



Highlights of [GAO-04-605](#), a report to congressional committees.

Why GAO Did This Study

Congress has appropriated more than \$20 billion since April 2003 to support rebuilding efforts in Iraq. This complex undertaking, which is occurring in an unstable security environment and under significant time constraints, is being carried out largely through contracts with private-sector companies. As of September 2003, agencies had obligated nearly \$3.7 billion on 100 contracts or task orders under existing contracts.

Given widespread congressional interest in ensuring that reconstruction contracts are awarded properly and administered effectively, GAO reviewed 25 contract actions that represented about 97 percent of the obligated funds. GAO determined whether agencies had complied with competition requirements in awarding new contracts and issuing task orders and evaluated agencies' initial efforts in carrying out contract administration tasks.

What GAO Recommends

GAO is making several recommendations to the Secretary of the Army to ensure compliance with requirements when issuing task orders to rebuild Iraq and to reduce cost risk for the government. GAO also is recommending that the Secretary of Defense develop a strategy to improve the delivery of acquisition support in any future operations. DOD generally concurred with the recommendations and said it is resolving the contracting issues.

www.gao.gov/cgi-bin/getrpt?GAO-04-605.

To view the full product, including the scope and methodology, click on the link above. For more information, contact John Doe at (202) 512-5555 or doej@gao.gov.

REBUILDING IRAQ

Fiscal Year 2003 Contract Award Procedures and Management Challenges

What GAO Found

Agencies used sole-source or limited competition approaches to issue new reconstruction contracts, and when doing so, generally complied with applicable laws and regulations. Agencies did not, however, always comply with requirements when issuing task orders under existing contracts. For new contracts, the law generally requires the use of full and open competition, where all responsible prospective contractors are allowed to compete, but permits sole-source or limited competition awards in specified circumstances, such as when only one source is available or to meet urgent requirements. All of the 14 new contracts GAO examined were awarded without full and open competition, but each involved circumstances that the law recognizes as permitting such awards. For example, the Army Corps of Engineers properly awarded a sole-source contract for rebuilding Iraq's oil infrastructure to the only contractor that was determined to be in a position to provide the services within the required time frame. The Corps documented the rationale in a written justification, which was approved by the appropriate official. The U.S. Agency for International Development properly awarded seven contracts using limited competition. The Department of State, however, justified the use of limited competition by citing an authority that may not be a recognized exception to competition requirements, although a recognized exception could have been used.

There was a lesser degree of compliance when agencies issued 11 task orders under existing contracts. Task orders are deemed by law to satisfy competition requirements if they are within the scope, period of performance, and maximum value of a properly awarded underlying contract. GAO found several instances where contracting officers issued task orders for work that was not within the scope of the underlying contracts. For example, to obtain media development services and various subject matter experts, the Defense Contracting Command-Washington placed two orders using a management improvement contract awarded under the General Services Administration's schedule program. But neither of the two orders involved management improvement activities. Work under these and other orders should have been awarded using competitive procedures or, due to the exigent circumstances, supported by a justification for other than full and open competition.

The agencies encountered various contract administration challenges during the early stages of the reconstruction effort, stemming in part from inadequate staffing, lack of clearly defined roles and responsibilities, changing requirements, and security constraints. While some of these issues have been addressed, staffing and security remain major concerns. Additionally, the Army and its contractors have yet to agree on key terms and conditions, including the projected cost, on nearly \$1.8 billion worth of reconstruction work that either has been completed or is well under way. Until contract terms are defined, cost risks for the government remain and contract cost control incentives are likely to be less effective.