

Another example involves the "blue roof" program in the aftermath of Hurricane Katrina. FEMA and the Army Corps of Engineers entered into contracts with three large contractors, the Shaw Group, Simon Roofing, and LJC Construction, to cover wind-damaged roofs with blue tarps.[39] These contractors subcontracted with other contractors, who in turn subcontracted with yet another layer of subcontractors. Because so many contractors take a cut of the funds, the fees charged to taxpayers were vastly inflated. According to one published account, the costs to the taxpayer under the tiered contracts were sometimes as high as 1,700% of the job's actual cost.[40] A second account reported that the taxpayer paid an average of $2,480 per roof for a job that should cost under $300.[41]

Another example of a middleman contract that has resulted in inflated charges is the "Prime Vendor" program, which was instituted at the Defense Logistics Agency (DLA) in the early 1990s and significantly expanded after January 2000. Under this program, DLA can order supplies for the military from a prime vendor who in turn purchases them from other suppliers. The prime vendor is supposed to provide products at cost (or a price agreed upon in advance with DLA) plus a negotiated management fee for administration and delivery.[42] But in practice, prime vendors have charged exorbitant prices for some items. The DLA Director conceded last year that the Pentagon spent $20

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[37] *See* Letter from Rep. Henry A. Waxman to Brigadier General Jerome Johnson, Commander, U.S. Army Field Support Command (Nov. 30, 2004); Letter from Brigadier General Jerome Johnson, Commander, U.S. Army Field Support Command to Rep. Henry A. Waxman (Dec. 21, 2004).

[38] *Contractors in Iraq Make Costs Balloon*, News & Observer (Oct. 24, 2004).

[39] *See* III.C.3, *infra*.

[40] *Multiple Layers of Contractors Drive Up Cost of Katrina Cleanup*, Washington Post (Mar. 20, 2006).

[41] *U.S. Paying a Premium to Cover Storm-Damaged Roofs*, Knight Ridder (Sept. 29, 2005).

[42] House Armed Services Committee, Testimony of Kenneth J. Krieg, Under Secretary of Defense, Acquisition, Technology and Logistics, *Hearings on the Defense Logistics Agency's Prime Vendor Program* (Nov. 9, 2005).

apiece for plastic ice cube trays under the prime vendor program.[43] According to one report, the Pentagon paid $81 apiece for coffeemakers that cost only $29 when purchased directly from the manufacturer.[44]

C. Abuse of Contract Flexibilities

In the 1990s, federal procurement laws were modified to give procurement officials more flexibility. The changes were contained in the Federal Acquisition Streamlining Act of 1994 (FASA), the Federal Acquisition Reform Act of 1996 (FARA, also known as the Clinger-Cohen Act), and the Service Acquisition Reform Act of 2003 (SARA). The aim of many of these reforms was to "streamline" the acquisition process, primarily by creating alternatives to full and open competition. The laws encouraged the purchase of commercial items, contracts with nontraditional contractors, multiple award contracts, and credit card transactions by exempting these and other contracting vehicles from competition and oversight requirements.

"The rules and the way they were changed allow you to do almost anything. People shouldn't be shocked." - Angela Styles, former head of procurement in the Bush White House

Over the last five years, these flexibilities have been expanded and distorted by the Bush Administration, sometimes beyond recognition. The authority to buy "commercial items" without competitive bidding has been used to purchase military aircraft. The authority to waive government accounting standards for small high-tech companies has been turned into a shield used by traditional defense contractors to avoid oversight. And interagency contracts for information technology have become vehicles for hiring interrogators at Abu Ghraib.

Travel and purchase cards were conceived as way to simplify small government purchases. But they have been used by wayward officials to buy luxury cruises, stereo equipment, and services at strip clubs. The preference given Alaska Native Corporations in federal procurement was intended to provide economic opportunities for impoverished Alaskan communities. But it has become a vehicle for avoiding competition and passing work through to large, non-Native contractors.

In responsible hands, many of the contract flexibilities Congress provided the executive branch may make sense. But as Angela Styles, the first head of procurement in the Bush White House, recognized: "The rules and the way they were changed allow you to do almost anything. People shouldn't be shocked."[45]

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[43] House Armed Services Committee, Testimony of Vice Admiral Keith W. Lippert, Director, Defense Logistics Agency, Hearings on the Defense Logistics Agency's Prime Vendor Program (Nov. 9, 2005) (online at http://armedservices.house.gov/schedules/11-9-05LippertTestimony.pdf).

[44] *Pentagon Food Program Costs Taxpayers*, Knight Ridder (Oct. 23, 2005).

[45] *Contracts with America*, Mother Jones (May 1, 2004).

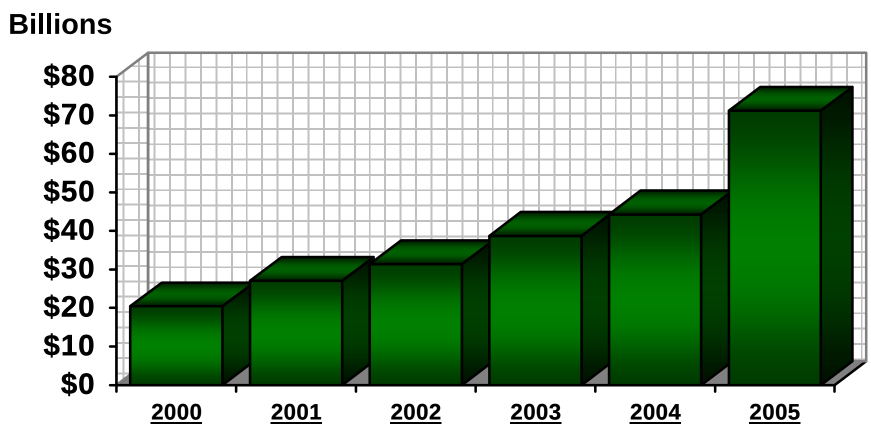
1. "COMMERCIAL ITEM" AUTHORITY

In 1994, Congress passed legislation to permit the government to acquire a wide range of "commercial items" with only minimal competitive bidding and limited oversight.[46] The rationale for the change in policy was straightforward: if an item is commonly bought and sold on an established commercial market, the federal government can rely on these market forces to ensure it obtains a reasonable price.

In practice, however, the Bush Administration has interpreted the "commercial item" exemption to cover a multitude of items that are not subject to open market forces. In 2003, the White House Office of Federal Procurement Policy (OFPP) issued a memorandum advocating, in bold print, that federal agencies use the commercial item authority to buy noncommercial items. OFPP told procurement officials to "recognize the benefits — and challenges — of buying non-commercial items within a commercial items framework." OFPP recognized that "the lack of market testing or commercial analogs … and the potential absence of competition" may pose a challenge, but nonetheless urged agencies to structure contracts within the commercial item framework or "consider using other flexibilities."[47]

The bulk of the expenditures under the "commercial item" exception from 2000 to 2005 came from the Department of Defense. The Defense Department spent $71.2 billion through the commercial item exception in 2005, an increase of 249% from the $20.5 billion spent in 2000. See Figure 9. As a result, commercial item spending increased from 15% of the Department's 2000 budget to over 26% of its 2005 budget.

FIGURE 9: Use Of Commercial Item Authority at DOD



[46] Federal Acquisition Streamlining Act of 1994, Pub. L. No. 103-355.

[47] Office of Management and Budget, Office of Federal Procurement Policy, *Emergency Procurement Flexibilities: A Framework for Responsive Contracting and Guidelines for Using Simplified Acquisition Procedures* (May 2003) (online at www.whitehouse.gov/omb/procurement/emergency_procurement_flexibilities.pdf)

One example of how the commercial item exception has been misused by the Defense Department involves the C-130J aircraft, a plane intended for dropping troops and equipment into hostile areas. Under a program begun in the 1990s, the Air Force determined that the C-130J could be purchased as a "commercial item needing minor modification" from Lockheed Martin, even though no C-130J aircraft meeting the Air Force's requirements had ever been sold to the public. Ultimately, the Air Force paid billions of dollars from 1999 to 2003 for deficient aircraft.[48] The Defense Department Inspector General concluded:

> The Air Force conditionally accepted 50 C-130J aircraft at a cost of $2.6 billion even though none of the aircraft met commercial contract specifications or operational requirements. The Air Force also paid Lockheed Martin more than 99 percent of the C-130J aircraft's contracted price for the delivered aircraft. As a result, the Government fielded C-130J aircraft that cannot perform their intended mission.[49]

In 2003, the Bush Administration issued a new, multi-year contract for 60 C-130J aircraft using the "commercial item" authority. The Administration did not request bids from other contractors. It also relied on Lockheed's own cost and pricing data to determine the "commercial" price for the aircraft.[50] In 2005, according to news reports, Secretary of Defense Rumsfeld rejected a plan to cancel the contract.[51]

2. "OTHER TRANSACTION" AUTHORITY

In 1989, the Department of Defense was given the authority to enter into special purchasing agreements known as "other transactions" to fund research projects.[52] In 1994, the authority was extended to prototype weapons and weapons systems.[53] In 2002 and 2005, this authority was extended to the Department of Homeland Security and the Energy Department.[54] These "other transactions" are exempt from most contracting regulations and federal procurement oversight, including submission of accurate cost and pricing data, accounting rules, and other provisions that enhance transparency of contractor costs and provide tools to negotiate reasonable prices.[55]

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48 Department of Defense Inspector General, *Acquisition: Contracting for and Performance of the C-130J Aircraft* (July 2004) (D-2004-102).

49 *Id.*

50 *Id.*

51 *Rumsfeld Reverses Decision to Cancel a Disputed Plane*, New York Times (May 12, 2005).

52 10 U.S.C. § 2371.

53 National Defense Authorization Act for Fiscal Year 1994, Pub. L. 103-160 § 845.

54 The Homeland Security Act of 2002, Pub. L. No. 107-296; Energy Policy Act of 2005, Pub. L. No. 109-58. All other agencies with research and development authority can apply to the Office of Management and Budget for "other transaction" authority for contracts related to the "response to or defense against a chemical, biological, nuclear, radiological or terrorist attack." *See* Services Acquisition Reform Act of 2003, Pub. L. No. 108-136.

55 Letter from Department of Defense Deputy Inspector General Robert J. Lieberman to Rep. Tom Davis (Mar. 12, 2002) (online at www.dodig.osd.mil/audit/reports/fy02/02-064.pdf).

When the exemption was enacted by Congress, it was intended to lure smaller, nontraditional contractors who might otherwise be dissuaded by federal contract regulations to participate in government research and development.[56] In practice, "other transaction" authority has been used by the Bush Administration to shield major acquisitions from normal contract oversight and competition requirements.

One example of the abuse of "other transaction" authority is the missile defense program. In 2002, Defense Secretary Rumsfeld gave the missile defense program authority to use "other transaction" authority for its major procurements.[57] The Defense Department used the authority to enter into transactions worth billions of dollars with major government contractors like Lockheed Martin, Northrop Grumman, Boeing, and Raytheon. In 2006, the Department estimated that the value of these "other transactions" would be $58 billion over the next six years.[58]

Another Department of Defense weapons program, the Future Combat Systems (FCS), also uses "other transaction" authority. FCS is a multiyear, multibillion-dollar program that is supposed to combine individual manned and unmanned systems to collect and deliver communications and intelligence.[59] The costs of FCS could reach between $90 billion and $157 billion by 2022, with the ultimate cost estimated to reach $200 billion.[60] When the Army awarded the contract for FCS to Boeing, the second largest government contractor ($19.7 billion in 2005), it argued that the use of "other transaction" authority was necessary because the traditional acquisition process would be inadequate to implement FCS. But according to GAO, the new contract does not give the Army sufficient opportunity or flexibility to conduct practical oversight of FCS.[61]

FCS is an example of a contract vehicle with multiple flaws. In addition to using "other transaction" authority to reduce oversight, the contract is a cost-plus contract with an award fee of up to 15%.[62] Although a portion of the fee is tied to the contractor's ability to control costs, the contract structure allows for the contractor to receive millions of dollars in profits while the costs of the contract balloon.

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56 Senate Committee on the Armed Services, Testimony of Department of Defense Deputy Inspector General Donald Mancuso, *Hearings on Defense Acquisition*, (Apr. 26, 2000) (online at www.dodig.osd.mil/audit/reports/fy00/00-118.pdf).

57 Memorandum from Secretary of Defense Donald Rumsfeld to Deputy Secretary of Defense, Secretaries of the Military Departments *et al.*, Missile Defense Program Direction (Jan. 2, 2002) (online at www.pogo.org/m/dp/dp-rumsfeld1202memo.pdf).

58 U.S. Government Accountability Office, *Defense Acquisitions: Missile Defense Agency Fields Initial Capability but Falls Short of Original Goals* (Mar. 2006) (GAO-06-327).

59 U.S. Government Accountability Office, *Defense Acquisitions: Future Combat Systems Challenges and Prospects for Success* (Mar. 16, 2005) (GAO-05-428T).

60 U.S. Government Accountability Office, *Defense Acquisition: Business Case and Business Arrangements Key for Future Combat System's Success* (Mar. 1, 2006) (GAO-06-478T).

61 *Id.*

62 *Id.*

3. INTERAGENCY CONTRACTS

Over the last five years, agencies have increasingly used interagency contracts to acquire services.[63] According to GAO, the use of interagency contracts has increased because of the combined pressures of the increase in government contracting and the lack of an adequate contracting workforce.[64] Instead of spending their own time and resources in awarding and managing contracts, agencies use contract vehicles already negotiated by another agency.

Mishandling of interagency contracts at the Department of Defense has wasted between $1 billion and $2 billion over the last five years.

Under an interagency contract, a "sponsor" agency enters into acquisition contracts with private contractors for goods and services. The sponsor agency then gives another agency access to the menu of goods and services at the contract price, plus a fee to cover the agency's administrative expenses. Leading examples of these interagency vehicles are the Federal Supply Schedule offered by the General Services Administration, which provides agencies access to commercial products and services; Government Wide Acquisition Contracts (GWACs) offered by the General Services Administration, NASA, the National Institute of Health, and the Department of Commerce, which provide agencies with information technology and telecommunications services; and franchise funds, such as GovWorks, offered by the Interior Department, and FedSource, offered by the Treasury Department, which award and administer contracts on behalf of other agencies.[65]

In recent years, the use of interagency contracts has grown dramatically. In 2004, the most recent year for which government-wide data is available, interagency contracting accounted for $139 billion — nearly 40% — of the federal government's contract spending.[66] Between 2000 and 2005, procurement using GSA's FSS increased from $11.2 billion to $21.4 billion, an increase of 92%. See Figure 10.

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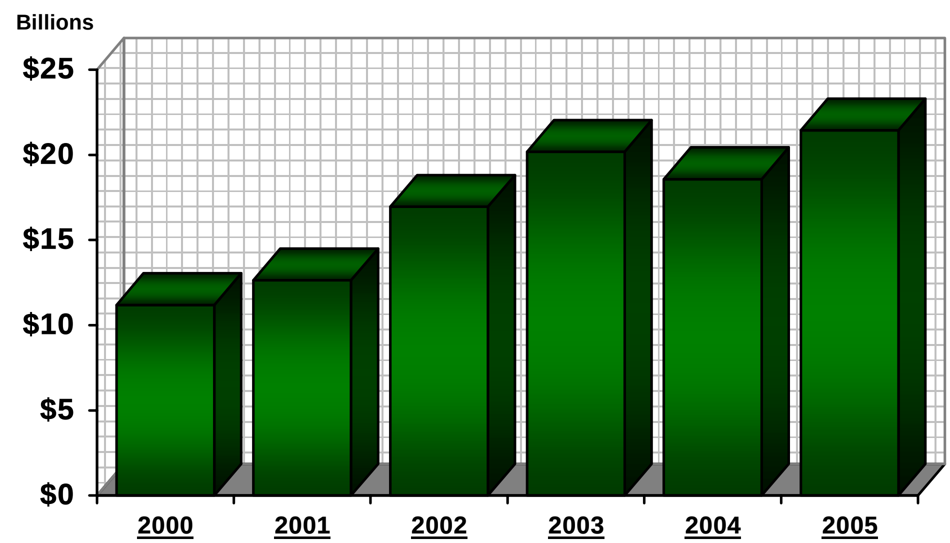
63 U.S. Government Accountability Office, *High-Risk Series: An Update* (Jan. 2005) (GAO-05-207).

64 U.S. Government Accountability Office, *GAO's 2005 High-Risk Update* (Feb. 17, 2005) (GAO-05-350T).

65 Acquisition Advisory Panel, Interagency Contract Working Group, *Preliminary Working Group Draft* (Feb. 16, 2006) (online at www.acqnet.gov/comp/aap/workinggroups/ICWorkingGroupDraftBackgroundandIssues CreationandContinuationFindings16Feb06.pdf); U.S. Government Accountability Office, *Interagency Contracting: Franchise Funds Provide Convenience, But Value to DOD is Not Demonstrated* (July 2005) (GAO-05-456).

66 Acquisition Advisory Panel, Interagency Contract Working Group, *Preliminary Working Group Draft* (Feb. 16, 2006) (online at www.acqnet.gov/comp/aap/workinggroups/ICWorkingGroupDraftBackgroundandIssues CreationandContinuationFindings16Feb06.pdf).

FIGURE 10: Federal Supply Schedules Increased 92%



When used correctly, interagency contracts provide an efficient vehicle for agencies to fulfill requirements while lowering administrative costs. But when used incorrectly, as has repeatedly been the case under the Bush Administration, interagency contracts lead to reduced competition and diminished oversight.

Both GAO and agency inspectors general have identified numerous contracts in which customer agencies have not followed procedures designed to promote competition. As a result, GAO designated interagency contracting a "high risk" area for 2005. Instead of promoting savings and efficiency, lack of competition and oversight resulted in the waste of billions of taxpayer dollars.[67]

At the Defense Department, for example, the Inspector General found that mishandling of interagency contracts has cost between $1 and $2 billion over the last five years. Based on a review of 75 interagency purchases made through GSA, the IG found that the responsible contracting officials and agency managers consistently failed to comply with procurement laws and regulations. Of the purchases reviewed, 91% lacked acquisition planning to determine that contracting through the GSA was the best alternative available; 98% had inadequate interagency agreements outlining the terms and conditions of the purchases; and 38% were funded improperly. Approximately 51% were not supported by an adequate audit trail.[68]

A particularly egregious abuse of interagency contracting involved the use by the Defense Department of an existing information technology contract at the Department of

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[67] U.S. Government Accountability Office, *High-Risk Series: An Update* (Jan. 2005) (GAO-05-207).

[68] Department of Defense Inspector General, *DoD Purchases Made Through the General Services Administration* (July 29, 2005) (Report No. D-2005-096).

the Interior to hire interrogators for the Abu Ghraib prison in Iraq. According to a GAO review, the Defense Department issued $66 million worth of task orders to CACI International, Inc., for interrogation, intelligence, and other services in Iraq under the Interior Department contract. The GAO review found that both the Army and the Department of the Interior abdicated their oversight responsibilities under the CACI contract. The award of the interrogation contract was outside the scope of the existing Interior Department contract. Moreover, CACI developed its own requirements, drafted its own statements of work, and drafted its own justification and approval for awarding the contract without competition, as opposed to the normal practice of having government employees perform these tasks. For its part, the Army assigned an insufficient number of contract officials to oversee the CACI contractors and provided them with little or no training. An Army report also identified the lack of contractor oversight as a factor contributing to the prisoner abuses at the Abu Ghraib prison.[69]

Other abuses of interagency contracts have involved the Federal Technology Service (FTS) administered by GSA. The FTS is supposed to provide agencies with network and information technology services. But a GSA audit of procurements through the FTS identified numerous instances of waste, fraud, and abuse, such as the "misuse of contract vehicles, inadequate competition, nonexistent or ineffective contract management … , using vendors to pass work through to preferred contractors, and adding 'open market' items to existing contracts without evaluating prices." The FTS also awarded task orders for work outside of its authority, such as construction services and the lease and acquisition of real property.[70]

4. PURCHASE AND TRAVEL CARDS

In 1994, Congress passed legislation allowing federal employees to use credit cards to buy goods or services directly from vendors without first awarding a contract.[71] There are two principal types of approved government credit cards. Purchase cards allow federal employees to buy goods or services up to $2,500.[72] Travel cards allow employees to make travel reservations and charge travel-related expenses.[73] These charge card programs are designed to provide an easy, efficient means for government agencies to

[69] U.S. Government Accountability Office, *Interagency Contracting: Problems with DOD's and Interior's Orders to Support Military Operations* (Apr. 2005) (GAO-05-201).

[70] General Services Administration Inspector General, *Compendium of Audits of the Federal Technology Service Regional Client Support Centers* (Dec. 14, 2004).

[71] Federal Acquisition Streamlining Act of 1994 (FASA), Pub. L. 103-355 § 4301.

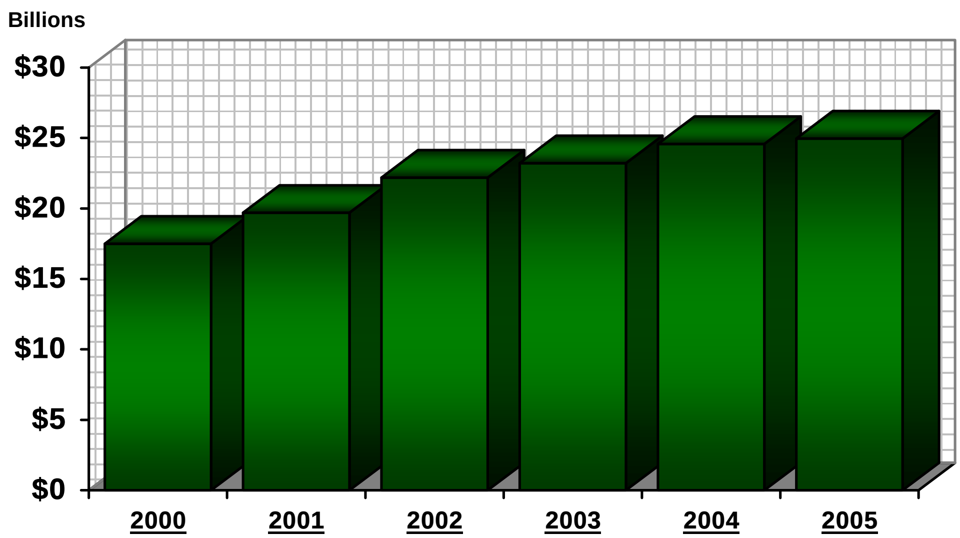
[72] FAR § 13.02. For acquisitions supporting a contingency operation or facilitating defense against or recovery from nuclear, biological, chemical, or radiological attack, the limit is $15,000 for purchases inside the United States and $25,000 for purchases outside the United States. *Id.*

[73] General Services Administration, *Frequently Asked Questions* (online at www.gsa.gov/Portal/gsa/ep/contentView.do?faq=yes&pageTypeId=8199&contentId=10141&contentType=GSA_OVERVIEW#23) (accessed Apr. 26, 2006).

make small, routine purchases while avoiding the requirements of the contracting regulations.[74]

The use of these cards by government agencies has grown considerably. From 2000 to 2005, the General Service Administration's purchase card program, which is used by most federal agencies, including the Department of Defense, increased by 42%, from $12 billion to over $17 billion.[75] The use of all GSA credit cards, including purchase and travel cards, increased by 43%, from $17 billion to nearly $25 billion.[76] See Figure 11.

FIGURE 11: GSA Charge Card Transactions



While the use of purchase and travel cards can increase flexibility and streamline acquisition procedures, careful supervision to prevent abuse has been lacking under the Bush Administration. A series of audits and investigations has found that the government's failure to properly manage and oversee the use of the cards has resulted in the waste of hundreds of millions of dollars.[77]

GAO and agency inspectors general have documented numerous instances of waste, fraud, and abuse with purchase cards. Examples include the purchase of $100 designer

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[74] U.S. General Accounting Office, *Purchase Cards: Increased Management Oversight and Control Could Save Hundreds of Millions of Dollars* (Apr. 28, 2004) (GAO-04-717T).

[75] General Services Administration, *Charge Card Performance Summary* (online at www.gsa.gov/Portal/gsa/ep/programView.do?pageTypeId=8199&ooid=11490&programPage=%2Fep%2Fprogram%2FgsaDocument.jsp&programId=10137&channelId=-13503) (accessed May 17, 2006).

[76] *Id.*

[77] U.S. General Accounting Office, *Purchase Cards: Increased Management Oversight and Control Could Save Hundreds of Millions of Dollars* (Apr. 28, 2004) (GAO-04-717T).

PDA cases, $500 Bose wave radios, wine, cigars, and ski clothing.[78] A Navy cardholder spent $150,000 for automotive equipment, home building, and general home supplies, some of which the cardholder later sold for cash.[79] A Department of Education cardholder made fraudulent purchases from pornographic websites, including one named SlaveLaborProductions.com.[80]

Purchase cards create opportunities for waste even when used for legitimate purchases. According to GAO, most federal employees are not trained in the use of purchase cards. Many agencies also do not have procedures for identifying employees eligible for purchase cards. One FAA office, for example, issued purchase cards to about half of its employees without a determination of need or eligibility. Agencies have also failed to ensure that all cardholders and approving officials receive initial and refresher training. This results in cards being issued to employees unfamiliar with procurement best practices. Moreover, most agencies lack sufficient, trained personnel to monitor purchases and oversee employee purchase card transactions.[81]

Similar abuses have been experienced with travel cards. Examples documented by GAO include the purchase of luxury cruises and tickets to the Dallas Cowboys and the Backstreet Boys, as well as payment of gambling expenses. GAO also found that Air Force cardholders spent $32,000 in 187 separate transactions at strip clubs.[82]

Despite these problems with credit card purchases and oversight, the Administration sought — and received — legislative authority after Hurricane Katrina increasing the threshold for purchases on government credit cards from $15,000 to $250,000.[83] After receiving heavy criticism, the Administration reversed its position, and the higher threshold was repealed.[84] Even without the higher limit, federal cardholders have spent approximately $82 million in purchase card transactions for Hurricane Katrina recovery and reconstruction. Only a limited number of those transactions have been reviewed by government auditors.[85]

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[78] *Id.*

[79] U.S. General Accounting Office, *Purchase Cards: Navy is Vulnerable to Fraud and Abuse but Is Taking Action to Resolve Control Weaknesses* (Sept. 2002) (GAO-02-1041).

[80] U.S. General Accounting Office, *Government Purchase Cards: Control Weaknesses Expose Agencies to Fraud and Abuse* (May 1, 2002) (GAO-02-676T).

[81] U.S. General Accounting Office, *Purchase Cards: Increased Management Oversight and Control Could Save Hundreds of Millions of Dollars* (Apr. 28, 2004) (GAO-04-717T).

[82] U.S. General Accounting Office, *Federal Budget: Opportunities for Oversight and Improved Use of Taxpayer Funds* (June 18, 2003) (GAO-03-922T).

[83] Katrina Relief Appropriations Bill, Pub. L. No. 109-62.

[84] Minority Staff, House Committee on Government Reform, *Administration Reverses Government Credit Card Limit Increase* (Oct. 4, 2005) (online at www.democrats.reform.house.gov/story.asp?ID=935).

[85] President's Council on Integrity and Efficiency, Executive Council on Integrity and Efficiency, *Oversight of Gulf Coast Hurricane Recovery: A Semiannual Report to Congress* (Apr. 30, 2006).

5. ALASKA NATIVE PREFERENCES

The Alaska Native Claims Settlement Act was enacted in 1971 to resolve the claims of Alaska's indigenous populations to their aboriginal lands and foster economic development in Alaska.[86] The Act apportioned money and lands among thirteen regional Alaska Native Corporations and 182 village, urban, and group corporations.[87] The corporations are for-profit entities with direct control over their lands, assets, and income.[88] Although the shareholders are Alaska Natives, neither the employees nor the officers of the corporations are required to be.

In 1986, Congress made Alaska Native Corporations eligible, as "minority and economically disadvantaged" businesses, for participation in the Small Business Administration's section 8(a) program, under which firms can be awarded federal contracts on a sole-source basis.[89] Generally, sole-source 8(a) contracts must be valued under $5 million for goods or $3 million for services.[90] However, the 1986 law provided that this restriction does not apply to Alaska Native Corporations. These firms are thus eligible to receive sole-source federal contracts of any value. Moreover, joint ventures and partnerships between Alaska Native Corporations and non-Native companies are eligible for sole-source contracts so long as the Alaska Native Corporation controls a majority of the total equity and total voting power of the joint venture or partnership. Alaska Native Corporations are free to subcontract work to nonminority and non-economically disadvantaged corporations, provided the Alaska Native Corporation performs at least 50% of the contract work.[91]

Over the last five years, the number and value of noncompetitive federal contracts awarded to Alaska Native Corporations has increased nearly four times faster than federal contracting expenditures as a whole. The value of 8(a) noncompetitive contracts awarded to Alaska Native Corporations by six agencies increased from $265 million in 2000 to nearly $1.1 billion in 2004, an increase of 315%. The contracts issued during this period involved services such as managing commercial property in Virginia, renovating office buildings in Brazil, and training security guards in Iraq.[92]

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[86] 43 USC § 1601 *et seq*.

[87] U.S. Government Accountability Office, *Contract Management: Increased Use of Alaska Native Corporations' Special 8(a) Provisions Calls for Tailored Oversight* (Apr. 2006) (GAO-06-399).

[88] U.S. General Accounting Office, *Report to the Honorable Ted Stevens, U.S. Senate: Information on Alaska Native Corporations* (Aug. 16, 1983) (GAO/RCED-83-173).

[89] Consolidated Omnibus Budget Reconciliation Act of 1985, Pub. L. 99-272 § 18015.

[90] *Id.*

[91] 13 C.F.R. § 125.6(a). In the case of certain construction contracts, the requirement that Alaska Native Corporations perform 50% of the work can be reduce to 15%. *Id.*

[92] U.S. Government Accountability Office, *Contract Management: Increased Use of Alaska Native Corporations' Special 8(a) Provisions Calls for Tailored Oversight* (Apr. 2006) (GAO-06-399).

The original purpose of the 1986 legislation was to encourage economic opportunities for Alaska Natives. But recent investigations have shown that under the Bush Administration, the legislation has been seized upon as a way to circumvent competition requirements on contracts worth hundreds of millions of dollars and to pass through work to large, non-Native companies. When GAO examined how federal agencies are using the Alaska Native contracting provisions, it called the provisions an "open checkbook" and concluded that without appropriate oversight, "there is clearly the potential for unintended consequences or abuse."[93]

The GAO investigation found that federal agencies are awarding no-bid contracts to Alaska Native Corporations for two primary reasons: (1) signing noncompetitive contracts with Alaska Native Corporations is faster and requires less effort than holding a competition; and (2) contracts with Alaska Native Corporations help the agencies meet their small business contracting goals. GAO also found "almost no evidence" that contracting officials are effectively enforcing the requirement that at least 50% of the work under the 8(a) contracts is being performed by the Alaska Native Corporations rather than large, non-Native subcontractors. According to GAO, "there is an increased risk that an inappropriate degree of the work is being done by large businesses rather than by the ANC firm." In one case identified by GAO, an agency wanted to contract with a particular non-Native business but could not award a no-bid contract directly to that company. The agency solved this problem by awarding a "pass-through" contract to an Alaska Native Corporation and requiring it to subcontract with the desired non-Native company.[94]

Alaska Native Corporations are eligible to receive sole-source federal contracts of unlimited value. GAO called the provisions an "open checkbook."

The GAO report identified specific instances where use of Alaska Native Corporations inflated contract costs. In one case, the State Department awarded a no-bid contract to an Alaska Native Corporation even though the Alaska Native Corporation's proposed price was double the government's cost estimate and the final price remained higher than the estimate. In another case, rather than buying water and fuel tanks directly from a manufacturer, the Army awarded a no-bid contract to an Alaska Native Corporation, which had the effect of adding an unnecessary layer of fees to the contract.[95]

Another example of how the Alaska Native exemption has been abused involves two sole-source, five-year contracts worth up to $495 million to provide private security guards for Army bases. One contract went to Alutiiq Security and Technology, an Alaska Native firm, which subcontracted much of the work to Wackenhut, a U.S. subsidiary of a London-based company. The other contract went to Chenega, another Alaska Native firm, which subcontracted much of the work to Vance International. GAO

[93] U.S. Government Accountability Office, *Increased Use of Alaska Native Corporations' Special 8(a) Provisions Calls for Tailored Oversight* (Apr. 27, 2006) (GAO-06-399).

[94] *Id.*

[95] *Id.*

and other investigative reports found that the Army contracted with Alutiiq and Chenega despite knowing that other contractors would supply the same services at significantly lower costs.[96]

D. Poor Contract Planning

In many instances over the last five years, contract mismanagement began well before any contract was signed. In these cases, federal contracts wasted taxpayer dollars because Administration officials did not adequately determine the government's needs or think through the contract requirements in advance.

One prominent example of the failure to plan involves the contingency contract for troop support, called the Logistics Civil Augmentation Program (LOGCAP) contract. Prior to the Iraq war, senior Administration officials engaged in an extensive exercise to plan for the takeover of Iraq's oilfields.[97] But these same officials did virtually no planning for how to support or supply the troops after the invasion of Iraq.

According to GAO, officials at the Department of Defense did not begin planning for the use of the LOGCAP contract to provide food and shelter for the troops until after the fall of Baghdad. Military acquisition rules recommend that "a comprehensive statement of work be developed during the early phases of contingency planning." But GAO found that the Defense Department did not follow that guidance when planning for the deployment of troops in Iraq. One consequence of the failure to plan was that "cost constraint did not become a factor in using LOGCAP in Iraq and Kuwait until almost a year into the operations," and the Army set "no spending limits for LOGCAP until spring 2004."[98]

This failure to plan also extended to the reconstruction of Iraq. According to Special Inspector General for Iraq Reconstruction Stuart Bowen:

> In order to efficiently procure an item or a service, contracting personnel must be provided with an adequate description of customers' needs. The inability to properly define and prepare these "requirements statements" for projects appears to be a significant and continuing shortcoming of the Iraq Reconstruction process.[99]

The response to Hurricane Katrina suffered from a similar lack of advance planning. A key component of preparedness is having contingency contracts in place to meet immediate needs after a disaster strikes. But GAO found that neither FEMA nor the

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[96] *Id.; Union Reports Problems at Army Bases*, Washington Post (Sept. 6, 2005); *Security for the Homeland, Made in Alaska*, New York Times (Aug. 12, 2004).

[97] Letter from Rep. Henry A. Waxman to Vice President Richard B. Cheney (June 10, 2004).

[98] U.S. Government Accountability Office, *Military Operations: DOD's Extensive Use of Logistics Support Contracts Require Strengthened Oversight*, (July 21, 2004) (GAO-04-854).

[99] Senate Committee on Armed Services, Testimony of Special Inspector General for Iraq Reconstruction Stuart W. Bowen, Jr., *Hearings on Contracting Issues in Iraq* (Feb. 7, 2006).

Army Corps of Engineers had adequate contingency contracts in place before Hurricane Katrina.[100] According to GAO, the failure to "explicitly consider the need for and management of the contractor community" played a major role in the mismanagement of the relief effort.[101] GAO also found that FEMA failed to adequately anticipate the need for temporary housing and other buildings.[102]

The failure "to explicitly consider the need for and management of the contractor community" played a major role in the mismanagement of the Hurricane Katrina relief effort.
-U.S. Government Accountability Office

In fact, GAO reported in March 2006 that the Administration was repeating the same mistakes in the response to Hurricane Katrina that it made in Iraq. In Iraq, "without effective acquisition planning, management processes, and sufficient numbers of capable people, poor acquisition outcomes resulted."[103] GAO concluded that the Katrina response suffered from these same flaws.[104]

Spending by the Bush Administration on homeland security has also been plagued by poor planning. The Inspector General of the Department of Homeland Security recently reported that DHS procurements have suffered because contract technical and performance requirements were not adequately defined. The Inspector General warned that "[b]y approving programs without adequately defined technical requirements, DHS risks likely adverse cost and schedule consequences."[105]

On September 19, 2005, Greg Rothwell, the chief procurement officer of the Department of Homeland Security, met with Committee staff. He was asked to explain a series of wasteful homeland security contracts, including the Transportation Security Administration contract to hire passenger screeners at airports. He said that in many cases, the primary problem lay in poor contract planning. Because Department officials did not properly define what they wanted to purchase, enormous sums were misspent on technologies and services that never achieved their objectives.[106]

The FBI's Trilogy project is another example of poor contract planning. In 2001, the FBI launched Trilogy to modernize the FBI's antiquated information technology

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[100] U.S. Government Accountability Office, *Agency Management of Contractors Responding to Hurricanes Katrina and Rita* (Mar. 16, 2006) (GAO-06-461R).

[101] Statement of U.S. Comptroller General David M. Walker, House Select Bipartisan Committee to Investigate the Preparation for and Response to Hurricane Katrina (Feb. 1, 2006) (GAO-06-365R).

[102] U.S. Government Accountability Office, *Agency Management of Contractors Responding to Hurricanes Katrina and Rita* (Mar. 16, 2006) (GAO-06-461R).

[103] U.S. Government Accountability Office, *Agency Management of Contractors Responding to Hurricanes Katrina and Rita* (Mar. 2006) (GAO-06-461R).

[104] *Id.*

[105] Department of Homeland Security, Inspector General, *Department of Homeland Security's Procurement and Program Management Operations* (Sept. 2005) (OIG-05-53).

[106] Briefing by Gregory D. Rothwell, Chief Procurement Officer, Department of Homeland Security, to House Government Reform Committee Staff (Sept. 19, 2005).

infrastructure. A key component of the Trilogy project was the Virtual Case File (VCF) system, a case management system intended to improve data management and information sharing within FBI offices.[107] The FBI awarded the contract to develop and deliver VCF to Science Applications International Corporation.

Four years later, the FBI announced that it was terminating the Virtual Case File contract at a loss of more than $170 million.[108] In explaining the contract's failure, FBI director Robert Mueller pointed to the lack of "a complete set of defined VCF requirements when the contract was signed."[109] Poor contract planning was not the only cause of this contract debacle, but it played a significant part. The Justice Department's Inspector General specifically found that the failure to anticipate the contract's technical requirements contributed to the failure to design and build an operable system.[110]

The FBI risks repeating the same mistakes with VCF's successor program, Sentinel, which the FBI launched in early 2005. GAO has warned that the examination and control of requirements for Sentinel is "critical" to that project's success.[111] The IG has also expressed concerns regarding program management and cost controls for Sentinel.[112]

E. Inadequate Contract Oversight

A large and recurring problem in contract management over the last five years has been insufficient and inept contract oversight. Billions of dollars in federal spending on homeland security, the war and reconstruction in Iraq, the response to Hurricane Katrina, and other programs have been imperiled by the failure of the Bush Administration to provide basic contract oversight.

A recent report from the Inspector General at the Defense Department examined the Department's oversight of contractor performance. The IG found that contracting officials failed to develop and implement adequate surveillance plans on 87% of contracts reviewed; performed insufficient reviews of contractor vouchers on 52% of contracts reviewed; and did not document contractor performance in 43% of contracts reviewed. Because of these and other failings, the report concluded: "overall, DOD was not assured

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107 Department of Justice Inspector General, *The Federal Bureau of Investigation's Management of the Trilogy Information Technology Modernization Project* (Feb. 2005) (Audit Report 05-07).

108 Department of Justice Inspector General, *Top Management and Performance Challenges in the Department of Justice — 2005* (online at http:/www.usdoj.gov/oig/challenges/2005.htm) (accessed May 17, 2006).

109 Senate Committee on Appropriations, Testimony of FBI Director Robert S. Mueller, III, *Hearings on the FBI's Information Technology Modernization Program, Trilogy* (Feb. 3, 2005).

110 Department of Justice Inspector General, *The Federal Bureau of Investigation's Management of the Trilogy Information Technology Modernization Project* (Feb. 2005) (Audit Report 05-07).

111 U.S. Government Accountability Office, *Information Technology: FBI Is Building Management Capabilities Essential to Successful System Deployments, but Challenges Remain* (Sept. 14, 2005) (GAO-05-1014T).

112 Department of Justice Inspector General, *The Federal Bureau of Investigation's Pre-Acquisition Planning for and Controls Over the Sentinel Case Management System* (Mar. 2006) (Audit Report 06-14).

that contractors complied with the terms of their contracts, or that DOD received the best value when contracting for services."[113]

The same oversight problems exist at other agencies. GAO has designated contract management at the Department of Defense, the Department of Energy, and NASA as "high risk" areas due primarily to the lack of oversight at these agencies.[114] The Inspector General at the Department of Homeland Security has found that a lack of oversight has left DHS vulnerable to procurement waste, fraud, and abuse and recommended that the Department provide its oversight office "with sufficient staff and authority to effectively conduct oversight of DHS' procurement operations."[115]

Three factors in particular have contributed to the lack of contract oversight: (1) insufficient contract personnel; (2) insufficient training; and (3) the use of private contractors to conduct oversight.

1. INSUFFICIENT CONTRACT PERSONNEL

In 2001, GAO expressed concern that the lack of an adequate acquisition workforce would impact the future of contract management. William T. Woods, Acting Director for Acquisition and Sourcing Management, testified:

> [A]gencies are at risk of not having enough of the right people with the right skills to manage service contracts. Years of downsizing and curtailed investments in human capital have produced serious imbalances in the skills and experience of the acquisition workforce, and, in effect, created a retirement-driven talent drain. It is clear that more needs to be done to strengthen the acquisition workforce.[116]

Other experts, such as Steve Kelman, the former Director of the Office of Federal Procurement Policy in the Clinton White House, and Steven Schooner, Co-Director of the Procurement Law Program at George Washington University, have echoed these same concerns. According to Mr. Kelman and Mr. Schooner:

> A well-functioning procurement system depends on developing a large cadre of skilled government personnel. … Sadly, the contracting workforce desperately requires a dramatic recapitalization. A bipartisan, post-Cold War, 1990s initiative severely reduced the contracting workforce, leaving the government unprepared for a post-Sept. 11

[113] Department of Defense Inspector General, *Acquisition: Contract Surveillance for Service Contracts* (Oct. 28, 2005) (Report No. 2006-010).

[114] U.S. Government Accountability Office, *High-Risk Series: An Update* (Jan. 2005) (GAO-05-207).

[115] Department of Homeland Security Inspector General, *Department of Homeland Security's Procurement and Program Management Operations* (Sept. 2005) (OIG-0-53).

[116] U.S. General Accounting Office, *Contract Management: Improving Services Acquisitions* (Nov. 1, 2001) (GAO-02-179T).

> spending binge. In the last four years, contracting dollars have increased by half, but there's been no corresponding growth in the workforce.[117]

Despite these warnings, the number of contract officials has not kept pace with the growth of federal contracting under the Bush Administration. While federal spending on contracts has surged during the Bush Administration, the acquisition workforce has remained stagnant. According to a database maintained by the Office of Personnel Management, there were 57,835 contracting officials in the federal government in 2000.[118] Five years later, the number was just 58,723.[119] In some key positions, the number of officials actually declined. For example, the number of government auditors decreased from 11,628 in 2000 to 11,025 in 2005.[120]

At many agencies, the demands on procurement officials are overwhelming. In 2004, when the Office of Procurement Operations at the Department of Homeland Security handled approximately $2 billion in federal contracts, each procurement officer was responsible for overseeing over $100 million in federal procurement spending.[121] In an interview with staff, Clark Kent Ervin, the former Inspector General at DHS, said that taxpayers were "taken to the cleaners" because of the lack of sufficient experienced acquisition personnel.[122] Today, the office still remains understaffed, with only 58% of the contracting officers it is authorized to have.[123] When asked why more contracting employees had not been hired, Mr. Ervin stated: "The Department's leadership just doesn't treat this as a serious issue."[124]

Because of insufficient trained acquisition personnel at the Department of Homeland Security, the taxpayers were "taken to the cleaners."
-Clark Kent Ervin, former Department of Homeland Security Inspector General

Contract officials providing oversight of federal spending in Iraq were similarly short-staffed. In 2003 and 2004, the Program Management Office in the Department of Defense had only 110 to 120 employees on the ground in Iraq to oversee $18.4 billion in

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[117] Steven Kelman and Steven L. Schooner, *Scandal or Solution?,* Government Executive (Nov. 7, 2005) (online at www.govexec.com/dailyfed/1105/110705ol. htm).

[118] Office of Personnel Management, *Central Personnel Data File: Status File* (Sept. 2000). There is no clear definition for the acquisition workforce that is recognized by all agencies. This report defines the acquisition workforce as the following occupations: General Business; Contracting Series; Purchasing Officer; Procurement Clerical Support; and Industrial Specialist. Using another definition, Mr. Kelman also found a decrease in the number of contract officials, from over 30,000 in 2000 to under 30,000 in 2004. *See* Steve Kelman, *Procurement? A Quiet Crisis*, Federal Computer Week (Nov. 5, 2004) (online at www.fcw.com/article84488).

[119] Office of Personnel Management, *Central Personnel Data File: Status File* (Sept. 2005).

[120] *Id.*

[121] *Amid Wider Procurement Woes, Rothwell Gets High Marks Upon His Departure*, CQ Homeland Security – Industry & Contracting (Dec. 1, 2005).

[122] Telephone interview between former DHS Inspector General Clark Kent Ervin and House Government Reform Committee Minority Staff (May 22, 2006).

[123] *Id.*

[124] *Id.*

contracts. By comparison, the Army Corps of Engineers, which itself has a history of inadequate contract oversight, has 30,000 employees to administer an annual budget of $14 billion for its various domestic and international projects.[125]

Stuart Bowen, the Special Inspector General for Iraq Reconstruction, concluded that one of the key "lessons learned" from the Iraq reconstruction effort is the importance of including contracting officials from the beginning. According to Mr. Bowen:

> SIGIR research found that there was general agreement among agencies concerned with Iraq Reconstruction that contracting plays a central role in mission execution and cannot be an afterthought in the planning process. Whether for stabilization or reconstruction, contracting officials can provide an accurate and holistic picture of the resources needed to efficiently contract for a given mission.[126]

The lack of contract officials has also plagued the response to Hurricane Katrina. At the time the hurricane hit, FEMA had only 36 acquisition officials, far short of the minimum of 172 procurement officials that experts have recommended for the agency.[127] According to GAO, FEMA and the Army Corps of Engineers lacked sufficient personnel to perform adequate oversight on the contracts reviewed.[128] This lack of oversight put the agencies "at risk of being unable to identify and correct poor contractor performance ... [and] paying contractors more than the value of the services performed."[129] The DHS Inspector General responsible for Katrina reconstruction agreed, saying, "Inadequate contracting staff and a shortage of Contracting Officer Technical Representatives (COTRs) hampered FEMA's ability to effectively monitor Katrina response contracts."[130]

2. LACK OF TRAINING

The lack of sufficient personnel has been aggravated by a lack of adequate training for many of the existing contract officials. The DHS Inspector General reported that the Department suffers from an acute lack of qualified program managers. The IG found that only half of the Department's program managers are certified as having received the training in contract management required for their level of responsibility. In many of the

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125 Briefing by Deidre Lee, Coalition Provisional Authority Deputy for Operations, to House Government Reform Committee Staff (Dec. 17, 2003).

126 Senate Committee on Armed Services, Testimony of Special Inspector General for Iraq Reconstruction Stuart W. Bowen, Jr., *Hearings on Contracting Issues in Iraq* (Feb. 7, 2006).

127 Select Bipartisan Committee to Investigate the Preparation for and Response to Hurricane Katrina, *A Failure of Initiative: The Final Report of the Select Bipartisan Committee to Investigate the Preparation for and Response to Hurricane Katrina* (Feb. 15, 2006).

128 U.S. Government Accountability Office, *Agency Management of Contractors Responding to Hurricanes Katrina and Rita* (Mar. 16, 2006) (GAO-06-461R).

129 *Id.*

130 Department of Homeland Security, Senate Committee on Homeland Security and Governmental Affairs, Testimony of Matt Jadacki, Special Inspector General Gulf Coast Hurricane Recovery, *Hearings on Katrina and Contracting* (Apr. 10, 2006).

Department's constituent agencies, the lack of training is even more pronounced. The IG reported that only 3 out 23 program managers at the Customs and Border Patrol are certified, as are only 6 out of 37 program managers in the Office of Procurement Operations. According to the Inspector General, "the need for effective department-wide standards for program management processes should not be underestimated."[131]

The DHS IG also found that DHS contracting officers do not receive sufficient training in ethics. The IG raised concerns that the "close relationship" between procurement officials and the private sector rendered insufficient even the "minimal" ethical training received by DHS employees, and he recommended that program and procurement officials receive "expanded training and guidance on their procurement ethics responsibilities."[132]

Similarly, the lack of an adequate, trained acquisition workforce at the Department of Defense has hampered contract management at that agency. GAO has issued numerous reports since 2000 concluding that "inadequate guidance and poor training played a role when DOD personnel did not use sound techniques to obtain the best prices for DOD."[133]

The military officials overseeing Halliburton's LOGCAP contract "had little understanding of these contracts," "did not fully understand their contract management responsibilities," and "received no training regarding their roles and responsibilities." -U.S. Government Accountability Office

One major example of ineffective contract management by the Defense Department is Halliburton's LOGCAP contract in Iraq. GAO reported that military officials utilizing Halliburton's services "do not understand their role in establishing LOGCAP requirements." When GAO conducted interviews with military officials responsible for oversight of the LOGCAP contract, the officials "told us that they knew nothing about LOGCAP before they deployed and had received no training regarding their roles and responsibilities." According to GAO, military officials "had little understanding of these contracts," "did not fully understand their contract management responsibilities," and "had little or no training on using contractors, including the LOGCAP contractor, on the battlefield."[134]

In addition, GAO found that logistical support units intended to help commanders utilize Halliburton's services had "no prior LOGCAP or contracting experience." Logistical support units are supposed to "write statements of work, prepare independent government cost estimates, review the contractor's cost estimates and

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[131] Department of Homeland Security Inspector General, *Department of Homeland Security's Procurement and Program Management Operations* (Sept. 2005) (OIG-05-53).

[132] *Id.*

[133] U.S. General Accounting Office, *March 19 Hearing on Sourcing and Acquisition — Questions for the Record* (May 23, 2003) (GAO-03-771R).

[134] U.S. Government Accountability Office, *Military Operations: DOD's Extensive Use of Logistics Support Contracts Require Strengthened Oversight* (July 21, 2004) (GAO-04-854).

technical plans, and act as an interface between the customer and the contractor." But GAO reported that many individuals in these units "received only a 2-week training session before deploying and had little experience or training in developing independent government cost estimates." As a result, according to GAO, they had little basis on which to "judge the reasonableness" of Halliburton's costs.[135]

3. CONTRACTING FOR OVERSIGHT

Faced with an inadequate acquisition workforce, federal agencies have sometimes turned to contractors to provide oversight of other contractors. But this strategy has generated conflicts of interest and produced unsatisfactory results.

In 2004, the Administration awarded contracts worth $7 billion for the reconstruction of six main reconstruction sectors in Iraq, such as oil or electricity. For each of the six sectors, the Administration selected a private contractor to supervise and manage the construction contracts for that sector. A seventh overarching program management contract was also awarded to oversee the six oversight contractors.[136]

"The large-scale reconstruction and stability operations in Iraq could not be solved by contracting out these duties." -Special Inspector General for Iraq Reconstruction

Typically, government officials have the responsibility to develop project requirements and oversee construction work. But under the oversight contracts, these responsibilities were transferred to private contractors. According to contract solicitation documents, the oversight contractors were to be "responsible for the definition, prioritization, and coordination of requirements within defined work sectors and managing overall construction projects."[137] They were also expected to provide "oversight of multiple construction projects within the sector" and submit cost, schedule, and performance reports.[138]

This outsourcing of oversight was not effective. The Special Inspector General for Iraq Reconstruction found that contracting out key functions, including contract management, was inefficient and aggravated existing personnel management problems.[139] The IG concluded that "the large-scale reconstruction and stability operations in Iraq could not be solved by contracting out these duties."[140]

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135 *Id.*

136 Department of Defense, *Press Release: Iraq Reconstruction Contracts Awarded* (Mar. 10, 2004).

137 CPA Program Management Office, *Executive Summary of Draft Solicitations* (2003).

138 CPA Program Management Office, *Statement of Objectives for the Coalition Provisional Authority Program Management Office and Sector Program Management Offices* (Jan. 6, 2004). *See also* Coalition Provisional Authority, *Iraq Reconstruction Pre-Proposal Conference Briefing* (Jan. 21, 2004).

139 Special Inspector General for Iraq Reconstruction, *Iraq Reconstruction: Lessons in Human Capital Management* (Jan. 2006).

140 *Id.*

The decision to privatize contract oversight also created serious organizational conflicts of interest. For example, CH2M Hill was hired to oversee the reconstruction activities of Washington Group International at the same time that CH2M Hill and Washington Group International were "integrated partners" on a $314 million Department of Energy contract in the United States.[141]

According to Daniel Gordon, GAO Managing Associate General Counsel, these organizational conflicts of interest are not limited to Iraq and have been growing under the Bush Administration.[142] In the first two months of 2006, GAO sustained two bid protests involving organizational conflicts of interest.[143] Mr. Gordon concluded that the increase in contractor conflicts of interest could be traced to a number of factors, including the consolidation of the defense and information technology industries and the increase in the type of services performed by contractors.[144]

4. OVERRULING CAREER CONTRACTING OFFICIALS

In some cases, government contracting officials conduct vigorous oversight of federal contracts, only to be overruled by political appointees or to face retaliation for doing their job. Halliburton's Iraq contracts, in particular, provide multiple examples of political interference resulting in contract mismanagement.

In November 2002, a political appointee at the Defense Department, Michael Mobbs, made the decision to award Halliburton a task order under the LOGCAP contract to plan for the U.S. occupation of the Iraqi oil fields. Although the task order itself was a relatively small contract, the decision to award it without competition to Halliburton had significant ramifications because Mr. Mobbs had determined — after consultation with White House officials, including the Vice President's chief of staff — that if Halliburton received the contingency planning contract, it would also be awarded a no-bid contract worth up to $7 billion to implement the plans it developed.[145] Mr. Mobbs made the decision to award Halliburton the contingency planning contract over the objections of a career attorney with the Army Materiel Command, the agency that oversees the LOGCAP contract, who found that the oil-related task order was outside the scope of the LOGCAP troop support contract. GAO later analyzed the transaction and concluded that the career lawyer's position was correct and that the work "should have been awarded using competitive procedures."[146]

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[141] *CH2M Hill, Washington Group International, BWX Technologies Team Wins $314 Million Environmental Closure Contract in Ohio*, Washington Group International (Dec. 6, 2002).

[142] *Organization Conflicts of Interest: A Growing Integrity Challenge*, 35 Pub. Cont. L.J. 25 (Fall 2005).

[143] *Debate Over Contractor Conflicts of Interest Heats Up*, Government Executive (Feb. 3, 2006).

[144] *Organization Conflicts of Interest: A Growing Integrity Challenge*, 35 Pub. Cont. L.J. 25 (Fall 2005).

[145] Briefing by Michael Mobbs, Special Assistant to the Under Secretary of Defense for Policy Douglas Feith, for Staff, House Government Reform Committee (June 8, 2003). *See also* Letter from Rep. Henry A. Waxman to Vice President Richard B. Cheney (June 13, 2004) (online at www.democrats.reform.house.gov/Documents/20040623114026-70050.pdf) (describing June 8, 2004, briefing).

[146] U.S. General Accounting Office, *Rebuilding Iraq: Fiscal Year 2003 Contract Award Procedures and Management Challenges* (June 2004) (GAO-04-605).

In March 2003, as the no-bid contract for the Iraqi oil fields was being awarded to Halliburton, a second career official voiced objections. In this instance, the chief contracting official at the Army Corps of Engineers, Bunnatine H. Greenhouse, raised multiple objections to the contract, including its five-year duration, the magnitude of Halliburton's proposed charges, and her observation that the line between Halliburton and government officials had "become so blurred that a perception of a conflict of interest existed."[147] Not only were Ms. Greenhouse's objections overruled, she was removed from her position and reassigned to a lower-level position with no contracting responsibilities after she spoke out about her objections.[148]

Once Halliburton's KBR subsidiary began work under the oil contract, political appointees intervened again, pressuring career contracting employees to drop their efforts to reduce the cost of fuel imports under the contract. State Department documents obtained by the Government Reform Committee show that rather than halting fuel overcharges, senior State Department officials, including Richard Jones, U.S. Ambassador to Kuwait, pressured contracting officials to drop their efforts to find a subcontractor that would charge less than Altanmia, the Kuwaiti subcontractor hired by Halliburton to bring gasoline from Kuwait into Iraq. On December 2, 2003, Ambassador Jones sent an e-mail directing officials to:

> [T]ell KBR to get off their butts and conclude deals with Kuwait NOW! Tell them we want a deal done with al-Tanmia within 24 hours and don't take any excuses. If Amb. Bremer hears that KBR is still dragging its feet, he will be livid.[149]

Within days, a senior government contracting official at the Corps of Engineers complained about this inappropriate political pressure. Mary Robertson was the career contracting official in Iraq responsible for Halliburton's oil contract. On December 6, 2003, she wrote to Halliburton: "I will not succumb to the political pressures from the GoK or the US Embassy to go against my integrity and pay a higher price for fuel than necessary." Ms. Robertson stated further: "there are other firms who have indicated they can provide the product and this is the ethical thing to do."[150] Ultimately, however, Ms. Robertson was overruled and the high-priced contract between Halliburton and Altanmia was renewed.

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[147] Letter from Michael D. Kohn, Stephen M. Kohn, and David K. Colapinto, Counsel to Bunnatine H. Greenhouse, to the Honorable Les Brownlee, Acting Secretary of the Army (Oct. 21, 2004).

[148] *See* Letter from Rep. Henry A. Waxman to Defense Secretary Donald H. Rumsfeld (Aug. 29, 2005) (online at www.democrats.reform.house.gov/Documents/20050829160953-04500.pdf).

[149] *See* Letter from Rep. Henry A. Waxman to Secretary of State Condoleezza Rice (Feb. 17, 2005) (online at www.democrats.reform.house.gov/Documents/20050217120931-82072.pdf).

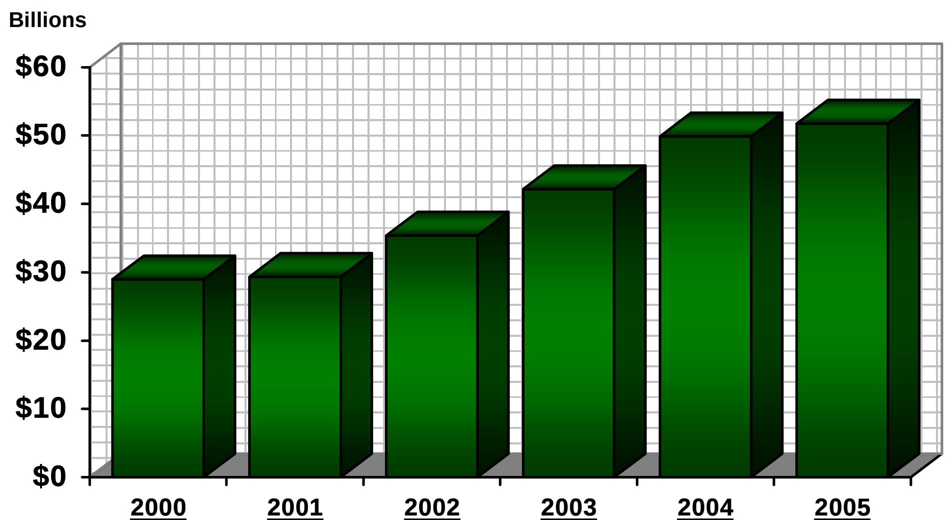
[150] Letter from Mary C. Robertson, Administrative Contracting Officer, U.S. Army Corps of Engineers, to Kellogg Brown & Root (Dec. 6, 2003). *See also Halliburton Unit Cites Pressure to Set Fuel Deals*, Wall Street Journal (Dec. 22, 2003).

F. Unjustified Award Fees

A key opportunity to discipline contractor performance and protect taxpayer interests occurs when agencies make decisions about contractor award fees. Good award fee decisions prevent wasteful expenditures and send a signal to contractors that poor performance will not be tolerated. Unjustified awards send exactly the opposite message.

The use of award fee contracts has grown rapidly over the past five years. In 2000, the federal government spent $29 billion on contracts that provided opportunities for the contractor to earn bonuses through award fees. By 2005, this spending grew to $52 billion, a 79% increase. See Figure 12.

FIGURE 12: Award Fee Contracts Have Increased 79%



While the use of award fee contracts may be appealing in theory as a way to encourage responsible contractor performance, the actual management of these contracts over the last five years has been deeply flawed. According to GAO, the Defense Department alone paid out $8 billion in award fees between 1999 and 2003, "regardless of whether the acquisition outcomes fell short of, met, or exceeded expectations."[151]

The GAO report found that the Defense Department paid approximately 90% of the available fee on award fee contracts active between 1999 and 2003. These awards were based on paperwork criteria, such as the quality of contract proposals or the timeliness of reports, rather than the contractor's performance in meeting cost requirements or delivering a functional product. Moreover, the Department did not use the award fees to

[151] U.S. Government Accountability Office, *Defense Acquisitions: DOD Has Paid Billions in Award and Incentive Fees Regardless of Acquisition Outcomes* (Dec. 2005) (GAO-06-66).

reward exceptional contractor performance, as required by federal acquisition regulations. GAO found that contractors who achieved "acceptable, average, expected, good or satisfactory" performance regularly received up to 90% of the award fee. This practice does not effectively drive or reward contractor excellence. In fact, approximately half of all award fee contracts surveyed by GAO reported costs overruns or schedule delays.[152]

In response to a question from Rep. Waxman, David Walker, the U.S. Comptroller General, testified that award fee contracts are not resulting in value for the taxpayer:

> I think one of the problems that we have in government, Mr. Waxman, is, is that if we're paying incentive and award fees, we need to pay for positive results achieved; that people do what they promise or what we need and what they promise, when they promised it, and at the cost that was agreed to. Unfortunately, that's not the case for all too many contracting arrangements in government. They pay for effort and that's it, not results.[153]

An example of unjustified award fees identified by GAO involved the F/A-22 Raptor tactical aircraft. On this contract, Lockheed received $849 million in award fees despite incurring $10.2 billion in cost overruns and delays of over two years. In total, Lockheed received 91% of the available award fee despite the large cost increases and lengthy delays.[154]

In some cases, Administration officials not only fail to assess contractor performance, they actively ignore auditor findings of large cost overruns in determining contractor payments and award fees. Auditors at DCAA found that Halliburton incurred unreasonable and unsupported costs of $263 million on its no-bid contract to restore Iraq's oil infrastructure.[155] Historically, procurement officials agree with DCAA auditors and withhold 56% to 75% of the challenged costs.[156] But in this case, Administration officials paid Halliburton $254 million of the disputed costs, upholding only 3% of DCAA's challenges. Halliburton also received profits and bonuses worth millions on top of the challenged costs.[157]

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[152] *Id.*

[153] House Committee on Government Reform, Testimony of U.S. Comptroller General David Walker, *Hearings on Services, Government and Security in Iraq* (Apr. 25, 2006).

[154] U.S. Government Accountability Office, *Defense Acquisitions: DOD Has Paid Billions in Award and Incentive Fees Regardless of Acquisition Outcomes* (Dec. 2005) (GAO-06-66).

[155] Letter from Rep. Henry A. Waxman to Rep. Tom Davis (Feb. 27, 2006).

[156] Letter from DCAA Assistant Director for Operations Joseph J. Garcia to House Committee on Government Reform Majority Staff (Mar. 31, 2006). *See also Army to Pay Halliburton Unit Most Costs Disputed by Audit*, New York Times (Feb. 27, 2006).

[157] Briefing by William Reed, Director, Defense Contract Audit Agency to Committee on Government Reform Staff (Mar. 3, 2006).

G. Corruption

Finally, corruption has exploited — and aggravated — contract mismanagement. There is no historical database that measures levels of corrupt contracting over time. It appears, however, that corruption has been on the rise and is infecting a growing number of government contracts. According to Angela Styles, the Director of the Office of Federal Procurement Policy at the White House from 2001 to 2003, the recent proliferation of indictments and prison terms for senior government officials is "a low-water mark for federal contracting."[158]

One cause of growing corruption appears to be the lack of responsible contract management. According to Stuart Bowen, Special Inspector General for Iraq Reconstruction, the lack of oversight allowed fraud and corruption to flourish in Iraq: "[O]versight delayed is oversight denied. … Unfortunately, the establishment of an inspector general came months too late to deter these criminal activities. … Provisions for formal oversight of Iraq reconstruction should have been established at the very beginning of the endeavor."[159]

1. INDICTMENTS AND CONVICTIONS

Since 2004, there have been at least 20 indictments or convictions of government officials and contractors for corruption related to procurement. These have included the conviction of a senior Republican congressman, the indictment of the top White House procurement official, and the conviction of one of the most senior procurement officials at the Air Force.

Corruption has tainted a wide array of contract initiatives, including the reconstruction in Iraq, the response to Hurricane Katrina, and major Defense Department procurements. Among the individuals who have been indicted or convicted are the following:

- **Rep. Randy "Duke" Cunningham (R-CA).** In November 2005, Rep. Cunningham pled guilty to accepting $2.4 million in bribes and evading more than $1 million in taxes. In exchange for cash, a Rolls-Royce, resort vacations, home furnishings, and the use of a yacht, Mr. Cunningham steered hundreds of millions of dollars worth of federal contracts to two military contractors.[160]

- **David Safavian, former head of the Office of Federal Procurement Policy at the Office of Management and Budget.** In October 2005, Mr. Safavian was indicted on charges of obstructing proceedings at the General Services Administration and the Senate and making false statements. Mr. Safavian, who

[158] Angela Styles, *Answer the Scandals*, Legal Times (Nov. 7, 2005).

[159] Senate Committee on Armed Services, Testimony of Special Inspector General for Iraq Reconstruction Stuart W. Bowen, Jr., *Hearings on Contracting Issues in Iraq* (Feb. 7, 2006).

[160] *Rep. Cunningham Pleads Guilty to Bribery, Resigns*, Los Angeles Times (Nov. 29, 2006).

was the Chief of Staff at GSA prior to becoming the top White House procurement official, accepted a golf trip to Scotland from lobbyist Jack Abramoff while allegedly helping Mr. Abramoff develop the historic Old Post Office in Washington, D.C., and acquire government land in Silver Spring, Maryland. According to the indictment, Mr. Safavian repeatedly lied to investigators about his close relationship to Mr. Abramoff.[161]

- **Darleen Druyun, former Air Force Principal Deputy Assistant Secretary for Acquisition and Management.** In April 2004, Ms. Druyun pled guilty to conspiracy for discussing employment opportunities with Boeing while developing a $23.5 billion plan to lease tanker aircraft from Boeing. In exchange for a lucrative executive position at Boeing for herself, Ms. Druyun inflated the price of the tanker lease, ignored Air Force cost analysts, and flouted a spectrum of federal procurement laws and regulations. Prior to joining Boeing in November 2002, Ms. Druyun was one of the most senior procurement officials at the Air Force.[162]

- **Kevin Marlowe, former chief of acquisitions for the Defense Information Systems Agency.** In September 2005, Mr. Marlowe pled guilty to accepting more than $500,000 in bribes. In exchange for cash, vacations, and other kickbacks, Mr. Marlowe awarded $18.1 million in contracts to Vector Systems Inc., an information technology company.[163]

- **Col. Tom Spellissy (ret.), Special Operations Command.** In November 2005, Col. Spellissy was indicted in a procurement fraud inquiry at Special Operations Command (SoCom), the Pentagon division with responsibility for the nation's elite commandos and the lead command in the war on terrorism. Prosecutors charged Col. Spellissy with making illegal payments in exchange for preferential treatment in the award of defense contracts by SoCom.[164]

- **Robert Stein, Jr., former comptroller for the Coalition Provisional Authority.** In February 2006, Mr. Stein pled guilty to conspiracy, bribery, money laundering, and other charges for steering millions of dollars to an American contractor in Iraq and diverting millions more for himself. At least six other federal officials and military officers are believed to have participated in the scheme.[165]

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[161] *Former OMB Official Indicted*, Government Executive (Oct. 5, 2005); *Bush Official Arrested in Corruption Probe*, Washington Post (Sept. 20, 2005).

[162] Department of Defense Inspector General, *Management Accountability Review of the Boeing KC-767A Tanker Program* (May 13, 2005) (Report No. OIG-2004-171); *Ex-Pentagon Procurement Chief Pleads Guilty to Conspiracy*, Government Executive (Apr. 20, 2005).

[163] *Former Acquisition Official at Defense Agency Sentenced to 11 Years*, Government Executive (Apr. 7, 2006).

[164] U.S. Attorney, Middle District of Florida, *Press Release: Former SoCom Official Indicted* (Nov. 8, 2005).

[165] *Wide Plot Seen in Guilty Plea in Iraq Project*, New York Times (Feb. 2, 2006).

- **Jeff Mazon, Halliburton; Glenn Powell, Halliburton; Stephen Seamans, Halliburton; and Christopher Cahill, Eagle Global Logistics.** Since March 2005, multiple Halliburton officials have been indicted or convicted of corruption-related charges involving Halliburton contracts in Iraq. In March 2005, Mr. Mazon was indicted for accepting a $1 million kickback from LaNouvelle General Trading Company in exchange for inflating LaNouvelle billings by over $4 million.[166] In August 2005, Mr. Powell pled guilty to accepting $110,000 in kickbacks from an Iraqi subcontractor in exchange for awarding a building renovation contract to the subcontractor.[167] In March 2006, Mr. Seamans was charged with accepting $124,000 in kickbacks from Tamimi Global Company in exchange for awarding Tamini a dining hall contract in Kuwait.[168] In February 2006, Mr. Cahill, a subcontractor hired by Halliburton, pled guilty to inflating invoices by $1.14 million.[169]

- **Andrew Rose and Lloyd Holliman, FEMA:** In April 2006, Mr. Rose and Mr. Holliman pled guilty to receiving bribes from a food service contractor.[170] Mr. Rose and Mr. Holliman took advantage of their responsibilities during the response to Hurricane Katrina by demanding a $20,000 payment plus $2,500 a week in exchange for inflating the number of meals provided.[171]

- **Mitchell Kendrix, Army Corps of Engineers:** In December 2005, Mr. Kendrix, a Quality Assurance Representative for the Corps, was charged with conspiracy to commit bribery. Mr. Kendrix allegedly accepted multiple bribes to falsify the debris removal records of a contractor involved in the response to Hurricane Katrina.[172]

2. ONGOING INVESTIGATIONS

In addition to these indictments and convictions, there are hundreds of additional corruption investigations underway. Many of these involve procurement corruption in Iraq or in connection with the restoration of the Gulf Coast after Hurricane Katrina.

According to the Special Inspector General for Iraq Reconstruction, over 70 corruption investigations are currently underway in Iraq. Twenty-three of the open cases involve allegations of contract fraud, overcharging or product substitution, or false claims. At

[166] Indictment, *United States v. Mazon* (Mar. 16, 2005).

[167] *Former KBR Worker Admits to Fraud in Iraq*, Washington Post (Aug. 23, 2005).

[168] *Infra* § IV.B.1.

[169] *Company Executive Pleads Guilty to $1 Million Fraud in Iraq*, New York Times (Feb. 16, 2005).

[170] *2 FEMA Workers Plead Guilty in Bribery Case*, Los Angeles Times (Apr. 6, 2006).

[171] *2 Held on Katrina Bribery Charges*, Los Angeles Times (Feb. 3, 2006); *FEMA Workers Are Indicted in Bribe Case*, New Orleans Times Picayune (Feb. 3, 2006).

[172] U.S. Attorney, Southern District of Mississippi, *Press Release: Bribery Charges Filed for Katrina Debris Removal* (Dec. 6, 2005).

least thirty-two of the cases involve allegations of theft, bribery, kickbacks, or gratuities.[173]

In addition, private whistleblowers reportedly have brought over 50 cases under the False Claims Act alleging fraud by contractors operating in Iraq, including Halliburton. In the one case that has gone to trial, a federal jury found that the security firm Custer Battles engaged in dozens of acts of fraud and ordered the company to pay over $10 million in penalties and refunds.[174] Under the False Claims Act, privately filed cases cannot proceed to trial until the Department of Justice decides whether the United States will participate in the litigation. For reasons that have not been explained, the Department of Justice has delayed making this decision in the other False Claims Act cases, preventing them from going forward.[175]

Hurricane Katrina auditors have opened an even larger number of corruption investigations. According to the Department of Homeland Security Inspector General, 785 cases of reported criminal activity, including procurement fraud and abuse, are currently under investigation.[176]

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[173] Special Inspector General for Iraq Reconstruction, *Quarterly Report to Congress* (Apr. 2006).

[174] *Attorney Pursues Iraq Contractor Fraud*, Wall Street Journal (Apr. 19, 2006).

[175] *Some Iraq Rebuilding Funds Go Untraced*, Wall Street Journal (Jan. 17, 2006); *US Firms Suspected of Bilking Iraq Funds*, Boston Globe (Apr. 16, 2006).

[176] President's Council on Integrity and Efficiency, Executive Council on Integrity and Efficiency, *Oversight of Gulf Coast Hurricane Recovery: A Semiannual Report to Congress* (Apr. 30, 2006).

III. COSTS TO THE TAXPAYER

The costs to the taxpayer of contract mismanagement are often hidden from view. There is no existing database that systematically tracks the extent of waste, fraud, and abuse in federal contracts. And the Administration frequently refuses to release audits documenting overcharges unless the audits are requested by a Republican chairman in Congress.

It is unquestionable, however, that the pervasive mismanagement of contracts under the Bush Administration has been expensive. This report identified over 100 contracts collectively worth over $700 billion that have been found by government auditors or investigators to involve substantial waste, fraud, abuse, or mismanagement.

"Einstein said insanity is doing the same thing over and over again and expecting a different result. They never learn anything. ... No wonder costs are out of control."
-Clark Kent Ervin, former Department of Homeland Security Inspector General

Since 2000, the Bush Administration has engaged in three major "binges" of contract spending. The first occurred after the attacks of September 11, which led to a surge of spending on homeland security contracts. The second occurred as part of the war in Iraq, where the Administration has spent billions of dollars for troop support and reconstruction efforts. And the third occurred after Hurricane Katrina, where costly efforts are underway to restore the Gulf Coast. Each of these major initiatives has been marred by ineffective and sometimes corrupt contract mismanagement, which has led to extensive waste, fraud, and abuse.

Since September 11, the Bush Administration has spent $19.4 billion on contracts to bolster homeland security, such as contracts to screen passengers and baggage at airports, deploy radiation screening machines at ports and border crossings, and install cameras along the border. Many of these contracts have been characterized by large cost overruns, long delays, and poor performance. As a result, billions of taxpayer dollars have been squandered.

The situation in Iraq is similar. The Administration has spent over $30 billion in taxpayer funds on the reconstruction of Iraq, much of it on massive monopoly contracts. Notwithstanding this extensive spending, oil production, electricity, and drinking water remain below prewar levels. The troop support contract with Halliburton, which has consumed another $14.8 billion, has also been characterized by repeated overcharges. According to government auditors, Halliburton alone has billed the government over $1.4 billion in questioned and unsupported charges.

These mistakes are now being repeated in the Administration's efforts to rebuild the Gulf Coast after Hurricane Katrina. So far, $9.7 billion has been awarded to private contractors for services including trash removal, road-building, and roof repair in the Gulf

Coast. Government auditors have already found waste, fraud, abuse, and mismanagement in dozens of the Katrina contracts.

These have not been the only wasteful contracts during the last five years. Major Defense Department procurements, such as Future Combat Systems, the Joint Strike Fighter, and the missile defense program, will waste billions of dollars before completion. A retired Air Force procurement official recently lamented, “The incentive now is to spend as much as you can” for malfunctioning systems with exorbitant costs.[177] And civilian agencies have repeatedly been plagued by contract cost overruns and inadequate performance.

The overall magnitude of the squandered spending is enormous. The discussion below provides a summary of over two dozen wasteful contracts, while an appendix to the report identifies 118 contracts that have been examined by government auditors and investigators and found to contain significant waste, fraud, or abuse or to have been poorly managed. The total value of the costs incurred or projected to be incurred under the 118 problem contracts is $745.5 billion.

A. Wasteful Homeland Security Contracts

Since the attacks of September 11, 2001, the Department of Homeland Security (and its predecessor agencies) has entered into contracts worth $19.4 billion. In 2005 alone, DHS entered into over 63,000 contracts worth $10 billion. Approximately 55% of those contracts, worth $5.5 billion, were awarded without full and open competition.

Due to poor management, many of the largest homeland security contracts have proven vulnerable to waste, fraud, abuse, and mismanagement. Examples of these contracts are described below. Now, more than four years after the September 11 attacks, the Administration is moving to replace or alter much of the equipment acquired in the first binge of spending because it has been ineffective or unreliable.

1. THE CONTRACT TO HIRE AIRPORT SCREENERS

In February 2002, the Transportation Security Administration (TSA) awarded a $104 million contract to NCS Pearson, Inc. to test and hire airport passenger and baggage screeners. In less than one year, the contract ballooned to $741 million.[178] Despite this expenditure, the rate at which screeners fail to detect weapons has remained unchanged for over four years.[179]

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177 *Forward Observer: A Whistleblower's Lament*, CongressDaily (Mar. 13, 2006) (online at www.govexec.com/story_page.cfm?articleid=33594).

178 Letter from Peter A. Iovino, Assistant Administrator for Legislative Affairs, Department of Homeland Security, to Rep. Henry A. Waxman (Sept. 2, 2005).

179 *Contracting Rush for Security Led to Waste, Abuse*, Washington Post (May 22, 2005).

The chief executive of an "event logistics" company — newly formed by two former travel agency employees — received over $5 million for just nine months of work.

Federal auditors examining the Pearson contract have reported multiple problems. According to the DHS Inspector General, TSA's failure to develop a project management plan, an acquisition plan, or an acquisition baseline meant that the agency began the contract without having finalized the number of screeners, the schedule, or the budget.[180]

An audit by the Defense Contract Audit Agency questioned at least $297 million of the costs claimed by Pearson under the contract.[181] The DCAA audit called into question spending by Pearson on luxury hotels, long distance phone calls, and noncompetitive subcontracts. Among the disputed charges were $526.95 for one phone call from the Hyatt Regency O'Hare in Chicago to Iowa City and $8,100 for elevator operators at the Marriott Marquis in Manhattan.[182] One of the subcontracts challenged by DCAA paid the chief executive of an "event logistics" company — newly formed by two former travel agency employees — over $5 million for just nine months of work.[183]

A Pearson employee who supervised Pearson's hiring efforts at 43 sites in the United States admitted in a media interview: "There was abuse of the taxpayers' trust. We didn't get the bang for our buck."[184]

In December 2004, TSA agreed to pay Pearson $741 million, withholding only $143 of the $297 million in costs challenged by DCAA.[185]

2. THE CONTRACT TO SCREEN AIRPORT LUGGAGE

In June 2002, TSA awarded a large cost-plus contract to Boeing for the installation and maintenance of luggage screening equipment at commercial airports, despite the fact that Boeing submitted the highest bid. The contract was structured to allow Boeing to function as project manager while subcontracting over 90% of the work, mostly to two companies that made the baggage screening machines. TSA estimated the contract value

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[180] Department of Homeland Security Inspector General, *Review of the Transportation Security Administration's Management Controls Over the Screener Recruitment Program* (Dec. 2005) (OIG-06-18).

[181] Letter from Peter A. Iovino, Assistant Administrator for Legislative Affairs, Department of Homeland Security, to Rep. Henry A. Waxman (Sept. 2, 2005); Defense Contract Audit Agency, *Audit Report on Costs Recorded Through November 2, 2002 Contract No. DTSA20-02-C-00400* (May 3, 2004) (Audit Report No. 3541-2002A10100001).

[182] Defense Contract Audit Agency, *Audit Report on Costs Recorded Through November 2, 2002 Contract No. DTSA20-02-C-00400* (May 3, 2004) (Audit Report No. 3541-2002A10100001).

[183] Defense Contract Audit Agency, *Audit Report on Costs Recorded Through November 2, 2002 Contract No. DTSA20-02-C-00400* (May 3, 2004) (Audit Report No. 3541-2002A10100001).

[184] *The High Cost of a Rush to Security*, Washington Post (June 30, 2005).

[185] Letter from Peter A. Iovino, Assistant Administrator for Legislative Affairs, Department of Homeland Security, to Rep. Henry A. Waxman (Sept. 2, 2005).

to be $508 million for an initial period of seven months. But the costs ballooned to at least $1.2 billion and the performance period was extended by an additional 18 months.[186]

According to published accounts, the baggage screening equipment installed under the contract has suffered from high false alarm rates. After passengers and airline managers complained of delays due to the false alarms, the machines were calibrated to be less sensitive. Although this has lowered the rate of false alarms, the decreased sensitivity has also made the machines far less effective at detecting bombs.[187]

GAO testified that the screening machines also suffer from a variety of other operational "inefficiencies," including the fact that baggage must be moved manually from the conveyor belt to the machine and back again.[188] According to GAO, TSA will have to spend an additional $3 billion to $5 billion to upgrade to more efficient in-line machines that rely on the latest technology.[189]

The DHS Inspector General has also been critical of the contract. The IG found that TSA made mistakes in the award and management of the contract with Boeing. Until December 2003, according to the IG, TSA paid all of Boeing's costs and based Boeing's profit on a percentage of total costs, creating a prohibited "cost-plus-a-percentage-of-cost" contract.[190]

In addition, the IG found that TSA paid Boeing $44 million in award fees without evaluating Boeing's performance, removing any incentive to improve performance that the award fee might have provided. The IG also reported that TSA paid Boeing a disproportionate amount of profit compared to Boeing's costs and risks. Under the contract, Boeing subcontracted 92% of the work but earned profits on all contract-related costs, including the subcontractors' costs. In 2003, for example, Boeing itself incurred only $39 million in direct costs, but the company received $82 million in profit based on costs incurred by the subcontractors. The IG judged at least $49 million of Boeing's profit to be "excessive."[191]

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186 Department of Homeland Security Inspector General, *Evaluation of TSA's Contract for the Installation and Maintenance of Explosive Detection Equipment at United States Airports* (Sept. 2004) (OIG-04-44); *Contracting Rush for Security Led to Waste, Abuse*, Washington Post (May 22, 2005).

187 *Contracting Rush for Security Led to Waste, Abuse*, Washington Post (May 22, 2005).

188 U.S. General Accounting Office, *Aviation Security: Challenges Exist in Stabilizing and Enhancing Passenger and Baggage Screening Operations* (Feb. 12, 2004) (GAO-04-440T).

189 U.S. General Accounting Office, *Aviation Security: Better Planning Needed to Optimize Deployment of Checked Baggage Screening Systems* (July 13, 2005) (GAO-05-896T).

190 In a "cost-plus-a-percentage-of cost" contract, the contractor receives its profit as a percentage of the contractor's actual costs. This type of contract is prohibited under federal law. *See* 10 U.S.C. §1306; 41 U.S.C. §254(b). This differs from a cost-plus-award-fee contract, discussed in sections II.B.1 and II.F, *supra*, in which the contractor's fee includes both a base fee, fixed at the inception of the contract (often as a percentage of the estimated costs), plus an additional fee based on the contractor's compliance with criteria set forth in the contract. *See* FAR § 16.3-16.4.

191 Department of Homeland Security Inspector General, *Evaluation of TSA's Contract for the Installation and Maintenance of Explosive Detection Equipment at United States Airports* (Sept. 2004) (OIG-04-44).

3. THE CONTRACT TO UPGRADE AIRPORT COMPUTER NETWORKS

In August 2002, TSA entered into a $1 billion contract with Unisys Corp. to upgrade airport computer networks. This contract, however, has been marred by significant overcharges.[192]

According to published accounts, the Defense Contract Audit Agency found that Unisys "overbilled taxpayers for as much as 171,000 hours worth of labor … by charging up to $131 an hour for employees who were paid less than half that amount."[193] DCAA also found that Unisys had billed for 24,982 hours of overtime not permitted under the contract.[194]

One TSA official said that he was instructed by senior administration officials to cite the $1 billion cost figure, which was "a number out of the air" that "would be more palatable" to congressional officials.

In a report released in February 2006, the DHS Inspector General reported that by September 2005, less than halfway through the contract period, TSA had already spent $834 million on the Unisys contract, over 80% of the contract ceiling.[195] An additional $106 million had been spent by other DHS agencies on the project.[196]

An additional problem involving the Unisys contract is that it appears that Administration officials misled Congress about the true costs of the contract. According to the IG, contract officials at TSA estimated that the contract costs would reach $3 billion to $5 billion, but decided to set an artificial ceiling of $1 billion.[197] The former chief information officer at TSA said that he was instructed by senior administration officials to cite the $1 billion cost figure to congressional officials, which was "a number out of the air" that "would be more palatable."[198]

4. THE CONTRACT FOR RADIATION DETECTORS

In 2003, the Department of Homeland Security awarded an indefinite-delivery/indefinite-quantity contract to Science Applications International Corp. (SAIC) to manufacture radiation detection machines for the nation's borders and ports. As of December 2005, the Office of Customs and Border Protection had bought 670 of the machines, called

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192 Department of Homeland Security Inspector General, *Transportation Security Administration's Information Technology Managed Services Contract* (Feb. 2006) (OIG-06-23).

193 *Contractor Accused of Overbilling U.S.*, Washington Post (Oct. 23, 2005).

194 *Id.*

195 Department of Homeland Security Inspector General, *Transportation Security Administration's Information Technology Managed Services Contract* (Feb. 2006) (OIG-06-23).

196 *Id.*

197 *Id.*

198 *Contractor Accused of Overbilling U.S.*, Washington Post (Oct. 23, 2005).

radiation portal monitors, at a cost of about $286 million, approximately $427,000 each.[199]

According to published accounts, the radiation portal monitors supplied by SAIC are so highly sensitive to radiation that they cannot distinguish between weapons-grade nuclear material and items that naturally emit radioactivity, including cat litter, granite, porcelain toilets, and bananas. As a result, the machines set off so many false alarms that customs officials were compelled to decrease the machines' sensitivity levels.[200]

The Department of Homeland Security has conceded that the main problem with the radiation portals is their inability to discriminate among nuclear materials. According to Vayl Oxford, the acting director of the Domestic Nuclear Detection Office at the Department of Homeland Security: "today's equipment lacks a refined capability to rapidly determine the type of radioactive materials it detects." Moreover, Mr. Oxford testified that increasing the sensitivity level would not guarantee that the machines will recognize all potentially harmful materials because high-density shields made from lead or steel successfully block the machine's ability to detect uranium.[201]

DHS's failure to manage the detection system has further limited the machines' effectiveness. According to GAO, DHS allowed trucks to pass through the monitors in 2005 at speeds too high for accurate screening.[202] Moreover, the majority of cargo entering the United States is not screened at all. According to published reports, on an average day at the combined ports of New York and Newark, only 6% to 7% of the shipments are run through the radiation portals.[203]

5. THE CONTRACT FOR BORDER SURVEILLANCE

The Office of Border Patrol has deployed thousands of cameras and sensors to monitor activity on the Mexican and Canadian borders through a program known as the Integrated Surveillance and Intelligence System (ISIS). The ISIS contract was initiated in 1997, but much of the spending under the contract has occurred over the last five years, with over $429 million having been spent to date.[204] A typical surveillance site under the ISIS contract consists of a 60-foot pole mounted with seven to ten cameras and costs over

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199 U.S. Government Accountability Office, *Combating Nuclear Smuggling: DHS Has Made Progress Deploying Radiation Detection Equipment at U.S. Ports-of-Entry, but Concerns Remain* (Mar. 2006) (GAO-06-389); U.S. Government Accountability Office, *Combating Nuclear Smuggling: Challenges Facing U.S. Efforts to Deploy Radiation Detection Equipment in Other Countries and in the United States* (Mar. 28, 2006) (GAO-06-558T).

200 *U.S. to Spend Billions More to Alter Security Systems*, New York Times (May 8, 2005).

201 House Homeland Security Committee, Testimony of Vayl Oxford, Acting Director, Domestic Nuclear Detection Office, Department of Homeland Security, *Hearings on Detecting Nuclear Weapons and Radiological Materials* (June 21, 2005).

202 U.S. Government Accountability Office, *Combating Nuclear Smuggling: Efforts to Deploy Radiation Detection Equipment in the United States and in Other Countries* (June 21, 2005) (GAO-05-840T).

203 *On the Waterfront*, CBS News (Feb. 26, 2006).

204 Department of Homeland Security Inspector General, *A Review of Remote Surveillance Technology Along U.S. Land Borders* (Dec. 2005) (OIG-06-15).

$300,000.[205] The contract was initially awarded to International Microwave Corporation, but is now held by L-3 Communications, which acquired IMC in 2003.

In December 2003, GSA auditors reported substantial problems with the ISIS contract. The auditors found cameras and other pieces of equipment that did not work and surveillance sites where no equipment had been delivered and no work performed.[206] According to published accounts, the auditors also reported substantial cost overruns, including $13 million in potential overcharges by L-3 Communications.[207] In one case, the Office of Border Patrol paid $20 million for malfunctioning camera systems at eight border patrol zones and for poles, cameras, and gear that were never installed.[208] The GSA auditors concluded that lack of oversight "placed taxpayers' dollars and … national security at risk."[209]

A recent audit by the DHS Inspector General reported that the ISIS system is largely ineffective. Because the remote video surveillance cameras do not have the ability to detect movement automatically, illegal activity goes unnoticed unless border patrol personnel are monitoring the cameras at the time. The cameras are also vulnerable to power outages and many sites do not have back-up power sources. The cameras malfunction when exposed to snow, ice, humidity, and extreme temperatures. Moreover, the remote video surveillance system can cover only 5% of the border. As a result, the IG concluded that the surveillance system has hobbled field operations.[210]

The Office of Border Patrol has acknowledged that the existing system is inadequate. On January 5, 2006, DHS announced its plan to address these deficiencies with new "highly mobile detection systems." The Office of Border Patrol described the ISIS system as "no longer state of the market" and several steps behind the current state of technology. As a result, the agency is "significantly challenged by the ever-changing threat environment."[211]

Rather than learn from these mistakes, Administration officials are poised to repeat them. DHS Deputy Secretary Michael Jackson recently told potential bidders for the Secure Border Initiative, a new federal contract to design, build, test, and operate a massive border security system, "We're asking you to come back and tell us how to do our business."[212] In an interview with Committee staff, former DHS Inspector General

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205 House Homeland Security Committee, Testimony of L-3 Communications President Joseph A. Saponaro, *Hearings on the Mismanagement of the Border Surveillance System and Lessons for the New America's Shield Initiative* (June 16, 2005).

206 House Homeland Security Committee, *Hearings on the Mismanagement of the Border Surveillance System and Lessons for the New America's Shield Initiative* (June 16, 2005).

207 *Probe Faults System for Monitoring U.S. Borders*, Washington Post (Apr. 11, 2005).

208 *Id.*

209 *Id.*

210 Department of Homeland Security Inspector General, *A Review of Remote Surveillance Technology Along U.S. Land Borders* (Dec. 2005) (OIG-06-15).

211 *Homeland Security Seeks Proposals for Border Technology*, Government Executive (Jan. 5, 2006).

212 *Bush Turns to Big Military Contractors for Border Control*, New York Times (May 18, 2006).

Clark Kent Ervin was astonished by the refusal of DHS to alter its approach and set meaningful contract requirements:

> Einstein said insanity is doing the same thing over and over again and expecting a different result. They never learn anything. It's just crazy. It's turning logic on its head. No wonder costs are out of control. The government should know how these things work and hold contractors accountable.[213]

6. THE CONTRACT FOR US-VISIT

In June 2004, the Department of Homeland Security awarded a ten-year, $10 billion contract to Accenture to implement US-VISIT, a program designed to collect and store personal, travel, and biometric information (fingerprints and photographs) from foreign nationals entering the United States.[214] Although the company promised to create a "virtual border," auditors and inspectors general have found serious and ongoing problems with the program.

According to GAO, US-VISIT lacks the "capability to track the entry and exit of persons entering the United States at air, land, and sea ports of entry."[215] GAO concluded that "the program continues to invest hundreds of millions of dollars for a mission-critical capability under circumstances that introduce considerable risk that cost-effective mission outcomes will not be realized."[216]

Two years after awarding a $10 billion contract, the Department of Homeland Security has yet to demonstrate that US-VISIT is the "right solution" for immigration and border management.
-U.S. Government Accountability Office

One cause of these repeated problems is US-VISIT's reliance on out-of date and ineffective technologies. For example, US-VISIT uses a fingerprint identification system that is not fully integrated with the system used by the FBI. As a result, according to GAO, US-VISIT lacks full access to the FBI's master criminal database. Moreover, because US-VISIT's database of travel and biometric information is not linked to other law enforcement systems, border officials must search multiple systems to determine a

213 Telephone interview between former DHS Inspector General Clark Kent Ervin and House Government Reform Committee Minority Staff (May 22, 2006).

214 Department of Homeland Security Inspector General, *Implementation of the United States Visitor and Immigrant Status Indicator Technology Program at Land Border Ports of Entry* (Feb. 2005) (OIG-05-11).

215 U.S. Government Accountability Office, *Homeland Security: Some Progress Made, but Many Challenges Remain on U.S. Visitor and Immigrant Status Indicator Technology Program* (Feb. 2005) (GAO-05-202).

216 *Id.*

foreign national's identity and eligibility for entry.[217] DHS has announced its intention to address this lack of interoperability and integration in the coming months.[218]

A recent review of US-VISIT by the DHS IG found both technological and management issues that could compromise the program's security and integrity. The IG reported that the system's security has multiple weaknesses that leave it vulnerable to unauthorized access. The IG also found that the lack of communication and coordination between and among the US-VISIT program and other DHS branches has weakened information security and security management.[219]

Even when US-VISIT functions correctly, it may not prove to be an efficient or effective tool for securing the nation's borders. According to GAO, the Department of Homeland Security has yet to demonstrate that US-VISIT is the "right solution" for immigration and border management.[220] GAO also found that DHS still has not approved a strategic plan for how US-VISIT will operate with other border and homeland security initiatives, nor performed cost-benefit analyses that justify the Department's expenditures on the US-VISIT program.[221]

7. THE CONTRACT FOR THE TRANSPORTATION SECURITY OPERATIONS CENTER

From February to April 2003, TSA entered into contracts to lease and renovate an empty facility to house its crisis management operations unit. The renovation was completed in July 2003, but an audit by the DHS Inspector General found that TSA's management and oversight of the building's renovation resulted in waste and abuse.[222]

The IG found that TSA spent over $19 million to equip the facility lavishly. The building itself has 55 offices, 150 workstations, 12 conference rooms, 7 kitchens, and a fitness center, yet only 80 employees and 60 contract employees are expected to use the space. The project manager and facility operations officer paid $500,000 to a tool company for artwork and decorative items, including $29,032 for an art consultant and her assistant and $30,085 for silk plants. Moreover, an unnecessary decision to accelerate the

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217 Department of Homeland Security Inspector General, *Implementation of the United States Visitor and Immigrant Status Indicator Technology Program at Land Border Ports of Entry* (Feb. 2005) (OIG-05-11); U.S. Government Accountability Office, *Homeland Security: Visitor and Immigrant Status Program Operating, but Management Improvements Are Still Needed* (Jan. 25, 2006) (GAO-06-318T).

218 Senate Committee on Appropriations, Testimony of Jim Williams, US-VISIT Program Director, Department of Homeland Security, *United States Entry/Exit Tracking: Is the United States Visitor and Immigrant Status Indicator Technology (US-VISIT) On Track for Success?* (Jan. 25, 2006).

219 Department of Homeland Security Inspector General, *US-VISIT System Security Management Needs Strengthening* (Dec. 2005) (OIG-06-16).

220 U.S. Government Accountability Office, *Homeland Security: Visitor and Immigrant Status Program Operating, but Management Improvements Are Still Needed* (Jan. 25, 2006) (GAO-06-318T).

221 U.S. Government Accountability Office, *Recommendations to Improve Management of Key Border Security Program Need to Be Implemented* (Feb. 2006) (GAO-06-296).

222 Department of Homeland Security Inspector General, *Irregularities in the Development of the Transportation Security Operations Center* (Mar. 2005) (OIG-05-18).

construction deadline cost TSA between $400,000 and $600,000, not including approximately $575,000 in unjustified "approved construction change orders."[223]

In addition, two TSA employees spent over $136,000 on purchase cards for personal convenience items such as leather briefcases without proper authorization. The employees also used the purchase cards to acquire tables, chairs, loveseats, and armoires for the office, despite TSA's express prohibition against the purchase of furniture with purchase cards.[224]

B. Wasteful Iraq Contracts

The Administration has spent approximately $30 billion in taxpayer dollars to rebuild Iraq. The Administration also spent an additional $20 billion in Iraqi funds under its control. Yet the Administration has produced little of lasting value to show for this expenditure. Basic services in Iraq remain below prewar levels. Despite spending over $2 billion on oil-related projects, oil production in Iraq in March 2006 was 2 million barrels per day, below the prewar level of 2.6 million barrels per day.[225] Despite spending $4 billion on electricity projects, electricity generation in Iraq in March 2006 was 4,100 megawatts, below the prewar level of 4,300 megawatts.[226] And despite spending over $1 billion on water projects, only 43% of Iraqis had access to drinkable water in March 2006, fewer than before the war.[227]

Moreover, it appears that major reconstruction projects in Iraq may never be completed. The Special Inspector General for Iraq Reconstruction warns that the United States faces a "reconstruction gap," which he defines as the "difference between what was originally planned for reconstruction in the various sectors and what will actually be delivered."[228] For example, of the 136 water projects the Administration promised to complete, only 49 (36%) will be completed.[229]

Contracts for military support in Iraq have also been plagued by extensive waste, fraud, and abuse. In fact, DCAA identified over $1 billion in questioned and unsupported costs

223 *Id.*

224 *Id.*

225 U.S. Government Accountability Office, *Rebuilding Iraq: Governance, Security, Reconstruction, and Financing Challenges* (Apr. 25, 2006) (GAO-06-697T).

226 *Id; cf.* Special Inspector General for Iraq Reconstruction, *Quarterly Report to Congress* (Apr. 30, 2006) (Electricity generation in Iraq in March 2006 was 4,004 megawatts, below the prewar level of 4,500 megawatts.).

227 Special Inspector General for Iraq Reconstruction, *Quarterly Report to Congress* (Apr. 30, 2006); Special Inspector General for Iraq Reconstruction, *Quarterly Report to Congress* (Jan. 30, 2006). According to the January report, 8.25 million Iraqis had potable water availability as of November 30, 2005. The April report stated that 3.0 million more Iraqis had been added in the last quarter. The total — 11.25 million — is still less than the number of Iraqis with access to clean water before the war. *See* Special Inspector General for Iraq Reconstruction, *Quarterly Report to Congress* (Jan. 30, 2006).

228 Special Inspector General for Iraq Reconstruction, *Quarterly Report* (Jan. 30, 2006).

229 *Id.*

in its review of just one contract. This contract — Halliburton's LOGCAP contract — and examples of other wasteful Iraq contracts are described below.

1. THE LOGCAP CONTRACT

One of the Administration's most problematic contracts is Halliburton's multi-year contract with the U.S. Army to provide logistical support to the troops. Known as the Logistics Civil Augmentation Program (LOGCAP), this cost-plus, monopoly contract was awarded to Halliburton subsidiary KBR in December 2001. LOGCAP is the largest contract in Iraq, and as of April 2006, its value for work in Iraq was $14.8 billion.[230]

Problems with the LOGCAP contract have been described in detail by internal company whistleblowers, federal government auditors, and congressional investigators. These problems include the Administration's failure to plan properly, control exorbitant contractor costs, or heed the advice of auditors who recommended curtailing contractor payments.

Over the past two years, several former Halliburton employees have come forward publicly to provide Congress with information about egregious overcharges under LOGCAP. For example:

- Marie deYoung, a Halliburton logistics specialist, testified about subcontracts under which Halliburton paid $45 per case of soda and $100 per 15-pound bag of laundry. Ms. deYoung also disclosed that Halliburton refused the Army's request to move Halliburton employees from a five-star hotel in Kuwait, where it cost taxpayers approximately $10,000 per day to house the employees, into air-conditioned tent facilities, which would have cost taxpayers under $600 per day.[231]

- Henry Bunting, a Halliburton procurement officer, described how he and other buyers were instructed to split large purchase orders into multiple purchase orders below $2,500 in order to avoid the requirement to solicit multiple bids. Supervisors routinely told the employees responsible for purchasing: "Don't worry about price. It's cost-plus."[232]

- David Wilson, a convoy commander for Halliburton, and James Warren, a Halliburton truck driver, testified that brand new $85,000 Halliburton trucks were abandoned or "torched" if they got a flat tire or experienced minor mechanical problems. Mr. Warren brought these and other concerns to the personal attention

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230 Army Field Support Command, *Media Obligation Spreadsheet* (Apr. 20, 2006).

231 House Committee on Government Reform, *Hearings on Contracting and the Rebuilding of Iraq: Part IV,* 108th Cong. (July 22, 2004).

232 Senate Democratic Policy Committee, *Hearings on Iraq Contracting Abuses* (Feb. 13, 2004).

> of Randy Harl, the president and CEO of KBR. Mr. Warren was fired a few weeks later.[233]

GAO investigators attributed many of LOGCAP's problems to planning, training, and oversight failures by the federal government. In July 2004, GAO found that "planning for the use of the LOGCAP contract to support the troops in Iraq did not begin until after the fall of Baghdad." GAO reported that planning was "ineffective" and "piecemeal," and military officials told GAO that "they knew nothing about LOGCAP before they deployed and had received no training."[234]

Government auditors from DCAA have also found multiple problems with Halliburton's work under the LOGCAP contract. After identifying "significant unsupported costs" and "numerous, systemic issues" with Halliburton's "inadequate proposals," DCAA recommended on three occasions that the Army begin withholding a portion of contractor payments until Halliburton corrected these deficiencies, as federal law requires.[235] In total, DCAA has now identified over $1.1 billion in questioned and unsupported costs under the LOGCAP contract.[236]

2. THE ORIGINAL RIO CONTRACT

On March 8, 2003, the U.S. Army Corps of Engineers awarded Halliburton subsidiary KBR a no-bid monopoly contract to restore and operate Iraq's oil infrastructure. The Restore Iraqi Oil (RIO) contract was awarded in secret, and other qualified companies, like Bechtel, which did most of the oilfield work after the first Gulf War, were precluded from bidding.[237] Ultimately, Halliburton charged approximately $2.4 billion under the RIO contract, split generally between oil infrastructure projects and fuel importation.[238] Work has now concluded on all ten RIO task orders.

Reps. Henry A. Waxman and John D. Dingell began to raise questions about Halliburton's RIO contract soon after it was awarded.[239] In a series of letters, they provided evidence that Halliburton's prices to import gasoline from Kuwait were inflated,

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233 House Committee on Government Reform, *Hearings on Contracting and the Rebuilding of Iraq: Part IV,* 108th Cong. (July 22, 2004).

234 Government Accountability Office, *DOD's Extensive Use of Logistics Support Contracts Requires Strengthened Oversight* (July 2004) (GAO-04-854).

235 *See* Letter from Rep. Henry A. Waxman to Defense Secretary Donald H. Rumsfeld (Aug. 24, 2004) (online at www.democrats.reform.house.gov/story.asp?ID=453&Issue=Iraq+Reconstruction) (citing Memorandum from Defense Contract Audit Agency to U.S. Army Field Support Command (Aug. 16, 2004)).

236 Minority Staff, House Committee on Government Reform, *Halliburton's Questioned and Unsupported Costs in Iraq Exceed $1.4 Billion* (June 27, 2005).

237 Minority Staff, Special Investigations Division, House Committee on Government Reform, *Halliburton's Gasoline Overcharges* (July 21, 2004).

238 U.S. Army Corps of Engineers, *Frequently Asked Questions: Engineer Support to Operation Iraqi Freedom* (Oct. 7, 2004).

239 Letter from Rep. Henry A. Waxman to Lt. Gen. Robert Flowers, U.S. Army Corps of Engineers (Mar. 26, 2003) (online at www.democrats.reform.house.gov/Documents/20040628090509-06652.pdf).

concluding that Halliburton appeared to be charging twice as much as it should have for fuel imports.[240] Independent experts agreed, characterizing Halliburton's fuel charges as "highway robbery" and "outrageously high."[241]

These concerns about Halliburton's inflated costs were validated by Pentagon auditors. In audits of the ten task orders under the RIO contract, DCAA identified $219 million in "questioned" costs and $60 million in "unsupported" costs.[242] The DCAA auditors criticized virtually every aspect of Halliburton's work, including excessive charges to import fuel into Iraq from Kuwait and unnecessary retroactive payments to its Turkish fuel subcontractors.[243]

Despite these congressional and auditor findings, the Corps of Engineers opted to reimburse Halliburton for nearly all of the $263 million in challenged costs under the RIO contract.[244]

3. THE RIO 2 CONTRACT

In January 2004, the Army Corps of Engineers awarded Halliburton subsidiary KBR a $1.2 billion, cost-plus contract to restore oil infrastructure in southern Iraq, known as "RIO 2."[245] The award of the RIO 2 contract to Halliburton was controversial because DCAA had warned the Corps of Engineers not to enter into future negotiations with the company without consulting the auditors about Halliburton's significant cost estimating

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[240] Letter from Reps. Henry A. Waxman and John D. Dingell to Lt. Gen. Robert Flowers, U.S. Army Corps of Engineers (Oct. 21, 2003). *See also Halliburton's Gasoline Overcharges,* House Committee on Government Reform, Minority Staff, Special Investigations Division (July 21, 2004) (online at www.democrats.reform.house.gov/Documents/20040817115902-43717.pdf).

[241] Letter from Reps. Henry A. Waxman and John D. Dingell to Joshua Bolten, Director, Office of Management and Budget (Oct. 15, 2003).

[242] DCAA, *Report on Audit of Proposal for Restore Iraqi Oil, Task Order No. 1* (Audit Report No. 3311-2004K17900011) (Mar. 19, 2004); DCAA, *Report on Audit of Proposal for Restore Iraqi Oil, Task Order No. 2* (Audit Report No. 3311-2004K17900009) (Apr. 9, 2004); DCAA, *Report on Audit of Proposal for Restore Iraqi Oil, Task Order No. 3* (Audit Report No. 3311-2004K17900056) (Oct. 2, 2004); DCAA, *Report on Audit of the Additional Funding Proposal for RIO I Task Order No. 04* (Audit Report No. 3311-2004K17900086) (Sept. 3, 2004); DCAA, *Report on Audit of Revised Proposal for Restore Iraqi Oil Delivery Order No. 5* (Audit Report No. 3311-2005K21000024) (Feb. 25, 2005); DCAA, *Report on Audit of Proposal for Restore Iraqi Oil Task Order No. 6* (Audit Report No. 3311-2004K21000028) (Sept. 16, 2004); DCAA, *Report on Audit of Revised Proposal for Restore Iraqi Oil Delivery Order No. 7* (Audit Report No. 3311-2005K21000025) (Feb. 25, 2005); DCAA, *Report on Audit of Revised Proposal for Restore Iraqi Oil Delivery Order No. 8* (Audit Report No. 3311-2005K21000026)(Feb. 25, 2005); DCAA, *Report on Audit of Revised Proposal for Restore Iraqi Oil Delivery Order No. 9* (Audit Report No. 3311-2005K21000019) (Feb. 3, 2005); DCAA, *Report on Audit of Revised Proposal for Restore Iraqi Oil Delivery Order No. 10* (Audit Report No. 3311-2005K21000020) (Feb. 3, 2005). Revised audits lowered the total amount of questioned and unsupported costs to $263 million. *See Army to Pay Halliburton Unit Most Costs Disputed by Audit*, New York Times (Feb. 27, 2006).

[243] *See, e.g.,* DCAA, *Report on Audit of Revised Proposal for Restore Iraqi Oil Delivery Order No. 5*, (Audit Report No. 3311-2005K21000024) (Feb. 25, 2005); DCAA, *Report on Audit of Revised Proposal for Restore Iraqi Oil Delivery Order No. 7,* (Audit Report No. 3311-2005K21000025) (Feb. 25, 2005).

[244] Letter from DCAA Assistant Director for Operations Joseph J. Garcia to John Brosnan, House Committee on Government Reform Majority Staff (Mar. 31, 2006). *See also Army to Pay Halliburton Unit Most Costs Disputed by Audit*, New York Times (Feb. 27, 2006).

[245] U.S. Army Corps of Engineers, *Press Release: U.S. Army Corps of Engineers Awards Contracts for Repair of Iraq's Oil Infrastructure* (Jan. 16, 2004).

deficiencies.[246] Just days before the award of RIO 2, the auditors advised that Halliburton's systemic deficiencies "bring into question [Halliburton's] ability to consistently produce well-supported proposals that are acceptable as a basis for negotiation of fair and reasonable prices."[247] Nevertheless, the Corps of Engineers ignored these auditor warnings and awarded the work to Halliburton without consulting with DCAA.[248]

Government officials and investigators harshly criticized Halliburton's performance under RIO 2, citing "profound systemic problems," "exorbitant indirect costs," "misleading" and "distorted" cost reports, a "lack of cost control," an "overwhelmingly negative" evaluation, and an "obstructive" corporate attitude toward oversight.[249] By January 29, 2005, the problems were so severe that the government took the unusual step of issuing a "cure notice" to Halliburton, which is a notification that the contract may be terminated for cause.[250] When Pentagon auditors reviewed $365 million in Halliburton costs, they challenged $45 million as questioned or unsupported.[251]

4. THE HOSPITAL AND HEALTH CLINIC CONTRACT

In March 2004, Parsons received a $500 million, cost-plus contract to rebuild hospitals, health clinics, and buildings throughout Iraq.[252] Two years later, the Special Inspector General for Iraq Reconstruction reported that despite spending $186 million for the reconstruction of hospitals and clinics, Parsons had made "little progress."[253] The IG found that Parsons was scheduled to complete just 20 of the 142 health clinics it had committed to building.[254] In addition, the IG found that "poor contractor performance delayed completion of the project and escalated costs."[255]

The IG found that one of the major causes of Parsons' poor performance was the failure of the Army Corps of Engineers to provide proper oversight. The IG stated: "the

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[246] Defense Contract Audit Agency, *Flash Report on Estimating System Deficiency Found in the Proposal for Contract No. DAAA09-02-D-0007, Task Order No. 59* (Dec. 31, 2003) (Audit Report No. 3311-2004K24020001).

[247] Defense Contract Audit Agency, *Status of Brown & Root Services (BRS) Estimating System Internal Controls* (Jan. 13, 2004).

[248] House Committee on Government Reform, *Hearings on The Complex Task of Coordinating Contracts Amid Chaos* (Mar. 11, 2004).

[249] Minority Staff, House Committee on Government Reform, *Halliburton's Performance Under the Restore Iraqi Oil 2 Contract* (Mar. 28, 2006).

[250] Memorandum from Contracting Officer, Project and Contracting Office, to Contracts Manager, KBR (Jan. 29, 2005).

[251] Briefing by William Reed, Director, Defense Contract Audit Agency, to House Government Reform Committee Staff (Mar. 3, 2006).

[252] Department of Defense, *News Release: Iraqi Reconstruction Contract Awarded* (Mar. 25, 2004).

[253] Special Inspector General for Iraq Reconstruction, *Management of the Primary Healthcare Centers Construction Projects* (Apr. 29, 2006) (Report No. 06-011).

[254] *Id.*; *U.S. Plan to Build Iraq Clinics Falters*, Washington Post (Apr. 3, 2006); *Contractor's Plans Lie Among Ruins of Iraq*, Los Angeles Times (Apr. 29, 2006).

[255] Special Inspector General for Iraq Reconstruction, *Management of the Primary Healthcare Centers Construction Projects* (Apr. 29, 2006) (Report No. 06-011).

overriding question is how the U.S. government lost control of the project and its ability to enforce schedule and quality requirements." According to the IG, government oversight suffered from a number of serious deficiencies, including "a failure to follow required procedures for making contract changes; poor cost controls; poor cost to complete reporting; a failure to properly execute its administrative responsibilities; and a failure to establish an adequate quality assurance program."[256]

On March 3, 2006, the Corps of Engineers terminated the health clinic portions of the contract. According to Army Corps Brigadier General William H. McCoy, "[f]rom the beginning of the project, Parsons failed to meet various contract requirements through numerous significant management and technical shortcomings."[257]

5. THE CUSTER BATTLES CONTRACTS

In July 2003, a U.S. security firm with no previous experience, Custer Battles, was awarded a $16.8 million sole-source contract to provide security at Baghdad International Airport.[258] A month later, the company also received a $21.3 million contract to provide security for the exchange of Iraqi currency.[259] These contracts resulted in widespread fraud.

Custer Battles was formed in 2002 by Scott Custer, a former Army Ranger and defense consultant, and Michael Battles, a former CIA Officer. Mr. Battles, also a former Fox News Channel commenter, ran for Congress in Rhode Island in 2002 but was defeated in the Republican primary. He was later fined by the Federal Election Commission for misrepresenting campaign contributions.[260]

Custer Battles had no experience in the security industry. In fact, the government reportedly "fronted the startup money: $2 million in cash, stuffed by partner Mike Battles into a duffel bag."

In 2004, two former Custer Battles employeeds filed a civil case against the company under the False Claims Act. These employees claimed that Custer Battles engaged in a variety of fraudulent acts, including setting up shell subcontractors to charge inflated prices to the government and submitting fake invoices from sham subsidiary companies. In one instance, Custer Battles seized forklifts abandoned by Iraqi Airways from the Baghdad airport, repainted them to cover the Iraqi Airways markings, claimed the forklifts were owned by a Cayman Islands shell company created by Custer Battles, and billed the government to lease the forklifts.[261]

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256 *Id.*

257 *Contractor's Plans Lie Among Ruins of Iraq*, Los Angeles Times (Apr. 29, 2006).

258 Special Inspector General for Iraq Reconstruction, *Quarterly and Semiannual Report to the United States Congress* (Jan. 30, 2005).

259 *Id.; see also U.S. Contractor Found Liable for Fraud in Iraq*, Los Angeles Times (Mar. 10, 2006).

260 *Contractor Accused of Fraud in Iraq*, Los Angeles Times (Oct. 9, 2004).

261 Amended Complaint, *U.S. ex rel. DRC, Inc. v. Custer Battles, LLC*, CV-04-199-A (E.D.Va Aug. 26, 2004).

In March 2006, a federal jury found that Custer Battles committed 37 separate acts of fraud under the currency security contract and ordered the company to pay over $10 million in penalties and refunds to the government.[262] The claims relating to the airport security contract are still pending in federal court. During the legal proceedings, Brigadier General Hugh Tant III (ret.) testified that Custer Battles' work in Iraq "was probably the worst I've ever seen in over 30 years of my times in the Army."[263]

According to published accounts, the government awarded this contract even though Custer Battles had no experience in the security industry. In fact, the government reportedly "fronted the startup money: $2 million in cash, stuffed by partner Mike Battles into a duffel bag."[264]

C. Wasteful Katrina Contracts

To date, federal agencies — primarily FEMA and the Army Corps of Engineers — have awarded $9.7 billion to private contractors for Gulf Coast recovery and reconstruction following Hurricane Katrina. Nearly all of this amount ($9.3 billion) was awarded in 1,203 contracts valued at $500,000 or more. Fewer than 30% of these contracts were awarded with full and open competition. Over 50% were awarded on a sole-source basis.[265]

Like the spending surges on homeland security and the war in Iraq, the Katrina contracts have been characterized by waste, fraud, abuse, and mismanagement. In fact, GAO reported in March 2006 that the Administration was repeating the same mistakes in the response to Hurricane Katrina that it made in Iraq. In Iraq, according to GAO, "without effective acquisition planning, management processes, and sufficient numbers of capable people, poor acquisition outcomes resulted."[266] GAO concluded that the Katrina response suffered from these same flaws.[267] Examples of specific wasteful Katrina contracts are described below.

1. THE CONTRACTS FOR DEBRIS REMOVAL

In September 2005, the Corps of Engineers awarded four contracts worth $500 million each to remove and dispose of debris. According to internal government documents, lax

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262 *U.S. Contractor Found Liable for Fraud in Iraq*, Los Angeles Times (Mar. 10, 2006).

263 *Id.*

264 *Fortunes of War,* Fortune (July 26, 2004).

265 President's Council on Integrity and Efficiency, Executive Council on Integrity and Efficiency, *Oversight of Gulf Coast Hurricane Recovery: A Semiannual Report to Congress* (Apr. 30, 2006).

266 U.S. Government Accountability Office, *Agency Management of Contractors Responding to Hurricanes Katrina and Rita* (Mar. 2006) (GAO-06-461R).

267 *Id.*

government oversight allowed the contractors to double bill for the same debris, overstate mileage to claim extra fees, haul ineligible debris from private property to boost reimbursements, and inflate prices by improperly mixing low-cost vegetative debris into loads of high-cost construction and demolition debris. The problems included:

- Failure to Empty Trucks. Government inspectors observed contractors "fraudulently being paid for the same load" by exiting dump sites "without completely unloading the debris from its truck bed." These problems were compounded by the absence of federal oversight. The Corps of Engineers frequently failed to inspect trucks leaving the dumps. According to the auditors, "This provides the opportunity for truck drivers to leave debris in the bed of the truck while receiving full credit for each load, resulting in government overpayments to the contractors and minimizing the amount of debris being cleared from the right-of-ways."[268]

- Excessive Mileage Claims. Contractors took advantage of a system that paid them an extra $2 per cubic yard for debris carried over 15 miles. In one instance, "mileages were overstated" in over 50% of the 303 trips examined by auditors.[269]

- Payments for Ineligible Debris. One subcontractor was hired to remove debris from public rights-of way, but submitted bills for "hauling debris collected from … wooded lots, beyond the public right of way." According to the auditors, this was "a recurring problem" for both this and other contractors.[270]

- Mixing Debris. Contractors fraudulently mixed vegetative debris with construction and demolition debris to inflate their billings by $2.84 per cubic yard.[271]

- Overpayments for Partial Loads. Government investigators reported that Corps of Engineers officials regularly credited contractors with hauling more debris to dumps than they actually carried. Auditors found that the Corps' assessments of contractor performance were "overly generous," "unusually high," "more on the liberal side," "often very liberal," and "consistently on the high side."[272]

The effect of these problems was compounded by the high rates paid by the Corps for debris removal under the contracts. Ashbritt Inc., one of the prime contractors hired by the Corps, testified in Congress that it received approximately $23 per cubic yard for

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268 Memorandum from Rep. Henry A. Waxman to Democratic Members of the House Government Reform Committee (May 4, 2006) (citing Army Corps of Engineers and Defense Contract Audit Agency documents) (online at www.democrats.reform.house.gov/story.asp?ID=1050).

269 *Id.*

270 *Id.*

271 *Id.*

272 *Id.*

debris removal in Mississippi.[273] In contrast, a local contractor testified at the same hearing that it could have removed the debris for just $12.90 per cubic yard, a savings of 44% for the taxpayer.[274]

2. THE "BLUE ROOF" CONTRACTS

After Hurricane Katrina struck, the Corps of Engineers issued contracts collectively worth over $300 million to contractors for temporary roof repairs using blue plastic sheeting. But when the auditors examined these contracts, they found consistently inflated charges and unsatisfactory supervision and oversight. The problems included:

- Repeated Overbillings. One evaluation revealed net overbillings of 43%; a second revealed overbillings of 52%. In one case, a contractor "listed nearly 4 times as many square feet covered than was actually covered." In another, Corps of Engineers officials went on "final inspections only to arrive at the location and find that there was no blue roof plastic installed despite the contractor's assertion of completion through attending final inspection."[275]

- Inadequate Supervision of Subcontractors. The prime contractors hired by the Corps did not directly install blue sheeting. Instead, their role was to hire subcontractors, who often hired additional layers of subcontractors, to do the actual work. The auditors found, however, that the prime contractors consistently failed to supervise the work of the subcontractors, calling into question what value they provided. The prime contractors failed to inspect work and had little knowledge of or control over the activities of the subcontractors.[276]

- Lax Oversight. Government inspectors found that the Corps officials had an "informal agreement" not to challenge bills that exceeded estimates by 50%. According to the inspectors, this understanding was "excessive and unreasonable" and "does not adequately protect the Government from waste or abuse."[277]

The "blue roof" contracts also illustrate the costs of tiering subcontracts. According to one account, because so many contractors took a cut of the contract, the fee charged to taxpayers was as high as 1,700% of the job's actual cost.[278] In one case, the subcontractor who actually covered the roofs received a payment of just $0.02 per square

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[273] House Committee on Government Reform, Testimony of Ashbritt, Inc. President Randall Perkins, *Hearings on Contracting and Hurricane Katrina* (May 4, 2006).

[274] House Committee on Government Reform, Testimony of David Machado, Necaise Brothers Contstruction, *Hearings on Contracting and Hurricane Katrina* (May 4, 2006).

[275] Memorandum from Rep. Henry A. Waxman to Democratic Members of the House Government Reform Committee (May 4, 2006) (citing Army Corps of Engineers and Defense Contract Audit Agency documents) (online at www.democrats.reform.house.gov/story.asp?ID=1050).

[276] *Id.*

[277] *Id.*

[278] *Multiple Layers of Contractors Drive Up Cost of Katrina Cleanup*, Washington Post (Mar. 20, 2006).

foot, while the subcontractor at the top of the chain received over 36 times more for the work.[279]

3. THE CONTRACTS FOR MANUFACTURED HOMES AND TRAILERS

In the aftermath of Hurricane Katrina, FEMA purchased 24,967 manufactured homes and 1,755 modular homes at a cost of $915 million to provide housing and temporary office space for hurricane victims and relief workers.[280] But according to the DHS Inspector General, as of January 2006, only 4,600 manufactured homes and 100 modular homes had been used for housing or office space. Not one of the homes had been sent to the most ravaged parts of Louisiana and Mississippi because FEMA's own regulations prohibit the use of the homes in flood plains. More than 2,360 of the manufactured homes cannot be used by FEMA at all because they exceed FEMA's size specifications. Nearly 11,000 homes worth over $301 million are sitting on the runways at one Arkansas airport.[281]

Similar mismanagement characterized the contracts to buy travel trailers. After Hurricane Katrina, FEMA spent $1.7 billion to purchase 114,000 travel trailers.[282] FEMA bought at least 27,000 of those trailers "off the lot," without negotiating either price or specifications.[283] Yet over 23,700 of these travel trailers sit unused. Moreover, because FEMA has not maintained the trailers, they are losing their value as housing or for eventual resale.[284]

In December, Scott Wells, FEMA's Federal Coordinating Officer in Louisiana for Hurricanes Katrina and Rita, testified before the Senate that the entire concept of purchasing trailers for temporary housing was flawed. According to Mr. Wells, the cost to house a family for 18 months (the limit for FEMA-financed temporary housing) can reach $90,000 to $100,000 for housing in a mobile home or $30,000 to $40,000 for housing in a travel trailer. Mr. Wells testified that if FEMA had simply given the families $26,200 in cash for housing, which is the maximum entitlement for hurricane victims, this would "allow them to quickly get on with rebuilding their lives and afford

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279 *Tiers of Subcontractors Bleed Off Reconstruction Money*, Newhouse News Service (Jan. 9, 2006).

280 President's Council on Integrity and Efficiency, Executive Council on Integrity and Efficiency, *Oversight of Gulf Coast Hurricane Recovery: A Semiannual Report to Congress* (Apr. 30, 2006); Committee on Homeland Security and Governmental Affairs, Testimony of Department of Homeland Security Inspector General Richard L. Skinner, *Hearings on Hurricane Katrina: Waste, Fraud and Abuse Worsen the Disaster* (Feb.13, 2006).

281 Senate Homeland Security and Governmental Affairs Committee, Testimony of DHS Inspector General Richard L. Skinner, *Hearings on Hurricane Katrina: Waste, Fraud and Abuse Worsen the Disaster* (Feb. 13, 2006).

282 *Id.*

283 President's Council on Integrity and Efficiency, Executive Council on Integrity and Efficiency, *Oversight of Gulf Coast Hurricane Recovery: A Semiannual Report to Congress* (Apr. 30, 2006).

284 *Id.*; *FEMA's Trailer 'Boneyard' Blasted*, The Sun Herald (Dec. 13, 2005) (online at www.sunherald.com/mld/sunherald/13394657.htm).

them a permanent housing solution" while saving the taxpayer hundreds of thousands of dollars.[285]

4. THE CONTRACT WITH CARNIVAL CRUISE LINES

In September 2005, the Military Sealift Command, acting on behalf of FEMA, awarded Carnival Cruise Lines three contracts worth a combined $236 million to provide temporary housing to Hurricane Katrina evacuees. These contracts proved wasteful for the federal taxpayer, costing more than $50,000 to house a single person for six months, almost $300 per person for each night's lodging.[286]

One reason for the high costs of the Carnival contracts was their generous terms. Under the contracts, Carnival received the same level of profit from the government contract as it would have received under normal operating conditions. Rather than being paid based on the cost of housing evacuees, this highly profitable company was compensated for both the revenues the company would have earned under normal operations and any additional expenses that Carnival incurred under the contract. As a result, the taxpayer reimbursed the company for both the cost of housing the evacuees and the revenues the ships would have earned from their casino operations, liquor and drink sales, and on-shore excursions if they were operating normally. The $236 million contract value also did not take into account all the cost savings that Carnival realized under the contract, such as avoided entertainment and navigational expenses.[287]

5. THE CONTRACT FOR BASE CAMPS

In September 2005, FEMA awarded an $80 million contract to Clearbrook LLC to build and supply base camps for emergency workers responding to Hurricane Katrina.[288] In November, the government suspended payments on the contract at the direction of Department of Homeland Security auditors.[289] The auditors reported a "complete lack of documentation supporting price reasonableness" and found that $4.9 million had been paid for work performed before the effective date of the contract.[290] The auditors also

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285 Senate Homeland Security and Governmental Affairs Committee, Testimony of Scott Wells, Deputy Federal Coordinating Officer, FEMA, *Hearings on Hurricane Katrina: Perspectives of FEMA's Operations Professionals* (Dec. 8, 2005).

286 The occupancy rates used in this calculation are based on FEMA and Department of Homeland Security reports. *See* FEMA Weekly Reports (Oct. 13, 2005 through Feb. 28, 2006); Department of Homeland Security, *Management Advisory Report on the Acquisition of Cruise Ships for Hurricane Katrina Evacuees (Report Number GC-HQ-06-11)* (Feb. 16, 2006) (online at www.dhs.gov/interweb/assetlibrary/OIG_GC_HQ_06-11.pdf).

287 Letter from Rep. Henry A. Waxman to Secretary of Homeland Security Michael Chertoff (Oct. 20, 2005).

288 Department of Homeland Security Inspector General, *Clearbrook, LLC Billing Errors Under Contract Number HSFE-06-05-F-6232* (Nov. 2005) (GC-LA-06-07).

289 *Payments on Katrina Contract Halted After Billing Questions*, Washington Post (Nov. 17, 2005).

290 Department of Homeland Security Inspector General, *Clearbrook, LLC Billing Errors Under Contract Number HSFE-06-05-F-6232* (Nov. 2005) (GC-LA-06-07).

found that Clearbrook had billed FEMA for over $3 million in overcharges based on mathematical error.[291]

6. THE CONTRACT FOR PORTABLE CLASSROOMS

In September 2005, the Army Corps of Engineers awarded Akima Site Operations LLC, a subsidiary of an Alaska Native Corporation, a $40 million no-bid contract to install portable classrooms in Mississippi. According to a recent investigation by GAO, this contract resulted in the waste of millions of taxpayer dollars.[292]

The GAO investigation found that the Corps agreed to pay Akima $40 million despite knowing that Akima was charging significantly more than the cost of the classrooms. According to GAO, the Akima price was nearly double what local Mississippi businesses said they would have bid. GAO found that the Corps entered into the contract with Akima without negotiating a better value because there was no competition for the contract.[293]

D. Other Wasteful Contracts

Federal contracts involving homeland security, Iraq, and Hurricane Katrina are by no means the only procurement programs afflicted by waste, fraud, abuse, and mismanagement over the last five years. Weapons acquisition programs at the Department of Defense have cost the taxpayer billions of dollars through flawed contract management. Other agencies have experienced similar problems.

GAO recently completed a review of selected major weapons procurement programs at the Defense Department. GAO's report found that the cost of a weapons system generally exceeds its budget by 30% to 40%, resulting in lower quantities and missed deadlines.[294] Based on the findings of the report, U.S. Comptroller General David Walker testified:

> DOD is simply not positioned to deliver high quality products in a timely and cost-efficient fashion. It is not unusual to see cost increases that add up to tens or hundreds of millions of dollars, schedule delays that add up

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[291] *Id.*

[292] U.S. Government Accountability Office, *Hurricane Katrina: Army Corps of Engineers Contract for Mississippi Classrooms* (May 2006) (GAO-06-454).

[293] U.S. Government Accountability Office, *Hurricanes Katrina and Rita: Contracting for Response and Recovery Efforts* (Nov. 2, 2005) (GAO-06-235T).

[294] U.S. Government Accountability Office, *Defense Acquisitions: Assessments of Selected Major Weapons Programs* (Mar. 2006) (GAO-06-391).

to years, and large and expensive programs frequently rebaselined or even scrapped after years of failing to achieve promised capability.[295]

In the report, GAO identified several major acquisition programs where mismanagement has reduced the government's buying power and led to cost overruns, schedule delays, and performance problems. These wasteful procurements include:

- Future Combat Systems. GAO found that costs for Future Combat Systems, a program to develop a new generation of networked and unmanned weapons and vehicles, have increased by 54% ($44.9 billion) since 2003 because of undefined requirements and immature technologies. GAO estimates that total costs for the program will now reach $127.5 billion.[296]

- Joint Strike Fighter. GAO found that the unit cost for the Joint Strike Fighter, a family of stealth fighter aircraft, has increased 27% ($17.7 million each) since 2001. GAO estimates that the total cost for the program will reach now $206.3 billion, which is $16.5 billion over budget, due to a lack of demonstrated knowledge about performance or producibility.[297]

- Space Based Infrared System High. GAO found that the program cost for SBIRS High, a satellite system intended for use in the missile defense system, will exceed its cost estimate by 149.3% ($6.1 billion). The cost increase is due to design flaws in major components of the program. GAO estimates that the average cost per unit is now 224% more than the 2002 estimate and that the total cost for the program will reach $10.2 billion.[298]

Virtually every other agency has also been plagued by wasteful contract spending over the last five years. In 2001, the FBI entered into a contract to improve data management and information sharing within FBI offices.[299] Four years later, the FBI scrapped the contract, called the Virtual Case File system, at a loss of more than $100 million.[300] Now questions are being raised by GAO and the Justice Department Inspector General about whether the FBI will be able to execute the successor program, Sentinel, without similar levels of waste.[301]

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295 U.S. Government Accountability Office, *Defense Acquisitions: Actions Needed to Get Better Results on Weapons Systems Investments* (Apr. 5, 2006) (GAO-06-585T).

296 U.S. Government Accountability Office, *Defense Acquisitions: Assessments of Selected Major Weapons Programs* (Mar. 2006) (GAO-06-391).

297 *Id.*

298 *Id.*

299 Department of Justice Inspector General, *The Federal Bureau of Investigation's Management of the Trilogy Information Technology Modernization Project* (Feb. 2005) (Audit Report 05-07).

300 U.S. Department of Justice Inspector General, *Top Management and Performance Challenges in the Department of Justice — 2005* (online at http:/www.usdoj.gov/oig/challenges/2005.htm) (accessed May 17, 2006).

301 U.S. Government Accountability Office, *Information Technology: FBI Is Building Management Capabilities Essential to Successful System Deployments, but Challenges Remain* (Sept. 14, 2005) (GAO-05-1014T);

GAO has reported significant cost overruns for major NASA projects such as the Gravity Probe B and the Mars Exploration Rover.[302] Inspectors General have documented contract abuses at the Department of Education,[303] the Department of Labor,[304] the Department of Veterans Affairs,[305] and the Environmental Protection Agency.[306]

The appendix to this report contains a list of 118 contracts that GAO, agency inspectors general, DCAA, or other government investigators have found to involve significant waste, fraud, abuse, or mismanagement. In each case, the contract abuses or mismanagement occurred during the last five years. The cumulative amount of taxpayer dollars spent or projected to be spent on these 118 contracts is $745.5 billion.

CONCLUSION

This report is the first comprehensive assessment of contract spending under the Bush Administration. It finds that (1) the "shadow government" represented by private government contracts has expanded rapidly under the Bush Administration; (2) mistakes have been made in virtually every aspect of contract management, from pre-contract planning to contract award and oversight; and (3) the cumulative costs to the taxpayer are enormous. Major Administration initiatives, including spending on homeland security, the war and reconstruction in Iraq, and the response to Hurricane Katrina, have been characterized by extensive waste, fraud, abuse, and mismanagement in federal contracting.

Department of Justice Inspector General, *The Federal Bureau of Investigation's Pre-Acquisition Planning for and Controls Over the Sentinel Case Management System* (Mar. 2006) (Audit Report 06-14).

[302] U.S. Government Accountability Office, *NASA: Lack of Disciplined Cost-Estimating Processes Hinders Effective Program Management* (May 2004) (GAO-04-642).

[303] Department of Education Inspector General, *Review of Formation Issues Regarding the Department of Education's Fiscal Year 2003 Contract with Ketchum, Inc. for Media Relations Services* (Apr. 2005) (online at www.ed.gov/about/offices/list/ oig/aireports/a19f0007.pdf)

[304] Department of Labor Inspector General, *Award and Management of Contracts for Encryption Software Were Significantly Flawed* (Mar. 31, 2005).

[305] U.S. Government Accountability Office, *Contract Management: Further Action Needed to Improve Veterans Affairs Acquisition Function* (Oct. 2005) (GAO-06-144).

[306] Environmental Protection Agency Inspector General, *EPA Needs to Improve Oversight of Its Information Technology Projects* (Sept. 14, 2005) (Report No. 2005-P-00023).

APPENDIX A:
PROBLEM CONTRACTS

Total Number of Contracts: 118
Total Estimated Value: $745.5 Billion

This Appendix lists 118 contracts that the U.S. Government Accountability Office, agency inspectors general, the Defense Contract Audit Agency, or other government investigators have found to involve one or more of the following problems: wasteful spending, mismanagement, lack of defined contract requirements, lack of competition, or corruption. In each case listed, auditors found that contract abuses or mismanagement occurred during the last five years.

The cumulative estimated value of these 118 contracts is approximately $745.5 billion. Estimated value is defined as the total program cost or contract ceiling. When contracts have been completed and actual costs are known, or if total program costs or contract ceilings are unknown, value is estimated as the most recent contract costs cited by federal auditors.

In some cases, agency auditors have not publicly released the identity of contractors to which their audit reports refer. In these cases, this Appendix notes that the contractor's name is "Not Released." The Appendix provides citations to all listed audit reports, as well as electronic hyperlinks for all listed audit reports that are publicly available on the Internet.

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1. **Contractor:** Accenture (and partners).

   Department or Agency: Department of Homeland Security.

   Estimated Value: $10 billion.

   Contract Description: United States Visitor and Immigrant Status Technology (US-VISIT).

   Selected Audit Report(s): Department of Homeland Security Inspector General, *Implementation of the United States Visitor and Immigrant Status Indicator Technology Program at Land Border Ports of Entry* (Feb. 2005) (OIG-05-11); Department of Homeland Security Inspector General, *US-VISIT System Security Management Needs Strengthening* (Dec. 2005) (OIG-06-16); U.S. Government Accountability Office, *Recommendations to Improve Management of Key Border Security Program Need to Be Implemented* (Feb. 2006) (GAO-06-296).

   Problem(s) with Contract: Lack of Defined Requirements; Wasteful Spending; Mismanagement.

2. **Contractor:** Aegis Defence Services Ltd.

Department or Agency: Department of Defense.

Estimated Value: $292 million.

Contract Description: Reconstruction Security Support Services (RSSS) for Reconstruction Activities Through Four Regions of Iraq.

Selected Audit Report(s): Special Inspector General for Iraq Reconstruction, *Compliance with Contract No. W911S0-04-C-003 Awarded to Aegis Defence Services Limited* (Apr. 20, 2005) (Report No. 05-005).

Problem(s) with Contract: Mismanagement.

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3. **Contractor:** Akima Site Operations, LLC.

Department or Agency: Department of Defense.

Estimated Value: $40 million.

Contract Description: Portable Classrooms for Mississippi Schools.

Selected Audit Report(s): U.S. Government Accountability Office, *Hurricane Katrina: Army Corps of Engineers Contract for Mississippi Classrooms* (May 2006) (GAO-06-454); U.S. Government Accountability Office, *Hurricanes Katrina and Rita: Contracting for Response and Recovery Efforts* (Nov. 2, 2005) (GAO-06-235T)

Problem(s) with Contract: Wasteful Spending; Lack of Competition.

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4. **Contractor:** Alutiiq Fluor Constructors, LLC.

Department or Agency: State Department.

Estimated Value: $55 million.

Contract Description: Renovation of Existing Office Buildings.

Selected Audit Report(s): U.S. Government Accountability Office, *Contract Management: Increased Use of Alaska Native Corporations' Special 8(a) Provisions Calls for Tailored Oversight* (Apr. 2006) (GAO-06-399).

Problem(s) with Contract: Wasteful Spending; Lack of Competition.

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5. **Contractor:** Alutiiq Security and Technology.

Department or Agency: Department of Defense.

Estimated Value: $480 million.

Contract Description: Security Guards for Army Installations.

Selected Audit Report(s): U.S. Government Accountability Office, *Contract Security Guards: Army's Guard Program Requires Greater Oversight and Reassessment of Acquisition Approach* (Apr. 2006) (GAO-06-284).

Problem(s) with Contract: Wasteful Spending; Mismanagement; Lack of Competition.

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6. **Contractor:** Ashbritt.

Department or Agency: Department of Defense.

Estimated Value: $500 million.

Contract Description: Debris Removal.

Selected Audit Report(s): Army Corps of Engineers and Defense Contract Audit Agency, *Audit Documents* (various).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

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7. **Contractor:** BAE Systems, Bath Iron Works, Northrop Grumman Ship Systems, Raytheon.

Department or Agency: Department of Defense.

Estimated Value: $8.1 billion.

Contract Description: DD(X) Destroyer.

Selected Audit Report(s): U.S. Government Accountability Office, *Defense Acquisitions: Assessments of Selected Major Weapon Programs* (Mar. 2006) (GAO-06-391); U.S. Government Accountability Office, *Defense Acquisitions: Assessments of Major Weapon Programs* (Mar. 2004) (GAO-04-248); U.S. Government Accountability Office, *Defense Acquisitions: Challenges Facing the DD(X) Destroyer Program* (Sept. 2004) (GAO-04-973).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

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8. **Contractor:** BearingPoint.

Department or Agency: Department of Homeland Security.

Estimated Value: $8.9 million.

Contract Description: Electronically Managing Enterprise Resources for Government Effectiveness and Efficiency (eMerge2).

Selected Audit Report(s): U.S. Government Accountability Office, *Financial Management Systems: DHS Has an Opportunity to Incorporate Best Practices in Modernization Efforts* (Mar. 29, 2006) (GAO-06-553T); House Government Reform Committee, *Testimony of Scott Charbo, Chief Information Officer, Department of Homeland Security, and Eugene Schied, Deputy Chief Financial Officer, Department of Homeland Security*, *Hearings on eMerge2* (Mar. 29, 2006).

Problem(s) with Contract: Lack of Defined Requirements; Wasteful Spending; Mismanagement.

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9. **Contractor:** Bechtel National, Inc.

Department or Agency: Department of Homeland Security.

Estimated Value: $100 million.

Contract Description: Manage Temporary Housing for Katrina Evacuees.

Selected Audit Report(s):

Department of Homeland Security Inspector General, *Management Advisory Report on the Major Technical Assistance Contracts* (Nov. 2005) (OIG-06-02).

Problem(s) with Contract: Mismanagement; Wasteful Spending.

10. **Contractor:** Bechtel National, Inc.

Department or Agency: Department of Energy.

Estimated Value: $11 billion.

Contract Description: Hanford Waste Treatment Plant.

Selected Audit Report(s): U.S. Government Accountability Office, *Hanford Waste Treatment Plant: Contractor and DOE Management Problems Have Led to Higher Costs, Construction Delays, and Safety Concerns* (Apr. 6, 2006) (GAO-06-602T); U.S. Government Accountability Office, *Department of Energy: Further Actions Are Needed to Strengthen Contract Management for Major Projects* (Mar. 2005) (GAO-05-123); U.S. General Accounting Office, *Nuclear Waste: Absence of Key Management Reforms on Hanford's Cleanup Project Adds to Challenges of Achieving Cost and Schedule Goals* (June 2004) (GAO-04-611).

Problem(s) with Contract: Mismanagement; Wasteful Spending.

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11. **Contractor:** Bell-Boeing JPO.

Department or Agency: Department of Defense.

Estimated Value: $48.9 billion.

Contract Description: V-22 Osprey.

Selected Audit Report(s): U.S. Government Accountability Office, *Defense Acquisitions: Assessments of Selected Major Weapon Programs* (Mar. 2006) (GAO-06-391); U.S. Government Accountability Office, *Defense Acquisitions: Assessments of Major Weapon Programs* (Mar. 2004) (GAO-04-248).

Problem(s) with Contract: Wasteful Spending.

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12. **Contractor:** Boeing.

Department or Agency: Department of Defense.

Estimated Value: $5.6 billion.

Contract Description: Airborne Laser (Missile Defense).

Selected Audit Report(s): U.S. Government Accountability Office, *Defense Acquisitions: Assessments of Selected Major Weapon Programs* (Mar. 2006) (GAO-06-391).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

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13. **Contractor:** Boeing.

Department or Agency: Department of Defense.

Estimated Value: $127.5 billion.

Contract Description: Future Combat Systems.

Selected Audit Report(s): U.S. Government Accountability Office, *Defense Acquisitions: Assessments of Selected Major Weapon Programs* (Mar. 2006) (GAO-06-391); U.S. Government Accountability Office, *Defense Acquisitions: Major Weapon Systems Continue to Experience Cost and Schedule Problems under DOD's Revised Policy* (Apr. 2006) (GAO-06-368); U.S. Government Accountability Office, *Defense Acquisitions: Assessments of Major Weapon Programs* (Mar. 2004)

(GAO-04-248).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

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14. **Contractor:** Boeing.

Department or Agency: Department of Defense.

Estimated Value: $29.2 billion.

Contract Description: Ground-Based Midcourse Defense (Missile Defense).

Selected Audit Report(s): U.S. Government Accountability Office, *Defense Acquisitions: Assessments of Selected Major Weapon Programs* (Mar. 2006) (GAO-06-391); U.S. Government Accountability Office, *Defense Acquisitions: Assessments of Major Weapon Programs* (Mar. 2004) (GAO-04-248).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

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15. **Contractor:** Boeing.

Department or Agency: Department of Defense.

Estimated Value: $16.2 billion.

Contract Description: Joint Tactical Radio System Cluster 1.

Selected Audit Report(s): U.S. Government Accountability Office, *Defense Acquisitions: Assessments of Selected Major Weapon Programs* (Mar. 2006) (GAO-06-391); U.S. Government Accountability Office, *Defense Acquisitions: Major Weapon Systems Continue to Experience Cost and Schedule Problems under DOD's Revised Policy* (Apr. 2006) (GAO-06-368); U.S. Government Accountability Office, *Defense Acquisitions: Assessments of Major Weapon Programs* (Mar. 2004) (GAO-04-248).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

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16. **Contractor:** Boeing.

Department or Agency: Department of Defense.

Estimated Value: $23.5 billion.

Contract Description: Boeing KC-767A Tanker Lease Program.

Selected Audit Report(s): Department of Defense Inspector General, *Management Accountability Review of the Boeing KC-767A Tanker Program* (May 13, 2005) (Report No. OIG-2004-171).

Problem(s) with Contract: Wasteful Spending; Mismanagement; Lack of Competition; Corruption.

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17. **Contractor:** Boeing Launch Services, Lockheed Martin Space Systems.

Department or Agency: Department of Defense.

Estimated Value: $28 billion.

Contract Description: Evolved Expendable Launch Vehicle-Atlas V, Delta IV.

Selected Audit Report(s): U.S. Government Accountability Office, *Defense Acquisitions: Assessments of Selected Major Weapon Programs* (Mar. 2006) (GAO-

06-391); U.S. Government Accountability Office, *Defense Acquisitions: Assessments of Major Weapon Programs* (Mar. 2004) (GAO-04-248).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

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18. **Contractor:** Boeing Service Company.

Department or Agency: Department of Homeland Security.

Estimated Value: $1.2 billion.

Contract Description: Installation and Maintenance of Baggage Screening Machines.

Selected Audit Report(s): Department of Homeland Security Inspector General, *Evaluation of TSA's Contract for the Installation and Maintenance of Explosive Detection Equipment at United States Airports* (Sept. 2004) (OIG-04-44).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

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19. **Contractor:** Boeing, Lockheed Martin.

Department or Agency: Department of Defense.

Estimated Value: $6.6 billion.

Contract Description: Navstar Global Positioning System II Modernized Space/OCS.

Selected Audit Report(s): U.S. Government Accountability Office, *Defense Acquisitions: Assessments of Selected Major Weapon Programs* (Mar. 2006) (GAO-06-391).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

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20. **Contractor:** CACI International, Inc.

Department or Agency: Department of Defense, Department of Interior.

Estimated Value: $66 million.

Contract Description: Interrogators and Translators for Abu Ghraib Prison.

Selected Audit Report(s): U.S. Government Accountability Office, *Interagency Contracting: Problems with DOD's and Interior's Orders to Support Military Operations* (Apr. 2005) (GAO-05-201).

Problem(s) with Contract: Mismanagement; Lack of Competition.

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21. **Contractor:** Carnival Cruise Lines.

Department or Agency: Department of Homeland Security.

Estimated Value: $82.7 million.

Contract Description: Cruise Ship Housing for Katrina Evacuees (Ecstasy).

Selected Audit Report(s): Naval Audit Service, *Chartered Cruise Ships* (Feb. 2006) (Audit Report N2006-0015); Department of Homeland Security Inspector General, *Management Advisory Report on the Acquisition of Cruise Ships for Hurricane Katrina Evacuees* (Feb. 2006) (Report No. GC-HQ-06-11).

Problem(s) with Contract: Wasteful Spending.

22. **Contractor:** Carnival Cruise Lines.

Department or Agency: Department of Homeland Security.

Estimated Value: $62.2 million.

Contract Description: Cruise Ship Housing for Katrina Evacuees (Holiday).

Selected Audit Report(s): Naval Audit Service, *Chartered Cruise Ships* (Feb. 2006) (Audit Report N2006-0015); Department of Homeland Security Inspector General, *Management Advisory Report on the Acquisition of Cruise Ships for Hurricane Katrina Evacuees* (Feb. 2006) (Report No. GC-HQ-06-11).

Problem(s) with Contract: Wasteful Spending.

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23. **Contractor:** Carnival Cruise Lines.

Department or Agency: Department of Homeland Security.

Estimated Value: $91.1 million.

Contract Description: Cruise Ship Housing for Katrina Evacuees (Sensation).

Selected Audit Report(s): Naval Audit Service, *Chartered Cruise Ships* (Feb. 2006) (Audit Report N2006-0015); Department of Homeland Security Inspector General, *Management Advisory Report on the Acquisition of Cruise Ships for Hurricane Katrina Evacuees* (Feb. 2006) (Report No. GC-HQ-06-11).

Problem(s) with Contract: Wasteful Spending.

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24. **Contractor:** Ceres Environmental Services.

Department or Agency: Department of Defense.

Estimated Value: $500 million.

Contract Description: Debris Removal.

Selected Audit Report(s): Army Corps of Engineers and Defense Contract Audit Agency, *Audit Documents* (various).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

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25. **Contractor:** CH2M Hill Constructors, Inc.

Department or Agency: Department of Homeland Security.

Estimated Value: $100 million.

Contract Description: Manage Temporary Housing for Katrina Evacuees.

Selected Audit Report(s): Department of Homeland Security Inspector General, *Management Advisory Report on the Major Technical Assistance Contracts* (Nov. 2005) (OIG-06-02).

Problem(s) with Contract: Mismanagement; Wasteful Spending.

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26. **Contractor:** CH2M Hill Hanford Group.

Department or Agency: Department of Energy.

Estimated Value: $40 million.

Contract Description: Transuranic Mixed Tank Waste at Hanford Site.

Selected Audit Report(s): Department of Energy Inspector General, *Management Controls over the Hanford Site Transuranic Mixed Tank Waste* (Nov. 2005) (OAS-M-06-01).

Problem(s) with Contract: Mismanagement.

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27. **Contractor:** Chenega Integrated Systems.

Department or Agency: Department of Defense.

Estimated Value: $480 million.

Contract Description: Security Guards for Army Installations.

Selected Audit Report(s): U.S. Government Accountability Office, *Contract Security Guards: Army's Guard Program Requires Greater Oversight and Reassessment of Acquisition Approach* (Apr. 2006) (GAO-06-284).

Problem(s) with Contract: Wasteful Spending; Mismanagement; Lack of Competition.

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28. **Contractor:** Clearbrook, LLC.

Department or Agency: Department of Homeland Security.

Estimated Value: $80 million.

Contract Description: Food and Lodging at Base Camps for Hurricane Katrina.

Selected Audit Report(s): Department of Homeland Security Inspector General, *Clearbrook, LLC Billing Errors Under Contract Number HSFE-06-05-F-6232* (Nov. 2005).

Problem(s) with Contract: Lack of Defined Requirements; Wasteful Spending; Mismanagement.

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29. **Contractor:** Computer Sciences Corp., Science Applications International Corp.

Department or Agency: Department of Justice, General Services Administration.

Estimated Value: $537 million.

Contract Description: Trilogy.

Selected Audit Report(s): U.S. Government Accountability Office, *Federal Bureau of Investigation: Weak Controls over Trilogy Project Led to Payment of Questionable Contractor Costs and Missing Assets* (Feb. 2006) (GAO-06-306); Department of Justice Inspector General, *The Federal Bureau of Investigation's Management of the Trilogy Information Technology Modernization Project* (Feb. 2005) (05-07).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

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30. **Contractor:** Custer Battles.

Department or Agency: Department of Defense.

Estimated Value: $24.8 million.

Contract Description: National Currency Exchange/Iraqi Banknote Exchange.

Selected Audit Report(s): Coalition Provisional Authority Inspector General, *Coalition Provisional Authority's Contracting Processes Leading Up To and Including Contract Award* (Report No. 04-013) (July 27, 2004).

Problem(s) with Contract: Lack of Defined Requirements; Wasteful Spending; Mismanagement; Corruption.

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31. **Contractor:** Environmental Chemical Corp.

Department or Agency: Department of Defense.

Estimated Value: $500 million.

Contract Description: Debris Removal.

Selected Audit Report(s): Army Corps of Engineers and Defense Contract Audit Agency, *Audit Documents* (various).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

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32. **Contractor:** Environmental Chemical Corp.

Department or Agency: Department of Defense.

Estimated Value: $29.2 million.

Contract Description: Repair and Renovate Schools, Iraqi Ministry of Environment.

Selected Audit Report(s): Coalition Provisional Authority Inspector General, *Task Orders Awarded by the Air Force Center for Environmental Excellence in Support of the Coalition Provisional Authority* (July 28, 2004) (Report No. 04-004).

Problem(s) with Contract: Mismanagement.

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33. **Contractor:** Fluor Enterprises, Inc.

Department or Agency: Department of Homeland Security.

Estimated Value: $100 million.

Contract Description: Manage Temporary Housing for Katrina Evacuees.

Selected Audit Report(s): Department of Homeland Security Inspector General, *Management Advisory Report on the Major Technical Assistance Contracts* (Nov. 2005) (OIG-06-02).

Problem(s) with Contract: Mismanagement; Wasteful Spending.

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34. **Contractor:** Fluor Fernald, Inc.

Department or Agency: Department of Energy.

Estimated Value: $4.5 billion.

Contract Description: Fernald Closure Project.

Selected Audit Report(s):

U.S. Government Accountability Office, *Department of Energy: Further Actions Are Needed to Strengthen Contract Management for Major Projects* (Mar. 2005) (GAO-05-123); Department of Energy Inspector General, *Closure of the Fernald Environmental Management Project* (June 2002) (DOE/IG-0555).

Problem(s) with Contract: Mismanagement; Wasteful Spending.

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35. **Contractor:** Fluor Hanford, Inc.

Department or Agency: Department of Energy.

Estimated Value: $1.8 billion.

Contract Description: Spent Nuclear Fuels Stabilization and Disposition at Hanford Site.

Selected Audit Report(s): U.S. Government Accountability Office, *Department of Energy: Further Actions Are Needed to Strengthen Contract Management for Major Projects* (Mar. 2005) (GAO-05-123); Department of Energy Inspector General, *Sludge Removal Operations at the Hanford Site's K Basins* (Sept. 2005) (DOE/IG-0698).

Problem(s) with Contract: Mismanagement; Wasteful Spending.

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36. **Contractor:** Fluor Intercontinental, Inc.

Department or Agency: Department of Defense.

Estimated Value: $102.5 million.

Contract Description: Repair and Restore the Iraqi Electrical Infrastructure.

Selected Audit Report(s): U.S Government Accountability Office, *Rebuilding Iraq: Fiscal Year 2003 Contract Award Procedures and Management Challenges* (June 2004) (GAO-04-605).

Problem(s) with Contract: Mismanagement; Lack of Competition.

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37. **Contractor:** General Dynamics.

Department or Agency: Department of Defense.

Estimated Value: $11.1 billion.

Contract Description: Expeditionary Fighting Vehicle.

Selected Audit Report(s): U.S. Government Accountability Office, *Defense Acquisitions: Assessments of Selected Major Weapon Programs* (Mar. 2006) (GAO-06-391); U.S. Government Accountability Office, *Defense Acquisitions: Major Weapon Systems Continue to Experience Cost and Schedule Problems under DOD's Revised Policy* (Apr. 2006) (GAO-06-368); U.S. Government Accountability Office, *Defense Acquisitions: Assessments of Major Weapon Programs* (Mar. 2004) (GAO-04-248).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

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38. **Contractor:** International American Products, Worldwide.

Department or Agency: Department of Homeland Security, Department of Defense.

Estimated Value: $100 million.

Contract Description: Emergency Ice.

Selected Audit Report(s): President's Council on Integrity and Efficiency, Executive Council on Integrity and Efficiency, *Oversight of Gulf Coast Hurricane Recovery: A*

90-Day Progress Report to Congress (Dec. 30, 2005); U.S. Government Accountability Office, *Hurricane Katrina: Better Plans and Exercises Needed to Guide the Military's Response to Catastrophic Natural Disasters* (May 2006) (GAO-06-643).

Problem(s) with Contract: Mismanagement.

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39. **Contractor:** Halliburton/KBR.

Department or Agency: Department of Defense.

Estimated Value: $1.2 billion.

Contract Description: Restore Iraqi Oil 2 - Southern Iraq.

Selected Audit Report(s): DCAA, *RIO 2 Delinquencies* (Dec. 2004); DCAA, *RIO 2 Review* (Nov. 22, 2004); Special Inspector General for Iraq Reconstruction, *Attestation Engagement Concerning the Award of Non-Competitive Contract DACA63-03-D-0005 to Kellogg, Brown, and Root Services, Inc.* (Sept. 30, 2005).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

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40. **Contractor:** Halliburton/KBR.

Department or Agency: Department of Defense.

Estimated Value: $14.8 billion.

Contract Description: Iraq Work Under Logistics Civil Augmentation Program (LOGCAP).

Selected Audit Report(s): U.S. Government Accountability Office, *Military Operations: DOD's Extensive Use of Logistics Support Contracts Requires Strengthened Oversight* (July 2004) (GAO-04-854); Army Audit Agency, *Logistics Civil Augmentation Program in Kuwait: U.S. Army Field Support Command* (Nov. 24, 2004) (Audit Report A-2005-0043-ALE); U.S Government Accountability Office, *Rebuilding Iraq: Fiscal Year 2003 Contract Award Procedures and Management Challenges* (June 2004) (GAO-04-605).

Problem(s) with Contract: Wasteful Spending; Mismanagement; Lack of Competition.

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41. **Contractor:** Halliburton/KBR.

Department or Agency: Department of Defense.

Estimated Value: $2.4 billion.

Contract Description: Restore Iraqi Oil.

Selected Audit Report(s): DCAA, *Report on Audit of Proposal for Restore Iraqi Oil Task Order No. 6* (Audit Report No. 3311-2004K21000028) (Sept. 16, 2004); DCAA, *Report on Audit of the Additional Funding Proposal for RIO I Task Order No. 04* (Audit Report No. 3311-2004K17900086) (Sept. 3, 2004); U.S Government Accountability Office, *Rebuilding Iraq: Fiscal Year 2003 Contract Award Procedures and Management Challenges* (June 2004) (GAO-04-605).

Problem(s) with Contract: Wasteful Spending; Mismanagement; Lack of Competition.

42. **Contractor:** L-3 Communications.

Department or Agency: Department of Homeland Security.

Estimated Value: $429 million.

Contract Description: Integrated Surveillance Intelligence System (ISIS).

Selected Audit Report(s): Department of Homeland Security Inspector General, *A Review of Remote Surveillance Technology Along U.S. Land Borders* (Dec. 2005) (OIG-06-15); U.S. Government Accountability Office, *Border Security: Key Unresolved Issues Justify Reevaluation of Border Surveillance Technology Program* (Feb. 2006) (GAO-06-295).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

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43. **Contractor:** L-3 Communications.

Department or Agency: Department of Defense.

Estimated Value: $49 million.

Contract Description: Army Data Link System.

Selected Audit Report(s): U.S. Government Accountability Office, *DOD Contract Payments: Management Action Needed to Reduce Billions in Adjustments to Contract Payment Records* (Aug. 2003) (GAO-03-727).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

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44. **Contractor:** Landstar Express America Inc.

Department or Agency: Department of Transportation.

Estimated Value: $136.9 million.

Contract Description: Bus Transportation Services.

Selected Audit Report(s): President's Council on Integrity and Efficiency, Executive Council on Integrity and Efficiency, *Oversight of Gulf Coast Hurricane Recovery: A 90-Day Progress Report to Congress* (Dec. 30, 2005); Department of Transportation Inspector General, *Internal Controls Over The Emergency Disaster Relief Transportation Services Contract* (Jan. 20, 2006).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

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45. **Contractor:** Lipsey Mountain Spring Water Co.

Department or Agency: Department of Homeland Security, Department of Defense.

Estimated Value: $74.5 million.

Contract Description: Emergency Water.

Selected Audit Report(s): President's Council on Integrity and Efficiency, Executive Council on Integrity and Efficiency, *Oversight of Gulf Coast Hurricane Recovery: A 90-Day Progress Report to Congress* (Dec. 30, 2005); U.S. Government Accountability Office, *Hurricane Katrina: Better Plans and Exercises Needed to Guide the Military's Response to Catastrophic Natural Disasters* (May 2006) (GAO-06-643).

Problem(s) with Contract: Mismanagement.

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46. **Contractor:** Lockheed Martin.

Department or Agency: Department of Defense.

Estimated Value: $4 billion.

Contract Description: Aerial Common Sensor.

Selected Audit Report(s): U.S. Government Accountability Office, *Defense Acquisitions: Assessments of Selected Major Weapon Programs* (Mar. 2006) (GAO-06-391); U.S. Government Accountability Office, *Defense Acquisitions: Major Weapon Systems Continue to Experience Cost and Schedule Problems under DOD's Revised Policy* (Apr. 2006) (GAO-06-368).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

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47. **Contractor:** Lockheed Martin.

Department or Agency: Department of Defense.

Estimated Value: $861 million.

Contract Description: C-5 Avionics Modernization Program (C-5 AMP).

Selected Audit Report(s): U.S. Government Accountability Office, *Defense Acquisitions: Assessments of Selected Major Weapon Programs* (Mar. 2006) (GAO-06-391); U.S. Government Accountability Office, *Defense Acquisitions: Assessments of Major Weapon Programs* (Mar. 2004) (GAO-04-248).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

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48. **Contractor:** Lockheed Martin.

Department or Agency: Department of Defense.

Estimated Value: $6.2 billion.

Contract Description: Advanced Extremely High Frequency (AEHF) Satellite.

Selected Audit Report(s): U.S. Government Accountability Office, *Defense Acquisitions: Assessments of Selected Major Weapon Programs* (Mar. 2006) (GAO-06-391); U.S. Government Accountability Office, *Defense Acquisitions: Assessments of Major Weapon Programs* (Mar. 2004) (GAO-04-248).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

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49. **Contractor:** Lockheed Martin.

Department or Agency: Department of Defense.

Estimated Value: $9.5 billion.

Contract Description: C-5 Reliability Enhancement and Reengining Program.

Selected Audit Report(s): U.S. Government Accountability Office, *Defense Acquisitions: Assessments of Selected Major Weapon Programs* (Mar. 2006) (GAO-06-391); U.S. Government Accountability Office, *Defense Acquisitions: Assessments of Major Weapon Programs* (Mar. 2004) (GAO-04-248).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

50. **Contractor:** Lockheed Martin.

Department or Agency: Department of Defense.

Estimated Value: $65.4 billion.

Contract Description: F-22A Raptor.

Selected Audit Report(s): U.S. Government Accountability Office, *Defense Acquisitions: Assessments of Selected Major Weapon Programs* (Mar. 2006) (GAO-06-391); U.S. Government Accountability Office, *Defense Acquisitions: Assessments of Major Weapon Programs* (Mar. 2004) (GAO-04-248).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

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51. **Contractor:** Lockheed Martin.

Department or Agency: Department of Defense.

Estimated Value: $206.3 billion.

Contract Description: Joint Strike Fighter.

Selected Audit Report(s): U.S. Government Accountability Office, *Defense Acquisitions: Assessments of Selected Major Weapon Programs* (Mar. 2006) (GAO-06-391); U.S. Government Accountability Office, *Defense Acquisitions: Major Weapon Systems Continue to Experience Cost and Schedule Problems under DOD's Revised Policy* (Apr. 2006) (GAO-06-368); U.S. Government Accountability Office, *Defense Acquisitions: Assessments of Major Weapon Programs* (Mar. 2004) (GAO-04-248).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

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52. **Contractor:** Lockheed Martin.

Department or Agency: Department of Defense.

Estimated Value: $10.2 billion.

Contract Description: Space Based Infrared System High.

Selected Audit Report(s): U.S. Government Accountability Office, *Defense Acquisitions: Assessments of Selected Major Weapon Programs* (Mar. 2006) (GAO-06-391); U.S. Government Accountability Office, *Defense Acquisitions: Assessments of Major Weapon Programs* (Mar. 2004) (GAO-04-248).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

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53. **Contractor:** Lockheed Martin.

Department or Agency: Department of Defense.

Estimated Value: $2.6 billion.

Contract Description: C-130J Aircraft.

Selected Audit Report(s): Department of Defense Inspector General, *Acquisition – Contracting for and Performance of the C-130J Aircraft* (July 23, 2004) (D-2004-102).

Problem(s) with Contract: Wasteful Spending; Mismanagement; Lack of Competition.

54. **Contractor:** Lockheed Martin.

Department or Agency: Department of Justice.

Estimated Value: $305 million.

Contract Description: Sentinel.

Selected Audit Report(s): U.S. Government Accountability Office, *Information Technology: FBI is Building Management Capabilities Essential to Successful System Deployments, but Challenges Remain* (Sept. 14, 2005) (GAO-05-1014T); Department of Justice Inspector General, *The Federal Bureau of Investigation's Pre-Acquisition Planning for and Controls Over the Sentinel Case Management System* (Mar. 2006) (06-14).

Problem(s) with Contract: Mismanagement.

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55. **Contractor:** Lockheed Martin Integrated Systems.

Department or Agency: Department of Defense.

Estimated Value: $359 million.

Contract Description: F-6 Mission Training Center Simulator Services.

Selected Audit Report(s): Department of Defense Inspector General, *Acquisition: Procurement Procedures Used for F-16 Mission Training Center Simulator Services* (Mar. 24, 2006).

Problem(s) with Contract: Wasteful Spending; Mismanagement; Lack of Competition.

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56. **Contractor:** Lockheed Martin Northrop Grumman Joint Venture.

Department or Agency: Department of Homeland Security.

Estimated Value: $17 billion.

Contract Description: Deepwater.

Selected Audit Report(s): U.S. Government Accountability Office, *Department of Homeland Security: Financial Management Challenges* (Jul. 8, 2004) (GAO-04-945T).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

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57. **Contractor:** Lockheed Martin Vought Systems Corporation.

Department or Agency: Department of Defense.

Estimated Value: $565 million.

Contract Description: Army Tactical Missile System.

Selected Audit Report(s): U.S. Government Accountability Office, *DOD Contract Payments: Management Action Needed to Reduce Billions in Adjustments to Contract Payment Records* (Aug. 2003) (GAO-03-727).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

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58. **Contractor:** Lockheed Martin, Raytheon.

Department or Agency: Department of Defense.

Estimated Value: $8.5 billion.

Contract Description: Aegis Ballistic Missile Defense (Aegis BMD).

Selected Audit Report(s): U.S. Government Accountability Office, *Defense Acquisitions: Assessments of Selected Major Weapon Programs* (Mar. 2006) (GAO-06-391); U.S. Government Accountability Office, *Defense Acquisitions: Assessments of Major Weapon Programs* (Mar. 2004) (GAO-04-248).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

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59. **Contractor:** Meganet.

Department or Agency: Department of Labor.

Estimated Value: $3.8 million.

Contract Description: Encryption Software and Services.

Selected Audit Report(s): Department of Labor Inspector General, *Award and Management of Contracts for Encryption Software Were Significantly Flawed* (Mar. 31, 2005) (Report No. 05-05-005-07-720).

Problem(s) with Contract: Wasteful Spending; Mismanagement; Lack of Competition.

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60. **Contractor:** Multiple Contractors.

Department or Agency: Department of Homeland Security.

Estimated Value: $915 million.

Contract Description: Manufactured/Modular Homes for Katrina and Rita Evacuees.

Selected Audit Report(s): Department of Homeland Security Inspector General, *Mobile Homes and Modular Homes at Hope and Red River* (Feb. 2006) (Report No. GC-HQ-06-12); Department of Homeland Security Inspector General, *Oversight of Gulf Coast Hurricane Recovery, A Semiannual Report to Congress* (Apr. 30, 2006); Senate Committee on Homeland Security and Governmental Affairs, *Testimony of Department of Homeland Security Inspector General Richard L. Skinner* (Feb. 13, 2006).

Problem(s) with Contract: Lack of Defined Requirements; Wasteful Spending; Mismanagement.

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61. **Contractor:** Multiple Contractors.

Department or Agency: Department of Homeland Security.

Estimated Value: $1.7 billion.

Contract Description: Travel Trailers for Katrina Evacuees.

Selected Audit Report(s): Department of Homeland Security Inspector General, *Oversight of Gulf Coast Hurricane Recovery, A Semiannual Report to Congress* (Apr. 30, 2006); Senate Committee on Homeland Security and Governmental Affairs, *Testimony of Department of Homeland Security Inspector General Richard L. Skinner* (Feb. 13, 2006).

Problem(s) with Contract: Wasteful Spending; Mismanagement; Lack of Competition.

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62. **Contractor:** NCS Pearson, Inc.

Department or Agency: Department of Homeland Security.

Estimated Value: $741 million.

Contract Description: Test and Hire Passenger Screeners for Airports.

Selected Audit Report(s): Department of Homeland Security Inspector General, *Review of the Transportation Security Administration's Management Controls Over the Screener Recruitment Program* (Dec. 2005) (OIG-06-18).

Problem(s) with Contract: Lack of Defined Requirements; Wasteful Spending; Mismanagement.

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63. **Contractor:** Northrop Grumman.

Department or Agency: Department of Defense.

Estimated Value: $30 billion.

Contract Description: Future Aircraft Carrier CVN-21.

Selected Audit Report(s): U.S. Government Accountability Office, *Defense Acquisitions: Assessments of Selected Major Weapon Programs* (Mar. 2006) (GAO-06-391).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

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64. **Contractor:** Northrop Grumman.

Department or Agency: Department of Defense.

Estimated Value: $6.4 billion.

Contract Description: Global Hawk Unmanned Aircraft System.

Selected Audit Report(s): U.S. Government Accountability Office, *Defense Acquisitions: Assessments of Selected Major Weapon Programs* (Mar. 2006) (GAO-06-391); U.S. Government Accountability Office, *Defense Acquisitions: Major Weapon Systems Continue to Experience Cost and Schedule Problems under DOD's Revised Policy* (Apr. 2006) (GAO-06-368); U.S. Government Accountability Office, *Defense Acquisitions: Assessments of Major Weapon Programs* (Mar. 2004) (GAO-04-248).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

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65. **Contractor:** Northrop Grumman.

Department or Agency: Department of Defense.

Estimated Value: $4.6 billion.

Contract Description: Space Tracking and Surveillance System.

Selected Audit Report(s): U.S. Government Accountability Office, *Defense Acquisitions: Assessments of Selected Major Weapon Programs* (Mar. 2006) (GAO-06-391); U.S. Government Accountability Office, *Defense Acquisitions:*

Assessments of Major Weapon Programs (Mar. 2004) (GAO-04-248).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

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66. **Contractor:** Northrop Grumman.

Department or Agency: Department of Defense, National Aeronautics and Space Administration, National Oceanic and Atmospheric Administration.

Estimated Value: $8 billion.

Contract Description: National Polar-Orbiting Operational Environmental Satellite System (NPOESS).

Selected Audit Report(s): U.S. Government Accountability Office, *Defense Acquisitions: Assessments of Selected Major Weapon Programs* (Mar. 2006) (GAO-06-391); U.S. Government Accountability Office, *Defense Acquisitions: Assessments of Major Weapon Programs* (Mar. 2004) (GAO-04-248).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

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67. **Contractor:** Parsons Delaware Inc.

Department or Agency: Department of Defense.

Estimated Value: $500 million.

Contract Description: Build and Renovate Hospitals, Clinics, and Housing.

Selected Audit Report(s): Special Inspector General for Iraq Reconstruction, *Management of the Primary Healthcare Centers Construction Projects* (Apr. 29, 2006) (Report No. SIGIR-06-011); DCAA, *Report on Audit of Proposal for Al Alwaiya Children's Hospital, No. 02132-2004N27000007* (Oct. 19, 2004); DCAA, *Report on Application of Agreed-Upon Procedures of Proposal for Programmaric Support Services, No. 2131-2005N28000003* (Dec. 21, 2004); DCAA, *Report on Agreed-Upon Procedures for Subcontract Proposal for Renovation and Modernization of Al Ramadi Gynecology, Obstetrics and Children's Hospital, No. 2131-2005N28000012* (Dec. 21, 2004).

Problem(s) with Contract: Wasteful Spending; Mismanagement; Lack of Competition.

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68. **Contractor:** Parsons Iraq Joint Venture.

Department or Agency: Department of Defense.

Estimated Value: $800 million.

Contract Description: Restore Iraqi Oil 2 - Nothern Iraq.

Selected Audit Report(s): DCAA, *Report on Audit of Contractor's Billing System Internal Controls, No. 3521-2004V11010001* (Mar. 31, 2005).

Problem(s) with Contract: Wasteful Spending.

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69. **Contractor:** Perini Corporation.

Department or Agency: Department of Defense.

Estimated Value: $66.6 million.

Contract Description: Repair and Restore the Iraqi Electrical Infrastructure.

Selected Audit Report(s): U.S Government Accountability Office, *Rebuilding Iraq: Fiscal Year 2003 Contract Award Procedures and Management Challenges* (June 2004) (GAO-04-605).

Problem(s) with Contract: Mismanagement; Lack of Competition.

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70. **Contractor:** Phillips and Jordan.

Department or Agency: Department of Defense.

Estimated Value: $500 million.

Contract Description: Debris Removal.

Selected Audit Report(s): Army Corps of Engineers and Defense Contract Audit Agency, *Audit Documents* (various).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

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71. **Contractor:** Russian and Eastern European Partnership, Inc. d/b/a Operational Support Services.

Department or Agency: Department of Defense.

Estimated Value: $10.7 million.

Contract Description: Bilingual-Bicultural Advisor.

Selected Audit Report(s): U.S. Government Accountability Office, *WorldWide Language Resources, Inc.; SOS International Ltd.* (Nov. 14, 2005) (B-296984).

Problem(s) with Contract: Mismanagement; Lack of Competition.

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72. **Contractor:** Russian and Eastern European Partnership, Inc. d/b/a Operational Support Services.

Department or Agency: Department of Defense.

Estimated Value: $35.5 million.

Contract Description: Bilingual-Bicultural Advisor.

Selected Audit Report(s): U.S. Government Accountability Office, *WorldWide Language Resources, Inc.; SOS International Ltd.* (Nov. 14, 2005) (B-296984).

Problem(s) with Contract: Mismanagement; Lack of Competition.

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73. **Contractor:** Science Applications International Corp.

Department or Agency: Department of Defense.

Estimated Value: $82.4 million.

Contract Description: Establish an Iraqi Media Capability, Including Print, Television, and Radio.

Selected Audit Report(s): U.S Government Accountability Office, *Rebuilding Iraq: Fiscal Year 2003 Contract Award Procedures and Management Challenges* (June 2004) (GAO-04-605).

Problem(s) with Contract: Mismanagement.

74. **Contractor:** Science Applications International Corp.

Department or Agency: Department of Defense.

Estimated Value: $24.8 million.

Contract Description: Recruit and Provide Logistical Support for Subject Matter Experts to Assist the Iraqi Reconstruction and Development Council.

Selected Audit Report(s): U.S Government Accountability Office, *Rebuilding Iraq: Fiscal Year 2003 Contract Award Procedures and Management Challenges* (June 2004) (GAO-04-605).

Problem(s) with Contract: Mismanagement.

75. **Contractor:** Scotia Prince Cruise Line.

Department or Agency: Department of Homeland Security.

Estimated Value: $13 million.

Contract Description: Cruise Ship Housing for Katrina Evacuees.

Selected Audit Report(s): Naval Audit Service, *Chartered Cruise Ships* (Feb. 2006) (Audit Report N2006-0015); Department of Homeland Security Inspector General, *Management Advisory Report on the Acquisition of Cruise Ships for Hurricane Katrina Evacuees* (Feb. 2006) (Report No. GC-HQ-06-11).

Problem(s) with Contract: Wasteful Spending.

76. **Contractor:** Shaw Environmental, Inc.

Department or Agency: Department of Homeland Security.

Estimated Value: $100 million.

Contract Description: Manage Temporary Housing for Katrina Evacuees.

Selected Audit Report(s): Department of Homeland Security Inspector General, *Management Advisory Report on the Major Technical Assistance Contracts* (Nov. 2005) (OIG-06-02).

Problem(s) with Contract: Mismanagement; Wasteful Spending.

77. **Contractor:** Systems Research and Application Corp., Northrop Grumman.

Department or Agency: State Department.

Estimated Value: $82 million.

Contract Description: GSA-FEDSIM Millenia Contract.

Selected Audit Report(s): Department of State Inspector General, *Independent Accountant's Report on the Application of Agreed-Upon Procedures Relating to Bureau of Information Resource Management Enterprise Network Management Office GSA-FEDSIM Millenia Contract Task Order GS-T004AJM049* (Mar. 2006) (Report No. AUD/PP-06-08).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

78. **Contractor:** Systems and Electronics, Inc.

Department or Agency: Department of Defense.

Estimated Value: $158 million.

Contract Description: 60K Tunner Cargo Loader Logistics Support.

Selected Audit Report(s): Department of Defense Inspector General, *Acquisition: Air Force Procurement of 60K Tunner Cargo Loader Contractor Logistics Support* (Mar. 3, 2006).

Problem(s) with Contract: Wasteful Spending; Mismanagement; Lack of Competition.

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79. **Contractor:** Tetra Tech FW, Inc.

Department or Agency: Department of Defense.

Estimated Value: $5.5 million.

Contract Description: Renovate Iraqi Ministry of Trade Building.

Selected Audit Report(s): Coalition Provisional Authority Inspector General, *Task Orders Awarded by the Air Force Center for Environmental Excellence in Support of the Coalition Provisional Authority* (July 28, 2004) (Report No. 04-004).

Problem(s) with Contract: Mismanagement.

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80. **Contractor:** TKC Communications, LLC.

Department or Agency: Department of Defense.

Estimated Value: $100 million.

Contract Description: Leasing and Management of Commercial Property and Construction Oversight.

Selected Audit Report(s): U.S. Government Accountability Office, *Contract Management: Increased Use of Alaska Native Corporations' Special 8(a) Provisions Calls for Tailored Oversight* (Apr. 2006) (GAO-06-399).

Problem(s) with Contract: Wasteful Spending; Lack of Competition.

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81. **Contractor:** Toltest.

Department or Agency: Department of Defense.

Estimated Value: $7.6 million.

Contract Description: Pump Stations at Karbala and Mandilee.

Selected Audit Report(s): Coalition Provisional Authority Inspector General, *Task Orders Awarded by the Air Force Center for Environmental Excellence in Support of the Coalition Provisional Authority* (July 28, 2004) (Report No. 04-004).

Problem(s) with Contract: Mismanagement.

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82. **Contractor:** Unisys.

Department or Agency: Department of Homeland Security.

Estimated Value: $1 billion.

Contract Description: Airport Telecommunications.

Selected Audit Report(s): Department of Homeland Security Inspector General, *Transportation Security Administration's Information Technology Managed Services Contract* (Feb. 2006) (OIG-06-23).

Problem(s) with Contract: Lack of Defined Requirements; Wasteful Spending; Mismanagement.

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83. **Contractor:** Washington Group International.

Department or Agency: Department of Defense.

Estimated Value: $218.3 million.

Contract Description: Restore Iraqi Electricity.

Selected Audit Report(s): U.S Government Accountability Office, *Rebuilding Iraq: Fiscal Year 2003 Contract Award Procedures and Management Challenges* (June 2004) (GAO-04-605); DCAA, *Report on Audit of Reconstruction of Iraqi Electrical, No. 4261-2004W21000001* (Dec. 12, 2003).

Problem(s) with Contract: Wasteful Spending.

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84. **Contractor:** Westinghouse Savannah River, Bechtel Savannah River.

Department or Agency: Department of Energy.

Estimated Value: $500 million.

Contract Description: Tritium Extraction Facility at Savannah River Site.

Selected Audit Report(s): U.S. Government Accountability Office, *Department of Energy: Further Actions Are Needed to Strengthen Contract Management for Major Projects* (Mar. 2005) (GAO-05-123).

Problem(s) with Contract: Mismanagement; Wasteful Spending.

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85. **Contractor:** Not Released.

Department or Agency: Department of Defense.

Estimated Value: $663 thousand.

Contract Description: Al Hillah General Hospital.

Selected Audit Report(s): Special Inspector General for Iraq Reconstruction, *Management of Rapid Regional Response Program Contracts in South-Central Iraq* (Jan. 23, 2006) (Report No. SIGIR-05-023).

Problem(s) with Contract: Mismanagement.

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86. **Contractor:** Not Released.

Department or Agency: Department of Defense.

Estimated Value: $108 thousand.

Contract Description: Al Hillah Olympic Swimming Pool Pumps.

Selected Audit Report(s): Special Inspector General for Iraq Reconstruction, *Management of Rapid Regional Response Program Contracts in South-Central*

Iraq (Jan. 23, 2006) (Report No. SIGIR-05-023).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

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87. **Contractor:** Not Released.

Department or Agency: Department of Defense.

Estimated Value: $28 thousand.

Contract Description: Building Improvements for the Meshkahab Council Building.

Selected Audit Report(s): Special Inspector General for Iraq Reconstruction, *Management of Rapid Regional Response Program Contracts in South-Central Iraq* (Jan. 23, 2006) (Report No. SIGIR-05-023).

Problem(s) with Contract: Mismanagement; Wasteful Spending.

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88. **Contractor:** Not Released.

Department or Agency: Department of Defense.

Estimated Value: $86 thousand.

Contract Description: Renovation of the Tribal Democracy Center in Karbala.

Selected Audit Report(s): Special Inspector General for Iraq Reconstruction, *Management of Rapid Regional Response Program Contracts in South-Central Iraq* (Jan. 23, 2006) (Report No. SIGIR-05-023).

Problem(s) with Contract: Mismanagement; Wasteful Spending.

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89. **Contractor:** Not Released.

Department or Agency: Department of Defense.

Estimated Value: $47 thousand.

Contract Description: Upgrade the Police Department Facilities in Hillah.

Selected Audit Report(s): Special Inspector General for Iraq Reconstruction, *Management of Rapid Regional Response Program Contracts in South-Central Iraq* (Jan. 23, 2006) (Report No. SIGIR-05-023).

Problem(s) with Contract: Mismanagement; Wasteful Spending.

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90. **Contractor:** Not Released.

Department or Agency: Department of Defense.

Estimated Value: $32 thousand.

Contract Description: Upgrades and Repairs at the Al Mahawel Fire Department.

Selected Audit Report(s): Special Inspector General for Iraq Reconstruction, *Management of Rapid Regional Response Program Contracts in South-Central Iraq* (Jan. 23, 2006) (Report No. SIGIR-05-023).

Problem(s) with Contract: Mismanagement; Wasteful Spending.

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91. **Contractor:** Not Released.

Department or Agency: Department of Defense.

Estimated Value: $420 thousand.

Contract Description: Two Armored Vehicles.

Selected Audit Report(s): Special Inspector General for Iraq Reconstruction, *Management of Rapid Regional Response Program Contracts in South-Central Iraq* (Jan. 23, 2006) (Report No. SIGIR-05-023).

Problem(s) with Contract: Mismanagement; Wasteful Spending.

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92. **Contractor:** Not Released.

Department or Agency: Department of Defense.

Estimated Value: $99 thousand.

Contract Description: Site Preparation for Water Treatment Compacting Unit.

Selected Audit Report(s): Special Inspector General for Iraq Reconstruction, *Management of Rapid Regional Response Program Contracts in South-Central Iraq* (Jan. 23, 2006) (Report No. SIGIR-05-023).

Problem(s) with Contract: Mismanagement; Wasteful Spending.

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93. **Contractor:** Not Released.

Department or Agency: Department of Defense.

Estimated Value: $41 thousand.

Contract Description: Rebuild Al Nasser School.

Selected Audit Report(s): Special Inspector General for Iraq Reconstruction, *Management of Rapid Regional Response Program Contracts in South-Central Iraq* (Jan. 23, 2006) (Report No. SIGIR-05-023).

Problem(s) with Contract: Mismanagement; Wasteful Spending.

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94. **Contractor:** Not Released.

Department or Agency: Department of Defense.

Estimated Value: $120 thousand.

Contract Description: Convoy Security Force.

Selected Audit Report(s): Special Inspector General for Iraq Reconstruction, *Management of Rapid Regional Response Program Contracts in South-Central Iraq* (Jan. 23, 2006) (Report No. SIGIR-05-023).

Problem(s) with Contract: Mismanagement; Wasteful Spending.

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95. **Contractor:** Not Released.

Department or Agency: Department of Defense.

Estimated Value: $14 thousand.

Contract Description: Oversight in Original Contract Specifications.

Selected Audit Report(s): Special Inspector General for Iraq Reconstruction, *Management of Rapid Regional Response Program Contracts in South-Central Iraq* (Jan. 23, 2006) (Report No. SIGIR-05-023).

Problem(s) with Contract: Mismanagement; Wasteful Spending.

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96. **Contractor:** Not Released.

Department or Agency: Department of Defense.

Estimated Value: $128 thousand.

Contract Description: Road Paving in Grait Kabaza in Kharat.

Selected Audit Report(s): Special Inspector General for Iraq Reconstruction, *Management of Rapid Regional Response Program Contracts in South-Central Iraq* (Jan. 23, 2006) (Report No. SIGIR-05-023).

Problem(s) with Contract: Mismanagement; Wasteful Spending.

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97. **Contractor:** Not Released.

Department or Agency: Department of Defense.

Estimated Value: Not Provided.

Contract Description: Extended Cab Pickup Trucks for Border Police.

Selected Audit Report(s): Special Inspector General for Iraq Reconstruction, *Coalition Provisional Authority's Contracting Processes Leading Up to and Including Contract Award* (July 27, 2004) (Report No. 04-013).

Problem(s) with Contract: Mismanagement; Lack of Competition.

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98. **Contractor:** Not Released.

Department or Agency: Department of Defense.

Estimated Value: $188 thousand.

Contract Description: Double Cab Trucks for Maysan Police.

Selected Audit Report(s): Special Inspector General for Iraq Reconstruction, *Coalition Provisional Authority's Contracting Processes Leading Up to and Including Contract Award* (July 27, 2004) (Report No. 04-013).

Problem(s) with Contract: Mismanagement.

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99. **Contractor:** Not Released.

Department or Agency: Department of Defense.

Estimated Value: $561 thousand.

Contract Description: DABV01-03-M-0003.

Selected Audit Report(s): Special Inspector General for Iraq Reconstruction, *Iraqi Armed Forces Seized Assets Fund: Review of Contracts and Financial Documents* (Apr. 28, 2006) (Report No. SIGIR-06-015); Special Inspector General for Iraq Reconstruction, *Review of the Multi-National Security Transition Command-Iraq Reconciliation of the Iraq Armed Forces Seized Assets Fund* (Apr. 28, 2006) (Report No. SIGIR-06-010).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

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100. **Contractor:** Not Released.

Department or Agency: Department of Defense.

Estimated Value: $581 thousand.

Contract Description: APFCRP40420001.

Selected Audit Report(s): Special Inspector General for Iraq Reconstruction, *Iraqi Armed Forces Seized Assets Fund: Review of Contracts and Financial Documents* (Apr. 28, 2006) (Report No. SIGIR-06-015).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

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101. Contractor: Not Released.

Department or Agency: Department of Defense.

Estimated Value: $6.2 million.

Contract Description: DABV01-03-M-0034.

Selected Audit Report(s): Special Inspector General for Iraq Reconstruction, *Iraqi Armed Forces Seized Assets Fund: Review of Contracts and Financial Documents* (Apr. 28, 2006) (Report No. SIGIR-06-015); Special Inspector General for Iraq Reconstruction, *Review of the Multi-National Security Transition Command-Iraq Reconciliation of the Iraq Armed Forces Seized Assets Fund* (Apr. 28, 2006) (Report No. SIGIR-06-010).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

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102. Contractor: Not Released.

Department or Agency: Department of Defense.

Estimated Value: $4.8 million.

Contract Description: DABV01-04-C3075.

Selected Audit Report(s): Special Inspector General for Iraq Reconstruction, *Iraqi Armed Forces Seized Assets Fund: Review of Contracts and Financial Documents* (Apr. 28, 2006) (Report No. SIGIR-06-015); Special Inspector General for Iraq Reconstruction, *Review of the Multi-National Security Transition Command-Iraq Reconciliation of the Iraq Armed Forces Seized Assets Fund* (Apr. 28, 2006) (Report No. SIGIR-06-010).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

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103. Contractor: Not Released.

Department or Agency: Department of Defense.

Estimated Value: $9 million.

Contract Description: DABV01-03-C-0034.

Selected Audit Report(s): Special Inspector General for Iraq Reconstruction, *Review of the Multi-National Security Transition Command-Iraq Reconciliation of the Iraq Armed Forces Seized Assets Fund* (Apr. 28, 2006) (Report No. SIGIR-06-010).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

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104. Contractor: Not Released.

Department or Agency: Department of Defense.

Estimated Value: $1 million.

Contract Description: DABV01-03-D0002.

Selected Audit Report(s): Special Inspector General for Iraq Reconstruction, *Review of the Multi-National Security Transition Command-Iraq Reconciliation of the Iraq Armed Forces Seized Assets Fund* (Apr. 28, 2006) (Report No. SIGIR-06-010).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

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105. Contractor: Not Released.

Department or Agency: Department of Defense.

Estimated Value: $2.4 million.

Contract Description: DABV01-04-D-0001.

Selected Audit Report(s): Special Inspector General for Iraq Reconstruction, *Review of the Multi-National Security Transition Command-Iraq Reconciliation of the Iraq Armed Forces Seized Assets Fund* (Apr. 28, 2006) (Report No. SIGIR-06-010).

Problem(s) with Contract: Wasteful Spending; Mismanagement.

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106. Contractor: Not Released.

Department or Agency: Department of Defense.

Estimated Value: $5.7 million.

Contract Description: Renovate Police Academy.

Selected Audit Report(s): Coalition Provisional Authority Inspector General, *Task Orders Awarded by the Air Force Center for Environmental Excellence in Support of the Coalition Provisional Authority* (July 28, 2004) (Report No. 04-004).

Problem(s) with Contract: Mismanagement.

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107. Contractor: Not Released.

Department or Agency: Department of Defense.

Estimated Value: $12 million.

Contract Description: Renovate Baghdad Airport.

Selected Audit Report(s): Coalition Provisional Authority Inspector General, *Task Orders Awarded by the Air Force Center for Environmental Excellence in Support of the Coalition Provisional Authority* (July 28, 2004) (Report No. 04-004).

Problem(s) with Contract: Mismanagement.

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108. Contractor: Not Released.

Department or Agency: Department of Defense.

Estimated Value: $4.5 million.

Contract Description: Renovate Logistics/Police Academy at Erbil and Zahko.

Selected Audit Report(s): Coalition Provisional Authority Inspector General, *Task Orders Awarded by the Air Force Center for Environmental Excellence in Support* *of the Coalition Provisional Authority* (July 28, 2004) (Report No. 04-004).

Problem(s) with Contract: Mismanagement.

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109. **Contractor:** Not Released.

Department or Agency: Department of Defense.

Estimated Value: $25.8 million.

Contract Description: Construct Bridges at Al Madeen, al Sharquat, and Burbriz.

Selected Audit Report(s): Coalition Provisional Authority Inspector General, *Task Orders Awarded by the Air Force Center for Environmental Excellence in Support of the Coalition Provisional Authority* (July 28, 2004) (Report No. 04-004).

Problem(s) with Contract: Mismanagement.

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110. **Contractor:** Not Released.

Department or Agency: Department of Defense.

Estimated Value: $131 thousand.

Contract Description: Jasrah Pedestrian Bridge.

Selected Audit Report(s): Special Inspector General for Iraq Reconstruction, *Management of Rapid Regional Response Program Contracts in South-Central Iraq* (Jan. 23, 2006) (Report No. SIGIR-05-023).

Problem(s) with Contract: Mismanagement; Wasteful Spending.

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111. **Contractor:** Not Released.

Department or Agency: Department of Defense.

Estimated Value: $125.4 million.

Contract Description: Erbil Water Treatment Plant.

Selected Audit Report(s): Special Inspector General for Iraq Reconstruction, *Controls Over Equipment Acquired by Security Contractors* (Sept. 9, 2005) (Report No. SIGIR-O5-013).

Problem(s) with Contract: Mismanagement.

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112. **Contractor:** Not Released.

Department or Agency: Department of Defense.

Estimated Value: $3.6 million.

Contract Description: Security for Governorate and Regional Teams.

Selected Audit Report(s): Special Inspector General for Iraq Reconstruction, *Controls Over Equipment Acquired by Security Contractors* (Sept. 9, 2005) (Report No. SIGIR-O5-013).

Problem(s) with Contract: Mismanagement.

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113. **Contractor:** Not Released.

Department or Agency: Department of Defense.

Estimated Value: $3.6 million.

Contract Description: Personal Security Detail for Senior Adviser to the Minister of Interior.

Selected Audit Report(s): Special Inspector General for Iraq Reconstruction, *Controls Over Equipment Acquired by Security Contractors* (Sept. 9, 2005) (Report No. SIGIR-O5-013).

Problem(s) with Contract: Mismanagement.

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114. Contractor: Not Released.

Department or Agency: Department of Defense.

Estimated Value: $172.4 million.

Contract Description: Nasiriyah Water Construction Project.

Selected Audit Report(s): Special Inspector General for Iraq Reconstruction, *Controls Over Equipment Acquired by Security Contractors* (Sept. 9, 2005) (Report No. SIGIR-O5-013).

Problem(s) with Contract: Mismanagement.

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115. Contractor: Not Released.

Department or Agency: Department of Defense.

Estimated Value: $69 million.

Contract Description: Construct Sixty Primary Health Centers in Southern Iraq.

Selected Audit Report(s): Special Inspector General for Iraq Reconstruction, *Controls Over Equipment Acquired by Security Contractors* (Sept. 9, 2005) (Report No. SIGIR-O5-013).

Problem(s) with Contract: Mismanagement.

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116. Contractor: Not Released.

Department or Agency: Department of Defense.

Estimated Value: $945 thousand.

Contract Description: Provide Seven Armored Mercedes Benz Vehicles.

Selected Audit Report(s): Special Inspector General for Iraq Reconstruction, *Acquisition of Armored Vehicles Purchased Through Contract W914NS-05-M-1189* (Oct. 21, 2005) (Report No. SIGIR-2005-14).

Problem(s) with Contract: Wasteful Spending; Mismanagement; Lack of Competition.

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117. Contractor: Not Released.

Department or Agency: Department of Defense.

Estimated Value: $5.3 million.

Contract Description: Establish and Operate Babylon Police Academy.

Selected Audit Report(s): Special Inspector General for Iraq Reconstruction, *Management of the Contracts and Grants Used To Construct and Operate the*

Babylon Police Academy (Oct. 26, 2005) (Report No. SIGIR-05-016).

Problem(s) with Contract: Lack of Defined Requirements; Wasteful Spending; Mismanagement; Lack of Competition.

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118. **Contractor:** Not Released.

Department or Agency: Department of Homeland Security.

Estimated Value: $19 million.

Contract Description: Transportation Security Operations Center.

Selected Audit Report(s): Department of Homeland Security Inspector General, *Irregularities in the Development of the Transportation Security Operations Center* (March 2005) (OIG-05-18).

Problem(s) with Contract: Wasteful Spending; Mismanagement.