

**FACT SHEET ON MAJOR U.S.
CONTRACTORS' SECURITY COSTS
RELATED TO IRAQ RELIEF AND
RECONSTRUCTION FUND
CONTRACTING ACTIVITIES**

**SIGIR-06-044
JANUARY 30, 2007**



SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

January 30, 2007

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Fact Sheet on Major U.S. Contractors' Security Costs Related to Iraq Relief and Reconstruction Fund Contracting Activities (SIGIR-06-044)

We are providing this fact sheet for your information and use. Given the interest of the Administration and the Congress of the United States in determining the impacts of security costs on the Iraq Relief and Reconstruction Fund (IRRF), I requested my staff to conduct a survey of the security costs incurred by nine major U.S. contractors conducting reconstruction work in Iraq. Some of these companies may have additional contracts in Iraq funded through sources other than IRRF. However, this fact sheet focuses only on those security costs directly related to IRRF-funded reconstruction work. Security costs include, but are not limited to:

- personal security details
- construction site protection (guards, security equipment, and improvements)
- living area protection (guards, security weapons/equipment, and improvements)
- security to support convoy or other types of travel
- security-related intelligence operations

We initiated Project No. 6034 on September 7, 2006, in order to capture the following information: (1) the extent to which major U.S. contractors have identified, captured, and reported the security costs of their IRRF contracting activities; and (2) the impacts of these security costs in relation to the overall original project estimates. We requested that each of the nine major U.S. contractors conducting the physical reconstruction of Iraq's infrastructure provide the following data to address the survey's objectives:

- the total amount of their IRRF contract dollars spent on security costs
- the percentage of total IRRF funds disbursed comprising security costs
- initial and subsequent revisions to the projected security costs of IRRF contracting activities
- when the magnitude of these costs became evident, and what were the significant causal or contributing factors

- the contractor's method(s) of record-keeping for capturing and differentiating between the types of security required, such as Personal Security Details, site/static, perimeter, and convoy/materiel movement
- the breakdown, by category (billed, charged, and estimated) of both the direct and indirect security costs for IRRF contracting activities
- any other additional security cost increases from subcontractor work

The following contractors were asked to respond to our survey: Bechtel National, Inc.; FluorAMEC, LLC; Kellogg, Brown & Root Services, Inc.; Lucent Technologies; Parsons; Parsons Iraq Joint Venture; Perini Corporation; Washington International/Black & Veatch; and Washington International, Inc.

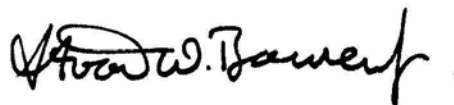
All nine contractors responded to our request for information. The contractors generally provided security costs, total costs, and security costs as a percentage of total costs. Four of the nine contractors did not provide a summary of all total cost data; in these cases we calculated total costs based on the information provided. Contractor security costs ranged from a low of 7.6% to a high of 16.7%. The average for all contractors when identifying percentage of security costs to total costs was 12.5%.

Detailed responses to our request for information from each of the nine contractors are included in our Fact Sheet on Major U.S. Contractors' Security Costs Related to Iraq Relief and Reconstruction Fund Contracting Activities (Restricted Distribution) SIGIR-06-042, January 30, 2007. This detailed fact sheet is available on a need-to-know basis because some of the contractor-provided information is marked proprietary by the provider. Requests by mail can be made to SIGIR Office of General Counsel, 400 Army Navy Drive, Arlington, VA 22202.

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This survey was conducted from September 2006 through December 2006, and was performed as *nonaudit services* as described in government auditing standards issued by the U.S. Government Accountability Office. Therefore, this fact sheet contains no verification, analysis, or evaluation of the information provided by the contractors; and contains no conclusions, recommendations, or opinions on this information. No formal response to this fact sheet is required.

This fact sheet was prepared and the survey was conducted under the direction of Joseph T. McDermott, Assistant Inspector General for Audit. The staff members who conducted the survey and contributed to the fact sheet include James Pollard, Jack Van Meter, and Jason Venner. We appreciate the courtesies extended to the staff. For additional information on this fact sheet, please contact Mr. Joseph T. McDermott (703-604-0982/joseph.mcdermott@sigir.mil).



Stuart W. Bowen, Jr.
Inspector General

Appendix A: Report Distribution

Department of State

Secretary of State

Senior Advisor to the Secretary and Coordinator for Iraq

Director of U.S. Foreign Assistance/Administrator, U.S. Agency for International Development

Director, Office of Iraq Reconstruction

Assistant Secretary for Resource Management/Chief Financial Officer, Bureau of Resource Management

U.S. Ambassador to Iraq

Director, Iraq Reconstruction Management Office

Mission Director-Iraq, U.S. Agency for International Development

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Department of Defense

Secretary of Defense

Deputy Secretary of Defense

Under Secretary of Defense (Comptroller)/Chief Financial Officer

Deputy Chief Financial Officer

Deputy Comptroller (Program/Budget)

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Inspector General, Department of Defense

Director, Defense Contract Audit Agency

Director, Defense Finance and Accounting Service

Director, Defense Contract Management Agency

Department of the Army

Assistant Secretary of the Army for Acquisition, Logistics, and Technology

Principal Deputy to the Assistant Secretary of the Army for Acquisition, Logistics, and Technology

Deputy Assistant Secretary of the Army (Policy and Procurement)

Director, Project and Contracting Office

Commanding General, Joint Contracting Command-Iraq/Afghanistan

Assistant Secretary of the Army for Financial Management and Comptroller

Chief of Engineers and Commander, U.S. Army Corps of Engineers

Commanding General, Gulf Region Division

Chief Financial Officer, U.S. Army Corps of Engineers

Auditor General of the Army

U.S. Central Command

Commanding General, Multi-National Force-Iraq

Commanding General, Multi-National Corps-Iraq

Commanding General, Multi-National Security Transition Command-Iraq

Commander, Joint Area Support Group-Central

Other Federal Government Organizations

Director, Office of Management and Budget
Comptroller General of the United States
Inspector General, Department of the Treasury
Inspector General, Department of Commerce
Inspector General, Department of Health and Human Services
Inspector General, U.S. Agency for International Development
President, Overseas Private Investment Corporation
President, U.S. Institute for Peace

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

U.S. Senate

Senate Committee on Appropriations
 Subcommittee on Defense
 Subcommittee on State, Foreign Operations and Related Programs
Senate Committee on Armed Services
Senate Committee on Foreign Relations
 Subcommittee on International Operations and Terrorism
 Subcommittee on Near Eastern and South Asian Affairs
Senate Committee on Homeland Security and Governmental Affairs
 Subcommittee on Federal Financial Management, Government Information and International Security
 Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia

U.S. House of Representatives

House Committee on Appropriations
 Subcommittee on Defense
 Subcommittee on Foreign Operations, Export Financing and Related Programs
 Subcommittee on Science, State, Justice and Commerce and Related Agencies
House Committee on Armed Services
House Committee on Government Reform
 Subcommittee on Management, Finance and Accountability
 Subcommittee on National Security, Emerging Threats and International Relations
House Committee on International Relations
Subcommittee on Middle East and Central Asia

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- deterrence of malfeasance through the prevention and detection of fraud, waste, and abuse
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- Phone: 703-602-4063
- Toll Free: 866-301-2003

Congressional Affairs

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