CONTRACTING IRAQ: AN ANALYSIS OF SIGIR’S DATA

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ABSTRACT

Private military contractors are a contentious debate in the field of Security Studies. When contractors fail to meet government expectations, the government experiences tremendous waste, fraud, and abuse. This paper develops a study of government contracts using the Special Inspector General for Iraq Reconstruction (SIGIR) audit reports, and sets two hypotheses and 14 sub-hypotheses in order to determine who and what are responsible for contract failure. By sifting through SIGIR’s data, the study identified the principle reasons for contract failure in Operation Iraqi Freedom. The data shows that both the United States government and contracting firms are to blame for contracting failure. Furthermore, the results show that with an improvement in government oversight, contract administration, contract specificity, and contractor vetting, the United States will not only improve the contract system but also reduce contract failure.
The writing of this thesis is dedicated to Mr. Paul Converse. Mr. Converse, an auditor serving with the Special Inspector General for Iraq Reconstruction, died of wounds sustained while performing his official duties in Baghdad, Iraq.

With sincerity and gratitude,

Andrew J. Metcalf
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“It is a sad fact that much of the debate over private military and security contractors is, to borrow from *Macbeth*, a tale told by idiots, full of sound and fury; signifying nothing.”

-David Isenberg  
*Shadow Force*

**Background**

**Defining the problem**

America finds itself in a period of truly modern warfare. Alongside hardened warfighters exist a large contingent of contractors that equip and support America’s fighting force. In the cases where conflict destroys a country, the United States often calls on contractors to rebuild the shattered state. The U.S. has relied on private military contractors (PMCs)¹ since its formation to help in both the execution and support of military endeavors. Since the establishment of an all-volunteer force, the U.S. military found it cheaper, more efficient, and more politically viable to rely primarily on contractors in place of the military to carry out some of the most important aspects of warfare.

In the debate surrounding contractors the current conflict in Iraq stands in contrast to previous wars fought by the United States. In World War II, the U.S. government deployed one contractor for every seven soldiers.² Over the next sixty years contractors evolved from an aspect of modern warfare to an integral part of America’s fighting force. In Operation Iraqi Freedom (OIF), the United States used an unprecedented number of contractors. In 2004, roughly 20,000 private corporate soldiers worked with nearly 150,000 coalition forces in Iraq.³ From 2004 the

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¹ For the purposes of this paper, the definition of private military contractor will be drawn quite broadly. PMCs are defined as any entity that contracts with a U.S. agency with the intent to reconstruct, secure, or provide goods in support of Operation Iraqi Freedom.
number of contractors grew almost exponentially. By 2007, 100,000 contractors supported 160,000 U.S combat troops.\textsuperscript{4} Since 2009 the typical contractor to warfighter ratio is 1:1, and at various points throughout the conflict the number of contractors outnumbered deployed troops.\textsuperscript{5}

Along with more pronounced participation, private military contractors elevated to a new level of importance in Operation Iraqi Freedom. In the beginning years of the operation, the United States severely underestimated the number of troops required to pacify and hold Iraq.\textsuperscript{6} The need for more troops and a long lag time for new military recruits required that the U.S. military hired PMCs who could quickly reinforce coalition troops and also begin the reconstruction of Iraq. In addition, the aftermath of the initial invasion coupled with the decades of neglect by Saddam Hussein required a tremendous reconstruction project.\textsuperscript{7} Those projects called for contractors to take leadership in construction efforts because the military was simply not equipped to rebuild a country.

Not only did PMCs become more relevant because of miscalculations in troop levels and reconstruction efforts, but also the government spent an unprecedented amount of money on contracts. The Commission on Wartime Contracting asserts the United States spent $80 billion in services contracts alone from 2005-2010.\textsuperscript{8} Many single contracts were issued over $1 billion.\textsuperscript{9} For instance, LOGCAP [Logistics Civil Augmentation Program] III is a $30 billion

\textsuperscript{5} It should be recognized that these contractors are not commanded as a cohesive whole. Contractors are from a myriad of companies based primarily in the US or UK.
\textsuperscript{7} Ibid.
\textsuperscript{8} Commission on Wartime Contracting, “Federal Oversight of Billions In Services Contracts,” (April 19 2010), 1.
\textsuperscript{9} Ibid, 2.
uncompetitive contract issued for logistics services.10 From logistics to kinetic operations, private military contractors augment the United States’ current military force to a point where the military is dependant on their services and the overall mission becomes dependant on the contractor’s execution.

The system of contracts between the United States and private military contractors is not perfect. Occasionally, contracts fail between the U.S. government and contractors. When a contract fails it yields tangible and intangible damages ranging from tremendous wasting of taxpayer dollars to a decrease in military combat readiness. It is difficult to assess the root of these problems. The Commission on Wartime Contracting reports, “No one in [Department of Defense] DoD or the Army has either a department-wide or a theater-wide view of contracts, contracting activity, or the numbers and locations of contractors.”11 As a result, contracts are often subject to fraud, waste, or abuse.

Not only is the system imperfect but also it is clear that this issue is not paid sufficient attention in Washington. Michael Thibault, Co-Chairman of the Commission on Wartime Contracting, remarked, “Department of Defense contract management has been on the Government Accountability Office’s high-risk list every year since 1992. If that designation were a person, that person would be old enough to vote now.”12 The issues related to contract operations are not new problems. However, the implications of these problems grow at an exponential rate as the importance of contracting increases. In the Iraq case, reconstruction projects are left unfinished, troops left unsupplied, and high valued diplomats protected by untrained guards. The continuous study and analysis of the interactions between PMCs and the

10 Ibid, 3.
11 Ibid, 2.
12 Ibid.
U.S. government is essential in order to create the most effective force to defend America’s interests and carry out modern warfare.

**Literature Review**

In an effort to answer the most difficult questions regarding contract operations there is a wide range of literature about private military contractors and their effect on the U.S. military. From practical to ethical/moral arguments, heated debate occurs not only in academia but also professionally within the military and in contracting firms. As one sifts through the discourse on private military contracts, two sides of the argument emerge and one author, David Isenberg, attempts to fill the void between the two sides. One side of the debate contends that military operations are impossible without PMCs, and the other point of view suggests that PMCs pose a threat to the public good and military ethics.

Contractors, industry lobbyists, and academics, like James Carafano, are the most vocal in support of private military contractors. Generally, these individuals believe that the use of private military contractors on the battlefield and in reconstruction operations offer distinct advantages to the American military. James Carafano, an academic and former military officer, is a main proponent of these arguments. Carafano suggests that PMCs are essential to “state of the art commercial supply chain practices.” In addition, he asserts that PMCs carry bad name because they fall victim to the Washington blame game. In *Private Sectors, Public Wars*, Carafano concludes that private military contractors are a time tested battlefield necessity that would be impossible to remove from the equation of warfighting. In addition, Carafano and his supporters point out that that the United States would find it hard to augment the “all-volunteer

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force” without the use of contractors.\textsuperscript{14} Outside academia, contractors offer support for the utility of their industry. When discussing one of the largest contracts in Iraq, Blackwater’s CEO Erik Prince points out that “no individual, protected by Blackwater, has ever been killed or seriously injured.” Similar to Erik Prince, many contractors point to their successes on the battlefield as a way to justify their existence.

On the other side of the debate, many scholars question the morality and ethics, rather than practicality, behind the use of private military contractors on the battlefield and in reconstruction operations. These scholars often frame the debate in a set of ethical/moral dilemmas, and they frequently paint PMCs as “mercenaries” or “corrupt businessmen.” Some of the most important scholarship opposed to PMCs resides in Paul Verkuil’s \textit{Outsourcing Sovereignty} and P.W. Singer’s \textit{Corporate Warriors}. These scholars and their supporters suggest, in the long term, PMCs expose the United States to many dilemmas that outweigh PMCs utility on the battlefield. Verkuil contends, “The use of contractors to displace functions normally performed by government officials…can be a danger to the Republic.”\textsuperscript{15} P.W. Singer, in \textit{Corporate Warriors}, outlines an array of hypotheses regarding the possible effect of private military contractors on the U.S. government. Singer concludes, “With the growth of the privatized military industry, the state’s role in the security sphere has become deprivileged, just as it has in other international arenas such as trade and finance.”\textsuperscript{16} If the state loses control over the ability to wage war, argue the critics of PMCs, then the essence of the state is severely challenged.

\begin{flushright}
\textsuperscript{14} House Oversight Committee, “Blackwater and Private Security Frims in Iraq,” One Hundred Tenth Congress, October 20, 2007. (Erik Prince’s Testimony)
\end{flushright}
The two sides of the debate leave some gaps in the literature. David Isenberg—academic, defense policy expert and former employee of DynCorp—attempts to bridge the shortcomings in the literature left by Carafano, Singer, and Verkuil. Isenberg portrays PMCs as both a necessary facet of U.S. military operations and subject to corruption and greed like any other business entity. In his book *Shadow Force*, Isenberg suggests “strict accountability,” a public affairs campaign, and standardization will improve the use and image of PMCs. He deems PMCs essential to reconstruction efforts and undermanned military adventures, but acknowledges the fact that contract firms pose a unique set of ethics to the battlefield. However, Isenberg likens PMCs to the military’s American Express, “they can never leave home without it.”

Using years of experience and systematic analysis, Isenberg exposes problems in the contracting system, and at the same time, makes a case for PMC participation. Isenberg takes the crucial first step in a systematic analysis of private military contractors.

Isenberg’s work is an essential contribution to the literature related to this issue and more should be done in order to build on his views. While he approaches this topic in a novel and holistic manner, a more nuanced study, specifically focusing on the reasons for failure, will add considerable depth to his research. In addition, this study will help defray the polarized literature that attempts to resolve the PMC question. By systematically analyzing how the current system can be improved, this paper will attempt to provide important insight that is missing from recent scholarship found in the works of Carafano, Singer, and Verkuil.

**Methodology**

This paper seeks to answer the following questions for the Iraq Case: *What explains contract failure? Who is to blame? How can we fix the contracting system?* A critical study of

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cases associated with Operation Iraqi Freedom in which key contracts failed will provide answers to these critical questions.

**Case Selection**

In order to answer the important questions of this study, I will construct a data set comprised of various cases of contract failure in Iraq. I chose each case from the Special Inspector General for Iraq Reconstruction’s (SIGIR) audit reports that can be found on the organization’s website (www.sigir.mil).\(^{18}\) This website hosts information with respect to Iraqi reconstruction and the status of ongoing projects. In addition, it hosts information about other contracts associated with OIF. For example, SIGIR audited security, governance support, and logistics support missions. Public Law 108-106 requires SIGIR to “provide for the independent and objective conduct of audits, as well as leadership and coordination of and recommendation on policies designed to promote economy, efficiency, and effectiveness in the administration of Iraq relief and reconstruction programs and operation.”\(^{19}\) As a part of that mandate, SIGIR publishes audit reports conducted with respect to certain contract issues in Iraq. There are many cases that deal specifically with contract failure.

Since the Iraq war began, SIGIR published over 200 audit reports. There are 18 cases that pertain specifically to contract failure. The other cases published by SIGIR deal with other issues associated with Iraq reconstruction and are therefore outside of the scope of this project. For instance, SIGIR reported on “Forensic Audit Methodologies Used to Collect and Analyze Electronic Disbursements of Iraq Funds” and “Opportunities to Enhance U.S. Democracy-Building Strategy for Iraq.” Since these did not report on specific contracts, these reports were not included in the data set. The audit reports are systematically named in the format YY-RRR

\(^{18}\) Specifically, www.sigir.mil/directorates/audits/auditReports.html

\(^{19}\) SIGIR Report 06-025, 1.
(Fiscal Year Number-Report Number). Each of the 18 cases deals specifically with a contract or a group of contracts in a given project.\textsuperscript{20}

In order to analyze each case, I sifted through the SIGIR audit reports, paying particular attention to the “results” and “lessons learned” sections. This information will be essential in order to validate and refute the various hypotheses and sub-hypotheses associated with government contracting. By looking for key words and evidence in the report, I will attempt to validate or refute each hypothesis.

I chose to use SIGIR as the primary source of my data set because I found it offered the most standardized, non-partisan analysis of contract issues in Iraq. While there are other sources that provide reports—the Department of Defense, The Department of State, Congress, and the various military services’ Inspector Generals—I found that SIGIR hosted the most data in similar formats. This made analysis easier, and it also standardized and systematized each case. Although the more “juicy” reports about firms like Blackwater and Triple Canopy are tempting, these cases are either anecdotal or classified. Appendix A displays the data I used for the purposes of this study. Any questions about the data should be directed first to the Appendix A.

In addition, for the purposes of this paper, “SIGIR data” will mean the data described in Appendix A.

**Overview of the Contract System**

Generally, the contracting system is simple. In competitive contracts, the government offers the contract online, and contracting firms bid on the offer. There is no central authority for government contracting and each government agency can contract with firms. This allows for a large, fairly decentralized, process. Money can come from a variety of sources. In the Iraq case, especially in the later years, a large portion of the funding for the contracts came from IRFF

\textsuperscript{20} At the time of analysis, SIGIR only published up to audit report 09-027.
(Iraqi Relief and Reconstruction Fund). In addition to multiple sources of funding, various agencies make contracts with firms. Specific to the Iraq case and the SIGIR data set, the following government agencies typically award contracts in Iraq:

- Coalition Provisional Authority (now obsolete)
- Iraq Reconstruction Management Office
- Joint Area Support-group central
- Department of Defense
  - Joint Contracting Command- Iraq/Afghanistan
  - U.S. Army
    - U.S. Army Corps of Engineers (Gulf Region District [GRD])
  - U.S. Navy
    - Naval Facilities Engineering Command
  - Air Force
    - Air Force Center for Engineering and Environment
  - Defense Contract Management Authority (DCMA)
- Department of State
  - USAID

The figure below is a graphic representation of the contract system:

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Source: Adapted from: Bill C. Ghilourakis, Contracting with Uncle Sam, (Annapolis: Naval Institute Press, 2008) 24, 49.
Contractors provide a number of services in the Department of Defense (DoD) bases and outside the wire in Iraq. A majority of the contractors in Iraq perform base support functions such as dining facilities, grounds maintenance, and laundry services. Security is the second most common service provided by contractors in Iraq. Below is a graphic representation of the services provided in Iraq and the percentage of contractors that are assigned to each mission type.\textsuperscript{21}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{graph.png}
\caption{Iraq DoD Contractor Personnel by Type of Service Provided (as of March 2010)}
\end{figure}

\begin{table}[h]
\centering
\begin{tabular}{|c|c|}
\hline
Type of Service & Percentage
\hline
Base Support & 65\
Security & 12\
Translation/Interpreter & 8\
Other & 5\
Construction & 2\
Communication & 1\
Training & 1\
Logistics/Maintenance & 4\
Transportation & 2\
\hline
\end{tabular}
\caption{Iraq DoD Contractor Personnel by Type of Service Provided (as of March 2010)}
\end{table}

Metrics for Analysis
For the purposes of this paper, the term “contract failure” will mean:

- Projects left unfinished
- Projects canceled
- Project finished but failed to meet U.S. government standards and/or expectations
- Projects that were finished and met original expectations but “failed” due to a constant change in scope of work, time lines, and budget.

For further definitions please refer to Appendix B.

Assumptions and Limitations
Before a thorough analysis of the relevant cases, the limitations of this study must first be discussed. First, there are thousands of government contracts associated with Operation Iraqi Freedom; therefore one of the most apparent limitations of this study is the small number of cases referenced. The 18 SIGIR cases comprise only about 5 percent of SIGIR’s entire body of data. In addition, although this paper will examine Congressional testimony and secondary sources, the actual data is provided solely by SIGIR, which is likely to have its own institutional biases. For example, it is in the interest of SIGIR to find problems in Iraq. Without problems in contracting operations, Members of Congress might call into question the existence of a body such as SIGIR.

Finally, it would be disingenuous to suggest the possibility of separating analysis from personal biases. In areas where appropriate, I attempted to differentiate my own analysis from SIGIR’s or any other body. In addition, I attempted to review and read multiple perspectives with respect to this debate in order to inform my own work and help deter my own biases.
**Hypotheses**

Through initial research into the contract system, it is clear that the debate around who is to blame for contract failure has two main hypotheses.

*Contract failure is best explained by:*

1) *An inherent problem within the U.S. government*
2) *An inherent problem with Private Military Contractors*

These two broad hypotheses serve as the “umbrella” ideas for various sub-hypotheses that will be discussed in the subsequent sections. Although the two hypothesis are mutually exclusive, it is likely that that the data will validate one or more of the various sub-hypotheses of each of the two main hypotheses. After the data analysis, the sub-hypotheses will help to acknowledge the biggest problems in contracting and perhaps, the data will show that some sub-hypotheses are not as prevalent as conventional wisdom would dictate. Scholarly works, Congressional Testimony, and initial research helped define the following sub-hypotheses.

**Inherent U.S. Government Problem**

The first hypothesis that will be examined is the idea that contract failure is due to an inherent problem within the U.S. government. In this hypothesis, one would expect to see continual mismanagement and ineptitude on the part of the government. Government failure could take form in several ways so it will be important to define each sub-hypothesis. This will help to create a more meaningful study.

**Sub-Hypotheses**

a) *Lack of appropriate oversight*

*Explanation:* The oversight system is one crucial part of the overall body that must ensure that the government is not subject to fraud, waste, or noncompliance due to interactions with government contracts. Oversight operations include independent quality assurance reviews and after-action compliance reviews. Oversight bodies do not necessarily deal with day-to-day
operations, but they continually verify the compliance of contractors in projects that they oversee. Also, overseers ensure that there are proper controls in place when contractors have access to government resources and assets. In many cases, especially in Iraq, the government provides living quarters, food, and vehicles to PMCs. It is important that the government tracks and monitors the use of these services.

Expectation: In order to validate this sub-hypothesis one would expect to see contracts where the government does not execute its mandatory oversight of the various contracts. Furthermore, one would expect to see contracts issued and then neglected by the government. This is evident in missed “walk-throughs,” progress reports, and overburdened staff that cannot continually verify that contractor work meets government specifications or abusing the contract system.

b) Poor contract administration

Explanation: Contracts between the government and PMCs require constant communication in order to define regulations, procedures, and SOPs. Contract administration includes writing contracts and day-to-day operations with the contractor. In addition, contract administration also encompasses the contract itself and administrative duties throughout the life of the contract to include maintenance of inventories, records, and other important documents. Especially important to the Iraq case, competent contract administration requires a large number of government employees well versed in both reconstruction and security operations.

Expectation: In order to validate this sub-hypothesis one would expect to see small staffs (with respect to workload), and poor organization of contract materials (records, inventories, etc). In addition, one would expect frequent errors in contract procedures.

c) Reported problems are left unresolved
Explanation: If a contractor reaches a problem with the contract or an independent quality assurance review exposes a problem the government must react. If the problems are reported, it is the government’s responsibility to fix those problems before a contract fails.

Expectations: In order to validate this sub-hypothesis one would expect to see problems reported by government oversight bodies or contractors themselves that go unfixed.

d) Uncompetitive business practices

Explanation: The Federal Acquisition Regulation (FAR) mandates that Contracting Officers must provide for “full and open competition through the use of competitive procedures.” The government typically uses seven contracting firms to bid on a contract. There are also instances when the government forgoes competitive practices. One military officer writes, “Over the last 5 years over of 40 percent of DoD contracts have been sole source single bidder contracts.” These contracts deserve special attention in any study of contract failure because a lack of competition inherently exposes the government to waste and fraud. In some instances, SIGIR judged uncompetitive practices as legal and did not cite whether the uncompetitive nature of the contract resulted in failure. It will be up to the researcher, in light of relevant data, to ascertain whether uncompetitive practices contributed to failure.

Expectations: In order to validate this hypothesis one would expect to see contracts consistently failing because of a lack of competition between contract firms at the contracts inception.

e) Poor initial assumptions about the mission

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23 Bowen, Hard Lessons, 27
24 Isenberg, Shadow Force, 21.
Explanation: In order to engage in competent contracting operations, the government must be able to plan an operation effectively. An important part of that plan is to have realistic assumptions about the mission at hand. Expectations must meet the reality of the situation on the ground. The security environment of Iraq and the government’s disparity between expectation and reality is important evidence to discuss when thinking about contract failure.

Expectations: In order to validate this hypothesis one would expect to see the government making contracts based on assumptions that stand in contrast to the reality of the security environment in Iraq.

f) Poor contract language/specificity

Explanation: The language of the contract is the most important aspect of the relationship between the government and the PMCs. If the government is not specific or concise in its contract, the mission cannot be completed in way acceptable to the government.

Expectations: In order to validate this hypothesis one would expect to see the language of the contract severely hamper contract operations or result in wasteful expenditures.

g) Inexperience with government contracts

Explanation: Government contracting operations requires legal, business, and government know-how. If a contracting officer is inexperienced in these matters, simple clerical errors or wasteful spending may lead to contract failure.

Expectations: In order to validate this hypothesis one would expect to see clerical errors and inexperience to contribute to contract failure.

Inherent PMC Problem

The second hypothesis that will be examined is the idea that contract failure is due to an inherent problem with private military contractors. This hypothesis encompasses both contract administration issues and the physical act of carrying out the contract. In order to validate this
hypothesis, one would see consistent contract failure due to the actions of private military contractors. In order to add usefulness to the study, it is important to elucidate sub-hypotheses.

**Sub-Hypotheses**

**I. General ineptitude**

*Explanation:* Sometimes a contractor’s ability is subpar. A contract could fail because a contractor did not meet the expectations or specifications of the government. For instance, contractors display ineptitude when, due to their own negligence, timelines are consistently lengthened or the scope of work is broadened in order to accommodate the inadequate abilities of the contractor.

*Expectation:* In order to validate this sub-hypothesis one could expect to see contracts failing based on the *ability* of the contractors to complete the mission.

**II. Poor contract administration**

*Explanation:* Effective contract administration requires a bi-lateral relationship between the contracting firm and the government. It is important that the administrators employed by the contracting firm engage in competent contract administration. Contract administration includes the contract itself as well as administrative duties throughout the life of the contract (inventories, records, serial numbers etc.)

*Expectation:* In order to validate this sub-hypothesis one could expect to see poor accounting, faulty records management, and improper vetting of sub-contractors.

**III. Poor equipment**

*Explanation:* Many contracting operations, especially in the Iraq case, require specific equipment and the appropriate application of that equipment.
Expectation: In order to validate this sub-hypothesis one could expect to see contractors use sub-standard equipment. This is defined as equipment that does not meet the standards of equivalent government assets.

IV. Low manpower

Explanations: In some cases, a contract dictates the appropriate number of deployed contractors. In other cases, especially reconstruction cases, it is up to the contractor to sub-contract the work to meet the needs of the project.

Expectations: In order to validate this sub-hypothesis one could expect to see contractors who do not deploy enough forces, as dictated by contract or practice.

V. Poor initial assumptions about the mission

Explanation: After the government awards a contract to a firm, it is important that a contractor provides realistic timetables and estimates for the given project. Similar to the government, contractor’s assumptions and estimates must accurately reflect the situation on the ground. Although contractor assumptions are difficult to measure in government reports, SIGIR does draw conclusions as to the accuracy of the contractor’s estimates and assumptions and how they factored into contract failure.

Expectations: In order to validate this sub-hypothesis one could expect to see plans based on unrealistic assumptions about the environment in Iraq.

VI. Poor training

Explanations: There is no standard training pipeline for the contractors who carry out the array of contracts that the U.S. government awards. In many missions, contractors need equal or greater training then their equivalent government worker. Since the government does not directly oversee the training on contractors, it is important to look at how the contractors trained themselves and how that training compares to U.S. government training.
Expectation: In order to validate this hypothesis one would expect to see instances where contractor training is less than their government counterpart. In addition, one would expect to see instances where contractors do not possess the training outlined in the contract.

VII. General Non-Compliance

Explanation: In a non-compliance scenario, the PMC would fail in a contract based on a deliberate disregard for certain facets of the contract. This differs from the other sub-hypotheses because non-compliance does not reflect the contractor’s ability, preparation, or performance in contracting operations. Instead, this sub-hypothesis reflects the idea that contractors ignored aspects specific of the contract.

Expectations: In order to validate this sub-hypothesis one would expect to see contractors in blatant disregard to their contractual duties. In addition, one would see contractors who claim expenses based on projects that the government did not contract them to perform.

Analysis
Analyzing the SIGIR Data
Each case in the SIGIR data is presented in the table below as an initial step in the analysis process. The SIGIR cases were tested against each hypothesis and the results are denoted by a dot corresponding under the appropriate sub-hypotheses. For the purposes of this paper, I chose to present the data and the results in four forms: broad (Table 1), contract type (Table 2), amount of money disbursed (Table 3), and type of mission (Table 4).
The subsequent table is a graphic representation of each audit and which report validated each sub-hypothesis. A ● represents that the case validated the sub-hypothesis. The “results” and “lessons learned” sections of each audit report decided whether a case validated a certain hypothesis. Where the “results” section was ambiguous or unclear, I applied evidence from the entire case in order to test each hypothesis and subsequent sub-hypothesis.
First Cut: Initial Results

Initially, from the broad presentation of the data, one may draw certain important conclusions. First, it is clear that the data partially validates both hypothesis 1 and hypothesis 2. Contract failure is the result of deficiencies found in both the United States government and private military contractors. This is an important initial conclusion because it answers the most basic question of the research paper and it sets up the analysis for more concise and interesting scrutiny. Taking a closer look at the sub-hypotheses will yield more interesting conclusions.

From Table 1, one may glean many of the expected results of sub-hypotheses A-G and sub-hypotheses I-IV. For the government’s sub-hypotheses (A-G), Poor Oversight (sub-hypothesis A) and Poor Contract administration (sub-hypothesis B) were the most common reasons cited by SIGIR for problems with contracts. Equally expected, private military contractors also did a poor job at contract administration. SIGIR not only frequently cited Poor Contract Administration (sub-hypothesis II) but also SIGIR noted General Ineptitude (sub-hypothesis I) as a perennial reason for contract failure. One third of the cases reported that the contract did not meet expectations because of the ability of the contractor to effectively accomplish the job. In addition, Poor Equipment, Poor Training, and Poor Initial Assumptions appeared together in two cases. This is expected because poor initial assumptions likely produce poor choices with respect to manpower and equipment. Moreover, SIGIR only cited Low Manpower once in the data. With a large portion of active duty military forces and third-country nationals (UK, Nepal, and Iraq the most common) to service security contracts and a plethora of reconstruction contractors, this result is also expected.

Not only does the initial “cut” of the data show some expected conclusions, but also the data shows some unanticipated conclusions. First, conventional wisdom dictates that the contract
system is rife with uncompetitive practices that result in contract failure (sub-hypothesis D). At first glance, uncompetitive business practices seems like it would be a powerful indicator of contract failure. Popular media paints contracts awarded under uncompetitive practices as providing shoddy services or charging the government exorbitant fees. However, the data does not overwhelmingly support this sub-hypothesis. SIGIR mentioned uncompetitive business practices as a reason of concern in two of cases analyzed. Although, federal code justified uncompetitive practices in case 05-018 and 08-018, the ability of contractors to compete for the contract award would have avoided contract failure. Despite these two instances uncompetitive business practices did not overwhelmingly predict contract failure.

Equally surprising, Reported Problems Left Unresolved (sub-hypothesis C) was only cited in one instance. In audit report 08-019, “Outcome Cost and Oversight of the Security and Justice Contract with Parsons Delaware, INC,” SIGIR reported “[They] found no evidence that the U.S. government tracked construction deficiencies to ensure that Parsons remediated faulty work on a timely basis.”25 Despite the gross negligence on the part of government contracting agents in this case, similar instances did not appear in the other 17 cases. From this evidence, it is clear that the problem for the U.S. government rests in identifying problems, and in very few instances reported problems are left unresolved.

Apart from the government sub-hypotheses, the data also shows some surprising results on the part of the PMC sub-hypotheses. Interestingly, although the data validated each hypothesis, one third of the cases did not report any large deficiency with contractors. The government contributed to contract failure in all cases, but contractors only contributed to contract failure in only two thirds of the cases. In addition, General Non-Compliance (sub-hypothesis VII) was only cited one time in the cases analyzed. This is an encouraging result

because, especially in the popular news media, an image appears of contractors doing whatever they wish in Iraq. The data presented in Table 1 is in stark contrast to those perceptions.

After the initial cut of the data there are important results, both expected and unexpected, that one can ascertain from the data. One could derive important policy prescriptions from these results alone. However, in the pursuit of a more comprehensive study, it is important to present the data in more innovative ways to draw further conclusions about contract operations in Iraq.

### Second Cut: Analyzing “Contract Type” and the Sub-Hypotheses

One novel way to present the data is to arrange each case in a table by the type of contract. There are many different types of contracts that the government can employ when they engage in contract operations. Many factors contribute to the government’s decision regarding the various types of contracts. For instance, the type of mission, level of risk, security environment, and services needed all contribute to the government’s decision of which type of contract to use. In the SIGIR data set there were seven types of contracts. The “Cost-Plus-Fixed-Fee” type of contract was the most common. On the other hand, “Sole Source Procurement” was the least common. This case dealt with the procurement of armored cars from an Iraqi vendor. It should be noted that occasionally the different types of contracts are mixed if the order encompasses both goods and services. Such is the case in the three instances where “Cost-Plus-Award-Fee/IDIQ” appeared. In these cases, the nature and complexity of the mission required the contract to take a hybrid form. The following table represents the types of awards. Several SIGIR cases make up each division of contract type. If one of the cases of the various contract types validated a sub-hypothesis it is marked by a ●. For a comprehensive overview of each contract type please refer to *Appendix B.*
Table 2 shows some interesting results with respect to sub-hypotheses A-G that expand upon the conclusions drawn in Table 1. For instance, Table 2 demonstrates that poor government oversight occurs in nearly all types of contracts. Similarly, both on the part of the U.S. government and the various contracting firms, incompetent contract administration prevails in all types of contracts save Sole Source Procurement.

The most interesting case was the “Sole-Source Procurement” case. In this case the contract failed despite competent oversight and contract administration by the government. In sole-source procurement cases, the contract is especially sensitive to the specificity of the
contract language.\textsuperscript{26} In this specific case, the DoD needed four Mercedes Benz armored very quickly for operations with Iraqi diplomats. In light of the unstable security environment in Iraq, the contracting agent decided to use a local Iraqi, and the officer employed a Sole Source Procurement contract. Contracting agents engaged in competent oversight and administration— unlike most of the other cases in this data set— which exposed the fact that the contractor did not armor the Mercedes in compliance with commonly accepted standards. A lack of specificity in the contract language created conditions where the government had to pay for the cars but could not use the items for which it had paid.

Table 2 also draws some interesting conclusions with respect to sub-hypotheses addressing the problems with PMCs (I-VII). The data shows that the Cost-Plus-Award-Fee (to include Cost-Plus-Award-Fee/IDIQ) and Cost-Reimbursement types yield the most problems. This is troubling because under these types of contracts, contractors are entitled to more money after the project is complete. For example, in case 08-018 “Outcome, Cost, and Oversight of Water Sector Reconstruction Contract with FlourAMEC, LLC,” SIGIR noted that award fees, used as an incentive for good work, were paid out inappropriately to the contracting firm.\textsuperscript{27} Furthermore, equally troubling, is the fact that Cost-Reimbursement type contracts also showed problems with contractor’s equipment and training. Perhaps, this is a way for contractors to cut corners and put in expense statements for items and personnel of higher value.

\textbf{Third Cut: Amount of Money Awarded and the Sub-Hypotheses}

One of the principle aims of SIGIR is to limit fraud and waste of the United States government in contracting operations. As a result, when one divides the data between the

\textsuperscript{26} I recognize that there is only one case in my data set to support these claims and this maybe a unique case and not a reflection of most or all of Sole-Source Procurement contracts.

\textsuperscript{27} SIGIR Report 08-018, 20-22.
amounts of money disbursed the conclusions become increasingly interesting. In Table 3, contracts are organized and divided into four divisions based on the amount of money disbursed by the government for each contract. Each division was based with respect to the level of operations (tactical, operational, and strategic). For further reference, please refer to Appendix C for the breakup and rationale of the divisions.

Table 3
Amount of Money Disbursed vs. the Sub-Hypotheses

<table>
<thead>
<tr>
<th>Value of Contract (# of cases)</th>
<th>Government</th>
<th>Sub-Hypotheses</th>
<th>PMCs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A</td>
<td>B</td>
<td>C</td>
</tr>
<tr>
<td>$1-$100mil (5)</td>
<td>●●</td>
<td>●●</td>
<td>●●</td>
</tr>
<tr>
<td>$100mil-$500mil (7)</td>
<td>●●</td>
<td>●●</td>
<td>●●</td>
</tr>
<tr>
<td>$500mil-$1bil (4)</td>
<td>●●</td>
<td>●●</td>
<td>●●</td>
</tr>
<tr>
<td>$1bil* (1)</td>
<td>●●</td>
<td>●●</td>
<td>●●</td>
</tr>
</tbody>
</table>

Source: SIGIR

Table 3 validates sub-hypotheses across the wide spectrum of the various contract values. For instance, the specificity of contracts contributes to contract failure independent of the value of the contract. This variation of the data draws many of the same conclusions of Tables 1 and 2. For instance, poor contract administration, on the part of the government and the contracting firm, exists independent of the value of the contract. While Table 3 is useful in and of itself to...
support the conclusions of Tables 1 and 2, it is most useful when one examines the number of problems that occur as the contract increases in value.

As a general rule, as contracts grew in value the problems associated with those contracts decreased. Moreover, the data shows that private military contractors have the most trouble with the administration and subsequent execution of contracts in the $100million-$500million range or those contracts at the “Tactical” and “Tactical/Operational” levels. As the contract increased in value, however, many of the sub-hypotheses do not appear as frequently. In fact, the SIGIR data did not cite the contractor’s ability to perform its contractual duties after the $100million-$500million mark. While this phenomenon may be a function of fewer contracts at high values, this result may be the sign of a larger trend.

**Fourth Cut: Type of Job and the Sub-Hypotheses**

As a final cut of the data, the cases will be divided up into different types of missions. Generally, the SIGIR data encompassed four types: Procurement, Security, Support, and Reconstruction. Procurement means those contracts where the government bought a product from a contractor. For instance, in one case, contract W913NS-05-M-1189, the government purchased armored Mercedes Benz from an Iraqi contractor.28 Another type of mission, security missions, concern those contracts where the government hired security forces to guard reconstruction sites or guard important Iraqis. One example includes contract W911SO-03-C-003 in which the government hired Aegis Defence Services Limited to provide “anti-terrorism support and analysis, close personal protection, movement and escort security, and security program management.”29 In other instances, contractors were hired for support missions that assisted Iraqi governance or logistics. For example, many contractors were involved in police

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28 SIGIR Report 05-018
29 SIGIR Report 05-005, 1.
training or government training while completing support missions. Finally, reconstruction missions involve the repair or construction or Iraqi government, infrastructure, and military facilities. These projects also included public works projects.

Table 4 confirms many of the results of the previous tables. Generally, the table confirms the results found in Tables 1, 2, and 3 regarding poor contract administration, lack of government oversight, lack of specificity in contract language, and general ineptitude. More specifically, Table 4 demonstrates the inability of the government and the PMCs to effectively administer contracts. This result was present in all mission types. Furthermore, the ineptitude of contractors to effectively complete the mission was persistent in all four types of missions. This is a troubling result because it clearly shows that these problems permeate in all aspects of Operation Iraqi Freedom.
One of the most fascinating features of Table 4 is the result of the reconstruction mission type. According to the SIGIR data, reconstruction contracts validated all of the government sub-hypotheses as well as six of the PMC sub-hypotheses. Even if one grouped procurement, support, and security together, the reconstruction cases stand out as the mission type that experienced the most difficulty. It is likely that the reconstruction type missions experienced the most difficulty for two reasons. First, the security environment in Iraq always changes. Without experience and a close link between expectations and reality the government and PMCs cannot engage in competent contract operations. Insurgent forces and militia groups move throughout Iraq and engage in operations aimed to thwart the United State’s missions. In many cases, an unsure security environment increased costs, endangered oversight/administration employees, and complicated the contract process. Another factor that contributed to continued failure in reconstruction type missions was the inability of contractors to effectively use subcontractors. Iraqi skilled workers proved to be expensive, hard to find, and easily scared. SIGIR reported that a sharp increase in cost in a contract with FlourAMEC, LLC was a result of “(1) a lack of qualified subcontractors, (2) a lack of skilled labor, (3) tribal influences, (4) inflated subcontractor bids…”30 The ability of contractors to effectively use sub contractors lead to contract failure throughout the data set.

**Conclusions**

The tables present results on a broad scale and also support specific conclusions about contract operations in Iraq. Below are the overall impressions and conclusions about the contract system in light of the four tables and relevant data.

**Government Hypothesis**

*Poor Oversight*

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30 SIGIR Report 08-018, 11.
This sub-hypothesis was consistently validated by the data and is one of the most troubling conclusions. Case after case, the United States did not closely monitor the contracts that they awarded. In those cases where there was some oversight, the government often failed to engage in the necessary depth in order to achieve success. For example in report 07-001, “LOGCAP Task Order 130” the government only focused on oversight of the delivery of service and not necessarily the quality of service or if the contractor used government resources appropriately.31 In addition, report 08-010, “Outcome, Cost, and Oversight of Iraq Reconstruction Contract W914NS-D-006,” cited a limit number of U.S. government quality assurance personnel as one of the leading factors for contract failure.32 According to the report, fewer than 40 people managed over 400 projects. This high workload did not allow for a competent evaluation of progress reports by government officials. The government seemed to hire contractors and disburse funds without the ability to closely monitor contractors. In addition, despite numerous citations from SIGIR and other government bodies about the lack of oversight, the government only made incremental changes that proved to be insufficient.

Poor Contract Administration

Throughout the SIGIR data set, the government did not organize, execute, or administer contracts in a manner expected in effective contract operations. Over the 18 cases, the government consistently made errors in the contract process and failed to appropriately organize contract materials to ensure success. In many instances, the contractor administrator failed to do even the most basic contracting duties. Report 05-005, “Compliance with Contract no. W911S0-04-C-0003” concludes “PCO officials disclosed that the contracting officer’s representative at the time of the audit was not trained or certified to perform contract monitoring duties, did not

32 SIGIR Report 08-010, iii.
have a contract administration plan, and was not trained or experienced in the security career field.”33 These sorts of instances appear frequently throughout the data set. Report 06-029, “Review of DynCorp International, LLC, Contract Number S-LMAQM-04-C-0030” audit officials reported “Weak and sometimes non-existent contract administration was the root cause of the problems identified…neither [the Contracting Officer nor Contracting Officer Representative] performed key responsibilities…We found no evidence that the COR performed or properly documented any of [the] activities found [in the DoS Foreign Affairs Handbook for contract administration.”34 These are a few graphic examples of the overall inability of the U.S. government to effectively administer contracts. The United States cannot expect to reach success in its contingency operations if it cannot competently administer contracts.

Poor Contract Language/Specificity

A lack of specificity in contracts appeared frequently and proved to be a larger problem than originally expected. In report 08-018, “Outcome, Cost, and Oversight of Water Sector Reconstruction Contract with FlourAMEC, LLC” auditors cited the contract’s language as a principle reason for failure. The report concluded, “The initial contract specified the broad mission to restore, rebuild, and develop water, wastewater, and solid waste projects, and the subsequent task orders did little to define the required work.”35 Not only did the government fail to define the scope of work in some cases but also appropriate metrics in order to evaluate success were not effectively established. Audit 09-003, “Cost, Outcome, and Oversight of Local Governance Program Contracts with Research Triangle Institute”, concluded “A process was not put in place for identifying project objectives and assessing outcome for the first four years of the

33 SIGIR Report 05-005, 7.
34 SIGIR Report 06-029, iv.
35 SIGIR Report 08-018, ii.
contract… Costs for this program were reported at an aggregate level rather than an activity level precluding an assessment of the efficiency, cost effectiveness, or value of individual activities.”

These instances were some of the most surprising results that came from the SIGIR data set. Much of the current literature talks about the efficacy or efficiency of private military contractors. Very few discuss the ways in which the government can mitigate problems when engaging with private military contractors. This study shows, that attention to detail and thorough contract specificity will not only help the government avoid waste, fraud, and abuse but also will help to ensure contract success.

Uncompetitive Business Practices

Conventional wisdom dictates that this sub-hypothesis would be a powerful device for explaining contract failure. There is a large debate in the contracting field whether uncompetitive contracts are especially vulnerable to waste and fraud. According to the SIGIR data set and my analysis, uncompetitive business practices were not a powerful indicator to predict contract failure. Uncompetitive contracts only affected two contracts—one of them under one million dollars. In many cases where the government awarded uncompetitive contracts, the no-bid nature did not seem to effect whether or not the contract failure. As a result, the study of uncompetitive practices is a topic for further research.

PMCs
Poor Contract Administration

Similar to government contracting officials, private military contractors proved to be equally poor at administering the contracts. Contracting firms consistently neglected to engage in organization and failed to maintain proper records of their property and personnel. In the most extreme case, Aegis Defence Services Limited, could not provide documentation to show that their Iraqi employees were properly vetted. Report 05-005, “Compliance with Contract No.

36 SIGIR Report 09-003, Summary Report.
W911S0-04-C-00,” auditors reported, “In a random sample of personnel records for 20 of 125 Iraqi nationals employed by Aegis; 6 contained no evidence of an interview, 18 contained no evidence of a police check, and 2 had no records at all.”  These men were charged with engaging in anti-terrorism operations and protective services. The lack of competent administrative procedures on the part of the contracting firm possibly endangered American lives and hampered the mission of the United States in Iraq. In the most general view of the data, Table 1, this result was apparent. Upon further analysis in Tables 2-4 it is clear that poor contract administration permeated all levels. This is one of the most important results of the study because it exemplifies one of the principle problems with PMCs. Perhaps if contract administration is improved, many of the problems associated with PMCs will be mitigated.

General Ineptitude

With some exceptions the data tended to validate this sub-hypothesis. Throughout Operation Iraqi Freedom, the ability of contractors to adequately execute contractor terms proved a source of contract failure. With respect to this sub-hypothesis, the most interesting results gleaned from the data were from Table 3. This demonstrated that incompetence tended to stop after the $500 million dollar mark. As contracts grew in size so too did the level of competence of the contractor. Perhaps, this is a function of smaller contracting firms being ill equipped to handle the rigors of Iraq. This result is definitely a topic for further research.

Policy Recommendations

It is abundantly clear that the contract system needs drastic reform. Problems occur with both the government and contractors alike. The following are policy recommendations that, in light of this study, are aimed at minimizing some of the most prevalent factors for contract failure.

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37 Sigir Report 05-005, 5.
Recommendation 1: Centralized Contracting Command and Contracting Professionals

The data shows auditors frequently point to a lack of oversight, poor contract administration, lack of contract specificity and inexperience as a source of contract failure. The source of these problems varies; however, an ably staffed central contracting command authority will mitigate some of these problems. Too many agencies and departments contract without knowledge of appropriate standards or statues that should be applied to contracting. Furthermore, very few agencies have the knowledge that adroit contracting operations requires. A central body that approves any government contract is necessary in order to gain a holistic view of in-theater contracting and to make further sweeping changes to the system as problems arise.

Furthermore, contracting professionals must go through more rigorous training. The Commission on Wartime Contracting reports that Contracting Officer Representatives only go through a 2-week training pipeline in order to start contracting operations.\textsuperscript{38} The contracting system requires vast experience in very complex issues, and as the data shows specificity and knowledge of contract language and security knowledge are essential to competent contract operations. Comprehensive training is necessary in order to create a corps of contracting professions that can limit fraud and waste in the contracting process.

Recommendation 2: Establishment of a Contractor Training Pipeline

One of the major factors for contract failure, on the part of the private military contractors, was contract administration. Contracting firms consistently neglected to organize files and to monitor employees. The government should implement a program that contractors must complete in order to be considered eligible for competition for government contracts. The

\textsuperscript{38} Commission on Wartime Contracting, “Federal Oversight of Billions in Services Contracts,” 68-69.
government requires specific standards and paperwork not found in private enterprises, and contractors must be trained on appropriate procedures when dealing with the government.

As another facet of this program the government must also evaluate the capability of contractors to complete the mission. As the SIGIR data set shows, auditors often cited General Ineptitude as a reason for a contract’s failure. If the government evaluates the capabilities of each firm competing for bids, then it is likely that they can avoid some of the problems found in the SIGIR data.

**Recommendation 3: Increased Oversight in Low-Value Contracts**

As Table 3 demonstrates, contractor ineptitude is not cited in contracts over $500 million (while lack of government oversight remains the same). From these results, it is clear that oversight bodies place low emphasis on the oversight of contracts that are relatively low in value. Tactical-level contracts paid the same scrutiny as the Theater-wide contracts. Although the value of Tactical-level contracts pale in comparison to some of the bigger government contracts, their values are substantial and contribute to the waste found in contracting operations. Contracts at all levels must be closely watched and monitored.

**Conclusion**

The contracting system, especially during wartime, is an essential topic of analysis by any student of security studies. In the new era of warfare, military contracting operations include not only traditional security services but also logistics/governance support, procurement, and reconstruction operations. Everyday contractors and the military work side-by-side to complete the mission and come home safely. Thousands of contracts are completed on time and meet the original expectations of the government. However, there are several instances where contracts do not fulfill the requirements originally set out by the government. These instances contribute to
rampant fraud and increased waste of taxpayer dollars. Furthermore, most importantly, contract failure undermines the current mission in Iraq. Over the course of this study, the most prevalent factors of contract failure have become clear. It seems as though contract failure is the fault of both the government and the contracting firms. In order to reduce the vulnerability of contracting in our contingency operations, the United States must drastically change the way it views PMCs and conducts operations with them. Contractors are here to stay, but the way in which the United States engages in operations with these firms must change.
Appendix A (Data)

These cases were downloaded from [www.SIGIR.mil](http://www.SIGIR.mil)

For reference, the following is a summary of the relevant facts. More detailed accounts can be found at the SIGIR website.

<table>
<thead>
<tr>
<th>Title</th>
<th>Company</th>
<th>Type of Contract</th>
<th>Type of Mission</th>
<th>Price (in Millions)*</th>
<th>Reason For Audit</th>
</tr>
</thead>
<tbody>
<tr>
<td>05-005</td>
<td>Compliance with Contract No. W911S0-04-C-0003 Awarded to Aegis Defence Services Limited</td>
<td>Aegis (UK)</td>
<td>Cost-reimbursement</td>
<td>Security</td>
<td>$92 (1year)</td>
</tr>
<tr>
<td>05-018</td>
<td>Acquisition of Armored Vehicles Purchased Through Contract W914NS-05-M-1189</td>
<td>Local Iraqi</td>
<td>Sole-source procurement</td>
<td>Procurement</td>
<td>$.950</td>
</tr>
<tr>
<td>06-025</td>
<td>Review of Medical Equipment Purchased for the Primary Healthcare Centers Associated with Parson Global Services, INC., Contract Number W914NS-04-D-0006</td>
<td>Parsons (UK)</td>
<td>Cost-plus-award-fee</td>
<td>Procurement</td>
<td>$70.4</td>
</tr>
<tr>
<td>06-029</td>
<td>Review of DynCorp International, LLC, Contract Number S-LMAQM-04-C-0030</td>
<td>Dyn Corp</td>
<td>(1) Cost-plus-fixed-fee/(2) Firm-Fixed/IDIQ</td>
<td>Logistics Support</td>
<td>$151.9</td>
</tr>
<tr>
<td>07-001</td>
<td>Logistics Civil Augmentation Program Task Order 130: Requirements Validation, Government Oversight, and Contractor</td>
<td>KBR</td>
<td>(1) Fixed-price (2) cost-reimbursement</td>
<td>Support LOGCAP (service)</td>
<td>$243</td>
</tr>
<tr>
<td>Date</td>
<td>Description</td>
<td>Contractor</td>
<td>Type of Contract</td>
<td>Contract Details</td>
<td>Amount</td>
</tr>
<tr>
<td>-------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>------------</td>
<td>-----------------------------------</td>
<td>------------------</td>
<td>-----------</td>
</tr>
<tr>
<td>07-009</td>
<td>Review of Bechtel's Spending Under its Phase II Iraq Reconstruction Contract</td>
<td>Bechtel</td>
<td>Cost-plus-fixed-fee</td>
<td>Reconstruction</td>
<td>$1,800</td>
</tr>
<tr>
<td>07-016</td>
<td>Interim Review of DynCorp International, LLC, Spending Under Its Contract for the Iraqi Police Training Program</td>
<td>Dyn Corp</td>
<td>Not listed</td>
<td>Anti-drug ops</td>
<td>$1.2</td>
</tr>
<tr>
<td>08-004</td>
<td>Outcome, Cost, and Oversight of Reconstruction of Taji Military Base and Baghdad Recruiting Center</td>
<td>Parsons (CA)</td>
<td>Cost-plus-fixed-fee</td>
<td>Reconstruction</td>
<td>$34</td>
</tr>
<tr>
<td>08-010</td>
<td>Outcome, Cost, and Oversight of Iraq Reconstruction Contract W914NS-D-0006</td>
<td>Parsons (DE)</td>
<td>Cost-plus-award-fee</td>
<td>Reconstruction</td>
<td>$342 (disbursed)</td>
</tr>
<tr>
<td>08-011</td>
<td>Outcome, Cost, and Oversight of Electricity-Sector Reconstruction Contract with Perini</td>
<td>Perini Corp</td>
<td>Cost-plus-award-fee/IDIQ</td>
<td>Reconstruction</td>
<td>$122</td>
</tr>
<tr>
<td>Date</td>
<td>Description</td>
<td>Contractor(s)</td>
<td>Type</td>
<td>Cost/IDIQ</td>
<td>Notes</td>
</tr>
<tr>
<td>--------</td>
<td>-----------------------------------------------------------------------------</td>
<td>---------------------------------------------------</td>
<td>-----------------------------</td>
<td>----------------------------------------</td>
<td>----------------------------------------------------------------------</td>
</tr>
<tr>
<td>08-018</td>
<td>Outcome, Cost, and Oversight of Water Sector Reconstruction Contract with FluorAMEC, LLC</td>
<td>FlourAMEC LLC</td>
<td>Cost-plus-award-fee/IDIQ</td>
<td>$381 (disbursed)</td>
<td>Routine Audit and an effort to focus on problems associated with the transfer of completed projects to the Government of Iraq.</td>
</tr>
<tr>
<td>08-019</td>
<td>Outcome, Cost, and Oversight of the Security and Justice Contract with Parsons Delaware, INC</td>
<td>Parsons (DE)</td>
<td>Cost-plus-award-fee</td>
<td>$333</td>
<td>Routine Audit</td>
</tr>
<tr>
<td>09-003</td>
<td>Cost, Outcome, and Oversight of Local Governance Program Contracts with Research Triangle Institute</td>
<td>RTI</td>
<td>Cost-plus-fixed-fee</td>
<td>$598</td>
<td>Audit for the local governance program (LGP) Costs of the contract did not justify the final product.</td>
</tr>
<tr>
<td>09-008</td>
<td>Cost, Outcome, and Oversight of Iraq Oil Reconstruction Contract with Kellogg Brown &amp; Root Services, INC.</td>
<td>KBR Contract (W9126 G-04-D-001)</td>
<td>Cost-plus-award-fee/IDIQ</td>
<td>$722.3 expended</td>
<td>Ninth in a series of focused contract audits. Tasks took longer than planned; were frequently modified, scaled back, and/or terminated. Also costs increased over time.</td>
</tr>
<tr>
<td>09-010</td>
<td>Oversight of Aegis's Performance on Security Services Contracts in Iraq with the Department of Defense</td>
<td>Aegis (UK)</td>
<td>Cost-plus-fixed-fee</td>
<td>$612</td>
<td>Part of a series of audits that examines private security contracts in Iraq.</td>
</tr>
</tbody>
</table>
Appendix B (Definitions)

The contract system is rife with legal jargon and strange terms. The following is a list of the important terms for this paper and for contracting in general.

**Contract-** A contract is a promise or set of promises for the breach of which the law gives remedy, or the performance of which the law in some way recognizes as a duty. 39

**Private Military Contractor (PMC)-** For the purposes of this paper, the definition of private military contractor will be drawn quite broadly. PMCs are defined as any entity that contracts

with a U.S. agency with the intent to reconstruct, secure, or provide goods in support of Operation Iraqi Freedom.

**Contracting Officer (CO)**- This individual is the government representative authorized to enter into contracts and obligate the government to the terms of the contract.\(^{40}\)

**Contracting Officer Representative (COR)**- This individual is the authorized representative of the contracting officer. This person is a member of the uniformed services and is the “on scene” representative of the contracting officer. In addition, this representative is often a technical expert that coordinates directly with the contractor and the contracting officer.\(^{41}\)

**Administrative Contracting Officer (ACO)**- The contracting officer designates this person to carry out the contract administration.\(^{42}\)

**Tasking Orders**- This is the equivalent of issuing an order to buy a good, however tasking orders are issued for services.

*Types of Contracts Typical to the Iraq Case*

**Cost-Plus-Award-Fee**- This type of contract involves a target cost, a fixed-base fee, and an award base fee. The award base fee is paid based on the “timeliness, quality, ingenuity, and cost effectiveness.”\(^{43}\)

**Cost-Plus-Fixed-Fee**- The amount of money given to the contractor is fixed at the inception of the contract. This amount does not reflect or vary in light of the actual costs of the mission. Price of the contract can only be augmented if the work to be performed changes.\(^{44}\)


\(^{41}\) Bill C. Giallourakis, *Contracting with Uncle Sam*, (Annapolis: Naval Institute Press, 2008), 238

\(^{42}\) Ibid

\(^{43}\) Ibid, 61

\(^{44}\) Ibid, 59
Cost-Reimbursement-This type of contract is used when there are many uncertainties involved with the given project and the actual cost of the mission cannot be estimated with certainty. In this case the contractor is only reimbursed for the actual cost of completing the mission and the contractor does not receive a fee.45

Indefinite Delivery/Indefinite Quantity (ID/IQ)- The government agrees to purchase a minimum amount of goods or services from the contracting firm.46 The government will be “in breach of contract,” if it does not purchase minimum amount of goods and services stipulated.47

Firm-Fixed-Price Contracts- This contract applies to construction, well established designs and commercial items. In this type of contract all of the cost falls on the contracting firm. The contractor aims to do a “satisfactory” job at the lowest price because in this case they reap the most profit.48

LOGCAP (Logistics Civil Augmentation Program)- “Awarded on December 14, 2001, the LOGCAP contract (DAAA09-02-D-0007) comprises a series of task orders that commit both the contractor to provide support services and the government to pay for those services. Task orders under this contract can be either fixed price or cost–reimbursable.”49 This is one of the largest contracts in Iraq. As of 4 March 2007, the government issued 149 task orders valued at $22.5 billion.50

46 Ibid, 68
47 Ibid.
48 Ibid, 53-54
49 SIGIR Report 7-001, 1.
50 Ibid.
Appendix C

<table>
<thead>
<tr>
<th>Division</th>
<th>Level</th>
<th>Audit Reports</th>
<th>Mission</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1-$100million</td>
<td>Tactical</td>
<td>05-005, 05-018, 06-025, 07-016, 08-004, 08-025, 08-029, 08-010, 08-011, 08-018, 08-019, 09-017</td>
<td>Procurement and tactical-level security</td>
</tr>
<tr>
<td>$100million-$500million</td>
<td>Tactical/Operational (Theater-Wide Operations)</td>
<td>06-029, 07-001, 08-010, 08-011, 08-018, 08-019, 09-017</td>
<td>Security and Reconstruction</td>
</tr>
<tr>
<td>$500million-$1billion</td>
<td>Strategic</td>
<td>09-003, 09-008, 09-010, 09-014</td>
<td>Governance Support (1), Security, and Reconstruction</td>
</tr>
<tr>
<td>+1Billion</td>
<td>Grand Strategy</td>
<td>07-009</td>
<td>Reconstruction</td>
</tr>
</tbody>
</table>

Bibliography

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