

Testimony

of

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Chairman Thibault, Chairman Green, and members of the Commission, thank you for the opportunity to appear before you today; I am pleased to be here. As requested, I will describe the audit effort performed by the Defense Contract Audit Agency (DCAA) on the Logistics Civil Augmentation Program (LOGCAP).

### **Background**

DCAA is a distinct agency of the Department of Defense (DoD) that reports to the Under Secretary of Defense (Comptroller). The DCAA mission is to perform all necessary contract audits for DoD components responsible for the negotiation, administration, and settlement of contracts and subcontracts. DCAA also provides contract audit services to about 35 civilian government organizations.

In FY 2008, DCAA performed 30,352 audits covering \$501 billion in proposed or claimed contractor costs. These audits recommended reductions in proposed or billed costs of \$17.9 billion (referred to as questioned costs), and \$7.2 billion in estimated costs where the contractor did not provide sufficient information to explain the basis of the estimated amounts (referred to as unsupported costs). In total, the DCAA has about 4,200 employees and 104 field audit offices.

### **DoD Contract Performance Oversight Responsibility In-Theatre**

DCAA has been an integral part of the oversight and management controls instituted by DoD to ensure integrity and regulatory compliance by contractors performing services in-theatre. DCAA's services include audits and professional advice to acquisition officials on accounting and financial matters to assist them in the negotiation, award, administration, and settlement of contracts.

Decision-making authority on DCAA recommendations resides with contracting officers within the procurement organizations who work closely with DCAA throughout the contracting process.

### **DCAA Staffing and Actions**

Since April 2003, DCAA has worked with all U.S. procurement organizations supporting Iraq Reconstruction to establish the resources and planning information needed to carry out required audits of contract costs as they are incurred and billed. These organizations include the Joint Contracting Command – Iraq/Afghanistan, the Army Sustainment Command, the U.S. Army Corps of Engineers, the Defense Contract Management Agency in Iraq and Kuwait, USAID, and the State Department. This coordination has enabled DCAA to build a universe of in-theatre related auditable contracts, which is a significant step towards ensuring that needed audit procedures are timely and comprehensive.

DCAA is responsible for providing Iraq-related contract audit services to both DoD and other Government organizations at about 110 contractors. These contractors hold more than 253 prime contracts with contract ceiling amounts of \$73.5 billion and funding to date under those contracts of about \$60.3 billion. DCAA audits of cost-reimbursable contracts represent a continuous effort from contract award to final closeout and payment. Initial audits of contractor business system internal controls and preliminary testing of contract costs are carried out to provide a basis for provisional approval of contractor interim payments and early detection of deficiencies. Early detection is important to reduce the risk of overcharging on Government contracts and cost issues becoming an impediment to contract performance. Comprehensive contract cost audits are performed annually throughout the life of the contract and are used by the contracting activity to negotiate final payment to the contractor.

To carry out the extensive and time-sensitive audit requirements, DCAA has implemented planning and coordination procedures to effectively integrate audit work between the Iraq Branch Office, opened in May 2003, and more than 60 DCAA CONUS Audit Offices with cognizance of companies performing contracts in-theatre.

To date more than 200 DCAA auditors have served 179 day tours in Iraq, Kuwait and Afghanistan, and I am proud to say that those who have served in-theatre have *all* been volunteers. DCAA's staff has been dedicated to its continuing service in Iraq, with 85 of the more than 200 auditors extending their tours beyond the initial 179 days, and 25 individuals serving two separate tours. The DCAA auditors experience level in theater is representative of DCAA's entire workforce, volunteering from all regions and DCAA Headquarters. Our audit staff in-theatre also reflects DCAA's overall experience levels on an Agency-wide basis. In order for our Agency to maintain a high caliber of auditors and to meet government auditing standards, DCAA auditors are required to complete 80 hours of professional training during each two year period. Today audit continuity is maintained through the use of a comprehensive electronic data base of contractor information and our assignment files. Further, the rotation of our personnel in-theatre is staggered; so that there are always experienced auditors and supervisory staff on board in Kuwait, Iraq, and Afghanistan.

### **Results of Audits**

Through FY 2008 DCAA has issued 2,678 reports in support of in-theatre contracts. We estimate issuing another 400 reports in FY 2009. DCAA oversight of contracts in-theatre has found a number of problems. Our resulting action has ranged from recommending changes in processes – to collection of overcharges – to referral of our findings to the Inspector General for possible legal action against a contractor.

Many contractors that have not had problems in performing their domestic DoD contracts experienced difficulties in adjusting to the unique environment in-theatre and to their own firms' influx of new business. DCAA oversight has enforced and will continue to enforce appropriate cost charges to contracts in Iraq and anywhere else.

Through FY 2008 DCAA has recommended reductions in proposed and billed contract costs of \$7.0 billion. In addition, DCAA has identified \$6.1 billion of estimated costs where the contractor has not provided sufficient rationale for the estimate. These costs were usually resolved through submission of additional supporting rationale at the time of contract price negotiation. DCAA has, on many occasions, taken action to reduce contractor billed costs for potentially unreasonable expenditures pending a contracting officer decision.

### **Logistics Civil Augmentation Program (LOGCAP)**

#### **LOGCAP III – General Overview**

The U.S. Army Field Support Command (now named the Army Sustainment Command) awarded the LOGCAP III contract in the December of 2001 to Halliburton Kellogg Brown & Root (KBR), Government Operations Division, formerly known as Brown & Root Services. The contract was designed to fulfill the Department of Defense's global mission during contingency events including the rapid augmentation of logistical support to deployed U.S. forces. Specifically, Halliburton KBR was contracted to construct various base camps and their infrastructures, including billeting and dining facilities; food preparation, potable water, and sanitation systems; showers; laundries; transportation; utilities; warehouses; and other logistics support to numerous sites in the Middle East. The LOGCAP III contract supports primarily the U.S. Army and the State Department.

Through August 2008, the Army issued about 160 individual Task Orders valued at approximately \$31.7 billion. DCAA has audited approximately 80 Task Order proposals valued at \$28.7 billion. We questioned \$3.2 billion and found the contractor could not support an additional \$1.5 billion. Appendix 1 contains the summary listing of audit reports issued on the LOGCAP contract including the summary results of audit. Throughout the testimony, we will provide examples of various questioned and unsupported costs on LOGCAP III. Using information from DCAA's audit reports, Contracting Officers develop a government negotiation position which becomes the baseline for negotiations with contractors.

During DCAA audits of incurred costs, we found numerous transactions which were either unallowable under the acquisition regulations or unsupported. Where appropriate, DCAA issues a Form 1, *Notice of Contract Costs Suspended and/or Disapproved*, to suspend or disapprove costs if the contractor does not voluntarily remove the costs from billings. DCAA has issued over 100 Forms 1 suspending or disapproving over \$553 million on LOGCAP III. Of this amount, \$439 million has been resolved. Unresolved amounts have been temporarily recovered from the contractor pending Contracting Officer final determinations. A summary list of DCAA Forms 1 on LOGCAP III is contained in Appendix 2.

#### **LOGCAP IV – General Overview**

The Army awarded the LOGCAP IV contract on June 27, 2007 as multiple Indefinite Quantity / Indefinite Delivery contracts with one base year and nine option years. The contract has a maximum annual value of \$15 billion with a not-to-exceed cap of \$150 billion. The types of services that will

be delivered under the LOGCAP IV performance contracts are similar to those currently delivered by KBR under the LOGCAP III contract.

Although the majority of my testimony relates to the LOGCAP III contract, we will briefly discuss the newly awarded LOGCAP IV contract. DCAA provided numerous cost realism reviews to the LOGCAP IV Source Selection Evaluation Board (SSEB). The SSEB selected three contractors, KBR, DynCorp, and Fluor. These “performance” contractors compete against each other to receive individual task orders. This process typically motivates contractors to lower their bids. Unfortunately, some contractors “buy-in”, to ensure contract award. Under these circumstances, DCAA is available to perform additional cost realism analyses. The purpose of these analyses is to ensure contractor proposed costs are fair and reasonable and not significantly understated. The greatest risk to the government is for a cost type contract to be awarded to the lowest bidder who significantly overruns the contract during performance.

The remainder of the testimony discusses four areas – overall issues related to in-theatre contracts; examples of DCAA’s exceptions in five major cost areas of the LOGCAP contract; examples of referrals to investigative agencies for suspected irregular conduct by contractors; and we will conclude with a section on lessons learned and recommendations for the future. As we have previously provided the Commission with a number of documents and discussed the numerous audit issues, we will limit today’s testimony to the most significant issues.

## **In-Theatre Contract Issues**

### **Timely Establishment of Contract Prices**

In the “normal” procurement environment, the government solicits bidders by issuing Requests for Proposals. The government examines the proposals received and prices are established usually

within a relatively short period of time (e.g. 60 – 90 days). After establishment of contract prices and finalization of contract terms, contractors begin work. Because of the contingencies related to Operation Desert Shield, Desert Storm, Operation Iraqi Freedom and Iraq Reconstruction activities, the LOGCAP III contract did not follow the conventional procurement process and KBR was requested to begin work in absence of a finalized contract. Prices and contract terms and conditions for the majority of Task Orders were established well after KBR had incurred a significant amount of cost. For example, Task Order 59 was definitized in March 2005 for \$6.2 billion and about \$5 billion had been incurred as of the date of definitization of the price.

In general contract theory, in order to successfully manage contract activities, it is critical to establish a contract cost baseline as soon as possible. The Army issued multiple Cost-Plus-Award-Fee (CPAF) Task Orders because of the risk and uncertainty of the work they were requesting from KBR. The challenges typically encountered on CPAF contracts include the following:

- Monitoring cost performance (including subcontracts)
- Managing scope changes
- Administering the award fee process included in the contract
- Being proactive by identifying potential cost over-runs early
- Taking actions to minimize cost over-runs
- Identifying and taking action to implement cost savings initiatives

The acquisition regulations recognize contract situations where work may have started before the prices and contract terms and conditions are set and to minimize the risks listed above, limit the amount to be reimbursed to contractors before definitization to 85 percent of allowable costs under the contract (Federal Acquisition Regulation 52.216-26, *Payments of Allowable Costs Before Definitization*). The Army included this clause in LOGCAP III which would have limited KBR's reimbursement to 85 percent of incurred costs (referred to as the 15 percent withhold provision).



DCAA recommended that the Army enforce this clause and withhold 15 percent of costs on task orders until prices were established. The primary reason for recommending the withhold was to incentivize KBR to produce adequate and supportable estimated costs and prices. DCAA determined the Government's risk of overpayments and paying excessive contract costs was increased as a result of numerous deficiencies in KBR's internal control system used for estimating costs. The deficiencies were adversely affecting the Government's ability to establish prices on numerous Task Orders, including Task Order 59 estimated at \$4.2 billion of which \$1.8 billion was not supported by KBR at one point.

For various reasons, the Army determined it was not in the government's best interest to implement the 15 percent withhold and requested a waiver of this contract provision from Ms. Deidre Lee, the former Director of Defense Procurement and Acquisition Policy, which was granted. Further in our testimony under the section on lessons learned, we will provide recommendations regarding earlier establishment of contract prices so that the government minimizes the risk of overcharges and avoids being placed in a position of reimbursing contractors for costs incurred even when the costs may not be reasonable.

### **Purchasing/Subcontracts**

Purchase orders and subcontracts make up a significant portion of the costs incurred on the LOGCAP III contract. Subcontractors were used extensively in delivering the goods and services including the dining facilities, living containers, and force protection costs. Throughout our audits, we determined that many of the purchase orders and subcontract files did not include adequate documentation to justify the reasonableness of the prices and costs billed to the government. In accordance with the acquisition regulations, prime contractors have the primary responsibility for

ensuring subcontract prices are reasonable. For example, there were various instances where KBR awarded purchase orders and subcontracts to other than the subcontractor with the lowest bid and KBR did not provide adequate justification for the award to the higher priced subcontractor. In cases where one subcontractor bid on the effort, we discovered numerous instances where KBR did not obtain sufficient cost or pricing data to evaluate the reasonableness of the subcontractor's proposed prices. DCAA found many examples where KBR did not take aggressive action to obtain sufficient data from vendors that would have facilitated adequate analyses to ensure the lowest possible prices for the taxpayer. DCAA has also found that KBR would increase existing subcontract prices without performing adequate analyses of the proposed increases.

Although subcontractor pricing has improved over time, more improvement is needed to reduce the risk of overcharges to the government. Reasonable subcontract prices continue to be an issue in theatre today and we anticipate will continue to be a significant risk under LOGCAP IV as well. Specific subcontract cost issues will be discussed throughout the examples of audit exceptions section of the testimony.

### **Examples of DCAA's Audit Exceptions on LOGCAP III**

#### **Dining Facility Costs (DFAC)**

One part of the LOGCAP III contract is the set up of various dining halls for the preparation and serving of meals to the war-fighters and support personnel located at about 60 base camps throughout Iraq. KBR subcontracted the work to many different companies who actually provided the services. In the initial phase, DCAA audited about \$1.2 billion of DFAC costs included in the

initial subcontract awards. The purpose was to determine the allowability of costs billed to KBR by the subcontractors which were subsequently billed to the government.

In this initial phase, DCAA prepared over 20 audit reports and took exception to about \$352 million of the \$1.2 billion. The primary reason for the exceptions was that KBR charged the government for significantly more meals than were actually served.

For instance, the Army's Statement of Work required KBR to provide up to a specified number of meals per month to be served at a particular camp. Our audit determined KBR's subcontractors served significantly fewer meals. DCAA took exception to the costs of the excess meals and issued over 90 "DCAA Forms 1" suspending or disapproving over \$130 million.

The DFAC issue is an excellent example of where early identification and correction of issues in a contingency operation is critical to reducing the risk of overcharges to the government. Based on our initial audits, KBR withheld \$212 million of DFAC costs from their costs charged to the government. In April 2005, the Army adjusted contract costs for \$55.1 million of the \$352 million questioned by DCAA. As a result of our audits and early identification of vague contract terms and conditions, KBR changed their subcontract pricing methodology during the first half of 2004 from a per person per day price to a fixed cost, semi-variable cost, and variable cost pricing methodology. KBR then renegotiated their subcontracts using the new methodology which we believe saved the Government about \$200 million on subsequent DFAC costs.

Although KBR's actions in 2004 improved the DFAC situation, we continue to have issues with reasonable subcontract prices. Subsequent to the actions by the Army in April 2005, DCAA has issued five DCAA Forms 1 suspending an additional \$64.7 million which remain unresolved as of today. DCAA has also recommended the Army pursue additional recoveries as a result of potential false claims allegedly perpetrated by former KBR employees involving DFAC subcontracts.

### **Living Containers**

Under Task Order 59, KBR was responsible for acquiring, delivering, and setting up containerized living units (trailers) to house troops and support staff at multiple camp sites throughout Iraq. KBR issued subcontracts to several southwest Asia vendors and began delivery during the winter of 2003. DCAA examined KBR's documentation to determine whether the subcontract awards were properly justified and resulted in fair and reasonable prices. We also audited a delay and equitable adjustment proposal KBR submitted to the Army on behalf of one of their subcontractors. The living container issue is a perfect example of why early establishment of contract prices in a contingency operation is imperative to reducing the risk of overcharges to the government. KBR incurred a significant amount of the living container costs (\$247 million) before it submitted a proposal for establishment of contract prices. This delay ultimately resulted in the government reimbursing KBR for what we believe are unreasonable costs.

To assist the Army in definitizing Task Order 59, DCAA issued an audit report in March 2005 where we took exception to about \$160 million of living container costs.

- \$110 million of unreasonable costs due to KBR not using the lowest bidder to obtain living containers

- \$50 million of unreasonable costs due to KBR not providing support for subcontractor delay and equitable adjustment claims

Since KBR did not provide adequate justification for not using the lowest priced bidders, we questioned \$110 million. As an example, KBR purchased about 4,100 living units at an average unit price of \$38 thousand when a lower priced vendor proposed \$18 thousand each for containers having similar amenities. The \$20 thousand unit price difference equates to questioned costs of about \$82 million. DCAA also questioned \$50 million included in KBR's proposal as an "equitable adjustment and delay claim" because (i) such costs should be handled outside of the contract definitization process and (ii) KBR did not provide adequate support for costs they accepted from the subcontractor. Since KBR had already incurred substantial costs for containers, the Army allowed the \$110 million questioned by DCAA but decided that base and award fee would not apply to approximately \$100 million resulting in savings of \$3 million. Also, the Army permitted the \$50 million which we questioned on the delay and equitable adjustment claim.

Following definitization of Task Order 59, KBR provided several data submissions to address DCAA's questioned costs to persuade the Army to allow fee on the \$100 million. KBR's main arguments included:

- Paid premium prices due to war conditions, scarce availability of market inventory, and price specifically included a "premium for prompt delivery."
- Lower bidders lacked production capacity and current inventories of living containers.
- Army wanted uniformity of living containers within the camps.

DCAA evaluated KBR's assertions that the higher unit prices were due to additional features and amenities. DCAA performed an audit, including personal observations, and found no additional

features or amenities to justify the higher prices. KBR then asserted the lowest price suppliers did not have the production capacity. DCAA audited the production capacities and found that for the most part it was true, except for \$4.2 million which we disapproved from billings. During our audit, we found the highest priced supplier acquired living containers from a Middle Eastern manufacturer. The vendor more than doubled the manufacturer's unit price when selling the units to KBR. In March 2006, we issued an audit report on KBR's subcontract delay and equitable adjustment claim. A subcontractor claimed they experienced increased costs because they were delayed by the Army at the Kuwait border when attempting to deliver living containers into Iraq. In that report, we questioned the entire amount claimed and ultimately disapproved \$51.3 million because (i) KBR did not adequately support the subcontractor's claim with actual accounting records to substantiate that the subcontractor experienced an increase in costs and (ii) the delay claim was a duplication of costs since the base price for the living containers specifically included a "premium for prompt delivery." Furthermore, we believe KBR should have managed their subcontractor deliveries better to preclude potential bottlenecks at border crossings. In March 2006 we disapproved \$51.3 million related to the subcontractor's claims.

In December 2006, the Defense Contract Management Agency (DCMA) issued an interim decision allowing KBR to recover \$25.6 million of the \$51.3 million disapproved by DCAA. The remaining \$25.7 million was set aside by the DCMA contracting officer pending a final determination. Currently \$29.9 million is being withheld from KBR billings (\$25.7 million plus \$4.2 million). We continue to work with DCMA concerning their interim decision to allow KBR to recover \$25.6 million.

## **Defense Base Act Insurance**

The Defense Base Act insurance is very similar to Workers' Compensation insurance. It provides disability and medical benefits for contractor and subcontractor employees who are injured on the job while working overseas in support of the war and reconstruction. KBR incurred \$592 million in Defense Base Act insurance premiums during the period 2003 through 2007. The most significant risk to the government is the reasonableness of Defense Base Act insurance premiums which KBR has billed the government.

DCAA audits contractor Defense Base Act insurance (i) during forward pricing proposals to assist in establishing contract prices and (ii) during annual incurred cost audits to determine allowability, allocability, and reasonableness of costs using criteria in the acquisition regulations.

KBR included \$27.6 million of Defense Base Act insurance costs in their 2003 incurred cost submission. During our audit of the 2003 costs, KBR stated that its broker, AON, attempted to solicit quotes from three insurance carriers. However, there was no documentation evidencing competitive quotes were ever requested. KBR informed us formal requests for proposals were not issued to prospective providers. Rather, requests were via telephone discussions and e-mails to three service providers, with only AIG responding.

Initially when there was no claim history related to Iraq, KBR negotiated a rate of \$16.20 per \$100 of payroll dollars. Without documentation evidencing that AIG was selected based on market competition, we are unable to determine the reasonableness of the \$16.20 or subsequent rates. DCAA's evaluation of DBA insurance costs has motivated KBR to negotiate lower rates in subsequent periods. For instance, negotiated DBA rates are currently \$6.80 and \$7.52 per \$100 of

payroll costs for KBR and subcontractors respectively. Although KBR pays DBA insurance for their subcontractors, they are not verifying the subcontract payroll (labor) to the subcontractor's accounting records. As such, subcontract DBA costs billed by KBR on the LOGCAP contract are based on estimated rather than actual subcontract labor.

As a result of our audit of 2003 costs, we recommended the Contracting Officer pursue requiring KBR to obtain supporting documentation from their broker to support the competitive nature of the procurement. If confirming data is not obtained, we recommended the Contracting Officer determine if a reasonable recovery of a portion of the amounts paid is required to protect the Government's interests. Also, DCAA is determining whether a reduction on DBA subcontract billings is necessary because KBR is not verifying actual subcontract labor costs.

### **Force Protection**

The LOGCAP III contract states that the Service Theatre Commander will provide force protection to contractor employees commensurate with that given to Service/Agency civilians in the operations area and permits contractors and subcontractors to carry a government furnished weapon for self defense. The contract prohibits contractor and subcontractor personnel from possessing personally owned firearms. The Army discovered that KBR was billing the government for subcontract security costs and in February 2007 notified KBR that it intended to recover \$19.7 million since the government would provide for security. The Army requested KBR to identify all security related costs charged to the government under LOGCAP III.

At the Army's request, DCAA audited KBR's submission of incurred and billed private security costs charged to the LOGCAP III contract through May 2007. In February 2007, DCAA suspended



the \$19.7 million of security costs in accordance with the Army's letter to KBR. In August 2007 we completed our audit of KBR's security cost submission and concluded that the information provided by KBR was not adequate for determining the amount and extent of private security costs billed to the government on LOGCAP III. Despite the deficiencies in KBR's data, we estimate KBR billed private security costs of at least \$99 million. We also noted KBR made the following disclosure in their 2008 Annual Financial Statements:

“If we are unable to demonstrate that such action by the Army is not necessary, a 6 percent suspension of all subcontract costs incurred to date could result in suspended costs of approximate \$400 million.”

Based on our audit effort to date, we are considering suspending additional private security costs. We also note KBR has filed a claim with the Armed Services Board of Contract Appeals to recover the amounts withheld by the government to date.

### **Award Fee**

The payment of fee to KBR is based on the criteria established under the LOGCAP III Award Fee Plan. Under the Award Fee Plan, the contractor is eligible for a maximum fee of 3 percent, comprised of a “base fee” of 1 percent of all costs that are allowable, reasonable and allocable under the acquisition regulations, and an “award fee pool” of 2 percent. This provides the contractor with the potential to earn a fee up to an additional 2 percent above the base fee of 1 percent based on better than average performance. The Award Fee Board's responsibility under the Award Fee Plan is to make a recommendation to the Award Fee Determining Official for the payment of fee based on the contractor's performance under the contract and in accordance with the criteria in the Award

Fee Plan. The basic tenet of the award fee criteria is that the better a contractor performs under the contract, the higher the fee that is awarded.

Since 2004, DCAA's role in the Award Fee Board process as established under the LOGCAP III Award Fee Plan was in a non-voting, advisory capacity to the Board. DCAA's input to the Award Fee Board is based on an assessment of KBR's performance based on functional factors as described by the Award Fee Plan. The DCAA Award Fee assessment addresses three major areas of contractor performance:

- Technical Responsiveness – the contractor's timely definitization of contract actions, and the adequacy and timeliness of proposals submitted for definitization to the Government.
- Cost Performance and Adequacy of Contractor Cost Systems and Reports – adequacy of the contractor's management and cost systems, the real time tracking and reporting of costs (including subcontractor costs) and overall cost control.
- Management Liaison and Responsive to Government Requests – maintaining lines of communications with Government representatives, providing information without delays, and identification and resolution of problems.

These areas comprise approximately 70 percent of the total factors used in evaluating contractor performance according to the Award Fee Plan. Award Fee Boards were generally held in-theatre on a quarterly basis, and live presentations would be provided to the designated Board by KBR and Government representatives from the field, DCMA, Contracting Officers, and DCAA. DCAA's Award Fee presentations were addressed to the Board Chairman and included discussion on

individual task order performance and the adequacy of contractor business systems. In accordance with the Award Fee Plan, each DCAA presentation was rated with a numerical score ranging from 0 to 100 or by using an adjectival rating of Average (0-70), Good (71-80), Very Good (81-90), or Excellent (91-100). KBR had to earn a rating of above average (i.e., greater than 70) to earn any award fee.

An example of DCAA's involvement with the award fee follows. In March 2005, DCAA provided its recommendations to the award fee board that was evaluating KBR's performance covering Task Orders 44, 46, 56, 57, 59 and 61. The Board met to determine the amount of initial award fee that should be granted based on the evaluations of contract performance since inception. For every task order, DCAA provided an overall rating of 70 or below, which, essentially equates to a recommended award fee of zero based solely on DCAA's input. Although we have not determined the exact award fee that was granted based on the other input received during these evaluations, we believe the amount to be over \$70 million for these task orders. We realize that DCAA's assessment only represents a portion of the total award fee evaluation, as DCAA's responsibility did not include an evaluation of the contractor's adherence to contract schedule and the quality of its contract work. However, for every task order, DCAA rated KBR's technical, cost and management performance at 70 or below. For example, on task order 59, DCAA provided ratings of 65 and below for each of the performance areas due to KBRs' inadequate estimating and billing systems and its failure to (1) timely definitize its proposals due to consistently submitting inadequate proposals; (2) perform adequate cost monitoring and reporting (e.g., overstatement of food service costs, cost reports did not reconcile to official accounting records), and (3) provide supporting data on a timely basis.

The Award Fee Boards that DCAA participated in during the 2004 through 2006 time period were often contentious due to DCAA's assessment of KBR's accounting, estimating, and subcontract management systems as being less than adequate. However, as an Agency, we were committed to providing the most forthright and honest feedback to the Army for its consideration in determining the award fee. In the lessons learned section of the testimony, we provide several recommendations for the Commission's consideration when assessing improvements to the award fee process.

### **Suspected Irregular Conduct Referrals to Investigative Agencies**

When auditing a contractor's records in accordance with the Generally Accepted Government Auditing Standards, auditors may receive information constituting evidence or causing suspicion of fraud or other suspected irregular conduct. It is DCAA policy that these suspected irregularities shall be referred to the appropriate investigative organization.

Referrals may be made using the DCAA Suspected Irregularity Referral Form 2000 (DCAA Form 2000) or by using the DoD Hotline. When the referral comes from an audit finding or when the auditor has information to supplement that obtained from an external source, the DCAA Form 2000 is preferred because it specifies information needed by investigators and provides for appropriate consideration of the audit impact.

The process for submitting a referral would typically begin with an auditor located at a DCAA field audit office preparing a DCAA Form 2000 and having it sent to DCAA Headquarters for centralized processing. Field office management approval is not required for an auditor to submit a referral. The field office also sends a copy of the DCAA Form 2000 as an "early alert" to the local unit of the

appropriate investigative organization. Once the DCAA Form 2000 is received at DCAA Headquarters, we assign a referral number to each DCAA Form.

Since fiscal year 2004, DCAA has made 32 in-theatre related suspected irregularity referrals. Appendix 3 contains the list of referrals with a brief description of the issue. These referrals include all in-theatre effort not just LOGCAP. Over half of the in-theatre referrals address suspected irregular conduct by subcontractors which reinforces the point discussed earlier about the increased risk of subcontract overcharges. Some examples of the referrals include:

- a. DCAA Case No. 05-015 – Labor Mischarging – falsification of time sheets - We received a tip that contractor employees were working 10 hour days, but were charging the Government for 12 hour days.
  
- b. DCAA Case No. 05-020 - Subcontract Irregularities – overbillings – Subcontractor pricings were dramatically increased during subcontract modifications without adequate justification. The increased subcontractor pricings may be the result of bribery. The revised prices were not considered reasonable and resulted in significant overbillings to the Government. There appears to be an attempt by the prime contractor to cover-up the irregularities after the fact to prevent detection by audit.
  
- c. DCAA Case No. 05-040 - Subcontract Irregularities – intentional misrepresentations – Prime contractor split claims against the Government to lower the dollar amount of the

claims to avoid requesting administrative contracting officer consent and thereby avoiding Government oversight and DCAA audit.

- d. DCAA Case No. 06-032 - Subcontract Irregularities – overbillings and excess profits – A prime contractor entered into multi-million dollar fixed-price subcontracts with a military dining facility operator. The prime contractor entered into a significantly overpriced subcontract when lower prices were available from other qualified operators. The Government was billed for the excessive subcontract costs. The prime contract is cost plus award fee, therefore its costs are reimbursed by the Government and its profit and its award fee are based on total costs. As a result, the higher the total costs for the prime, the greater the profit.
  
- e. DCAA Case No. 08-012 – Subcontract Irregularities – gratuities – Subcontract was awarded to transport material to Baghdad. Since the subcontract was not awarded to a specific subcontractor, the prime contractor needed to pay for “security escort” services for the material to be transported to the Iraq border.

### **Contingency Contracting Lessons Learned**

#### **General**

DCAA’s primary involvement in auditing contingency contracts began in 2003, in support of the military’s operations in Kuwait, Iraq, and Afghanistan. Since that time, we have identified numerous procurement processes and/or misconceptions that if adequately addressed would better protect the taxpayer’s interest in the goods and services purchased in support of the U. S. military

and government civilian employees during the prosecution of a war or other type of contingency operation. We have consolidated these observations into “Lessons Learned” which have been shared with various government and industry organizations. We have nine areas of lessons learned that we will discuss today.

### **1. Establish Timeframes for Urgent and Compelling Contracting Practices**

The nature of most contingency operations is such that U.S. military and government civilian employees are under threat of physical danger (either from enemy combatants or the elements). In recognition of this situation, the acquisition regulations provide the contracting officer a certain amount of flexibility with regard to “full and open competition.” FAR 6.302-2(a)(2) provides that when an agency’s need for supplies or services is of such an “unusual and compelling urgency” that the government would be seriously injured unless the agency is permitted to limit the number of sources from which it solicits bids or proposals, full and open competition need not be provided for. As a result, in certain situations Contracting Officers can streamline the procurement process in order to place needed goods and services on contract as quickly as possible. This flexibility coupled with the Contracting Officers’ ability to use “letter contracts” as a vehicle to allow contractors to commence work even before a contract price is determined, resulted in the rapid delivery of goods and services to the troops in Iraq and Afghanistan.

There does not appear to be any disagreement on whether it was appropriate to initially award contracts under “unusual and compelling urgency” circumstances or whether it was correct to use letter contracts to start the process of contractors providing goods and services. The question that did arise is “for how long?” How long do “unusual and compelling urgency” circumstances last and

when is it reasonable to return to full and open competition. We recognize it would be almost impossible to establish the duration of “unusual and compelling urgency” circumstances at the onset of a contingency since that period is strictly dependent on the situation. Nevertheless, we know that at some point in time, probably during the sustainment phase of a contingency, there should be an opportunity to provide improved (i) documentation on price reasonableness, (ii) documentation of accounting transactions, and (iii) cost containment initiatives.

The regulations are silent on how long an “unusual and compelling urgency” may exist. Our experience has disclosed the prime contractors rely on the concept of “unusual and compelling urgency” far too long; avoiding the requirement for full and open competition to satisfy contract requirements and more over as an excuse or justification for the lack of adequate and complete procurement files. Our experience has been prime contractors have relied on an argument of unusual and compelling urgency for many months or years after the war in Iraq started.

During our audits of contingency contract costs, auditors determined in many cases that prime contractors and higher tiered subcontractors had not adequately documented procurement files to (i) demonstrate subcontracts were awarded under “unusual and compelling urgency” circumstances (i.e., predicated on the government’s determination for a specific procurement that “unusual and compelling urgency” circumstances existed) thereby justifying limited competition among potential bidders, and (ii) demonstrate the level of competition achieved and the prime or higher tiered subcontractor’s analysis of the subcontractor’s proposals to determine a fair and reasonable price. Without a statutory timeframe, contractors (prime and subcontractor) may take advantage of the practices established for use during the “unusual and compelling urgency” provision to avoid full and open competition and as an excuse for maintaining less than adequate and complete records.



**We recommend the Commission consider the following items for future action:**

- a) The determination of “unusual and compelling urgency” should be time-bound with an initial period and additional incremental short periods of time if circumstances warrant. However, at no time should conditions be assumed to be indefinite.
- b) For contracts or Task Orders awarded under “unusual and compelling urgency” conditions (i.e., with limited competition), we recommend the contracts be of short duration (e.g., 6 months or less). We recommend follow-on contracts or task orders should be awarded under full and open competition or awarded as a sole source procurement after the submission of adequate cost or pricing data.
- c) The regulations should provide that contracting officers and/or prime contractors should solicit bidders from a wide range of contractors/subcontractors operating well outside the area of the contingency. Based on our observations, almost all prime and subcontracts for Iraq and Afghanistan effort were in fact awarded to contractors from outside Iraq and/or Afghanistan.
- d) Regulations could still provide exceptions that would allow “unusual and compelling urgency” conditions to continue as long as organized hostilities continue to exist.

**2. Timely Pricing of Contracts**

A basic tenet of good contracting is the timely pricing and negotiation of contracts and contract modifications or extensions. As mentioned earlier, Contracting Officers utilized letter contracts at the onset of the war in Iraq and Afghanistan in order to secure goods and services expeditiously. Letter contracts allow contractors to commence work on a contract or Task Order before a price is

negotiated; with the expectation that a fair and reasonable price can be negotiated within a reasonable timeframe after the letter contract is awarded. The acquisition regulations require a final price to be established for letter contracts (referred to as “definitized”) within 180 days after the letter contract date or before completion of 40 percent of the work to be performed, whichever comes first. Our experience has been that letter contracts are often times not definitized within the regulatory timeframes for various reasons; most often because adequate proposals to definitize the letter contract are not routinely prepared by contractors. Inadequate proposals delay the definitization process. As a result, agreement on a final price frequently has taken more than 180 days and in many cases occurred after all or almost all significant costs had already been incurred. In our opinion, contractor delays (either intentional or inadvertent) that force definitization beyond the regulatory limits of 180 days after the letter contract date or before completion of 40 percent of the work to be performed, are unacceptable.

Once “unusual and compelling urgency” circumstances no longer exist (at least once hostilities have ended) the use of letter contracts should cease to be necessary and a more normal process of contracting (that is, submitting proposals in advance of commencing work) should be resumed. Currently, contractors are preparing proposals and the Contracting Officers are attempting to negotiate contracts and Task Orders before work commences; however, the process for pricing new and follow-on Task Orders is still a lengthy process, taking far too long; weeks instead of days to get contracts or Task Orders negotiated.

While the use of letter contracts may be convenient, if not definitized timely they become a detriment to the government and may result in a windfall to the contractor. Once contractors begin work under a letter contract, costs begin to accumulate and the government begins to receive

invoices for costs incurred. This arrangement shifts the risk of performance and cost control from the contractor to the government. The longer it takes to finalize the price on a letter contract, the more risk borne by the government. As the cost being accumulated under letter contracts grow and the risks associated with the contract shift to the government, the contemplated profit or fee should be reduced proportionately. Unfortunately, we have not observed meaningful reductions in negotiated profit or fee in these cases.

When a letter contract is used for a contract that is expected to ultimately be negotiated as a cost reimbursable contract, FAR 16.603-4(c) instructs Contracting Officers to insert into the letter contract the *Payments of Allowable Costs before Definitization* clause at FAR 52.216-26. The clause generally limits reimbursement, prior to negotiating a final price for the letter contract, to 85 percent of the allowable incurred costs. This tool, if properly enforced by the Contracting Officer, can be a significant incentive for contractors to complete the pricing process in a timely manner. However, experience has shown it has not been consistently enforced.

**We recommend the Commission consider the following items for future action:**

- a) The current regulatory limitation on interim payments under cost-type contracts should be enforced in order to provide an incentive to contractors to finalize price in a reasonable timeframe. Waivers should only be approved in the most extraordinary circumstances. To further “incentivize” contractors that have been slow in finalizing prices and slow in providing adequate proposals or support for proposed costs in a timely manner, consideration should be given to reducing the “interim” reimbursable amounts below the current 85 percent limitation. We recommend a similar provision be inserted into letter contracts for those contracts expected to be finalized as firm fixed price contracts.

- b) The regulations should be revised to provide for a reduction of profit or fee when a letter contract is not definitized within the current regulatory time limitations due to contractor caused delays.
  
- c) Contractors should be held accountable for submitting verifiable cost or price information. Since the contractor would have recently completed the proposal estimates, the supporting documentation should be readily available. Supporting documentation must be submitted with the proposal or provided without delay upon request.

### **3. Better management of subcontracts**

As discussed earlier, the prime contractor responsible for providing logistical support services has relied extensively on subcontractors to perform the bulk of the activities. Subcontract billings make up approximately 70 percent of the costs on prime contingency contracts. Of the more than \$30 billion spent on LOGCAP III, we estimate more than \$21 billion has been paid to subcontractors or vendors selected by KBR.

The prime contractor who is contractually responsible for performing the effort agreed-to in the statement of work, has a regulatory responsibility to manage its subcontracts (FAR 42.202(e)(2)) and also has a fiduciary responsibility to monitor subcontractor performance and control costs to ensure the U.S. taxpayer resources are used wisely and appropriately. Since the beginning of the contingencies in Iraq and Afghanistan, we have found that prime contractors have not consistently monitored subcontractor performance against the negotiated statement of work and have not actively engaged subcontractors in cost control activities or initiatives.

Due to rapidly changing circumstances, prime contractors need to implement processes for monitoring subcontractor performance and taking proactive steps to coordinate with their customer and subcontractor for the potential need to “re-scope” the statement of work and corresponding subcontracts due to changed conditions. For instance, a certain number of dining facilities (DFACs) may be established at specific camps in Iraq. However, for any number of reasons the actual camp population may differ from the number originally contemplated when the Task Order was issued to the prime contractor and the subcontract was subsequently awarded to the subcontractor. If the prime contractor is monitoring the “boots through the door” at the various DFACs and observes the headcount is significantly different than the headcount contemplated in the subcontract, the prime contractor should act expeditiously to determine whether the original headcount is still valid. If not still valid, the prime contractor should work with the customer to determine a realistic headcount and re-negotiate the subcontract cost to recognize the changed requirement.

Prime contractors should have systems or processes in place to make timely adjustments to subcontractor costs and prime contractor billings to the government when it becomes aware that the government has been overbilled. For instance, if a subcontractor discloses to the prime contractor that it has inadvertently overcharged for services performed, the government is entitled to an immediate reimbursement of any amounts it was overbilled and it subsequently paid. Likewise, if the prime contractor becomes aware of potential overbillings to the government as a result of fraudulent activities, the prime contractor should determine what amount, if any, a subcontract price has been fraudulently inflated and repay that amount to the government. (Prime contractors self-governance programs may identify fraudulent activities, such as kickbacks, and the logical consequence of inflated subcontract prices.)

We acknowledge that working conditions are not ideal in the immediate area of a contingency; however, documentation supporting the reasonableness of a subcontract award is still vital to ensuring prime contractors and subcontractors are providing high quality goods and services at fair and reasonable prices.

**We recommend the Commission consider the following items for future action:**

- a) Contract clause language should be developed requiring prime contractors to demonstrate that proposed subcontractor prices are in agreement with the statement of work or contract terms and conditions between the government and the prime contractor.
- b) Prime contractors should be held accountable for implementing systems and processes to make timely adjustments to subcontractor costs and prime contractor billings to the government when it becomes known the government has been overbilled as a result of a subcontractor overbilling.
- c) Prime contractors should be held accountable for evaluating the reasonableness of subcontract prices to protect the interests of the taxpayer. Prime contractors must maintain procurement files to adequately document their procurement activities during contingency operations. The prime contractors should be held accountable for maintaining the following:
  - (i) documentation to support the level of competition experienced on all major procurements,
  - (ii) the individual bidder proposals and associated supporting information,

- (iii) the prime contractor's evaluation of bidder proposals and its determination that a subcontractor's bid represents a "fair and reasonable" price (even when the vendor is selected based on competition),
- (iv) justification for sole source selections,
- (v) the prime contractor's evaluation of the subcontractor's cost or pricing data,
- (vi) adequate documentation in support of contract modifications or extensions, and
- (vii) evidence of prime contractor management reviews and approvals.

#### **4. Adequate and Complete Contractor Records**

Adequate and complete contractor records are essential for contractors performing government contracts. We discovered that many contractors operating within the area of a contingency often times introduce business practices that are far less structured or organized than found in normal business operating conditions. For instance, procurement and accounting functions that might otherwise be consolidated or centralized in a home office setting are many times decentralized and moved into the field to be near the U.S. military or government civilian organizations they support. In these cases procurement files may be scattered across purchasing agents or subcontract administrators and never consolidated into a single comprehensive procurement file for any given procurement. In many cases subcontractor billing files are similarly disjointed with payment approvals separated from documentation substantiating the receipt of goods and/or services.

The reliability of contractor proposals, incurred cost submissions, and contract billings is questionable when records are not adequate and complete. Generally, contractor official books of account are maintained at the contractor's U.S. based home office, while for the most part, contingency contract or Task Order accounting transactions are initiated in-theatre and may be

initially recorded in an informal or local accounting system that is not integrated with the official accounting system. The accounting entries from the informal systems are then subsequently entered into the official books and records.

Our audits have shown that frequently the informal or local accounting records do not reconcile to the contractor's official books and records used to report costs on government contracts. The official books and records are generally the basis for preparing invoices presented to the government for payment. Consequently, in many instances, underlying records do not support invoices submitted for payment. Many times those accounting entries are made without the adequate documentation required to ensure the transactions are recorded at the correct amounts and charged to the correct contracts or Task Orders.

Because of the physical separation of the "home office" and the local or site accounting functions, often times corrections to contract costs made at the state-side home office lack adequate documentation supporting corrections made by the home office. Correcting accounting entries made without supporting data are not considered reliable and it is highly probable that corrections made under these circumstances will result in costs being transferred to the wrong contract or Task Order. Additionally, the normal safeguards of management reviews and/or approvals for accounting entries are not performed adequately.

Allocations from Corporate and Home Office organizations account for many millions of dollars that are ultimately charged to contingency contracts annually. However, during our audit of the LOGCAP contract the contractor has been unable to provide adequate support for the allocation of these costs to contracts. The contractor's lack of adequate documentation substantially increases the amount of audit resources DCAA must expend and the amount of time it takes to complete the audits



of the contractor's annual incurred cost proposals. Similarly, as discussed previously, the contractor has not provided adequate documentation supporting the reasonableness of subcontract costs during the audits of pricing proposals. The contractor's failure to provide this data also contributes significantly to delaying the completion of the annual incurred cost proposal.

Inadequate and incomplete records also delay the "closing out" of contracts, once the contract effort is complete. In order to close a contract, a "final accounting" of costs or contract charges must be completed to ensure the contractor is ultimately paid the correct amount and the government received the goods and services it bargained for. Based on our audits at the major contingency contractors, contracts for effort in Iraq, Kuwait, and Afghanistan may not be closed out for many years to come because contract records may be unreliable and/or irreconcilable.

**We recommend the Commission consider the following items for future actions:**

The regulations should be revised to specifically require a withhold of a certain percentage on interim payments when DCAA determines a contractor's internal controls and accounting and management systems are not adequate. Additionally, to provide incentive for contractors with inadequate business systems to support the closing of contracts and to perform required reconciliations of contract costs, the withhold should continue until the contract is properly closed and all costs are settled.

**5. Fully Functioning Business Systems Based on Level of Work**

As a result of the contingency operations in Iraq and Afghanistan, prime contractors performing reconstruction and/or logistics support effort have generally experienced increased business volume; by as much as 500 to 600 percent in just a matter of weeks or months. Based on our audits it appears that many of the contractors performing prime contracts and subcontracts in Afghanistan and Iraq

did not have accounting and business systems and systems of internal controls that were designed for the magnitude of effort required by the contingency contracts or for the conditions in which they were expected to operate. Contractors and subcontractors awarded contingency contracts must have business systems that are designed to handle “surges” of business activity during a contingency or multiple contingencies simultaneously, in order to ensure they can adequately monitor and report contract performance, accurately record contract costs and prepare billings to the government.

Generally, most contractors’ doing business in Afghanistan and Iraq were not prepared for the level of activity they experienced for a sustained amount of time. During our audits, we found the contractor’s internal controls were not sufficient to ensure the contractors (i) complied with all applicable acquisition regulations, (ii) maintained adequate accounting systems, and (iii) accurately billed contract costs on the correct contracts or Task Orders. We found that contractors routinely charged costs to the wrong Task Orders in order to bill contract costs to the government. In some cases the contractor charged an entire years cost from vendors to a single Task Order when it was clear the costs were in excess of reasonable costs for that single Task Order. While these costs were transferred to other Task Orders months or/maybe even years later, no clear evidence has been provided to show the costs were eventually recorded on the correct Task Order and we have no assurance the costs have not been billed multiple times due to the transfers from one Task Order to another.

**We recommend the Commission consider the following items for future action:**

- a) Consider revising the regulations to provide that flexibly priced prime contracts (any contract type with a variable element that impacts the billed costs), must be awarded only to contractors that (i) have adequate Cost Accounting Standards Board Disclosure Statements,

and (ii) have adequate business systems, including business ethics and compliance programs and internal controls, that are designed to handle surges in business that are inherent with contingencies.

- b) The contracting officer should consider requiring contractors selected for LOGCAP IV or other future large contingency support, to be subjected to a “stress test”, that is, the contractor should be required to demonstrate to the government their respective accounting and management systems can adequately manage the government’s contingency contracts.

## **6. Develop Clear and Detailed Statements of Work (SOWs)**

Statements of Work (SOWs) for contracts and individual Task Orders must be clear and concise in order to ensure the government is provided the goods and services it needs in a timely manner and at a fair and reasonable price. When a SOW is unclear prime contractors and/or subcontractors may (i) perform effort that was not contemplated by the Contracting Officer when the contract was negotiated, (ii) need change orders issued by the Contracting Officer to clarify or correct vague requirements, (iii) submit equitable adjustment claims associated with change orders, and (iv) bill unallowable costs or submit other inaccurate billings, such as, incorrectly invoicing the government under the wrong Contract Line Item Number (CLIN).

During our reviews of prime contract costs for various contingency contracts our auditors found instances where prime contractors have paid subcontractors to perform work in accordance with the negotiated statement of work, but the work was never completed or at least not completed in accordance with the initial statement of work. For instance, a prime contractor was awarded a Task Order to build an encampment for a specified number of soldiers. However, when the contractor

completed the work under the Task Order the encampment was built to house only about half the original requirement. While the level of activity required evidently changed, the original statement of work negotiated between the government and contractor was never changed.

In some contracts we found the subcontractor substituted equipment with different specifications than those identified in the prime contractor's statement of work. For instance, a Task Order may have required the contractor to provide 5 fuel tankers each with a capacity of 20,000 liters; instead the contractor provided only 3 fuel tankers, one 20,000 liter tanker and two 40,000 liter tankers. While the total number of liters may have been provided, 3 tankers instead of 5 may not have satisfied the actual requirement because fuel deliveries may have been required at 5 different locations.

In another case, the prime contract included both firm fixed price and flexibly priced CLINs. Due to the inclusion of ambiguous language in the SOW, the contractor included costs on its cost reimbursable CLIN voucher that the government thought was part of the negotiated firm fixed price effort on the flexibly priced CLIN.

**We recommend the Commission consider the following items for future action:**

Provide additional instruction and training reinforcing the requirements for contract and Task Order statements of work and contract terms and conditions to be written in clear and plain language. Additionally, when changes to the required effort under the contract become known, the statement of work should be changed to reflect the changes in the government requirement and the contract or Task Order price should be renegotiated to reflect the changed statement of work. The Commission should consider guidance involving a peer type of review of contract requirements prior to the

issuance of the Statement of Work to verify whether the terms and conditions are clear and understandable.

## **7. Execution of Subcontracts in a Non-Regulated Environment**

During a contingency most subcontracts (and many prime contracts) are awarded based on the misconception that adequate competition exists or that market research can be used as the basis for determining fair and reasonable prices. Generally, we do not believe that within the area of contingency operations adequate competition exists and further, we do not believe meaningful market research can be conducted since normal market conditions do not exist in the area of a contingency.

We do not believe that most contractors based in Southwest Asia share the U.S. concept of “bidding” or competing for contracts in accordance with U.S. government laws and regulations. Unlike U.S. companies that operate in a highly regulated environment and that are subject to extensive oversight by government regulators, subcontractors based in Southwest Asia operate in an un-regulated environment. Cultural differences also tend to result in business practices that may be acceptable throughout Southwest Asia, but are contrary to U.S. government regulation and unacceptable for U.S. government contracting purposes.

Contractors based in Southwest Asia are generally not subject to the same level of regulation with regard to business ethics, accounting rules and reporting, and government contracting rules and regulations as U.S. companies are. Without the strict regulatory based rules related to open competition (that is, non-collaborative bidding processes) true competition may not be achievable. Further, we believe the opportunity for “true” competition is limited where contingency operations

are occurring. In Iraq, U.S. and coalition military organizations most likely have consumed almost all of the capacity of most or all subcontractors capable of performing in-theatre. Therefore, at best, competition within the area of a contingency is limited because the government required goods and services generally exceeded vendor capacities (that is, the government is the sole or major purchaser of goods and services from all vendors) and all vendors are provided a portion of the requirements in order to satisfy the government's needs. In such circumstance, we do not believe competition and/or market forces provide better prices to the government.

Markets that might have existed before a contingency starts are most likely no longer viable. In the case of a war zone, infrastructure has been damaged and companies that once provided goods and services may no longer exist. For those that do still exist, they may not have the ability or the wherewithal to obtain needed materials and/or services to perform. As such, only a relative few companies are truly available in the market, further limiting competition and the impact of the market place on contract prices. We do not believe price reasonableness can be determined for a subcontract awarded to a vendor from another part of the region, for instance a Dubai company, by conducting market research in Iraq or Afghanistan or whether market research that takes information from normal peace time markets could be a valid analysis for costs to be incurred in a war zone. As such, we do not believe market research is a viable tool for determining price reasonableness with respect to contingency contracts and/or subcontracts.

Without the submission of cost or pricing data for subcontracts in contingency areas, a fair and reasonable price determination may not be possible. For instance, a prime contractor awarded a subcontract for DFAC services to a vendor from outside of Iraq "based on competition." DCAA was inadvertently provided cost data from the subcontractor during the audit of the Task Order

proposal. Based on the data provided, we determined the subcontractor's profit rate was as much as 75 percent of the cost.

**We recommend the Commission consider the following items for future action:**

The regulations should provide for a mandatory deviation from the awarding of contracts based on "normal" market research or solely on competition in contingency operations where the market may have been destroyed or significantly diminished. These conditions should require cost or pricing data.

**8. Better Adherence to Award Fee Terms or Modified Terms to Better Incentivize Contractors**

Some of the contingency contracts awarded in Iraq and Afghanistan included incentive provisions through the use of an Award Fee component to the fee structure. The Award Fee process evaluates a contractor's performance level and rewards superior performance by providing a "bonus" based on evaluated "factors" incorporated into the contract Award Fee Plan. Award Fee contracts provide for a fixed portion of fee to be paid for "compliance" when meeting the terms and conditions of the contract and an additional award fee to be earned in whole or in part based on a level of performance tied to critical evaluation factors contained in the Award Fee Plan. Payment of any portion of the award fee is dependent on how well the contractor performs in the evaluated areas. Contracts containing an Award Fee must have an Award Fee Plan that clearly delineates the area(s) of performance that are important to the Government and the standards by which the contractor's performance will be evaluated. The award fee will then be awarded, in whole or in part, based on the scheduled evaluations of the contractor's performance. The Government's evaluation of the contractor's performance for Award Fee purposes must be based only on the evaluation criteria set

forth in the Award Fee Plan. Award Fee contracts motivate the contractor to excel in such areas as quality, timeliness, technical ingenuity, and cost management.

DCAA has been asked, in certain cases, to provide input to Award Fee Evaluation Boards. DCAA's input is related to the criteria established in the Award Fee Plan that reflects on contractor cost management. DCAA's assessment of the contractor's cost management generally includes an evaluation of the reliability of a contractor's accounting and management systems through which a contractor accumulates contract and/or Task Order costs, the reliability of the contractor estimates included in proposals for Task Order definitization, and the accuracy of contract billings. However, DCAA's input was not always given the consideration or weight the award fee factor was assigned in the Award Fee Plan. In our opinion, minimizing the impact of DCAA's assessment of cost management at the Award Fee Board sends a message to the contractor that the Award Fee criteria established in the Award Fee Plan is no longer valid.

**We recommend the Commission consider the following items for future action:**

The criteria established in the Award Fee Plan should be strictly followed during the Award Fee Evaluation Board deliberations and that the full weight assigned to each factor should be considered appropriately during the deliberations. If the Award Fee Board has determined that a certain factor originally included in the Award Fee Plan will not be applied, then the Award Fee Plan should be officially changed and the Award Fee Plan should be revised to include factors that will incentivize the contractor to perform above the "compliance" level.



## **9. Establishment of Manageable Contracts and Task Orders**

The LOGCAP III contract was originally designed so that contract requirements during a contingency could be easily broken-up into manageable blocks of effort and accomplished under separately priced Task Orders. This flexibility should allow for the timely pricing of Task Order effort and likewise should allow for the timely close out of individual Task Orders upon completion of the contract effort. However, there were several instances where Task Orders were allowed to grow into contracts that proved to be difficult to manage.

During our audits of the LOGCAP III Task Orders we found most Task Orders were issued for discrete blocks of effort that concentrated effort on a limited number of sites within Iraq or Afghanistan and consequently were more easily defined in terms of contract required effort and estimated and actual contract costs. However, some Task Orders grew extremely large in dollar value and encompassed vast requirements. For instance, Task Order 59 was valued at more than \$6.2 billion and included effort for a wide variety of activities at several sites throughout Iraq. The extreme size of the effort included in the Task Order caused the contractor and government to go through extraordinary efforts to price the Task Order and to actually manage the effort in accordance with the contract statement of work. Just the sheer size of the Task Order effort and magnitude of costs accumulated under the Task Order will make the final accounting for costs under the contract difficult at best.

### **We recommend the Commission consider the following items for future action:**

The regulations should provide that individual prime contracts and/or Task Orders under contingency contracts should be of limited size. Keeping individual Task Orders to relatively small awards with specific scopes of work covering relatively few sites will enhance the contractor's and

government's ability to manage the effort involved in proposing, managing, administering, and closing out contracts and Task Orders.

### **Closing**

In closing, I want to underscore that DCAA has worked closely with all acquisition organizations to insure an integrated, well-managed contract audit process in-theatre. We have had a continuous presence in Iraq and the Middle East Theatre of Operations since May 2003, staffing our office entirely with civilian volunteers. To date more than 200 DCAA auditors have served tours and fortunately, none have been injured or killed. The challenges in applying sound and reliable business practices and auditing in Iraq are daunting and have required our auditors to be flexible while insisting that the Department will not tolerate the billing of costs that do not comply with contract terms or are not appropriately documented and supported. DCAA has been and will continue to be vigilant about contract audit oversight and protecting the taxpayers' interests.

**Listing of DCAA Audit Reports Issued Impacting the LOGCAP III Contract**

This appendix contains a listing of DCAA audit reports issued by the various field audit offices involved in auditing the LOGCAP contract. Explanations for the table headings are described below:

**Description:** The description of the audit.

**Assignment No.:** The DCAA audit report number.

**Date:** The date the report was issued.

**Dollars:** Numbers in this column are expressed in terms of thousands of dollars (\$000) and represent the amounts DCAA audited in contractor forward pricing proposals, incurred cost proposals, claims, and other audits. Dollars are not identified or reported by DCAA for generic type audits such as labor floor checks, systems, CAS, forward pricing rates, and similar audits where there are no dollars identified or where dollars are audited as part of other audits.

**Questioned Costs:** Amounts shown in this column, expressed in thousands of dollars, represents costs proposed or claimed by the contractor which DCAA considers to be unallowable in accordance with the Federal Acquisition Regulations or contract terms and conditions.

**Unsupported Costs:** Amounts shown in this column, expressed in thousands of dollars, represents costs for which the contractor has not provided sufficient rationale for their estimates.

**DCAA LOGCAP Related Audit Reports (CONUS)**

Description	Assignment No.	Date	Dollars (\$000)	Questioned Costs (\$000)	Unsupported Costs (\$000)
BRSO FY 2000 I/C AUDIT	2000K10100001	2/27/2006	454,310	7,221	
BRSO FY 2001 INCURRED COST AUDIT	2001K10100001	5/5/2006	364,458	16,190	
BRS FY 2002 1ST QTR FLOOR CHECK	2002D10310002	3/28/2003			
BRS FY 2002 2ND QTR FLOOR CHECK	2002D10310003	9/18/2003			
CFY 2002 KBR CORP INCURRED COST	2002K10100001	11/5/2007	12,124	2,920	
CFY 2002 BRSO INCURRED COST	2002K10100002	11/15/2007	358,564	13,185	
KBR CE CFY 2002 INCURRED COST	2002K10100004	9/8/2008	4,665	1	
BRSO BILLING SYSTEM FOLLOW UP	2002K11010001	5/13/2004			
BRSO EDP - GENERAL CONTROLS (ICR)	2002K11510001	10/7/2005			
HALLIBURTON FIN CAP CFY 2003	2002K17600004	6/25/2004			
BRSO LOGCAP III TO #6 VERIFY COSTS	2003D17900009	8/14/2003	17,755		
DTRA COST VERIFICATION TO # 4 FOR 0014	2003D17900011	9/16/2003			
BRS INTERMEDIATE MGT II HOME OFFICE	2003D19100004	3/10/2003			
BRS INTERMEDIATE MGT I HOME OFFICE	2003D19100005	4/28/2003			
INFRASTRUCTURE INTERMEDIATE MGT II HO	2003D19100006	3/18/2003			
AMERICAS INFRASTRUCTURE INTER MGT I HO	2003D19100007	4/23/2003			
BRSO 2003 KBR INTERNAL RESTRUCTURING	2003D19100008	3/5/2003			
KBR SI 2003 INTERNAL RESTRUCTURING	2003D19100009	4/18/2003			
BRSO LOGCAP III TASK ORDER 15	2003D21000001	7/22/2003	41,329	1,706	
BRSO LOGCAP III TASK ORDER # 47	2003D21000002	9/5/2003	22,890	1,522	
BRRO 2003 JULY REFORECAST	2003D23000001	8/14/2003			
BRSO DTRA LIQUID FUEL ICBM DISMANTLEMENT	2003D27000002	8/12/2003	11,300	115	
KBR S & D&V JV CHEMICAL DESTRUCTION PLANT	2003D28000005	5/27/2003	85,946		
KBR SI CFY 2003 INCURRED COST	2003K10100001	6/13/2008	1,557,547	63,080	
CFY 2003 HALLIBURTON CORP ALLOC	2003K10100003	4/11/2008	47,321	23,436	
KBR INTERMEDIATE MGT III HOME OFFICE	2003K19100003	12/29/2004			
HALLIBURTON CORPORATE 2003 REVISED DS	2003K19100010	9/27/2004			
BRSO LOGCAP III TO 15 IRAQ SUPPORT	2003K21000001	7/22/2003	41,329	1,706	
BRSO LOGCAP III TO # 47 IRAQ SUPPORT	2003K21000002	9/5/2003	22,890	1,522	
BRSO LOGCAP III TASK ORDER 57	2003K21000003	10/1/2003	200,390	1,610	
SUBCONTRACT MANAGEMENT FLASH REPORT	2004K12030001	3/5/2004			
KBR SI PURCHASING SYSTEM	2004K12030002	6/23/2006			
KBR SUB MANAGEMENT FLASH REPORT 2	2004K12030003	7/22/2004			
BRSO LOGCAP III TO # 40 TURKEY	2004K17900010	3/25/2004	49,913	7,039	
BRSO LOGCAP III TO # 33 IRAQ SUPPORT	2004K17900045	4/27/2004	38,542	1,057	
BRSO TASK ORDER # 42	2004K17900047	5/5/2004	29,919	4,396	
BRSO LOGCAP III TASK ORDER # 31	2004K17900048	5/11/2004	2,016	29	
BRSO LOGCAP III TO # 48 IRAQ SUPPORT	2004K17900049	5/2/2004	585		
BRSO LOGCAP III TO # 53	2004K17900050	5/13/2004	33,729	645	

**DCAA LOGCAP Related Audit Reports (CONUS)**

Description	Assignment No.	Date	Dollars (\$000)	Questioned Costs (\$000)	Unsupported Costs (\$000)
BRSO LOGCAP III TO # 41 IRAQ SUPPORT	2004K17900051	5/20/2004	661	661	
H-4 MOSUL PALACE AO GLORY THE EVENT SOUR	2004K17900075	9/14/2004	160,336	54,815	
C-2 TIKRIT SOUTH-PACKHORSE IRAQ SUPPORT	2004K17900077	9/29/2004	74,964	40,420	
D-7 MULESKINNER LA N IRAQ SUPPORT	2004K17900083	9/10/2004	27,630	13,294	
DFAC SITES 5A, 5B, 5C KUWAIT	2004K17900091	9/19/2004	53,080	25,983	
KBR CAS 416 SELF MED INS CREDIT TO PROFI	2004K19200001	8/6/2004			
HALLIBURTON CORP CAS 403 NON COMPLIANCE	2004K19200003	11/10/2004			
BRSO CAS 418 PROCUREMENT SER CENTER	2004K19500001	3/8/2005	653	435	
BRSO LOGCAP III TASK ORDER # 56	2004K21000001	11/21/2003	38,425	301	
BRSO LOGCAP III TO 64 PROPOSAL	2004K21000004	11/26/2003	24,064	88	
BRSO LOGCAP III TO # 75 IRAQ SUPPORT	2004K21000006	3/18/2004	3,462	62	
BRSO LOGCAP III TASK ORDER # 66	2004K21000009	5/6/2004	4,631	383	
BRSO LOGCAP III TO 35	2004K21000010	5/22/2004	14,837	736	
BRSO LOGCAP III TO #28 GEORGIA FMS	2004K21000013	5/6/2004	11,893	52	302
BRSO LOGCAP III TO # 37 IRAQ SUPPORT	2004K21000014	5/10/2004	1,651	52	
BRSO LOGCAP III TASK ORDER # 34	2004K21000015	5/29/2004	52,387	10,509	
LOGCAP III TO 43 SITE 5A TTM PROPOSAL	2004K21000017	10/4/2004	461,167	58,812	3787
BRSO LOGCAP III TO 13	2004K21000018	7/10/2004	151,984	3,637	1326
BRSO LOGCAP III TO # 14 IRAQ SUPPORT	2004K21000019	5/23/2004	124,727	7,565	
BRSO LOGCAP III T O # 44	2004K21000021	8/17/2004	428,399	28,576	
BRSO LOGCAP III TO # 36	2004K21000022	9/17/2004	62,092	2,034	590
LOGCAP III TO 60 SITE 2C	2004K21000023	8/1/2004	10,026	826	2368
KBR LOGCAP III TO 27 SITE 5A PROPOSAL	2004K21000024	9/10/2004	284,697	3,861	3403
BRSO LOGCAP III TASK ORDER # 45	2004K21000025	6/25/2004	753		
BRSO TASK ORDER 59 LOGCAP III	2004K21000026	7/31/2004	1,125,063	89,316	673566
BRSO LOGCAP III T O # 62 IRAQ SUPPORT	2004K21000027	7/8/2004	5,080		
BRSO T O 47 LOGCAP III IRAQ SUPPORT	2004K21000029	9/17/2004	33,252		3387
BRSO LOGCAP III T O # 54 IRAQ SUPPORT	2004K21000030	7/2/2004	1,635		
BRSO LOGCAP III T/ O # 46	2004K21000031	9/13/2004	23,685	444	
BRSO LOGCAP III TO 38 IRAQ SUPPORT	2004K21000032	7/6/2004	54,823	849	4410
BRSO LC III TO #15 THR CH 11 IRAQ EFFORT	2004K21000033	7/16/2004	114,663	13,479	2419
BRSO LOGCAP III TO #56	2004K21000034	7/24/2004	98,421	510	1640
BRSO TASK ORDER 50 LOGCAP III	2004K21000035	9/8/2004	25,329	654	1256
BRSO TO 63 LOGCAP III	2004K21000036	9/9/2004	5,374	82	
BRSO LC III TO #57 SITE 7N CEDAR/ADDER	2004K21000037	9/13/2004	71,927	277	954
BRSO LOGCAP III TO #72	2004K21000038	9/7/2004	2,355		
BRSO LOGCAP III TO #64	2004K21000039	9/10/2004	16,215	86	514
BRSO TASK ORDER 58 LOGCAP III	2004K21000040	10/8/2004	130,510	162	8412
BRSO LOGCAP III TO 81	2004K21000041	9/7/2004	8,832	734	524
BRSO TASK ORDER 61 LOGCAP III	2004K21000043	10/29/2004	186,124	59,197	6979
KBR LOGCAP III FREIGHT RATE	2004K23000006	7/27/2004			

**DCAA LOGCAP Related Audit Reports (CONUS)**

Description	Assignment No.	Date	Dollars (\$000)	Questioned Costs (\$000)	Unsupported Costs (\$000)
LOGCAP III ODC COST ESTIMATING FACTORS	2004K23000007	2/15/2005			
IRAQ KBR Estimating System Surveys (ICR)	2004K24010001	8/4/2004			
BRSO EST SYS FLASH LOGCAP III TO 59	2004K24020001	12/31/2003			
BRSO LOGCAP III TO # 59 ACTUAL COSTS	2004K24020003	4/2/2004			
EST SYS FLASH LOGCAP III TO 50/56/59	2004K24020004	9/23/2004			
BRSO LOGCAP III T O # 41 IRAQ SUPPORT	2004K28000001	11/28/2003	4,053		
BRSO LOGCAP III TASK ORDER # 37	2004K28000004	12/12/2003	3,236		
BRSO LOGCAP III T O # 72 IRAQ SUPPORT	2004K28000006	3/25/2004			
BRSO Iraq Supply Chain Management System	2004K28000008	7/27/2004	12,963	824	
TRAVEL COST - BROWN & ROOT P	2004Q10501002	3/5/2008			
SUBCONTRACT MANAGEMENT B&R	2004Q10503003	6/25/2004			
LABOR FLOOR CK HSO / 05	2005B10310002	11/15/2006			
FY 05 F/U BILLING SYSTEM AUDIT (ICR)	2005B11010001	12/29/2005			
KBR BUDGET SYSTEM REV (ICR)	2005B11020001	3/3/2006			
IRAQ EVMS SYSTEM COMPLIANCE	2005B17770001	9/25/2006			
FPRA LOGCAP FREIGHT RATE	2005B23000001	7/28/2005			
EST. SYS FU KBR	2005B24090001	9/29/2005			
KBR FY 05 F/U CPSR	2005K12030001	6/23/2006			
ANALYSES LA NOUVELLE BILLING - KICKBACK	2005K17900012	4/10/2007			
STATE DEPT DAILY RATE AUP TO 100	2005K17900015	7/22/2005			
DFAC SETTLEMENT AGREEMENT	2005K17900016	4/10/2006			
KBRSI CONTAINERS/TRAILERS FROM FKTC	2005K17900026	3/9/2006	50,177	50,177	
CAS 416 COST IMPACT IC 1998	2005K19500001	2/28/2007	2,179	3,217	
BRSO LOGCAP III TO 43 MIGRATED PROPOSAL	2005K21000001	11/19/2004	424,579	14,211	6571
BRSO LOGCAP III TO 44 MIGRATED PROPOSAL	2005K21000003	12/23/2004	481,203	55,043	18308
BRSO LOGCAP III TO 94	2005K21000004	12/23/2004	55,741	372	3349
BRSO LOGCAP III TO 62 MIGRATED PROPOSAL	2005K21000006	12/7/2004	12,388	237	36
BRSO LOGCAP III TO 27 MIGRATED PROPOSAL	2005K21000007	1/21/2005	246,348	22,530	16564
MIGRATION PRO TO 46	2005K21000008	2/12/2005	30,741	2,709	363
KBRSI LOGCAP III TO 54	2005K21000009	1/10/2005	6,629	94	64
LOGCAP 3 TO 47 THROUGH CHANGE 10	2005K21000010	1/25/2005	81,493	1,348	6772
LOGCAP III TO 93	2005K21000011	1/12/2005	13,748	542	136
BRSO LOGCAP III T O 38	2005K21000012	2/4/2005	50,111	4,182	3131
KBR TO 84	2005K21000013	1/14/2005	43,701	530	8651
LOGCAP III TO 97 AFGHANISTAN	2005K21000014	2/5/2005	200,829	4,304	5007
LOGCAP 111 TASK ORDER 100	2005K21000015	3/8/2005	239,415	44,423	7719
BRSO LOGCAP TO 98	2005K21000021	3/3/2005	141,470	38,239	703
LOGCAP III TO 34	2005K21000023	3/3/2005	60,381	5,462	223
BRSO LOGCAP III TO # 95	2005K21000027	2/18/2005	16,333	578	65
TO 85 FMS LOGCAP III	2005K21000028	3/26/2005	22,332	299	51

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Description	Assignment No.	Date	Dollars (\$000)	Questioned Costs (\$000)	Unsupported Costs (\$000)
TO 86 BRSO LOGCAP III	2005K21000029	3/31/2005	14,167	2,855	
TO 90 BRSO LOGCAP III	2005K21000030	4/7/2005	60,830	3,006	1795
TO # 92 BRSO LOGCAP III	2005K21000031	4/19/2005	25,183	1,307	
KBRSI LOGCAP III TO 103	2005K21000034	8/9/2005	44,577	4,423	295
KBRSI LOGCAP III TO 108	2005K21000035	9/5/2005	152,599	4,539	30209
LOGCAP III TO 113	2005K21000036	10/26/2005	76,536	26,482	
LOGCAP III TASK ORDER 59 IPT	2005K22000002	3/24/2005	1,700,162	217,829	189996
2005 FORWARD PRICING RATE PROPOSAL	2005K23000002	4/18/2005			
SUBCONTRACT MGMT F/U-KBR P	2005Q10601001	2/28/2007			
KBR INTERMEDIATE III, REV 1 2005	2005R19100001	1/27/2006			
KBR INTERMEDIATE II, REV 1	2005R19100002	1/27/2006			
KBR INTERMEDIATE I, REV 1 2005	2005R19100003	4/23/2006			
KBRSI, REVISION 4	2005R19100004	4/18/2006			
KBRCI REVISION 3	2005R19100005	4/23/2006			
HALLIBURTON CORP HOME OFFICE	2005R19100006	4/18/2006			
BASE OPERATIONS SITE 7NX - TO 57	2005R21000001	3/8/2005	100,245	2,342	
TO 58 LOGCAP	2005R21000002	3/11/2005	168,657	31,688	12200
TO 88	2005R21000003	7/8/2005	313,208	42,898	19801
LOGCAP III TO 91	2005R21000004	7/21/2005	25,081	3,044	119
BILLING SYSTEM AUDIT F/U (ICR)	2006K11010001	12/1/2006			
ACCOUNTING SYS CONTROL OBJ 6&7 P&PS	2006K11070001	11/1/2006			
FLASH PURCHASING SYSTEM - LVPA	2006K12030003	6/4/2007			
KBRSI LOGCAP III TEPE CONTAINERS TO 59	2006K17900004	9/12/2006	4,163	4,163	
KBRSI REV DISCLOSURE STATEMENT	2006K19100001	9/21/2006			
NON COMPLIANCE - CAS 418	2006K19200001	4/2/2006			
NON COMPLIANCE - CAS 401	2006K19200003	3/24/2006			
INC PENSION COST, CIPR, 412-413 COMP (EX	2006K19412001	9/25/2006			
KBRSI LOGCAP III TO 100 EXTENSION	2006K21000003	12/14/2005	145,587	2,130	6319
LOGCAP III - TASK ORDER 130	2006K21000004	3/19/2006	255,005	75,104	599
KBRSI LOGCAP III TO 115	2006K21000005	4/4/2006	44,717	4,976	
KBRSI LOGCAP III TO 129	2006K21000006	3/30/2006	104,025	6,950	
LOGCAP III TO 85 CHANGE ORDER 2	2006K21000007	4/7/2006	27,564	257	
KBRSI LOGCAP III TO 118	2006K21000008	4/25/2006	56,490	908	
KBRSI LOGCAP III TO 116	2006K21000010	5/12/2006	251,458	69,144	553
KBRSI LOGCAP III TO 137 FU TO 94	2006K21000011	5/27/2006	64,130	9,340	
KBRSI LOGCAP III TO 111 CHANGE 2	2006K21000012	6/28/2006	84,782	3,913	
KBRSI LOGCAP III TO 117	2006K21000013	8/18/2006	157,829	3,984	
KBRSI LOGCAP 3 TO 147 KUWAIT AOR & TTM	2006K21000015	11/17/2006	146,888	19,077	
KBRSI LOGCAP III TO 89 TOP PAY RATES	2006K23000001	5/12/2006			
KBRSI OCT 2005-2009 OH & G&A RATES	2006K23000002	4/26/2006			
KBRSI GUB-COMPUTER UTILIZATION RATES	2006K23000003	10/24/2008			

**DCAA LOGCAP Related Audit Reports (CONUS)**

Description	Assignment No.	Date	Dollars (\$000)	Questioned Costs (\$000)	Unsupported Costs (\$000)
KBRSI LOGCAP FREIGHT RATES	2006K23000004	2/24/2006			
KBRSI LOGCAP III TRAVEL SERVICES AA	2006K23000005	9/12/2006			
KBRSI FY 2006 BURDEN & BENEFIT RATES	2006K23000007	10/30/2006			
KBRSI TO 89 SUB PRICING & QUANTITIES	2006K24020001	2/10/2006			
KBRSI TO 89 AA A1 C1 D5 F2 H3 T1 IPE	2006K27000003	7/26/2006	2,689,698	486,049	10327
KBRIS LOGCAP III TO 126 VILLA COSTS	2006K27000004	8/3/2006	1,353		
LOGCAP III TASK ORDER 43	2006K42000001	9/11/2006			
LOGCAP III TASK ORDER 59	2006K42000002	10/20/2008			
LOGCAP III TASK ORDER 89	2006K42000003	10/20/2008			
KBR, INC. 2007 COMPENSATION SYSTEM	2007K13020001	7/18/2008			
KBR KHARAFI CLAIM	2007K17200002	4/4/2008	414	414	
VERIFICATION OF ACTUAL COSTS - TO 131	2007K17900003	3/5/2007			
REPORT ON CFY 2005&2006 CMARK SUBCONTRAC	2007K17900006	5/17/2007			
IBO ASSIST ON TASK ORDER 147	2007K17900007	4/11/2007			
KBRSI PRIVATE SECURITY COSTS	2007K17900008	8/29/2007			
TO 104 COST REPORT ASSIST	2007K17900014	6/7/2007			
TO 114 COST REPORT ASSIST	2007K17900018	8/23/2007			
KBR INTER I DISCLOSURE STATEMENT	2007K19100001	12/15/2006			
KBR INTER II DISCLOSURE STATEMENT	2007K19100002	12/15/2006			
KBR INTER III DISCLOSURE STATEMENT	2007K19100003	12/15/2006			
HCHO DISCLOSURE STATEMENT	2007K19100004	6/4/2007			
REVIEW OF KBRM&E DISCLOSURE STATEMENT	2007K19100005	7/2/2008			
KBRSI Disclosure Statement(s) IPT	2007K19100006	7/15/2008			
LOGCAP IV UPDATED SCENARIO	2007K21000001	11/4/2006	141,757		
LOGCAP IV REVISED PROPOSAL	2007K21000002	1/9/2007	146,146		
LOGCAP IV SECOND REVISION	2007K21000005	4/20/2007	137,780		
KBRSI LOGCAP III TO 157	2007K21000006	7/2/2007	25,623	3,432	
KBRSI LOGCAP III TO 116 EXTENSION	2007K22000001	7/12/2007	116,396	7,695	654
TO139EXT-TBDS, SUBKS, EQMT, ODCS, IND	2007K22000002	8/15/2007	1,981,188	545,209	
LOGCAP III FREIGHT FACTOR	2007K23000001	11/29/2007			
LOGCAP III DUBAI TO AFGHAN CHARTER	2007K23000002	12/5/2006			
KBRSI LOGCAP III LABOR RATES	2007K23000004	4/23/2007			
AUDIT OF FPRP FOR B&B AND PSC	2007K23000006	10/19/2007			
AUDIT OF FPRP FOR G&A AND OH	2007K23000007	9/14/2007			
HOUSTON SUPPORT OFFICE ALLOCATION	2007K23000008	8/15/2008	36,807	732	
KBRSI TO 139 ESD ON QUANTITIES	2007K24020001	4/11/2008			
KBRSI STRATEGIC LOGISTIC DISTRIBUTIN SYS	2007K28000001	5/4/2007			
KBRSI SEII BURDENS AND BENEFITS RATE	2008K17900004	5/20/2008			
KBRM&E DISCLOSURE STATEMENT REV 5	2008K19100004	7/18/2008			



**DCAA LOGCAP Related Audit Reports (CONUS)**

Description	Assignment No.	Date	Dollars (\$000)	Questioned Costs (\$000)	Unsupported Costs (\$000)
CAS 405 FLY AMERICA	2008K19200001	8/12/2008			
CAS 405 AIR FREIGHT	2008K19200002	8/26/2008			
KBRSI LOGCAP III TO 147 EXTENSION	2008K22000001	1/31/2008	177,248	13,832	
KBRSI LOGCAP III TO 159	2008K22000002	10/10/2008	3,427,107	266,372	501502
WORLDWIDE ENVIRON. RESTORATION & CO	2008K27000001	8/14/2008	15,000	7,652	
LOGCAP 4 KUWAIT AOR	2008K27000002	10/23/2008	70,926		
LOGCAP III TO 152 (4.1.09-3.31.10 EXT)	2009K21000008	4/9/2009	24,948	1,208	

**DCAA LOGCAP Related Audit Reports (OCONUS)**

Description	Assignment No.	Date	Dollars (\$000)	Questioned Costs (\$000)	Unsupported Costs (\$000)
KBR CCFY DOLLARS	2003F10100001	09/08/2005	817,539	149,976	
KBR IRAQ/KUWAIT TASK 44 BILLING	2003F11010001	10/01/2003			
KBR IRAQ/KUWAIT TASK 59/61	2003F11010002	10/01/2003			
KBR IRAQ/KUWAIT TASK 44 ACCT SYS	2003F11070001	01/30/2004			
KBR IRAQ/KUWAIT TASK 59/61	2003F11070002	01/31/2004			
KBR PURCHASING SYSTEM-LOGCAP III	2003F12030001	01/30/2004			
KBR LOGCAP SUB-CONTRACT MANAGEMENT	2003F12980001	01/30/2004			
KBR IRAQ/KUWAIT TASK 44 LABOR	2003F13010001	01/30/2004			
KBR IRAQ/KUWAIT TASK 46 LABOR	2003F13010002	01/30/2004			
KBR IRAQ/KUWAIT TASK 56 LABOR	2003F13010003	01/30/2004			
KBR IRAQ/KUWAIT TASK 59/61	2003F13010004	01/30/2004			
3RD QTR BRS FLOOR CHECK	2003J10310004	11/04/2003			
B&R ASSIST TSMAARS MAAR NO13	2003J10320001	10/06/2003			
KBR-CCFY 2004 DOLLARS	2004F10100001	09/08/2005	1,852,000	35,095	
KBR LOGCAP III 1ST QTR FLOORCHECKS	2004F10310001	02/11/2004			
LOGCAP KUWAIT/IRAQ 2ND QTR FLOORCHECKS	2004F10310002	02/27/2004			
LOGCAP KUWAIT/IRAQ 3RD QTR FLOORCHECKS	2004F10310003	06/20/2004			
LOGCAP KUWAIT/IRAQ 4TH QTR FLOORCHECKS	2004F10310004	11/15/2004			
KBR-LOGCAP TO 57 FLOORCHECK	2004F10310008	10/20/2004			
LOGCAP KUWAIT/IRAQ 2ND QTR MAARS 13	2004F10320002	04/01/2004			
LOGCAP KUWAIT/IRAQ 4TH QTR MAARS 13	2004F10320003	12/03/2004			
LOGCAP KUWAIT/IRAQ 3RD QTR MAARS 13	2004F10320004	08/30/2004			
T043 TRANSPORTATION	2004F10503001	03/31/2005			
VICTORY LAB OPS	2004F10503002	11/13/2004			
ACCOUNTING SYSTEM ABO ASSIST	2004F11070002	08/14/2005			
KBR-LOGCAP-PROCUREMENT ICAPS	2004F12030001	02/18/2005			
KBR AFGHAN FLR CHK	2004F13500002	06/20/2004			
KBR FY 05 Q1 NATIONAL MAAR 6	2004F13500004	12/24/2004			
ANACONDA 4 QTR MAAR 6	2004F13500005	12/11/2004			
VICTORY 4 QTR MAAR 6	2004F13500006	12/19/2004			
KBR-T.O.#59-DFACS/LAUNDRY SERVICES	2004F17900001	11/30/2003			
KBR-CSSR SUPPORTING DATA	2004F17900002	08/25/2004			
KBR-TASK ORDER 0059-ASSIST AUDIT	2004F17900003	01/31/2004			
KBR-TASK ORDER 0064 SUBCONTRACTS	2004F17900004	12/13/2003			
KBR-TASK ORDER 0056 SUBCONTRACTS	2004F17900005	01/04/2004			
KBR-TASK ORDER 0063 SUBCONTRACTS	2004F17900006	12/29/2003			

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Description	Assignment No.	Date	Dollars (\$000)	Questioned Costs (\$000)	Unsupported Costs (\$000)
KBR-DFACS VENDOR BILLINGS	2004F17900007	02/18/2005			
KBR-TASK ORDER #64-OTHER DIRECT COSTS	2004F17900008	02/11/2004			
KBR-TASK ORDER 61-SUBCONTRACTS	2004F17900009	01/31/2004			
KBR-LOGCAPIII T.O.57 SUB ASSIST	2004F17900010	01/17/2004			
KBR-CENTRAL OPS SUB QUESTIONNAIRE	2004F17900011	01/30/2004			
KB&R LOGCAPP III 56&59 BULK MAT. REQ	2004F17900012	03/07/2004			
KBR- ALL T.O.S - LAUNDRY SUBS	2004F17900014	12/26/2004			
KBR-TASK ORDER 63-FDC	2004F17900015	09/17/2004			
KBR-TASK ORDER 0075-ASSIST TO ABO	2004F17900016	03/16/2004	200		
TO 66 ASSIST AUDIT FOR ABO	2004F17900017	07/28/2004			
SUBK PRICE ANALYSIS ABO	2004F17900018	07/03/2004			
DFAC BILLING RATIO	2004F17900019	06/22/2004			
KBR-SAMPLE SUBCONTRACTOR AUP	2004F17900020	09/07/2004			
TO 44 REVIEW	2004F17900021	12/08/2004			
KBR FLASH EST SYS	2004F24020001	07/03/2004			
PROCUREMENT SYSTEM	2004F24020002	07/03/2004			
PROCR SYST FLASH	2004F24020003	09/18/2004			
TO 36 DEFINITIZE	2004F27000001	05/23/2004	6,835		29,778
TO 45 DEFINITIZE	2004F27000002	06/02/2004	171		1,048
TO 27 DEFINITIZE	2004F27000003	05/24/2004	12,299		3,214
TO 44 DEFINITIZE	2004F27000004	06/06/2004	11,911	2,930	3,192
TO 43 DEFINITIZE	2004F27000005	05/23/2004	313,146	8,655	20,637
TO 4 DEFINITIZE	2004F27000006	05/31/2004	6,394		
TO 13 DEFINITIZE	2004F27000007	05/25/2004	2,435	265	
TO 46 ABO ASSIST	2004F27000009	07/02/2004	7,002		89
TO 44 DEFINITIZATION ADDITIONAL ITEMS	2004F27000010	06/22/2004	12,533		19,189
TO 38 DEFINITIZE	2004F27000011	07/02/2004	7,988		5,032
TO 59 DEFINITIZE	2004F27000012	07/18/2004	189,989	120,141	1,134,598
TO 27 DEFINITIZE	2004F27000013	07/12/2004	24,343	3,753	1,272
TO 56 DEFINITIZE	2004F27000014	07/21/2004	48,250	14,559	1,568
TO 57 DEFINITIZE	2004F27000016	07/29/2004	70,284	6,472	
TO 50 DEFINITIZE	2004F27000017	08/04/2004	20,056	13,270	
KBR- TO 56 DEFINITIZATION SECOND SAMPLE	2004F27000018	08/20/2004	16,443	12,304	3,133
TO 81 DEFINITIZE	2004F27000019	08/09/2004	4,687	352	247
TO 64 DEFINITIZE	2004F27000020	08/12/2004	3,236	506	227
TO 63 DEFINITIZE	2004F27000021	08/15/2004	1,211	50	65
TO 58 - KBR	2004F27000022	09/09/2004	27,877	10,168	40,947
TO 27 DEFINITIZE	2004F27000023	09/21/2004	11,818		

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Description	Assignment No.	Date	Dollars (\$000)	Questioned Costs (\$000)	Unsupported Costs (\$000)
TO 36 DEFINITIZE	2004F27000024	09/27/2004			
TO 46 DEFINITIZE UPDATED REQUEST	2004F27000025	10/04/2004	17,278	465	89
TO 58 DEFINITIZE REVISED REQUEST	2004F27000026	11/01/2004	40,008	636	7,378
DFAC TO59	2004R17900003	02/27/2004			
KBR TO54 DIRECT COST	2004R17900004	03/06/2004			
TO 6 ASSIST ABO	2004R27000002	07/06/2004	83,595	2,571	17,327
TO 03 DEFINITIZE	2004R27000003	07/20/2004	208,963	10,500	
TO 04 DEFINITIZE	2004R27000004	08/04/2004	16,265		289
TO 06 DEFINITIZE ADDITIONAL ITEM	2004R27000005	08/17/2004	7,845		
KBR-CPA FLOORCHECK	2004T10310013	04/25/2004			
ANACONDA LABOR F/C	2004T10310015	09/06/2004			
ANACONDA MAAR 13-2ND QTR.	2004T10320004	11/13/2004			
TO 44 MAAR 13	2004T10320007	12/16/2004			
LAUNDRY OPS	2004T10503002	08/30/2004			
USE OF FEDERAL BUYING SCHEDULE	2004T10503004	08/30/2004			
T059 TRANSPORTATION OPS	2004T10503005	06/30/2005			
LN. TCN, EX PAT-LABOR COST	2004T10503006	08/30/2004			
ABO HOTLINE	2004T17900009	07/16/2004			
DFAC SUBCONTRACTS UNPAID	2004T17900018	05/28/2004			
KBR CONSUITANT ASSIST	2004T17900020	08/30/2004			
KBR DFAC FILES	2004T17900024	06/10/2004			
KBR CCFY DOLLARS	2005F10100001	09/15/2006	1,506,305		
KBR-MAAR 6 QTR 1	2005F10310001	02/08/2005			
KBR-QTR 1 MAAR 6 HARRY'S TEAM	2005F10310101	01/01/2005			
KBR-MAAR 13-LOGCAP	2005F10320001	01/07/2006			
KBR-MAAR 13 LOGCAP 2ND QUARTER	2005F10320002	02/05/2005			
MAAR 13 KBR HONOR/FREEDOM REST	2005F10320003	09/23/2005			
KBR MAAR 13 SITE F2 CAMP LIBERTY	2005F10320004	06/22/2005			
KBR MAAR 13 - Site G-6, Camp Echo	2005F10320005	06/22/2005			
KBR MAAR 13 - Site C-11 - Caldwell	2005F10320006	08/19/2005			
KBR MAAR 13 -Site B-1, Al Asad, Iraq	2005F10320007	09/23/2005			
KBR MAAR 13 - C1 SPEICHER	2005F10320008	09/20/2005			
KBR MAAR 13 - Central Baghdad, Iraq	2005F10320009	06/22/2005			
MAAR 13 -- KBR TAJI SITE C5	2005F10320010	09/23/2005			
KBR MAAR 13 SITE A ANACONDA	2005F10320011	06/22/2005			

**DCAA LOGCAP Related Audit Reports (OCONUS)**

Description	Assignment No.	Date	Dollars (\$000)	Questioned Costs (\$000)	Unsupported Costs (\$000)
AFGHAN MAAR13	2005F10320012	06/12/2006			
KBR TO 88 MAAR13	2005F10320014	11/28/2005			
KBR TO 90 MAAR13	2005F10320015	11/29/2005			
KBR LABOR SUSTAINMENT UTILIZATION	2005F10502001	08/28/2005			
KBR KUWAIT HOUSING UTILITIZATION	2005F10503001	08/28/2005			
KBR DFAC COST AVOIDANCE	2005F10503002	09/08/2005			
KBR PURCH SYS ASSIST	2005F12030002	03/14/2005			
KBR-LOGCAP 2ND QTR MAAR 6	2005F13500002	01/08/2006			
KBR-LOGCAP 3RD QTR MAAR 6	2005F13500003	05/25/2005			
KBR-LOGCAP 4TH QTR MAAR 6	2005F13500004	12/02/2005			
KBR MAAR 6 - CAMP ECHO	2005F13500005	06/22/2005			
KBR MAAR 6 - Site C-11 - Caldwell	2005F13500006	06/22/2005			
KBR MAAR 6 - B-1 AL-ASAD	2005F13500007	08/10/2005			
KBR MAAR 6 -- TAJI	2005F13500008	09/02/2005			
KBR MAAR 6 - SPEICHER SITE C-1	2005F13500009	08/23/2005			
KBR MAAR 6 - CENTRAL BAGHDAD	2005F13500010	06/22/2005			
KBR MAAR 6 CAMP HONOR/FREEDOM REST	2005F13500011	09/02/2005			
KBR MAAR 6 ANACONDA	2005F13500012	08/20/2005			
MAAR 6 KBR VICTORY	2005F13500013	08/20/2005			
AFGAN FLOOR CHECKS	2005F13500014	06/12/2006			
KBR TO 88 FLOOR CHECKS	2005F13500015	01/25/2006			
KBR TO 90 FLOOR CHECKS	2005F13500016	12/31/2005			
VICTORY CASH AUDIT	2005F17900001	06/26/2005			
ANACONDA CASH AUDIT	2005F17900002	06/26/2005			
GZ CASH AUDIT	2005F17900003	06/26/2005			
ASSIST AUDIT LOGCAP SUBCONTRACTS	2005F17900004	11/22/2004			
KBR - NAJLAA SUB LAUNDRY	2005F17900006	02/02/2005			
KBR - PRIME PROJECTS INTERNATIONS LAUNDR	2005F17900007	05/15/2005			
KBR -LA NOUVELLE LAUNDRY	2005F17900008	09/12/2005			
KBR - FIRST KUWAIT LAUNDRY SP00179 TO 59	2005F17900011	08/16/2005			
KBR - FIRST KUWAIT LAUNDRY S017	2005F17900012	04/16/2005			
KBR - FIRST KUWAIT LAUNDRY S00150	2005F17900013	08/14/2005			
KBR - NATIONAL CONTRACTING LAUNDRY	2005F17900014	02/02/2005			
KBR FY 2003 LOGCAP SUBS/ASSIST TO ABO	2005F17900015	12/24/2004			
UNSCHEDULED MAINTENANCE	2005F17900016	06/05/2005			
KBR LOGCAP AFGHANISTAN-PETTY CASH F/U	2005F17900017	04/05/2005			
KBR COST REPORT	2005F17900019	01/30/2005			
FIRST KUWAITI PROCUREMENTS	2005F17900020	08/14/2005			

**DCAA LOGCAP Related Audit Reports (OCONUS)**

Description	Assignment No.	Date	Dollars (\$000)	Questioned Costs (\$000)	Unsupported Costs (\$000)
KBR - Water Operations - Baghdad	2005F17900021	04/08/2005	333		
OBTAIN INFORMATION FOR ABO ON NEW DFACS	2005F17900022	04/04/2005			
KBR - PETTY CASH - 3RD QTR	2005F17900023	06/08/2005			
ASSIST EVALUATION OF S/C - OVERPAYMENTS	2005F17900024	05/15/2005			
LOGCAP TRANSITION COSTS COMPARISON	2005F17900025	07/09/2005			
AFGHAN CASH COUNT - BAGRAM AB	2005F17900026	07/21/2006			
KBR TO 88 COST RPT MONITORING	2005F17900027	04/30/2006			
TO 88 VS TO 43 HISTORICAL COST ANALYSIS	2005F17900028	07/25/2005			
KBR - TO88/89 RECOVERY UTILIZATION	2005F17900029	04/20/2006			
KBR KHALIFA 1 LAUNDRY T.O. 27	2005F17900030	12/26/2004			
KBR - AL DAHIA LAUNDRY T.O. 46	2005F17900031	01/31/2005			
KBR - FIRST KUWAITI T.O. 81	2005F17900032	01/30/2005			
KBR - DAOUD&PARTNERS LAUNDRY T.O. 59	2005F17900033	02/01/2005			
KBR - ECOLOG LAUNDRY T.O. 59	2005F17900034	10/30/2005			
KBR - MEER LAUNDRY T.O. 59	2005F17900035	04/16/2005			
KBR - MJC LAUNDRY T.O. 59	2005F17900036	04/16/2005			
KBR - SOUFAN LAUNDRY T.O. 59	2005F17900037	10/30/2005			
KBR TO 90 COST MONITORING	2005F17900039	03/12/2006			
AUP TO 90 COST REPORTS - KUWAIT	2005F17900040	01/03/2006			
AUP TO 58 COST REPORTS - KUWAIT	2005F17900041	02/26/2006			
2005 DIRECT COSTS TO 59 & TO89	2005F17900042	10/21/2005		1,131	
AUP - TO 97 COST REPORTS - AFGHANISTAN	2005F17900043	04/30/2006			
REQUEST #1 - KBR FY2005 CONCURRENT I/C	2005F17900044	01/03/2006			
TASK ORDER 59	2005F22000001	03/20/2005	856,448	164,314	
KBR TASK ORDER 89 IPT	2005F22000002	04/08/2005	306,561	124,003	1,238
TO 89 WBS 06 IPT	2005F22000003	04/12/2005	465,721	80,071	42,686
TO 89 IPT - OTHER SUBCONTRACTS	2005F22000004	04/12/2005	157,819	157,819	49,214
ALPHA TEAM TO89	2005F22000005	12/30/2005	848,565	20,725	30,268
LOGCAP III TO89 Est. Deficiencies	2005F24020001	04/07/2005			
LOGCAP III TO89 -WBS 06 Est. Deficiencie	2005F24020002	04/12/2005			
LOGCAP III TO89 -Est. Deficiencies Assoc	2005F24020003	04/12/2005			
TO 43 DEFINITIZE - ADDITIONAL ITEMS	2005F27000001	11/14/2004	392,239	6,440	5,171
KBR TASK ORDER 61 REV PROPOSAL AUG 04	2005F27000002	11/16/2004	111,363	19,899	17,537
TASK ORDER 44	2005F27000003	12/11/2004	65,967	5,859	34,299
T.O. 43 SUPPLEMENTAL REQUEST	2005F27000004	12/17/2004	12,578	386	
T.O. 46	2005F27000005	12/28/2004	41,473	2,346	675
TASK ORDER 93 CHANGE 7 REVISION 4	2005F27000006	01/03/2005	1,002		
TASK ORDER 38	2005F27000008	01/24/2005	7,887	2,217	6,692

**DCAA LOGCAP Related Audit Reports (OCONUS)**

Description	Assignment No.	Date	Dollars (\$000)	Questioned Costs (\$000)	Unsupported Costs (\$000)
TASK ORDER 27	2005F27000009	01/11/2005	38,960		
KBR TASK ORDER 97	2005F27000010	02/24/2005	6,178		
KBR TASK ORDER 57	2005F27000011	03/07/2005	37,168	38	2,489
KBR TASK ORDER 98	2005F27000012	02/21/2005	7,541		
KBR TASK ORDER 34	2005F27000013	02/20/2005	6,828	288	
KBR TO 58 ASSIST	2005F27000014	03/08/2005	61,680	10,102	12,200
KBR TO 47 ASSIST AUDIT	2005F27000015	02/21/2005	3,219		1,229
Task Order 100 Assist to ABO	2005F27000016	03/07/2005	66,116	13,493	
TASK ORDER 86	2005F27000017	03/22/2005	3,045	375	603
TASK ORDER 90	2005F27000018	03/22/2005	18,158	2,607	
TASK ORDER 88	2005F27000019	07/01/2005	128,046	17,767	
SUBS TO 103 ADDENDUM	2005F27000021	08/08/2005	7,659	23	
KBR TO 103 PROPOSAL - ASSIST TO ABO	2005F27000022	08/08/2005	22,896		
KBR ASSIST - TO 113 PROPOSAL	2005F27000023	10/01/2005	3,061	1,357	
KBR TO 11 & 12 CPR AUDIT	2005N17760011	11/21/2005			
KBR TO 14 AUDIT	2005N21000007	10/09/2005	13,871	676	
KBR TO 15 AUDIT	2005N21000008	10/15/2005	17,546	1,295	3,538
KBR TO 16 AUDIT	2005N21000009	10/09/2005	15,563	808	
KBR TO 17 AUDIT	2005N21000010	10/09/2005	9,274	78	
KBR TO 08 POST DEFINITIZATION	2005N27000032	09/09/2005	20,666	1,764	
KBR TO 11 POST DEFINITIZATION	2005N27000033	09/09/2005	84,781	5,424	
KBR TO 14 POST DEFINITIZATION	2005N27000034	11/04/2005	14,572	1,979	
KBR TO 15 POST DEFINITIZATION	2005N27000035	10/05/2005	18,838	3,222	
KBR TO 16 POST DEFINITIZATION	2005N27000036	09/23/2005	42,181	5,665	
KBR TO 20 POST DEFINITIZATION	2005N27000037	09/20/2005	13,189	4,240	
KBR TO 22 POST DEFINITIZATION	2005N27000038	09/15/2005	4,461	1,661	
KBR TO 23 POST DEFINITIZATION	2005N27000039	09/23/2005	2,317	913	
KBR TO 17 POST DEFINITIZATION	2005N27000041	11/05/2005	34,653		
SUPPLY CHAIN MANAGEMENT SYSTEM TO 1	2005N28000027	02/27/2005	6,212		1,522
KBR OVERTIME	2005R10502001	01/05/2006			
KBR CPSR-VICTORY	2005T12030001	09/04/2005			
\$TH QTR RISK ASS AND F/C	2005T13500006	10/28/2005			
CPR TO 89	2005T17760001	10/26/2005			
MATERIAL REQUISITIONS - TO 59	2005T17900010	11/17/2005			
Material Requisitions/Lease vs Purchase	2005T17900013	12/09/2005			
TO 46 COST ANALYSIS	2005T17900014	06/30/2005			
KBR ESTIMATING SYSTEM FOLLOW-UP ASSIST	2005T17900017	07/16/2005			
KBR PROJECT APPROVAL	2005T17900021	09/24/2005			

**DCAA LOGCAP Related Audit Reports (OCONUS)**

Description	Assignment No.	Date	Dollars (\$000)	Questioned Costs (\$000)	Unsupported Costs (\$000)
TRAILER/CONTAINER AGEED UPON PROCEDURE	2005T17900022	10/05/2005			
TO-100	2005T17900023	10/28/2005			
ASSIST AUDIT PROP PROCURMENT-LOGCAP III	2005T27000003	07/18/2005	8,540		
4TH BQTR MAARS 13	2006F10320001	02/27/2006			
1ST QTR MAAR 13 TO89 MAT	2006F10320003	07/02/2006			
1ST QTR MAAR 13 EQ TO89	2006F10320004	04/22/2006			
RECIPT OF PURCHASED LABOR	2006F10320005	06/28/2006			
AFGHAN, KABUL - MAAR 13	2006F10320006	07/29/2006			
AFGHAN-KANDAHAR MAAR 13	2006F10320007	08/10/2006			
KBR 2ND QTR MAAR 13 PERM EQUIPMENT	2006F10320008	09/28/2006			
KBR ANACONDA MAAR 13	2006F10320009	06/28/2006			
KBR MAAR 13 PURCHASE EXISTENCE	2006F10320010	09/09/2007			
KBR TASK ORDER 91 G SITES MAAR 13	2006F10320011	10/28/2006			
KBR - KUWAIT MAAR 13	2006F10320012	06/12/2006			
KBR - MATERIAL AFGHANISTAN - MAAR 13	2006F10320013	04/11/2007			
KBR MATERIAL MAAR 13 ALL TO 111 KUWAIT	2006F10320014	04/22/2007			
KBR-EXPAT/TCN/LC LBR MIX-KUWAIT/AFGH	2006F10502001	09/02/2006			
IZ VEHICLE MAINTENANCE /UTILIZATION	2006F10503001	02/28/2007			
TO43 TRANSPORTATION FOLLOW UP AUDIT	2006F10601001	09/30/2006			
FLASH MATERIAL REPORT	2006F12980001	09/05/2006			
KBR PURCHASING SYSTEM - TIMELY EXECUTION	2006F12980002	08/28/2006			
CY 4TH QTR FLOORCHECK	2006F13500001	12/25/2005			
F/C KIRKUT	2006F13500002	11/24/2005			
2ND QTR FLOORCHECKS, IRAQ	2006F13500004	03/24/2006			
KBR IZ FLOORCHECK	2006F13500005	04/15/2006			
AFGHAN-KABUL FLOORCHECK	2006F13500006	07/03/2006			
KBR	2006F13500007	07/18/2006			
KBR 3 RD QUARTER FLOOR CHECK	2006F13500008	10/02/2006			
KBR MAAR 6 MAJOR SITES ASSIST AUDIT	2006F13500010	06/23/2006			
TIKRIT F/C	2006F13500011	07/17/2006			
F/C TALLIL	2006F13500012	06/03/2006			
F/C CEDAR 2	2006F13500013	05/31/2006			
KBR - KUWAIT FLOOR CHECK AUDITS	2006F13500014	08/04/2006			
KBR LOGCAP TASK ORDER 91 FLOOR CHECK	2006F13500015	12/01/2006			
KBR-BAGRAM, AF (4TH QTR)	2006F13500016	01/31/2007			
KBR-SALERNO, AF FLOORCHECKS	2006F13500017	08/29/2006			
KBR FLOORCHECK KUWAIT ALL TO 1ST QTR 07	2006F13500018	02/19/2007			
CONCURRENT AUDIT 4 TRANS	2006F17900002	10/31/2005			



**DCAA LOGCAP Related Audit Reports (OCONUS)**

Description	Assignment No.	Date	Dollars (\$000)	Questioned Costs (\$000)	Unsupported Costs (\$000)
CONCURRENT AUDIT 4	2006F17900003	11/14/2005			
CONCURRENT REQ 3	2006F17900004	11/17/2005			
CONCURRENT DIRECT COSTS TO89 REQ 5	2006F17900005	11/30/2005			
CONCURRENT DIRECT COSTS TO 89 REQ 6	2006F17900006	11/20/2005			
CONC DIR CSTS - REQ 06-2	2006F17900007	02/04/2006			
REQUEST #2 - KBR FY2005 CONCURRENT I/C	2006F17900008	02/06/2006			
CONC DIR CSTS - REQ 03-3	2006F17900009	01/16/2006			
CONC DIR CSTS - REQ 005-3	2006F17900010	12/15/2005			
CONC DIR CST-DFC-RG 022-1	2006F17900011	03/28/2006		5,163	
REQUEST #3 - KBR FY2005 CONCURRENT I/C	2006F17900013	02/18/2006			
CONC DIR CSTS - REQ 003#4	2006F17900014	01/29/2006			
CONC DIR CSTS - REQ 004#4	2006F17900015	01/29/2006			
CONC DIR CSTS - REQ 005#4	2006F17900016	01/30/2006			
DFAC CAM MAY 05 - DEC 05	2006F17900017	01/12/2006			
KBR SUB COSTS FY04 (SW/SA)	2006F17900018	01/27/2006			
KBR MR-PO AGING AND AUTHORIZATION	2006F17900019	04/21/2006			
LAUNDRY SUB K TO 59 & 89 CY 2005	2006F17900020	05/01/2006			
VEHICLE NTV PURCHASE & USAGE AUDIT	2006F17900021	05/01/2006			
ASSIST AUDIT TO ABO, TO 129	2006F17900022	03/29/2006			
KBR PROCURMENTS - UD07105, UD07174	2006F17900023	05/31/2006			
AUP VEHICLE INVENTORY AND MAINT	2006F17900025	05/29/2006			
AFGHAN - KABUL CASH COUNTS	2006F17900026	08/03/2006	100		
AFGHAN KANDAHAR CASH COUNTS	2006F17900027	08/06/2006	100		
WBS RECONCILIATION/BASELINE	2006F17900028	05/18/2006			
PEER REVIEW PROCESS: RQ-012, DTD: 5JUL00	2006F17900031	11/12/2006			
ASSIST AUDIT- ABO FOR INCURRED DFAC SUBS	2006F17900032	12/07/2007	64,980	39,906	
REVIEW OF LOGCAP CHANGE MANAGEMENT PROC	2006F17900033	06/15/2006			
TO 89/139 FUEL POINT AUTHORIZATION	2006F17900039	11/19/2006			
KBR-SPECIAL AUDIT FOR HILTON PROCESS CTR	2006F17900040	12/21/2006			
KBR TO139 TECH REV ALPHA PROCESS	2006F22000002	08/16/2006	3,481,877	261,792	
EST FLSH TO 89 PROPOSAL SUB DATA	2006F24020001	01/01/2006			
EST DEF TO 89 PROP EQUIP	2006F24020002	01/01/2006			
TO 130 SUBCONTRACTS	2006F27000001	03/16/2006	34,665	928	1,964
TO 103 PROCUREMENT FILE VERIFICATIONS	2006F28000001	01/27/2006			
KBR TO 9 TERMINATION PROPOSAL	2006N17100002	02/11/2006	1,100	350	
KBR TO 2 TERMINATION PROPOSAL	2006N17100005	03/30/2006	11,167	503	
KBR TO 5 TERMINATION PROPOSAL	2006N17100006	03/31/2006	8,633	126	
KBR TO 18 TERMINATION PROPOSAL	2006N17100007	04/18/2006	207	107	

**DCAA LOGCAP Related Audit Reports (OCONUS)**

Description	Assignment No.	Date	Dollars (\$000)	Questioned Costs (\$000)	Unsupported Costs (\$000)
KBR TO 4, 7, 8 & 11 CPR	2006N17850009	08/07/2006			
KBR TO 12, 14, 15, 16, & 17 CPR	2006N17850010	08/06/2006			
KBR TO 20, 21, 22, 26, & 28 CPR	2006N17850011	08/06/2006			
KBR ASSIST AUDIT TO 3	2006N17900001	11/08/2005			
KBR ASSIST AUDIT OF DIRECT COST INCURRED	2006N17900002	11/14/2005			
KBR TO 11 & 12 AUP CPR AUDIT	2006N17900003	11/20/2005			
KBR TO 12, 14, 16 & 17 TURBINE OVERHAUL	2006N21000007	02/18/2006	6,212	31	
KBR TO 17 POST DEFINITIZATION	2006N27000001	11/29/2005	41,009	16,100	456
KBR TO 11 EXTENSION PROPOSAL	2006N27000006	07/13/2006	1,564		
KBR CCFY	2006T10100001	07/25/2007	1,456,416		
FC KBR SUB TO LAGUNA	2006T10310019	01/12/2007			
KBRSI MERO ASSIST TO EBO	2006T10320003	01/18/2007			
KBR BASRA F/C	2006T13500002	09/15/2006			
KBR SUB FILES LAGUNNA PRIME	2006T17900004	06/13/2006		58	
TO 0003 LMCC CONTRACT OPTION YR 2	2006T21000015	09/28/2006	5,413	1,285	
KBR TO 0003 LMCC CONTRACT EST DEF.	2006T24020002	12/20/2006			
KBR KUWAIT OFFICE/LIVING SPACE	2007A10503002	04/25/2007			
KBRSI ACCT PAYABLE SYS F/U	2007A11070001	12/26/2008			
KBR OFFICE/LIVING SPACE PURCHASE FLASH R	2007A12030002	07/17/2007			
KBR KUWAIT EMPLOYEES MAAR 6	2007A13500001	11/27/2008			
KBR TO 147	2007A17850002	05/05/2007			
KBR TO 131	2007A17850003	03/28/2007			
KBR TASK ORDER 104 FUNDING	2007A17850005	06/26/2007			
KBR TASK ORDER 111 FUNDING	2007A17850006	07/16/2007			
KBR TASK ORDER 114	2007A17850007	09/08/2007			
KBR MATERIAL REQUISITIONS	2007A17900002	03/06/2007			
TO 139 MAAR NO13 1ST QTR 2007	2007F10320001	01/30/2007			
TO 139 ANACONDA MAAR 13 1ST QTR FY07	2007F10320002	01/30/2007			
KBR AFGHANISTAN MAAR 13 TO 116/117	2007F10320004	05/22/2007			
KBRSI ASSIST MAAR 13 - LOGCAP III	2007F10320005	02/10/2008			
3RD QUARTER ASSIST MAAR 13 - KBRSI	2007F10320006	03/24/2008			
KBR MATERIAL - TALLIL	2007F10320007	12/28/2007			
KABUL 1 ST QTR FY 07 MAAR 13	2007F10320010	02/19/2007			
KBR MAAR 13 ASST TO EBO; RE: DUBAI PC	2007F10320011	01/25/2007			
TCN/HCN/EXPAT LABOR MIX - IRAQ	2007F10502001	05/28/2008			
TO 139 VEHICLE UTILIZATION	2007F10503001	04/12/2008			
DFAC OPERATION FOOD USAGE	2007F10503002	05/05/2007			
SCHED & OT USAGE FU AFGHANITAN & KUWAIT	2007F10601001	02/13/2009			

**DCAA LOGCAP Related Audit Reports (OCONUS)**

Description	Assignment No.	Date	Dollars (\$000)	Questioned Costs (\$000)	Unsupported Costs (\$000)
KBR SURGE RELATED MATERIAL REQ ANALYSIS	2007F12980002	01/28/2008			
TO 139 MAAR 6 1ST QTR ASSIST TO IZ	2007F13500001	12/17/2006			
TO 139 ANACONDA MAAR 6 1ST QTR FY07	2007F13500003	01/30/2007			
KBR AFGHANISTAN MAAR 6 TO 116/117	2007F13500004	05/14/2007			
KABUL 2ND QTR FY 07 MAAR 6	2007F13500012	02/19/2007			
LOGCAP III COST REPORTS	2007F17850001	02/13/2008			
KBRS TASK ORDER 139 EXTENSION	2007F22000001	08/10/2007	1,665,473	314,327	
KBR TO 118 EXTENSION	2007F22000002	07/27/2007	52,254	3,424	
KBR ACL ESTIMATING	2007F24010001	04/24/2008			
FLASH ESTIMATING SYSTEM - TO 139	2007F24020001	09/20/2007			
KBRSI DTC FY2003 INTER/INTRA CO BILLINGS	2007H10180001	07/17/2007			
KBRSI DTC FY2004 INTER/INTRA CO BILLINGS	2007H10180002	01/31/2008			
KBR DUBAI PROCUREMENT CENTER RCA'S	2007H12030001	07/17/2007			
KBRSI DUBAI PROCU CENT RCA FU	2007H12030003	07/17/2007			
DFAC OVER BILLED CFY 2004 SUBCONTRACT	2007R10180002	06/27/2007		11,591	
TAMIMI MA00003 WR 1 & 5 CY2004	2007R10180003	12/07/2007			
ESS DFAC 2004 BILLING	2007R10180004	08/12/2008			
KBR DFAC SK00425	2007R10180005	09/29/2008		12,202	
ESS DFAC 2004 PRICING	2007R10180008	08/12/2008			
KBRSI NONLOGCAP FLOORCHECK	2007R10310002	01/29/2007			
FALLUJAH FLOORCHECKS AND TIMEKEEPING	2007R10310003	12/20/2006			
FALLUJAH MAAR 13	2007R10320002	12/13/2006			
KBR DFAC FLASH REPORT	2007R11010002	12/31/2007			
TO 130 MAAR 6	2007R13500001	12/17/2006			
KBR LOGCAP D-SITES	2007R13500003	06/02/2007			
KBR 2ND QTR FLOORCHECKS H SITES	2007R13500004	01/28/2007			
KBR PETTY CASH CONTROLS	2007R17900001	12/12/2007			
PETTY CASH I/C FLASH REPORT	2007R17900002	12/01/2006			
KBRSI LMCC OPTION YRS 3 & 4	2007R21000006	07/27/2007	9,956	223	
TO 151 COM/MNFI ALPHA CONTRACT PROPOSAL	2007R22000001	04/07/2007	230,381	12,004	
ANNUAL INCURRED COST AUDIT SUMMARY	2007T10100001	09/28/2008	1,126,847		
KBR DFAC SUBCONTRACTS - SK00470	2008A10180001	07/13/2008		11	
KBR TASK ORDER 147 MAAR 13	2008A10320004	12/08/2008			
TO 147 MAAR #6	2008A13500001	01/08/2009			
KBR TO 147 COST JUNE 2008 COST REPORT	2008A17850002	02/06/2009			
KBRSI TEMPORARY HOUSING IN KUWAIT	2008A17900004	12/12/2008			
KBRSI FY 2003 TRUCKS/TRAILERS	2008F10160001	01/28/2008			
VERIFICATION OF FY 2006 TRUCKS	2008F10160002	01/28/2008			

**DCAA LOGCAP Related Audit Reports (OCONUS)**

Description	Assignment No.	Date	Dollars (\$000)	Questioned Costs (\$000)	Unsupported Costs (\$000)
TO 139 MAAR 13 1ST QTR CY 2008	2008F10320002	07/05/2008			
REVIEW OF FY 2006 LSA	2008F10320003	04/12/2008			
KBR SUB YUSKEL GENERATOR VERIFICATION	2008F10320004	11/27/2008			
KBR ASSIST SUBCONTRACT LABOR	2008F10320005	02/13/2009			
MAAR 13 TO 139 IRAQ	2008F10320007	11/27/2008			
MAAR 13 P&P MONITOR SUBCONTRACTOR COSTS	2008F10320008	02/13/2009			
KBR LABOR ELEMENTS - CAMP VICTORY	2008F10502001	04/20/2008			
TO 139 - OTHER SITES	2008F13500002	01/08/2008			
TO 139 1ST QTR CY 2008 FLOORCHECKS	2008F13500003	03/31/2008			
KBR SI 2ND QTR FLOOR CHECK	2008F13500005	08/31/2008			
MAAR 6 ASSIST KBR SI IRAQ	2008F13500007	12/06/2008			
NON-EVMS DOD PROGRAM MGMT SYSTEM	2008F17850001	02/13/2008			
REVIEW OF CPR VARIANCE ANALYSIS	2008F17850003	08/31/2008			
MARCH 2008 COST PERFORMANCE REPORT	2008F17850004	06/30/2008			
APRIL 2008 COST PERFORMANCE REPORT	2008F17850005	09/30/2008			
COST PERFORMANCE REPORT MAY 2008	2008F17850006	09/30/2008			
AUDIT OF PARTS OF A PROPOSAL	2008F22000001	08/31/2008	3,283,649	340,525	556,465
KBR SI MAAR 6 AFGHANISTAN	2008H10310003	07/06/2008			
KBR SI MAAR 13 - AFGHANISTAN	2008H10320004	01/14/2009			
KBR SI MAAR 6 AFGHANISTAN	2008H13500003	11/27/2008			
KBR SI LOGCAP TO152 12MO EXT EGGERS	2008H22000001	02/14/2008	17,475		
KBR SI LOGCAP TO117 12MO EXT KANDAHAR	2008H22000002	02/21/2008	51,699		
KBR SI LOGCAP TO145 12MO EXT SALERNO	2008H22000003	02/21/2008	52,729		
KBR SI LOGCAP TO142 12MO EXT PHOENIX	2008H22000004	04/02/2008	111,691	1,374	
KBR SI LOGCAP TO118 12MO EXT CJOA	2008H22000005	04/02/2008	153,555	6,166	
IPT TO 116 ASSIST AUDIT	2008H22000006	07/05/2008	160,856	3,007	
KBR DFAC SK0480	2008R10180001	07/30/2008		202	
KBR DFAC SK0468	2008R10180002	07/19/2008			
KBR DFAC SK00463	2008R10180003	06/30/2008			
KBR DFAC SK00436	2008R10180008	07/13/2008		408	
KBR DFAC SK00505	2008R10180010	09/30/2008		5,525	
KBR DFAC SK0499	2008R10180011	07/02/2008			
KBR DFAC SK0506	2008R10180012	07/13/2008			
KBR DFAC SK0494	2008R10180013	07/30/2008		471	
KBR DFAC SK0492	2008R10180014	06/30/2008		21	
KBR DFAC SK0471	2008R10180015	07/30/2008		715	
KBR DFAC SK0657	2008R10180017	07/23/2008		278	
KBR DFAC SK00485	2008R10180018	07/04/2008			

**DCAA LOGCAP Related Audit Reports (OCONUS)**

Description	Assignment No.	Date	Dollars (\$000)	Questioned Costs (\$000)	Unsupported Costs (\$000)
KBR DFAC SK00704	2008R10180019	07/04/2008			
KBR DFAC SK0721	2008R10180021	07/06/2008		185	
ESS DFAC SK00475	2008R10180023	07/15/2008		14,191	
ESS DFAC SK00476	2008R10180024	07/11/2008		9,102	
ESS DFAC SK00477	2008R10180025	07/15/2008		6,942	
ESS DFAC SK00478	2008R10180026	07/25/2008		4,318	
ESS DFAC SK00481	2008R10180027	07/26/2008		1,750	
ESS DFAC SK00482	2008R10180028	07/26/2008		619	
ESSDFAC SK00487	2008R10180029	07/30/2008		2,314	
ESS DFAC SK00488	2008R10180030	07/26/2008		913	
ESS DFAC SK00489	2008R10180031	07/26/2008		3,199	
ESS DFAC SK00490	2008R10180032	07/30/2008		2,392	
ESS DFAC SK00491	2008R10180033	07/31/2008		2,296	
ESS DFAC SK00501	2008R10180034	07/31/2008		5,815	
ESS DFAC SK00661	2008R10180035	07/31/2008		423	
KBR TO 151 FLCK 1ST QTR	2008R13500001	06/05/2008			
KBR TO 151 MAAR 6 5/1-7/27/2008	2008R13500005	09/24/2008			
KBR ASSIST F/UP SPECIAL PURPOSE CASH	2008R17900006	01/05/2009			
DFAC SDF0724 GULF CATERING COMPANY	2009A10180005	03/27/2009			
DFAC SDF0734 AKFEN HOLDING	2009A10180007	03/25/2009		1,015	
KBRSI MAAR 13 - KUWAIT	2009A10320002	04/06/2009			
ASSIST KBRSI MAAR 13 IBO TOS 139 AND 159	2009F10320001	02/13/2009			
ASSIST MMAR 13 AFGHAN LOGCAP III TO	2009F10320002	02/13/2009			
ASSIST KBRSI MAAR 13 LABOR SUBK IRAQ	2009F10320003	03/26/2009			
KBRSI 1ST QTR FLOORCHECKS/INTER-IRAQ	2009F13500001	01/08/2009			
KBRSI 2ND QTR FLOORCHECK/INTER-IRAQ	2009F13500002	04/13/2009			
KBRSI 1ST QTR FLOORCHECKS AFGHAN TOS	2009F13500005	02/09/2009			
P&P REVIEW OF KBRSI CPR REPORT	2009F17850001	01/09/2009			
KBRSI MAAR 13 ASSIST AUDIT 2008 - TO 151	2009R10320001	02/24/2009			
KBR MAAR 13 SUBCONTRACT LABORERS	2009R10320002	03/02/2009			
KBR TO 151 MAAR 6 4TH QTR 2008	2009R13500001	02/26/2009			
KBR TO 151 FLOORCHECKS 1ST QTR 2009	2009R13500002	04/17/2009			

DCAA Form 1  
Suspensions & Disapprovals

LOGCAP III - DAAA09-02-D-0007						
Suspended Costs & Disapproved Costs by DCAA						
		Suspended	Disapproved	DCAA	DCAA	DCAA
		Cost	Cost	Form 1	Form 1	Form 1
	<u>TO</u>	<u>Cost</u>	<u>Cost</u>	<u>Notice No.</u>	<u>Date</u>	<u>Type</u>
				1		
		0		2		
		0		3		
1	34	2,237,626		4	5/12/2004	DFAC
2	27	12,752,878		5	5/12/2004	DFAC
3	43	3,684,255		6	5/12/2004	DFAC
4	44	2,793,971		7	5/12/2004	DFAC
5	50	88,518		8	5/12/2004	DFAC
6	57	5,092,756		9	5/12/2004	DFAC
	N/A	0		10	5/12/2004	DFAC
7	58	201,277		11	5/12/2004	DFAC
8	59	115,754,555		12	5/12/2004	DFAC
9	61	13,648,295		13	5/12/2004	DFAC
10	56	3,221,058		14	5/26/2004	DFAC
11	64	3,065		15	5/26/2004	DFAC
	46	0		16		
12	36	8,799,531		17	5/26/2004	DFAC
13	36	204,087		18	6/4/2004	DFAC
14	43	102,550		19	6/4/2004	DFAC
15	44	1,579,945		20	6/4/2004	DFAC
16	59	15,383,634		21	6/4/2004	DFAC
17	46	995,249		22	6/24/2004	DFAC
18	43	450,542		23	6/24/2004	DFAC
19	58	16,103		24	6/24/2004	DFAC
20	59	12,608,718		25	6/24/2004	DFAC
21	64	1,864,762		26	6/24/2004	DFAC
22	27	4,027		27	6/24/2004	DFAC
23	35	1,238,920		28		DFAC
24	36	995,154		29	7/9/2004	DFAC
25	43	Note 1		30	7/9/2004	DFAC
26	44	3,947,711		31	7/9/2004	DFAC
27	44	Note 1		32	7/9/2004	DFAC
28	57	Note 1		33	7/12/2004	DFAC
29	58	7,706		34	7/9/2004	DFAC
30	59	3,996,732		35	7/9/2004	DFAC
31	59	Note 1		36	7/9/2004	DFAC
32	64	Note 1		37	7/9/2004	DFAC
33	43	Note 1		39	7/28/2004	DFAC
34	59	Note 1		40	7/29/2004	DFAC
35	61	Note 1		41	7/29/2004	DFAC

<b>LOGCAP III - DAAA09-02-D-0007</b>						
<b>Suspended Costs &amp; Disapproved Costs by DCAA</b>						
				<b>DCAA</b>	<b>DCAA</b>	<b>DCAA</b>
	<b>Suspended</b>	<b>Disapproved</b>		<b>Form 1</b>	<b>Form 1</b>	<b>Form 1</b>
	<b>TO</b>	<b>Cost</b>	<b>Cost</b>	<b>Notice No.</b>	<b>Date</b>	<b>Type</b>
36	43	327,147		42	8/6/2004	DFAC
37	46	467,165		43	8/6/2004	DFAC
38	57	258,210		44	8/6/2004	DFAC
39	59	180,667		45	8/6/2004	DFAC
40	27	Note 2	20,947,692	46	8/25/2004	DFAC
41	35	Note 2	5,176,713	47	8/25/2004	DFAC
42	44	265,286		48	8/25/2004	DFAC
43	59	266,277		49	8/25/2004	DFAC
44	61	115,527		50	8/25/2004	DFAC
45	56	691,068		51	8/25/2004	DFAC
46	57	15,980,952		52	9/22/2004	LAUNDRY
47	36	70,921		53	9/23/2004	DFAC
48	59	873,095		54	10/27/2004	DFAC
49	44	2,015,830		55	10/27/2004	DFAC
50	15	418,468		56	10/24/2004	EQUIPMENT
51	28	307,577		57	10/24/2004	EQUIPMENT
52	31	21,284		58	10/24/2004	CONSULTANTS
	59	0		59	11/3/2004	PROCUREMENT
53	27	3,487,362		60	11/3/2004	DFAC
54	44	74,797		61	11/8/2004	DFAC
55	59	532,271		62	11/8/2004	DFAC
56	50	22,965		63	12/7/2004	DFAC
57	56	127,767		64	12/7/2004	DFAC
58	59	88,461		65	12/7/2004	DFAC
59	44	179,148		66	1/6/2005	DFAC
60	59	2,512,327		67	1/6/2005	DFAC
61	100	148,762		68	1/7/2005	DFAC
62	27	Note 1		69	1/7/2005	DFAC
63	36	Note 1		70	1/7/2005	DFAC
64	57	1,911,207		71	1/14/2005	LAUNDRY
65	59	Note 1		72	1/20/2005	DFAC
66	28	Note 1		73	1/20/2005	EQUIPMENT
67	59	Note 1		74	2/28/2005	DFAC
68	61	477		75	2/28/2005	DFAC
69	61	Note 1		76	3/25/2005	DFAC
	13	0		77		Other Direct Costs
	42	0		78		Other Direct Costs
	31	0		79		Other Direct Costs
	27	0		80		Other Direct Costs
70	59	Note 3		81	5/10/2005	DFAC
71	44	Note 3		82	5/10/2005	DFAC

**APPENDIX 2**  
**Page 3 of 5**

<b>LOGCAP III - DAAA09-02-D-0007</b>						
<b>Suspended Costs &amp; Disapproved Costs by DCAA</b>						
				<b>DCAA</b>	<b>DCAA</b>	<b>DCAA</b>
	<b>Suspended</b>	<b>Disapproved</b>		<b>Form 1</b>	<b>Form 1</b>	<b>Form 1</b>
	<b>TO</b>	<b>Cost</b>	<b>Cost</b>	<b>Notice No.</b>	<b>Date</b>	<b>Type</b>
72	<b>36</b>	Note 3		<b>83</b>	<b>5/10/2005</b>	<b>DFAC</b>
73	<b>43</b>	Note 3		<b>84</b>	<b>5/10/2005</b>	<b>DFAC</b>
74	<b>57</b>	Note 3		<b>85</b>	<b>5/10/2005</b>	<b>DFAC</b>
75	<b>64</b>	Note 3		<b>86</b>	<b>5/10/2005</b>	<b>DFAC</b>
76	<b>46</b>	Note 3		<b>87</b>	<b>5/10/2005</b>	<b>DFAC</b>
77	<b>58</b>	Note 3		<b>88</b>	<b>5/10/2005</b>	<b>DFAC</b>
78	<b>34</b>	Note 3		<b>89</b>	<b>5/10/2005</b>	<b>DFAC</b>
79	<b>50</b>	Note 3		<b>90</b>	<b>5/10/2005</b>	<b>DFAC</b>
80	<b>27</b>	Note 3		<b>91</b>	<b>5/13/2005</b>	<b>DFAC</b>
81	<b>61</b>	Note 3		<b>92</b>	<b>5/13/2005</b>	<b>DFAC</b>
82	<b>56</b>	Note 3		<b>93</b>	<b>5/13/2005</b>	<b>DFAC</b>
83	<b>100</b>	Note 3		<b>94</b>	<b>5/13/2005</b>	<b>DFAC</b>
84	<b>59</b>	10,344,892		<b>95</b>	<b>6/23/2005</b>	<b>CONTAINERS</b>
85	<b>59</b>	50,176,686		<b>96</b>	<b>6/30/2005</b>	<b>CONTAINERS</b>
86	<b>15</b>	Note 1		<b>97</b>	<b>7/22/2005</b>	<b>EQUIPMENT</b>
87	<b>59</b>	Note 1		<b>98</b>	<b>7/28/2005</b>	<b>CONTAINERS</b>
88	<b>57</b>		12,084,303	<b>99</b>	<b>11/17/2005</b>	<b>LAUNDRY</b>
89	<b>59</b>		51,273,482	<b>100</b>	<b>3/17/2006</b>	<b>CONTAINERS</b>
90	<b>59</b>		4,511,164	<b>101</b>	<b>4/7/2006</b>	<b>CONTAINERS</b>
91	<b>57</b>	0	Note 5	<b>102</b>	<b>6/2/2006</b>	<b>LAUNDRY</b>
92	<b>59</b>	0	Note 5	<b>103</b>	<b>8/30/2006</b>	<b>CONTAINERS</b>
93	<b>59</b>	Note 3	24,604,713	<b>104</b>	<b>9/22/2006</b>	<b>DFAC</b>
94	<b>44</b>	Note 3	4,032,142	<b>105</b>	<b>9/22/2006</b>	<b>DFAC</b>
95	<b>36</b>	Note 3	4,906,512	<b>106</b>	<b>9/22/2006</b>	<b>DFAC</b>
96	<b>43</b>	Note 3	1,192,160	<b>107</b>	<b>9/22/2006</b>	<b>DFAC</b>
97	<b>57</b>	Note 3	2,713,183	<b>108</b>	<b>9/22/2006</b>	<b>DFAC</b>
98	<b>46</b>	Note 3	7,046	<b>109</b>	<b>9/22/2006</b>	<b>DFAC</b>
99	<b>34</b>	Note 3	2,114,980	<b>110</b>	<b>9/22/2006</b>	<b>DFAC</b>
100	<b>27</b>	Note 3	7,191,201	<b>111</b>	<b>9/22/2006</b>	<b>DFAC</b>
101	<b>61</b>	Note 3	7,387,760	<b>112</b>	<b>9/22/2006</b>	<b>DFAC</b>
102	<b>56</b>	Note 3	899,595	<b>113</b>	<b>9/22/2006</b>	<b>DFAC</b>
103	<b>59</b>	0	Note 4	<b>126</b>	<b>1/31/2007</b>	<b>CONTAINERS</b>
104	<b>59</b>	19,652,815	0	<b>127</b>	<b>2/6/2007</b>	<b>SECURITY SVCS</b>
105	<b>36</b>	280,938	0	<b>128</b>	<b>4/24/2007</b>	<b>GENERATORS</b>
106	<b>59</b>	7,119,339	0	<b>129</b>	<b>4/24/2007</b>	<b>GENERATORS</b>
107	<b>89</b>	1,450,474	0	<b>130</b>	<b>4/24/2007</b>	<b>GENERATORS</b>
108	<b>61</b>	2,328,938	0	<b>131</b>	<b>4/24/2007</b>	<b>GENERATORS</b>
109	<b>91</b>	2,744,904	0	<b>132</b>	<b>4/24/2007</b>	<b>GENERATORS</b>
110	<b>87</b>	\$2,108,457	0	<b>133</b>	<b>6/18/2007</b>	<b>DBA Insurance</b>
111	<b>59</b>	\$11,337,261	0	<b>134</b>	<b>11/28/2007</b>	<b>DFAC</b>
112	<b>59</b>	\$8,440,986	0	<b>135</b>	<b>5/30/2008</b>	<b>DFAC</b>
113	<b>59</b>	\$783,342	0	<b>136</b>	<b>1/15/2008</b>	<b>DFAC</b>
114	<b>59</b>	\$3,056,019	0	<b>137</b>	<b>3/18/2008</b>	<b>DFAC</b>



<b>LOGCAP III - DAAA09-02-D-0007</b>						
<b>Suspended Costs &amp; Disapproved Costs by DCAA</b>						
				<b>DCAA</b>	<b>DCAA</b>	<b>DCAA</b>
	<b>Suspended</b>	<b>Disapproved</b>		<b>Form 1</b>	<b>Form 1</b>	<b>Form 1</b>
	<b>TO</b>	<b>Cost</b>	<b>Cost</b>	<b>Notice No.</b>	<b>Date</b>	<b>Type</b>
115	<b>59</b>	\$41,070,624	0	<b>138</b>	<b>1/29/2008</b>	<b>DFAC</b>
116	<b>159</b>	\$312,445		<b>139</b>	<b>2/18/2009</b>	<b>CONSULTANTS</b>
		\$	\$			
		\$404,226,762	\$149,042,646			
		<b>TOTAL Suspended and Disapproved</b>	<b>\$553,269,408</b>			
<p><b>Note 1: DCAA suspended the costs because the contractor did not provide adequate support for the transactions</b>  <b>The contractor subsequently provided support and DCAA reversed the Form 1.</b></p>						
<p><b>Note 2: Costs originally suspended were reclassified by DCAA as disapproved after completion of our audit.</b></p>						
<p><b>Note 3: These DCAA Forms 1 were issued to facilitate the Army's negotiated settlement of the DFAC issues.</b></p>						
<p><b>Note 4: ACO rendered a decision allowing KBR to recover a portion of costs previously suspended/disapproved by DCAA.</b></p>						
<p><b>Note 5: Amounts previously disapproved were removed based on the ACO's final determination.</b></p>						

**KBR Forms 1 Issued**

<b>Resolved</b>	<b>\$438,743,953</b>
<b>Unresolved</b>	<b>\$114,525,455</b>
<b>TOTAL</b>	<b>\$553,269,408</b>

**KBR Forms 1 Issued/Resolved**

	<b>Count</b>	<b>Amount</b>
<b>Dining Facilities</b>	<b>92</b>	<b>\$305,552,851</b>
<b>All Others</b>	<b>24</b>	<b>\$133,191,102</b>
<b>TOTAL</b>	<b>116</b>	<b>\$438,743,953</b>

**KBR Forms 1 Unresolved**

<b>Issue</b>	<b>Number</b>	<b>Amount</b>
<b>Living Containers First Kuwaiti Trading</b>	<b>100</b>	<b>\$ 25,708,966</b>
<b>Living Containers First Kuwaiti Trading</b>	<b>103</b>	<b>4,162,997</b>
<b>Armed Private Force Protection</b>	<b>127</b>	<b>19,652,815</b>
<b>DFAC WR3, CO9 Tamimi</b>	<b>138</b>	<b>41,070,624</b>
<b>DFAC SK00465 ABC International</b>	<b>134</b>	<b>11,337,261</b>
<b>DFAC SK00387 Gulf Catering</b>	<b>135</b>	<b>8,440,986</b>
<b>DFAC SK00471 Renaissance</b>	<b>137</b>	<b>3,056,019</b>
<b>DFAC SK00466 ABC International</b>	<b>136</b>	<b>783,342</b>
<b>Consultants</b>	<b>139</b>	<b>312,445</b>
<b>Total</b>		<b>\$114,525,455</b>

**DCAA Form 2000 Referrals  
Suspected Irregular Conduct**

<b>Case No</b>	<b>Description</b>	<b>Date</b>	<b>Ref Org</b>
04-010	Misrepresentation of an individuals credentials (ethics)	2/5/2004	DCIS
04-014	Unsupported billings for Camp Arifjan, Site 5a, Dining facilities	2/19/2004	DCIS
04-017	Overcharging for purchased parts	2/10/2004	DCIS
04-024	Contractor employees accepting bribes	4/25/2004	DCIS
04-025	Subcontract Irregularities - overcharging for guard services	4/23/2004	DCIS
04-039	Subcontract Irregularities-overbilling demurrage	6/30/2004	DCIS
04-049	Subcontract False Claims- overbilling for laundry	8/20/2004	DCIS
05-005	Billing unallowable costs	10/11/2004	DCIS
05-015	Labor Mischarging- falsification of time cards	3/20/2005	DCIS
05-020	Subcontract Irregularities- overbillings and bribes	5/30/2005	DCIS
05-026	Subcontract Irregularities- overbillings and excess profits (dining facilities)	8/10/2005	DCIS
05-039	Subcontract Irregularities- award not justified	4/8/2005	DCIS
05-040	Subcontract Irregularities - false claims- intentional misrepresentations	4/8/2005	DCIS
05-041	Subcontract Irregularities- 50% unfilled requirements	4/8/2005	DCIS
06-010	Obstruction of Audit-Expressly Unallowable Costs	12/20/2005	DCIS
06-012	Labor Mischarging	12/20/2005	DCIS
06-018	Subcontractor Irregularities - billings do not match recorded costs	2/7/2006	USAIDIG
06-032	Subcontract Irregularities- overbillings and excess profits (dining facilities)	6/8/2006	DCIS
06-042	Subcontract Irregularities- missing property and inventory	7/7/2006	DCIS
06-047	Subcontract Irregularities- equitable adjustment not supported	9/8/2006	DCIS
07-006	False Claims- overbillings	2/2/2007	DCIS
08-003	Subcontract Irregularities- overbillings	10/20/2007	DCIS
08-011	Subcontract Irregularities- billing without support	12/10/2007	DCIS
08-012	Subcontract Irregularities- gratuities	12/10/2007	DCIS
08-016	Subcontract Irregularities- overbillings (dining facilities)	12/13/2007	DCIS
08-022	Billing Irregularities- billed for services not provided	2/13/2008	DCIS
08-049	Lack of controls relative to cash, property, and classified documents	5/7/2008	DCIS
08-067	Billing Irregularities- 9 issues mostly overbilled	9/15/2008	DOSIG
09-021	Subcontract Irregularities with termination settlements	1/12/2009	DCIS
09-025	Other Irregular Activity - Employee Stock Ownership Plan	2/13/2009	DCIS
09-029	Subcontract Irregularities with termination settlements	2/12/2009	DCIS
09-037	Accounting Mischarging, Subcontractor Irregularities, Ethical Violations	3/5/2009	DCIS