

The seal of the Office of the Special Inspector General for Iraq Reconstruction is a large, circular emblem in the background. It features an eagle with wings spread, perched on a shield with vertical stripes. Above the eagle's head is a sunburst with stars. The words "INSPECTOR GENERAL" are written in an arc at the top, and "RECONSTRUCTION" is written in an arc at the bottom. In the center, there is Arabic text: "المفتش العام" at the top and "إعادة إعمار العراق" at the bottom.

OUTCOME, COST, AND OVERSIGHT OF
RECONSTRUCTION OF
TAJI MILITARY BASE AND BAGHDAD
RECRUITING CENTER

SIGIR-08-004
JANUARY 15, 2008

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SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

January 15, 2008

MEMORANDUM FOR U.S. AMBASSADOR TO IRAQ
DIRECTOR, IRAQ TRANSITION ASSISTANCE OFFICE
COMMANDING GENERAL, JOINT CONTRACTING
COMMAND – IRAQ/AFGHANISTAN
COMMANDING GENERAL, MULTI-NATIONAL SECURITY
TRANSITION COMMAND – IRAQ
COMMANDING GENERAL, GULF REGION DIVISION, U.S.
ARMY CORPS OF ENGINEERS
DIRECTOR, AIR FORCE CENTER FOR ENGINEERING AND THE
ENVIRONMENT
DIRECTOR, DEFENSE CONTRACT MANAGEMENT AGENCY
DIRECTOR, DEFENSE CONTRACT AUDIT AGENCY

SUBJECT: Outcome, Cost, and Oversight of Reconstruction of Taji Military Base and
Baghdad Recruiting Center (SIGIR-08-004)

We are providing this audit report for your information and use. We performed the audit in accordance with its statutory responsibilities contained in Public Law 108-106, as amended, which requires the independent and objective conduct of audits relating to programs and operations funded with amounts appropriated or otherwise made available to the Iraq Relief and Reconstruction Fund. The law also requires that we provide for the independent and objective leadership and coordination of and recommendations on policies designed to promote economy, efficiency, and effectiveness in the administration of such programs and operations and to prevent and detect fraud, waste, and abuse.

We considered comments from the Multi-National Security Transition Command-Iraq when preparing the final report. The comments are addressed in the report, where applicable, and a copy is included in the Management Comments section of this report.

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

Stuart W. Bowen, Jr.
Inspector General

Table of Contents

Executive Summary	i
Introduction	1
Background	1
Objectives	2
Scope and Methodology	2
Construction Outcome and Cost	4
Original Task-Order Requirements	4
Cost and Scope Changes	5
Construction Outcome	8
Construction Sites	9
Factors Impacting Cost	14
Security Concerns Limit Subcontractor-Personnel Attendance	15
Contract Administration and Oversight	17
Subcontracting	17
Views on Oversight and Contractor Performance	20
Contractor Accounting and Billing Systems Controls	20
Task-Order Closeout	22
Conclusion, Recommendation, and Lessons Learned	24
Conclusions	24
Recommendation	24
Management Comments	25
Lessons Learned	25
Related Reports	26
Appendices	
A. Projects Completed at the Taji Military Base	27
B. Acronyms	30
C. Audit Team Members	31
Tables and Figures	
Table 1: Cost Associated with Task Order	6
Table 2: Use of Subcontractors	18
Table 3: Extent of Subcontract Competition	19
Figure 1: Locations of Projects	6
Figure 2: Roof of Bombed Baghdad Recruiting Station	7
Figure 3: Average Weekly Subcontractor Personnel Attendance	15
Management Comments	
Multi-National Security Transition Command - Iraq	32



Outcome, Cost, and Oversight of Reconstruction of Taji Military Base and Baghdad Recruiting Center

SIGIR-08-004

January 15, 2008

Executive Summary

Introduction

A December 2006 amendment to the Special Inspector General for Iraq Reconstruction's (SIGIR) enabling legislation requires that, prior to its termination, SIGIR prepare a final forensic audit report on funds made available to the Iraq Relief and Reconstruction Fund. To help meet this requirement, SIGIR is undertaking a series of focused audits examining major Iraq reconstruction contracts. The objective of these audits is to examine contract outcome, cost, and management oversight, emphasizing issues related to vulnerabilities to fraud, waste, and abuse.

This report, another in the series, examines reconstruction work contracted for by the U.S. Government and performed by Parsons Infrastructure & Technology Group, Inc. (Parsons) of Pasadena, California. It complements other SIGIR audit work related to Iraq reconstruction done by Parsons and other contractors. In some cases, including this one, contractors have completed their work and been paid. Future reports will address other Iraq reconstruction projects.

In January 2004, at the request of the Coalition Provisional Authority, the Air Force Center for Environmental Excellence—now known as the Air Force Center for Engineering and the Environment (AFCEE)—awarded a cost-plus fixed-fee task order under an existing contract to Parsons. Under the task order, Parsons was to renovate and replace facilities and provide infrastructure repairs at the Taji Military Base, and the recruiting stations in Hillah, Kirkuk, and Ba'quba. It was also to construct a logistical support facility at the Kirkush Military Training Base.

Subsequent modifications to the task order altered the scope of work. They eliminated the requirements to renovate the three recruiting stations, and the logistical support facility at the Kirkush base. Modifications also increased the scope of work at the Taji Military Base and added a requirement to renovate the Baghdad Recruiting Center, which had recently been bombed. As a result, the final scope of work consisted of rebuilding the Taji base and the Baghdad center.

Results in Brief

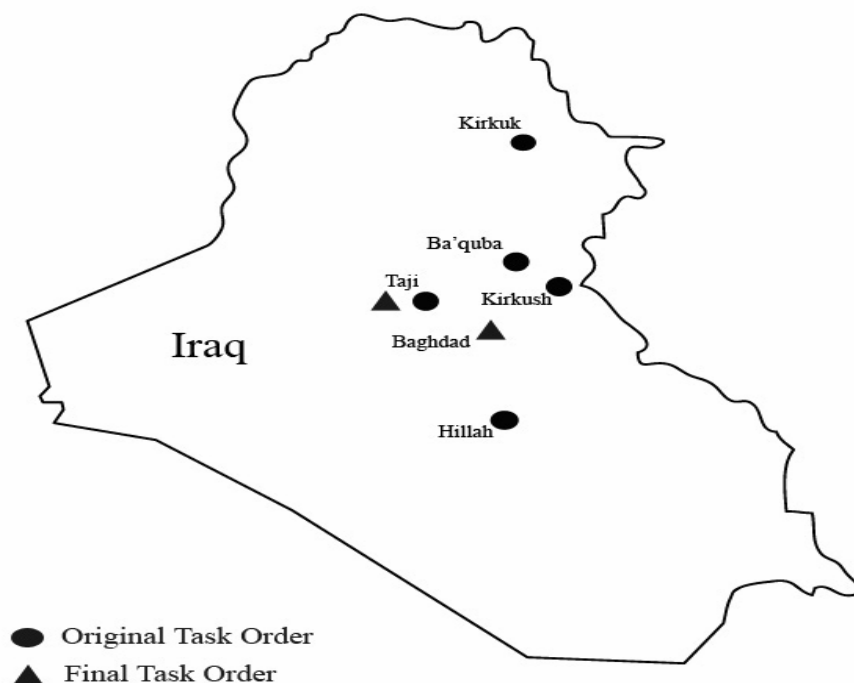
Between May and June 2004, Parsons and its subcontractors largely completed facility construction and repair work at the Taji Military Base (costing about \$36.5 million) and the renovation of the Baghdad Recruiting Center (costing about \$922,000). The government expressed satisfaction with the overall project and particularly the work of AFCEE. The cost of these two projects was about \$11.1 million more than estimated for the original five projects; the increase, according to AFCEE, was caused by several factors, including changes in the scope of work and security issues.

Information obtained by SIGIR indicates that there were significant limitations to full and open competition in awarding subcontracts. The absence of such competition can make the government vulnerable to inflated subcontract prices.

Government oversight was also a concern, and at the time of construction, Parsons had contract-billing system weaknesses that increased the risk of erroneous billings (these deficiencies have since been corrected). In addition, although construction work has been completed, the task order remains open because of inventory discrepancies, leaving the government vulnerable to undetected loss or theft. The value of the total inventory is about \$859,000.

Construction Outcome and Cost

Work under the task order was completed to the government's general satisfaction. By May 2004, Parsons and its subcontractors finished reconstruction of the Baghdad Recruiting Center, and by June 2004, reconstruction of the Taji Military Base was largely completed as well. Although the total cost of this competitively-awarded task order was originally estimated at \$26.3 million, actual cost rose by \$11.1 million, or approximately 42%, to \$37.4 million. Reconstruction of the Taji base used \$36.5 million of these funds. Initially, Parsons was to perform work at five sites, but subsequent modifications reduced the number of sites to two and made other scope changes. As a result, the final project consisted of rebuilding Taji and the Baghdad center. The map below shows the planned and actual construction locations.



According to Parsons and AFCEE officials, a number of factors caused cost increases during execution of the task order, including:

- task-order scope changes
- late delivery of subcontractor materials and equipment
- changes in work priority
- difficulty in getting Iraqis on and off the base
- the deteriorating security situation on the ground
- security travel restrictions (lockdowns)

Contract Administration and Oversight

Information obtained by SIGIR indicates that there were significant limitations to full and open competition in awarding subcontracts, which account for almost three-quarters of the cost of reconstruction. These conditions created risks, especially to ensuring fair and reasonable subcontract prices. Parsons officials acknowledge that limited competition was prevalent and due to several factors: the lack of means, such as newspapers, radio, the Internet, or common mail service for distributing solicitations to a large supplier base; the inability for subcontractors to assume additional workload; and the inability of many potential subcontractors to prepare proposals. Also, as a result of the dangers of working in Bagdad and at Taji and the urgent need to begin construction quickly, Parsons said that using suppliers known to the company was essential to ensuring that it would be capable of performing the work.

Given the operational environment in Iraq at the time, according to an AFCEE contracting official, Parsons' performance under this task order was for the most part satisfactory. AFCEE's performance was considered very positive by the commander of the Multi-National Security Transition Command-Iraq. However, Parsons reportedly did not properly manage one of its subcontractors, resulting in a poorly constructed water-storage tank. In addition, government quality-assurance oversight was a concern. As a result, AFCEE subsequently contracted with a private firm specializing in quality assurance. An AFCEE official commented that, "A Professional set of QA [Quality Assurance] personnel helps ensure project success. Using augmentees and untrained personnel to provide construction oversight is a recipe for disaster."

The Defense Contract Audit Agency (DCAA) examined Parsons' contract-billing system as of April 2004 and concluded that it was inadequate. After construction was completed and payments were made, Parsons corrected its deficiencies to DCAA's satisfaction. Construction work on this task order was, for the most part, completed by mid-2004. However, the task order remains open because accountability for inventory valued at about \$859,000 has not been transferred to the government. Delays in reconciling inventory-record discrepancies and transferring property accountability to the government leave inventory vulnerable to undetected loss or theft. This inventory includes such items as bulletproof vests, cameras, radios, televisions, and trailers.

Recommendation

SIGIR recommends that the Multi-National Security Transition Command-Iraq direct AFCEE to work with Parsons, DCAA, and the Defense Contract Management Command (DCMA), to

establish milestones and timeframes to reconcile inventory-record discrepancies and close the task order.

Management Comments

The Multi-National Security Transition Command-Iraq concurred with SIGIR's recommendation. It directed AFCEE to work with Parsons, the DCAA, and the DCMA to establish milestones and timeframes to reconcile inventory-record discrepancies and close the task order. It established an estimated completion date of March 15, 2008.

Lessons Learned

Because work under the task order has been completed and the contractor paid, SIGIR also identified lessons learned that may be applicable to future contract-management strategies in environments like those experienced during Iraq reconstruction. These practices are vital to reducing the opportunities for fraud, waste, and abuse:

- using existing contracts to speed up task-order execution
- increasing competition for subcontracts
- providing sufficient and competent quality-assurance staff
- implementing procedures to account for government-furnished equipment
- accomplishing pre-construction planning

Introduction

A December 2006 amendment to its enabling legislation requires the Special Inspector General for Iraq Reconstruction's (SIGIR) to prepare a final forensic audit report on funds made available to the Iraq Relief and Reconstruction Fund (IRRF). To help meet this requirement prior to its termination, SIGIR is undertaking a series of focused audits examining major Iraq reconstruction contracts. The objective of these audits is to examine contract outcome, cost and contract management oversight, emphasizing issues related to vulnerabilities to fraud, waste, and abuse.

This report, another in the series, examines reconstruction work contracted for by the U.S. Government and performed by Parsons Infrastructure & Technology Group, Inc. (Parsons) of Pasadena, California. It complements other SIGIR audit work related to Iraq reconstruction done by Parsons and other contractors. In some cases, including this one, contractors have completed their work and been paid. Future reports will discuss other work performed by Parsons and other contractors in Iraq.

Background

In November 2003, the Air Force Center for Engineering and the Environment (AFCEE)¹ awarded Parsons a contract (FA8903-04-D-8675) for environmental remediation and construction services. This was one of 27 Worldwide Environmental Restoration and Construction (WERC) contracts designed to offer a range of construction and engineering services to meet Air Force requirements worldwide. The projects were primarily environmental in nature, but also included engineering services, such as construction projects. WERC also offered demolition, repair, emergency-response, and operation and maintenance services for both environmental and traditional engineering activities.

The initial budget limit for WERC was \$4 billion, but could be increased to \$10 billion. The 27 contracts were awarded in November and December 2003. Work was to be accomplished through individual task orders against the contracts.

In January 2004, at the request of the Coalition Provisional Authority (CPA),² AFCEE issued Parsons' task order 0001 against the contract, a cost-plus fixed-fee order with an estimated cost of \$26.3 million. The order identified five construction projects in Iraq, with renovation of the Taji Military Base the largest of them. While Parsons subsequently received numerous task orders to perform work under this contract, it received only one for Iraq. Under the terms of the order, work was to be completed by January 15, 2005, with funding provided through the IRRF. The order was modified in April 2004 deleting the original sites except the Taji Military Base and adding the reconstruction of the Baghdad Recruiting Center.

Four principal government organizations were involved in administering and overseeing execution of the task order: AFCEE, the contracting authority; the Defense Contract

¹ Until June 1, 2007, the organization was called the Air Force Center for Environmental Excellence.

² In June 2004, the Multi-National Security Transition Command – Iraq assumed responsibility for building the capability of Iraqi Security Forces and institutions.

Management Agency (DCMA), the task order administrator; the Defense Contract Audit Agency (DCAA), the authorized representative of the contracting officer for examining contractor invoices; and the U.S. Army Corps of Engineers Gulf Region Division (GRD), responsible for construction quality assurance.

Objectives

SIGIR's audit objectives are to (1) determine task-order outcome and related cost; and (2) review task-order management oversight emphasizing issues related to vulnerabilities to fraud, waste, and abuse.

Scope and Methodology

To accomplish these objectives, SIGIR visited, held discussions with officials of, and/or reviewed data from:

- Parsons Infrastructure & Technology Group, Pasadena, Calif.
- The Air Force Center for Engineering and the Environment, Brooks City Base, San Antonio.
- Defense Contract Management Agency, Carson, Calif.
- Defense Contract Audit Agency, San Gabriel Valley Branch Office, West Covina, Calif.
- U.S. Army Corps of Engineers, Gulf Region Division, Baghdad.

SIGIR obtained and reviewed relevant contract, financial, and other information from these organizations relating to the pre-award, award, cost, oversight, and performance under the task order. This information included: the basic contract, task order, contract modifications, and scope of work changes; invoices submitted by Parsons for work under the order; progress reports on the work being performed; quality assurance reports prepared by GRD; Contract Fund Status Reports; subcontracting under the order and subcontractor performance; and photographs of the sites before and after reconstruction.

SIGIR also reviewed relevant portions of the Federal Acquisition Regulation; DCAA procedures for invoice review; and DCAA and prior SIGIR reports related to the Parsons contract.

SIGIR conducted its review from May to October 2007 in accordance with generally accepted auditing standards. Although we obtained and analyzed financial and other computerized information, we did not examine the validity of the electronic systems that produced the information. However, SIGIR reviewed the work of others related to the accuracy of data generated by these systems, and noted any concerns in this report.

With respect to the accuracy of Parsons' invoices, SIGIR relied on DCAA reviews of company invoices and its reviews of the company's accounting and billing systems to determine the risks for fraud, waste, and abuse. Also, because construction work had long been completed, SIGIR could neither monitor construction progress nor observe the condition of the construction

projects at the time of completion. Rather, we relied on available quality-assurance reports and photographs in the contract files and held discussions with oversight managers.

To assess the adequacy and implementation of task-order management controls, SIGIR reviewed contract and agency oversight requirements, discussed the implementation of these requirements with responsible officials, and examined contract files. As SIGIR accomplished its work, it focused on issues that could create risks of fraud, waste, and abuse and on uncovering any indications of such conditions.

Construction Outcome and Cost

The task order was modified significantly by the CPA to change the scope of work and the cost. As a result, the final project consisted of rebuilding Taji and the Baghdad center at a total cost of \$37.4 million. Work under the task order was completed to the government's general satisfaction. By May 2004, Parsons and its subcontractors had finished reconstruction of the Baghdad Recruiting Center, and by June 2004, reconstruction of the Taji Military Base was largely completed as well.

Although the total cost of this competitively awarded task order was originally estimated at \$26.3 million, actual cost rose by \$11.1 million, or approximately 42 percent, to \$37.4 million. Reconstruction of the Taji base used \$36.5 million of these funds. Initially, Parsons was to perform work at five sites, but subsequent modifications reduced the number of sites to two. Modifications also increased the scope of work at Taji and added a requirement to renovate the Baghdad center, which had been bombed in February 2004.

Original Task-Order Requirements

Under the January 2004 task order, Parsons was to renovate and replace facilities and provide infrastructure repairs at the Taji Military Base, and recruiting stations in Hillah, Kirkuk and Ba'quba, as well as construct a logistical support facility at the Kirkush Training Base. Specifically, the original task order required Parsons to do these five projects:

Taji Military Base: Renovate Battalion 4 area, Battalion 5 area, the Garrison area, and renovate and rebuild the Central Medical Clinic. Work was to make the buildings suitable for occupancy by painting and installing the following: light fixtures, ceiling fans, air-conditioning units, electrical outlets with panel boxes, sinks, urinals, toilets, showers, kitchen sink units, doors, windows, and floor tiles. Parsons was to renovate the wastewater treatment plant, install sewage distribution lines, and excavate the lagoon. Work also included installing streetlights with connections to the existing electrical power grid, a water treatment system, and a wastewater collection system.

Hillah Recruiting Station: Renovate the existing buildings and landscape the surrounding area. The existing buildings had been stripped of all doors, windows, electrical components, mechanical systems, and plumbing fixtures. Suspended ceilings had also been removed, and the southern end of the main building had bomb damage. The main building required the renovation and upgrade of all rooms into living areas, recruiter and community bathrooms, classrooms, a reception area, an identification room, and interview rooms. The station also needed a general office, medical screening room and office, security-holding and recruit-sleeping areas. The separate shower and latrine building also required renovation or replacement of all facilities and fixtures.

Kirkuk Recruiting Station: Renovate the existing buildings and landscape the surrounding area. The former had been stripped of doors, windows, electrical components, mechanical systems, and plumbing fixtures. Suspended ceilings had been removed. The main building required the renovation and upgrade of all rooms into living areas, recruiter and community

bathrooms, classrooms, a reception area, an identification room, and interview rooms. The station also needed a general office, medical screening room, medical office, and security-holding and recruit-sleeping areas. The shower latrine rooms required renovation or the replacement of all plumbing and fixtures. The existing parking building was to be renovated.

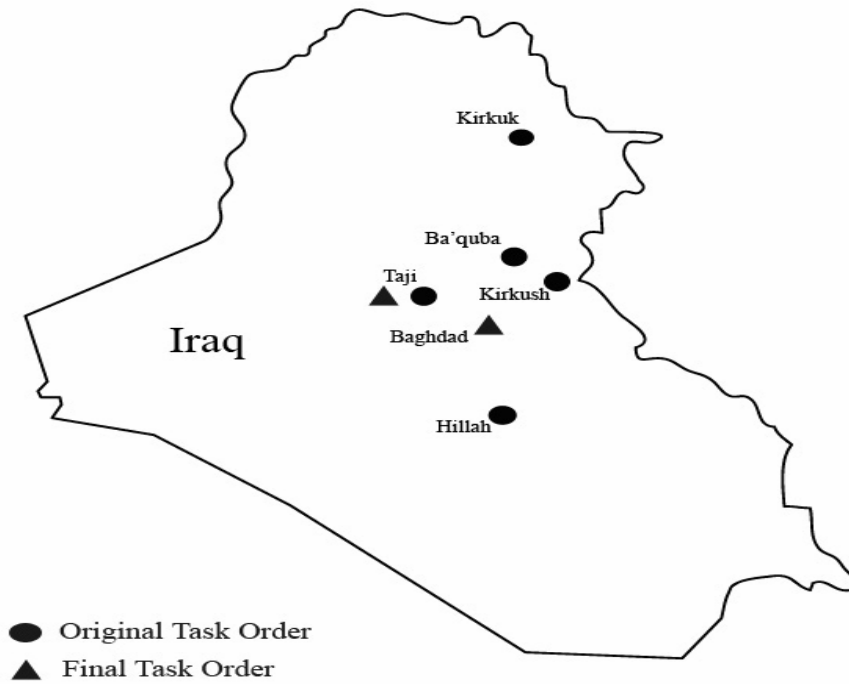
Ba’quba Recruiting Station: Renovate the existing buildings and landscape the surrounding area. The former had been stripped of doors, windows, electrical components, mechanical systems, and plumbing fixtures. Suspended ceilings had been removed. The work necessary to make the buildings suitable for occupancy included installation or repair of the following: light fixtures, ceiling fans, air-conditioning units, heaters, electrical outlets with panel boxes, interior electric distribution, sinks, showers, toilets, plumbing, doors, and windows (with hardware). The work also included patching, repair, and painting of walls and ceilings; installation of floor, wall tiles and handrails; and repair of the potable water, sanitary sewer, electrical generation, and supply systems.

Kirkush Military Training Base: Establish a warehousing and maintenance capability to support New Iraqi Army units. This facility was meant to store commodities, including petroleum, oil, lubricants, and munitions, as well as perishable and other hazardous materials. The facility was to consist of specialty and general buildings located at safe distances from each other, with storage of up to 90 days of all types of supplies, including sufficient bulk fuel and ammunition for a brigade-strength force. In addition, the facility was to be capable of supporting operational and intermediate maintenance requirements of such a force, including maintenance of both tactical and non-tactical vehicles.

Cost and Scope Changes

During the execution of the task order, 11 modifications altered the scope of work, increasing the cost from \$26.3 million to \$37.4 million, as shown in Table 1. In the final analysis, Parsons completed the reconstruction of an expanded-scope Taji Military Base and the rebuilding of the Baghdad Recruiting Center. Figure 1 shows the locations of the projects in the original and final task orders, after modifications. Table 1 shows the cost impact of each modification.

Figure 1 - Locations of Projects



Source: SIGIR

Table 1—Cost Associated with Task Order (in millions)

	Cost	Fixed Fee	Insurance	Total
Task Order	\$23.90	2.4	0	\$26.30
Mod 1	0	0	0	0
Mod 2	4.40	0.4	0	4.80
Mod 3	2.40	0.2	0.1	2.70
Mod 4	0	0	0	0
Mod 5	0.10	0	0	0.10
Mod 6	0	0	0	0
Mod 7	3.10	0.2	0.1	3.40
Mod 8	0	0	0	0
Mod 9	0	0	0	0
Mod 10	0	0	0	0
Mod 11	0.20	0	0	0.20
Total	\$34.00	3.3	0.1	\$37.40

Source: Air Force Center for Engineering and the Environment

Parsons provided SIGIR with information showing that the cost to the U.S. Government to renovate the Taji Military Base was \$36,504,866 and to renovate Baghdad Recruiting Center, \$922,461.

The specific changes made by each modification, including their impact on cost and schedule, are discussed below. As shown in Table 1, modifications 2, 3, and 7 had the greatest impact of task order cost.

Modification 01: Administrative in nature with no cost impact. In March 2004, the task order was modified to make clear that all utility infrastructure work and associated cost included in the statement of work referred to temporary utility systems. The modification changed the task order to substitute “temporary utility or infrastructure work” for “permanent utility or infrastructure work.”

Modification 02: Significant impact on both cost and scope. In April 2004, the task order was modified to change the statement of work and increase the cost by \$4.8 million, from \$26.3 million to \$31.1 million. The modification deleted the requirement to build the logistics facilities at Kirkuk Military Base and the recruiting stations at Kirkuk, Ba’quba, and Hillah; added a requirement for permanent utilities, including a new water treatment plant and associated water supply and distribution systems, and a sewage collection system at the Taji Military Base; and added a requirement to excavate and remove sludge from an existing sewage lagoon; install kitchen equipment for two dining facilities, and rehabilitate the Baghdad Recruiting Center, which was bombed in February 2004 (see Figure 2).

Figure 2 – Roof of Bombed Baghdad Recruiting Station



Modification 03: Significant cost and scope impacts. In May 2004, the task order was modified to change the statement of work and increase the cost by \$2.7 million. The modification added the requirement to restore the existing Taji wastewater treatment plant and two pumping stations

to full operation, including tie-ins, and also added security forces to control subcontractor employees' access to the Taji Military Base through the designated worker-entry gate upon termination of the existing gate-security contract.

Modification 04: Administrative in nature with no affect on cost or scope. The modification occurred in June 2004 to correct an administrative error relating to a funding citation.

Modification 05: Minor impact on cost and scope. In September 2004, the task was modified to incorporate a new statement of work and increase the construction cost by \$63,636 and the fees by \$6,364. The modification added a requirement for minefield clearance and unexploded-ordnance disposal to facilitate construction along a portion of the Taji base perimeter.

Modification 06: Minor impact on cost, scope and schedule. This modification, in February 2005, changed the statement of work and increased the construction cost by \$6,798 and the fees by \$680. It also extended the period of performance. The modification added a requirement to repair a broken underground water line serving the new water treatment plant at the Taji base.

Modification 07: Significant impact on cost and schedule. This modification was issued in April 2005. It increased the construction cost by \$3.1 million and the fees by about \$219,000 to cover Parsons' cost for labor, subcontracts, and other direct costs. It also extended the period of contract performance by five months, from April 30 to September 30, 2005.

Modification 08: This modification had an impact on schedule. Modification 08 was issued in September 2005 and extended the period of performance from September 30 to December 15, 2005. There was no change in cost.

Modification 09: This modification had an impact on schedule. Modification 09 was issued in December 2005 and extended the period of performance from December 15, 2005 to January 31, 2006, and also provided for the contractor to complete the water storage-tank repair and perform closeout. There was no change in cost.

Modification 10: A sizable impact on schedule. Modification 10 was issued on January 31, 2006, and extended the period of performance from January 31 to April 30, 2006. There was no increase in construction cost or fees.

Modification 11: Increased cost but not scope or schedule. The modification increased the cost by \$174,507, resulting from an indirect rate adjustment. Provisional Parsons' indirect- rate revisions were accepted by DCAA in September 2005, causing an increase in the company's incurred cost. They had not been captured in prior billings, nor had the billings been subsequently adjusted.

Construction Outcome

By early-June 2004, Parsons reported completing most of its work on the reconstruction of the Taji Military Base, and the work was accepted by the government. This included reconstruction of the garrison headquarters, and the 4th and 5th Battalion areas and the Central Medical Clinic.

By December 2004, it had also completed reconstruction of the Taji base sewer system, and the work was accepted by the government.³

Parsons had completed most of its work by the end of 2004, but it requested a time extension to complete the new water plant. Although originally scheduled to be completed prior to December 2004, construction of the plant by a joint-venture subcontractor significantly lagged behind schedule. The completed plant was offered to the government for transfer and acceptance in late June 2005, following commissioning, operational testing, and operator training. When completed, the water storage tank that was part of the plant leaked, and the government would not accept it. Subcontractor attempts to correct the leak, during August-December 2005, were unsuccessful. Parsons subsequently terminated the subcontractor for poor performance and obtained a replacement firm. The tank was taken apart and re-assembled, and a leak-free water storage tank was transferred to the government in June 2006.

Regarding the Baghdad Recruiting Center, Parsons completed its reconstruction work in May 2004, and the work was accepted by the government. Parsons reconstructed the center's administration building, bachelors' officer quarters, vehicle-access lane, force-protection gate, five guard towers, perimeter-protection walls, and electrical power generator with fuel supply.

Construction Sites

The following photographs show the results of Parsons' efforts at the Taji Military Base and the Baghdad Recruiting Center.

³ Appendix A shows a list of projects completed at the Taji Military Base and the date of their acceptance by the government.

TAJI MILITARY BASE



Renovated Garrison Headquarters



Renovated Administrative Office Building



Barracks Before Reconstruction



Reconstructed Barracks



**Garrison Headquarters Kitchen
Before Reconstruction**



**Garrison Headquarters Kitchen
After Reconstruction**



**Wastewater-Treatment Plant
Aerator Rehabilitation Underway**



**Wastewater-Treatment Plant
Aerator in Operation**



**Office Building in Battalion Area
Before Reconstruction**



**Office Building in Battalion Area
After Reconstruction**

BAGHDAD RECRUITING CENTER



Bomb-Damaged Building



Completed Baghdad Recruiting Center

Factors Impacting Cost

According to Parsons' and AFCEE officials, a number of factors caused cost increases during execution of the task order. SIGIR's prior work indicates that the conditions described below were consistent with the environment in Iraq at the time. Among the factors:

- task-order scope of construction changes
- late delivery of subcontractor materials and equipment—for example, some convoy deliveries went through Turkey and were delayed at the border. This was the case with the water treatment plant equipment. In one case, deliveries were delayed three to four weeks because the driver was shot and killed.
- changes in work priorities
- difficulty in getting Iraqis on and off the base due to security checks, which sometimes affected work by two to three hours a day
- the deteriorating security situation, including threats, which resulted in fewer subcontractor personnel coming to work
- security travel restrictions (lockdowns), which reduced the number of subcontract personnel who could come to work.

SIGIR's review of Parsons' daily progress reports on renovation of the Baghdad Recruiting Center provides insight into the operational challenges faced by contractors operating in Iraq during early 2004. The following are entries from the daily reports:

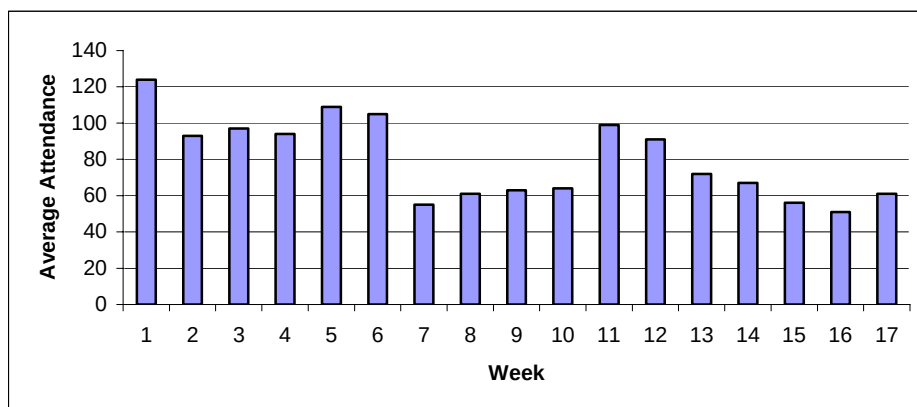
- March 25: An Iraqi political party presently illegally occupies the Administration Building. We cannot make an assessment or begin work until the Party moves out.
- Also March 25: The three buildings identified for demolition are presently occupied by squatters, as are the surrounding buildings, inside and outside the new North Wall. We cannot proceed until they are moved.
- April 3: The political party stopped our work in the compound this morning. It took the rest of the day to find out that they want us to stop wall construction for three days as they move furniture and equipment out of the building.
- April 6: The political party is starting to move. To date, we have lost ten days with the delays involved with the Party.
- April 7: The installation of the last of the concrete barriers went slower than desired. The owner of the welding shop had been threatened and quit assembling the barriers. The subcontractor had to find another shop to fabricate the last concrete barriers, costing the project three days.
- April 9: The theft and damage to the Administration building is breathtaking. There are no doors, no windows, no electrical system, no water system, and no functioning sewer. There are no toilets, no sinks, no air conditioners, no electrical panels, and no generator. Even the handrails at the stairs were stolen. Furniture was thrown out third story windows; trash and filth are everywhere. The building is a vacant shell.

- April 14: The squatters in the village are moving out. They are also stealing everything including the kitchen sink. It got very tense this afternoon when the Iraqi Police opened fire (we later found out, in the air) with automatic weapons to scare the squatters out.
- April 18: An Iraqi contractor was using a large crane and flatbed truck to steal 6-ton Texas barriers that were to be used for the North wall. Ten barriers, valued at \$7,500 were taken off the truck and returned to stock. Nine barriers worth \$6,850 are now part of the street barrier. Four barriers worth \$3,000 are missing.
- April 22: The Statement of Work specified that two of the four water reservoirs on the roof needed to be replaced. All four reservoirs are now missing. Replacement of two water reservoirs is in the original quote.
- April 25: The nine Texas barriers are taking on a perverse life of their own. The Army thwarted the plan for the 6 a.m. recovery of the barriers. The Army guard detail stopped the loading operation because they didn't know about the work. The guard team briefed on the work plan went off duty at 9 p.m., and did not tell the all-night crew about the plan.
- April 26: Recovery of the nine Texas barriers did not take place this morning as planned. I was told the crane operator feared for his safety. We have changed crane companies and scheduled the recovery for tomorrow morning.

Security Concerns Limit Subcontractor-Personnel Attendance

According to Parsons' officials, there were problems with subcontractors and/or their workers not showing up for work due to increasing terrorist attacks. Figure 3 from Parsons' activity reports indicates the variability in average weekly subcontractor-personnel attendance at the Taji Military Base.

Figure 3—Average Weekly Subcontractor Personnel Attendance



Source: Parsons Infrastructure & Technology Group activity reports.

Examples of factors causing reduced subcontractor attendance included in Parsons' 2004 activity reports for the Taji base:

- June 20 (week 7): The labor force averaged 55 workers each day. The contractor has been slow to complete installation of dining facilities equipment and has not responded positively to efforts to extend workdays.
- June 27 (week 8): Insurgents attacked with small arms fire along the east perimeter of the base on the evening of June 24. In addition, two rockets hit the base west of the work area. Two days earlier, a security incident along the road outside the East Gate 25 restricted access to the base and reduced the workforce to 36 subcontractor laborers.
- August 15 (week 14): The workforce averaged 67 subcontractor workers per day--smaller than in recent weeks--due to an increase in the frequency and intensity of security incidents at the base.
- August 29 (week 16): The daily workforce average dropped to 51 per day. The low worker count is a direct result of numerous security incidents, including multiple killings of workers outside the East Gate.
- September 5 (week 17): The workforce averaged 61 per day, again, a direct result of numerous security incidents, including multiple killings of base contract workers by insurgents outside the East (worker) Gate. With few exceptions, construction is at a virtual halt.

Contract Administration and Oversight

Information obtained by SIGIR indicates that there were significant limitations to full and open competition in awarding subcontracts, which comprised almost three-quarters of the cost of reconstruction. According to Parsons officials, limited competition was prevalent and due to several factors: the lack of means--newspapers, radio, the Internet, common mail service, etc.--for distributing solicitations to a large supplier base; subcontractors' lack of capacity to assume additional workloads; and the inability of many potential subcontractors to prepare proposals. Also, according to Parsons, as a result of the dangers of working in Bagdad and at Taji and of the urgent need to begin construction quickly, limited sourcing was imperative so as to utilize suppliers known by the company to be capable of performing the work.

Given the operational environment in Iraq at the time, Parsons' performance under this task order was for the most part satisfactory, according to an AFCEE contracting official. AFCEE's own performance was considered very positive by the Commanding General, Multi-National Security Transition Command-Iraq. However, in one instance, Parsons reportedly did not provide sufficient oversight of one of its subcontractors, resulting in a poorly constructed water-storage tank. In addition, an AFCEE contracting official considered government quality-assurance oversight a concern. As a result, AFCEE subsequently contracted with a private firm specializing in quality assurance.

In examining Parsons' contract-billing system as of April 2004, DCAA concluded that it was inadequate. After construction was completed and payments made, Parsons corrected its deficiencies to DCAA's satisfaction. Construction work on this task order was, for the most part, completed by mid-2004; yet the task order remains open because of delays in reconciling inventory-record discrepancies and transferring property accountability to the government.

Subcontracting

Parsons officials stated that their company served primarily as a construction manager over 18 subcontractors, of which 10 were Iraqi companies and one was Iraqi/Turkish.

According to Parsons' records, it subcontracted about \$27.5 million--about 73 percent of the total contract value--under its task order for planning, engineering, design, construction, and logistics support services. Most of the subcontracts were firm fixed price and, as shown in Table 2, given to Iraqi firms. In addition, Parsons says it made other necessary procurements and purchases from subcontractors totaling \$1,419,160.

Table 2—Use of Subcontractors

SUBCONTRACTOR	NATIONALITY	NUMBER AND TYPES OF SUBCONTRACTS	VALUE OF SUBCONTRACTS
Subcontractor A	Iraqi	8 – Firm Fixed Price	\$9,850,123
Subcontractor B	Iraqi	3 – Firm Fixed Price	7,806,407
Subcontractor C	Iraqi	1 – Firm Fixed Price	4,450,000
Subcontractor D	Turkish	4 – Firm Fixed Price	1,683,560
Subcontractor E	British	3 – Basic Ordering Agreement	1,490,885
Subcontractor F	British	1 – Basic Ordering Agreement	708,437
Subcontractor G	Iraqi/Turkish	1 – Firm Fixed Price	589,748
Subcontractor H	Turkish	1 – Firm Fixed Price	393,000
Subcontractor I	Iraqi	1 – Firm Fixed Price	150,018
Subcontractor J	American	1 – Firm Fixed Price	102,998
Subcontractor K	American	1 – Firm Fixed Price	55,000
Subcontractor L	Iraqi	1 – Firm Fixed Price	49,000
Subcontractor M	Iraqi	1 – Firm Fixed Price	34,363
Subcontractor N	Iraqi	1 – Firm Fixed Price	20,965
Subcontractor O	Iraqi	1 – Firm Fixed Price	19,886
Subcontractor P	American	1 – Basic Ordering Agreement	19,199
Subcontractor Q	Iraqi	1 – Firm Fixed Price	7,560
Subcontractor R	Iraqi	1 – Firm Fixed Price	6,478
Total		32	\$27,437,627

Source: Parsons Infrastructure & Technology Group

According to information provided by Parsons, many of its subcontracts were obtained under what was termed “limited source” competition. Difficulty in obtaining competitive bids for projects stemmed from the following problems: the unique working environment associated with being in a war zone, which led to the inability to distribute solicitations to a large supplier base, e.g., newspapers, radio, the Internet, and postal mail; the immensity of the task of rebuilding the country; and a supplier base that was both inadequate and incapable of providing services because contractors did not have the capacity to assume additional workloads.

Compounding this limitation of available qualified suppliers, Parsons found that many potential contractors did not understand how to prepare contract proposals. Furthermore, due to the inherent dangers associated with work in Baghdad and on the Taji base, and the need to comply with AFCEE’s urgent and compelling needs requirements, limited sourcing was imperative so as to utilize suppliers Parsons knew were capable of performing the work. For example, in awarding two subcontracts, according to Parsons, AFCEE requested it to respond the next day.

Limited sourcing was also utilized in non-urgent situations. For example, to repair a leaking water tank at the Taji base, Parsons turned to a subcontractor that was already mobilized on site and had expertise in water plant operations and maintenance. In doing so, the company said it averted substantial duplication of cost to the government—a cost probably not recoverable through competition—and precluded a delay in fulfilling client requirements and a negative impact on operational needs.

Table 3—Extent of Subcontract Competition

SUBCONTRACTOR	AWARD AMOUNT	EXTENT OF COMPETITION	JUSTIFICATION
Subcontractor A	\$260,000	Limited	Not documented
Subcontractor B	6,824,000	5 sources	
Subcontractor C	40,000	Limited	Lack of travel services in remote area
Subcontractor D	72,000	Limited	Unusual and compelling urgency
Subcontractor E	743,150	5 sources	
Subcontractor F	6,960,000	5 sources	
Subcontractor G	4,415,900	13 sources	
Subcontractor H	1,176,000	8 sources	
Subcontractor I	162,718	Limited	Amendment of original contract
Subcontractor J	261,250	Limited	Unusual and compelling urgency
Subcontractor K	251,500	Limited	Unusual and compelling urgency
Subcontractor L	64,376	Limited	Lack of travel services in remote area
Subcontractor M	4,450,000	Limited	Security issues - Iraq and the Taji base
Subcontractor N	140,000	3 sources	
Subcontractor O	168,858	Limited	Continuation of rental procurement (no documentation for original procurement)
Subcontractor P	1,924,000	8 sources	
Subcontractor Q	42,500	Limited	Amendment to basic water-treatment plant contract
Subcontractor R	29,300	Limited	Emergency evacuation tent
Subcontractor S	133,920	5 sources	
Subcontractor T	300,000	3 sources	

Source: Parsons Infrastructure & Technology Group

According to the AFCEE contracting officer, Parsons effectively executed its subcontract plan; that is, the extensive subcontracting under this task order was consistent with the AFCEE contracting model.

Views on Oversight and Contractor Performance

AFCEE performance in Iraq was considered very positive by General Petraeus, the then Commanding General, Multi-National Security Transition Command-Iraq. In September 2004, he stated that:

“The AFCEE team, which, as you know, came into Iraq to execute work early in the reconstruction process so that we could generate Iraqi Armed Forces as quickly as possible, has contributed significantly to our ability to establish a new Iraqi Army. Without AFCEE intervention at a critical time, we would not have been able to generate the forces as soon as we have. AFCEE’s role in this endeavor is a success story.”

He requested that AFCEE expand and continue its presence in Iraq for two years. He noted that in the Iraq environment the contract-execution requirements were very fluid, requiring AFCEE’s embedded presence for success.

On the other hand, the AFCEE project manager stated that quality assurance was not up to the proper level. He noted the high turnover of quality assurance personnel with the requisite experience. In this regard, he commented that:

“A Professional set of QA [Quality Assurance] personnel helps ensures project success. Using augmentees and untrained personnel to provide construction oversight is a recipe for disaster.”

This, he added, is one reason that AFCEE subsequently contracted with a private company that had experienced personnel to perform quality assurance.

Parsons’ performance under this task order was generally satisfactory, according to the AFCEE Procurement Contracting Officer. However, there was one instance where Parsons’ performed less than acceptably. Parsons reportedly did not properly manage a subcontractor, resulting in a poorly constructed water-storage tank.

According to a DCMA official, its contract administration duties could have been better performed had the duties been assigned to the DCMA International Division rather than the DCMA Carson, California office. Evidence of physical completion and timely government acceptance of work performed by Parsons could have been more easily accomplished by the DCMA Iraq team. Once government acceptance of the work is accomplished, the contract can be prepared for administrative contract closeout by the CONUS DCMA office.

Contractor-Accounting and Billing-Systems Controls

Accounting System: Parsons maintains a job cost-accounting system in which project codes are assigned to individual contracts and subcontracts. The system is controlled by and reconcilable to the general ledger.

In August 2006, DCAA examined Parsons' accounting-control environment and overall accounting-system controls as of mid-July to assure that its accounting system and related internal controls:

- complied with applicable laws and regulations
- were effective
- were operating properly

Parsons' control environment, overall accounting system, and related internal-control policies and procedures, DCAA concluded, were adequate.

Billing System: DCAA examined the status of Parsons' billing system as of April 2004 and found the system inadequate. A subsequent September 2006 review concluded the problem had been corrected.

The review assesses whether the method of billing controls provides reasonable billed costs; complies with applicable laws and the system's internal-control requirements, regulations, and contract terms. Parsons' finance department is responsible for the company's billing system. Parsons invoices its clients on a regular basis, usually at two-week intervals. Its invoices are based on the direct cost recorded in Parsons' Resource and Information System.

The 2004 review disclosed four significant deficiencies that resulted in inconsistent, overstated, or otherwise-inaccurate cost data and billings. Specifically, DCAA concluded that Parsons:

- had not included adequate or complete contract-brief procedures to reflect unique contractual requirements.
- lacked adequate procedures and controls to monitor and ensure prompt adjustments of billing indirect cost rates to prevent overpayments or underpayments.
- lacked written policies and procedures that address 13 billing functions or processes surveyed.
- did not consistently follow written billing policies and procedures.

As a result, DCAA recommend to the DCMA Administrative Contracting Officer (ACO) that Parsons' billing system be disapproved, and in August 2004, the ACO informed Parsons of the disapproval. Although Parsons disagreed with the conclusion, it agreed to improve its system. According to DCMA, the initial determination of inadequacy allows the contractor to respond formally to the deficiencies identified in the audit report and to provide a corrective-action milestone plan for regaining an adequate status. At the ACO's request, generally within a year after the initial findings, DCAA will perform a comprehensive follow-up audit to determine whether the contractor has corrected the deficiencies. Based on the results, a final determination of the contractor's system will be made. A determination that a contractor's system was inadequate could result in denial of future contract awards. In addition, a disapproved billing system could bring an increased number and frequency of DCAA pre- and post-pay voucher reviews of existing contracts.

Subsequently, in December 2005, DCMA informed Parsons that it would re-examine its decision to disapprove the billing system if DCAA did not issue an updated report by March 31, 2006. Two weeks after that deadline, DCMA informed Parsons that since an updated DCAA billing-systems report was not expected until later in the year and since the earlier report does not reflect the current status of Parsons' billing system, DCMA was reversing its previous disapproval.

In September 2006, DCAA concluded that Parsons had corrected previously reported deficiencies and that the company's billing system and related internal-control policies and procedures were adequate.

Task-Order Closeout

The task order remains open because of questions about the accuracy of government property inventory records. Delays in reconciling inventory record discrepancies and transferring property accountability to the U.S. Government leaves inventory vulnerable to undetected loss or theft. Parsons officials stated that a joint physical-inventory review and inspection of all government property was scheduled for May-June 2005 at the Taji Military Base; it was to be performed by a Parsons' property representative and a designated AFCEE representative. The review and inspection were not completed, apparently due to scheduling conflicts. Over the next several months, completion of property-transfer documentation was adversely impacted by personnel reassignments and availability, work and rest-and-recuperation schedules, Parsons' demobilization at the Taji base, and inventory questions.

In August 2005, Parsons provided an inventory of property available for transfer to the U.S. Government, including documentation of property hand-receipted to another contractor performing reconstruction work at the Taji base. The amount of government property reported by Parsons was about \$859,000 and includes such items as bulletproof vests, cameras, radios, televisions, and trailers. However, the final property-transfer documents were incomplete in that they did not indicate disposition of all property available for transfer to the U.S. Government in May-June 2005. Parsons has requested, but not received from the U.S. Government, a release of responsibility and liability for property lost, damaged, or destroyed while accomplishing the task order.

At the time of the property transfer, procedures guiding asset recognition, as well as property transfer for task orders such as Parsons' Taji project, had not yet been published. (The AFCEE publication entitled *Government Furnished Property & Contractor Acquired Property Accountability Procedures in Iraq* appeared in December of that year.)

In September 2007, according to Parsons, AFCEE assigned a new official to resolve questions about the accuracy and completeness of the government property-transfer documents for Parsons' Taji work order. That individual has contacted the Parsons' project manager and is working with the company to resolve this issue. Parsons advised that it provided the AFCEE official with background on this issue and relevant documents related to the full inventory of government property transferred and items lost, damaged or destroyed.

DCMA advised that its data base does not indicate that Parsons completed the work or that the government accepted it. The reason given is that DCMA has not received from Parsons a

receiving report indicating completed work. After SIGIR brought this to Parsons' attention, the company submitted the required information to DCMA. The latter advised that it has received the required information and has provided the information to AFCEE for review and processing.

Conclusions, Recommendation, and Lessons Learned

Conclusions

Work under the modified task order was completed to the government's general satisfaction. By May 2004, Parsons and its subcontractors completed the reconstruction work on the Baghdad center, and by June 2004, reconstruction of the Taji base was mostly completed as well. Although the total cost of this competitively awarded task order was originally estimated at \$26.3 million, actual cost rose by \$11.1 million, or approximately 42 percent, to \$37.4 million. Cost increases were primarily due to security issues and changes in the scope of work.

Contract management and oversight controls were constrained by the difficult security environment on the ground and the government's desire to accelerate construction. These conditions created risks, especially related to ensuring effective competition for subcontracts. SIGIR noted that nearly three-quarters of the work went to subcontractors, primarily Iraqi companies. Effective competition was reportedly limited in part by an inability to distribute solicitations. In addition, subcontractors lacked the capacity to assume additional workloads. And, according to Parsons, many potential contractors did not understand how to prepare proposals.

According to an AFCEE official, given the operational environment in Iraq at the time, Parsons' performance under this task order was, for the most part, satisfactory. Performance by AFCEE itself was considered very positive by the commander of the Multi-National Security Transition Command-Iraq. However, Parsons reportedly did not properly manage one of its subcontractors, resulting in a poorly constructed water-storage tank. In addition, concerns were raised about the quality of government construction oversight. Furthermore, during a portion of the period of contract performance, Parsons had an inadequate contract billing system, which increased the government's vulnerability to improper billings. Billing system deficiencies have since been corrected.

Although construction work on this task order was mostly completed by mid-2004, the task order remains open. Inventory accuracy and accountability issues have not been resolved in a timely manner. This situation leaves the inventory vulnerable to undetected theft or loss. This inventory includes such items as bulletproof vests, cameras, radios, televisions, and trailers. DCMA states that it had not received from Parsons a receiving report indicating the work was complete. SIGIR brought this matter to Parsons' attention and, according to DCMA, the company stated it has now submitted the required paper work.

Recommendation

SIGIR recommends that the Multi-National Security Transition Command-Iraq direct AFCEE to work with Parsons, DCAA, and DCMC to establish milestones and timeframes to reconcile inventory record discrepancies and close the task order.

Management Comments

The Multi-National Security Transition Command-Iraq concurred with our recommendation. It directed AFCEE to work with Parsons, the DCAA, and the DCMA to establish milestones and timeframes to reconcile inventory-record discrepancies and close the task order. It established an estimated completion date of March 15, 2008.

Lessons Learned

Since work under the contract has been completed and the contractor paid, SIGIR also identified lessons learned that may improve future contract management strategies in environments like those experienced during Iraq reconstruction. These lessons, vital to reducing the opportunities for fraud, waste, and abuse, are:

- The use of existing contracts can be an effective means to achieve quick task-order execution.
- In a war zone, the immediate protection of existing facilities and equipment is vital to avoid extensive vandalism and property destruction, which significantly increase reconstruction cost and result in the waste of scarce resources.
- Sufficient, competent quality-assurance staff is needed for effective contract execution and prime contractor oversight of subcontractors and to prevent fraud, waste, and abuse.
- Procedures need to be in place at the beginning of the reconstruction effort to allow proper accountability of government-furnished equipment and to facilitate contract or task-order closeout.
- Comprehensive construction planning and design is necessary to prevent numerous subsequent sole-source contract modifications which, without competition, may increase contract cost.
- Contract administration personnel, assigned to an organization physically located where the work is being performed, facilitates contract-administration oversight.
- In a post-conflict environment, the availability of capable local contractors can be limited. As large amounts of reconstruction funding are expended rapidly in a defined area, the absorptive local capacity is quickly reached, resulting in an increased risk of contract abuse, particularly at the subcontract level.

Related Reports

The following reports are related to this assignment:

Interim Review of DynCorp International, LLC, Spending Under Its Contract for the Iraqi Police Training Program, SIGIR-07-016, October 23, 2007.

Review of Bechtel's Spending Under Its Phase II Iraq Reconstruction Contract, SIGIR-07-009, July 24, 2007.

Review of the Medical Equipment Purchased for the Primary Healthcare Centers Associated with Parsons Global Services, Inc., Contract Number W914NS-04-D-0006, SIGIR-06-25, July 28, 2006.

Interim Audit Report on the Review of the Equipment Purchased for the Primary Healthcare Centers Associated with Parsons Global Services, Contract Number W914NS-04-D-0006, SIGIR-06-16, April 4, 2006.

Management of the Primary Healthcare Centers Construction Projects, SIGIR-06-011, April 29, 2006.

Task Orders Awarded by the Air Force Center for Environmental Excellence in Support of the Coalition Provisional Authority, SIGIR-04-004, July 28, 2004.

Award of Sector Design-Build Construction Contracts, SIGIR-04-005, July 23, 2004.

Audit Report on Fiscal Year 2003 Forward Pricing Direct Labor Rates, Parsons Infrastructure & Technology Group, Inc., Defense Contract Audit Agency Audit Report No. 4901-2003D23000010, April 9, 2003.

Appendix A—Projects Completed at the Taji Military Base

Taji Garrison Headquarters

Description	Final Status
Barracks for Battalion (200)	Complete. Government acceptance June 6, 2004
Officer/Non-Commissioned Officer Billeets	Complete. Government acceptance June 6, 2004
Classroom Space	Complete. Government acceptance June 6, 2004
Motor Pool Space	Complete. Government acceptance June 6, 2004
Maintenance Space	Complete. Government acceptance June 6, 2004
Dining Facility	Complete. Government acceptance June 6, 2004
Arms Room	Complete. Government acceptance April 28, 2004
Barbershop, Post Exchange, Canteen, Restaurant	Complete. Government acceptance June 6, 2004
Bank	Complete. Government acceptance June 6, 2004
Post Office	Complete. Government acceptance June 6, 2004
Fencing	Complete. Government acceptance June 6, 2004
Manpower, Welfare, Recreation and Parade Fields	Complete. Government acceptance June 6, 2004
Central Medical Clinic	Complete. Government acceptance June 6, 2004
Ammunition Supply Point	Complete. Government acceptance June 6, 2004
Garrison Headquarters	Complete. Government acceptance June 6, 2004

Source: Parsons Infrastructure & Technology Group

Taji 4th Battalion Area

Description	Final Status
Battalion and Company Headquarters	Complete. Government acceptance June 6, 2004
Enlisted Personnel Barracks	Complete. Government acceptance April 22, 2004
Enlisted Personnel Barracks	Complete. Government acceptance April 22, 2004
Enlisted Personnel Barracks	Complete. Government acceptance April 22, 2004
Enlisted Personnel Barracks	Complete. Government acceptance April 22, 2004
Enlisted Personnel Barracks	Complete. Government acceptance April 22, 2004
Enlisted Personnel Barracks	Complete. Government acceptance April 22, 2004
Enlisted Bathrooms (new construction)	Complete. Government acceptance April 22, 2004
Enlisted Bathrooms (new construction)	Complete. Government acceptance April 22, 2004
Enlisted Bathrooms (new construction)	Complete. Government acceptance April 22, 2004
Enlisted Bathrooms (new construction)	Complete. Government acceptance April 22, 2004
Non-Commissioned Officer Barracks	Complete. Government acceptance May 8, 2004
Non-Commissioned Officer Barracks	Complete. Government acceptance April 17, 2004
Non-Commissioned Officer Barracks	Complete. Government acceptance April 17, 2004
Non-Commissioned Officer Bathrooms	Complete. Government acceptance April 17, 2004
Non-Commissioned Officer Bathrooms	Complete. Government acceptance April 17, 2004
Classroom Space	Complete. Government acceptance April 30, 2004 and June 6, 2004
Motor Pool Space (Covered parking for 100 vehicles)	Complete. Government acceptance April 30, 2004 and June 6, 2004
Dining Facility	Complete. Government acceptance June 6, 2004
Aid Station	Complete. Government acceptance April 23, 2004
PX/Commissary Vending Area	Complete. Government acceptance June 6, 2004
Arms Rooms	Complete. Government acceptance June 6, 2004
Company Supply	Complete. Government acceptance May 5, 2004
Barbershop	Complete. Government acceptance June 6, 2004
Fencing	Complete. Government acceptance June 6, 2004
Manpower, Welfare, Recreation and Parade Fields	Complete. Government acceptance June 6, 2004

Source: Parsons Infrastructure & Technology Group

Taji 5th Battalion Area

Description	Final Status
Battalion and Company Headquarters	Complete. Government acceptance April 30, 2004
Barracks For Battalion	Complete. Government acceptance various dates April 15 –25, 2004
Officer/Non-Commissioned Officer Billets	Complete. Government acceptance various dates April 15 –25, 2004
Classroom Space	Complete. Government acceptance June 6, 2004
Motor Pool Space (covered park for 100 vehicles)	Complete. Government acceptance various dates from April 30-June 6, 2004
Dining Facility	Complete. Government acceptance June 6, 2004
Aid Station	Complete. Government acceptance June 6, 2004
Post Exchange/Commissary Vending Area	Complete. Government acceptance June 6, 2004
Arms Rooms	Complete. Government acceptance April 28, 2004 (Garrison Headquarters)
Company Supply	Complete. Government acceptance June 6, 2004
Barbershop	Complete. Government acceptance June 6, 2004
Fencing	Complete. Government acceptance June 6, 2004
Manpower, Welfare, Recreation and Parade Fields	Complete. Government acceptance June 6, 2004

Source: Parsons Infrastructure & Technology Group

Taji Utilities

Description	Final Status
Sewer System	Complete. Government accepted restored wastewater treatment facility December 7, 2004 and permanent sewage-collection system December 17, 2004
Electrical System	Complete. Government accepted distribution system June 6, 2004 and generators June 12, 2004
Water System	Complete. Government accepted new water- treatment plant February 17, 2006, and the corrected construction deficiency completed by Parsons and its subcontractor (leaking water storage tank) June 30, 2006

Source: Parsons Infrastructure & Technology Group

Appendix B—Acronyms

ACO	Administrative Contracting Officer
AFCEE	Air Force Center for Engineering and the Environment
DCAA	Defense Contract Audit Agency
DCMA	Defense Contract Management Agency
DFAS	Defense Finance and Accounting Service
DOD	Department of Defense
GRD	Gulf Region Division
IRRF	Iraq Relief and Reconstruction Fund
PCO	Procurement Contracting Officer
SIGIR	Special Inspector General for Iraq Reconstruction
WERC	Worldwide Environmental Restoration and Construction

Appendix C—Audit Team Members

This report was prepared, and the audit work conducted, under the direction of David R. Warren, Assistant Inspector General for Audit, Office of the Special Inspector General for Iraq Reconstruction. The staff members who contributed to the report include:

J. David Childress

Barry Holman

Robert L. Pelletier

James B. Pollard

Charles W. Thompson

Roger M. Williams

Management Comments

Multi-National Security Transition Command - Iraq



MULTI-NATIONAL SECURITY TRANSITION COMMAND – IRAQ
Baghdad, Iraq
APO, AE 09348

MNSTC-I-AUD

3 January 2008

MEMORANDUM FOR SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

SUBJECT: Draft Audit Report - Outcome, Cost, and Oversight of Reconstruction of Taji Military Base and Baghdad Recruiting Center (SIGIR-08-004)

1. The draft audit report entitled “Outcome, Cost, and Oversight of Reconstruction of Taji Military Base and Baghdad Recruiting Center” was forwarded for review and comment.
2. MNSTC-I comments on the recommendation made in the report:

Recommendation. MNSTC-I direct AFCEE to work with Parsons, Defense Contract Audit Agency, and the Defense Contract Management Command, to establish milestones and timeframes to reconcile inventory-record discrepancies and close the task order. **Concur.**

MNSTC-I Action:

MNSTC-I has already directed AFCEE to work with Parsons, Defense Contract Audit Agency, and the Defense Contract Management Command, to establish milestones and timeframes to reconcile inventory-record discrepancies and close the task order.

Estimated completion date: 15 Mar 08

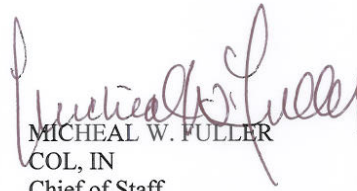
As of 21 Dec 07, AFCEE has already begun initial discussions and identified two milestones:

- Milestone #1 – Account for all of the Government Furnished Equipment (GFE) that was in Parsons’ custody and transferred.
Current status – AFCEE has confirmed the transfer of approximately 65% for the GFE that Parsons was responsible for. AFCEE is currently working on the transfer of the remaining 35%.
- Milestone #2 – Determine Financial Liability of Loss of the GFE in Parsons’ custody which is valued at \$68,641.50.
Current status – AFCEE has contacted the Defense Contract Management Command to verify report of survey procedures.

MNSTC-I-AUD

SUBJECT: Draft Audit Report - Outcome, Cost, and Oversight of Taji Military Base and Baghdad Recruiting Center (SIGIR-08-004)

3. We appreciate the opportunity to comment on the Draft Report.
4. The point of contact for this action is LTC Kimo Dunn, DSN (318) 852-1359.



MICHEAL W. FULLER
COL, IN
Chief of Staff

SIGIR's Mission	Regarding the U.S. reconstruction plans, programs, and operations in Iraq, the Special Inspector General for Iraq Reconstruction provides independent and objective: • oversight and review through comprehensive audits, inspections, and investigations • advice and recommendations on policies to promote economy, efficiency, and effectiveness • deterrence of malfeasance through the prevention and detection of fraud, waste, and abuse • information and analysis to the Secretary of State, the Secretary of Defense, the Congress, and the American people through Quarterly Reports
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