



MINORITY STAFF
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FACT SHEET

New GAO Report Finds Multiple Iraq Contract Abuses

Today GAO issued a report that offers further evidence that the Administration's contracting in Iraq suffers from serious flaws. The report, "Rebuilding Iraq: Fiscal Year 2003 Contract Award Procedures and Management Challenges," includes several significant findings.

Use of Noncompetitive Contracts. GAO confirmed that contracts worth billions of dollars were not awarded under full and open competition. All 14 of the contracts GAO examined, including Halliburton's no-bid oil infrastructure contract and Bechtel's billion-dollar capital construction contract, were awarded with limited or no competition.

Task Order Violations. GAO found that the Administration violated procurement law when it issued several task orders under existing contracts. Of the 11 task orders GAO examined, it found that seven were outside the scope of their contracts. For instance, GAO found that the electricity tasks given to three contractors were outside the scope of their contracts.

Halliburton Violation. GAO found that Halliburton was improperly given the task of developing contingency plans for Iraq's oil infrastructure. Because this task was outside the scope of Halliburton's LOGCAP global logistics contract with the Army, which is to be used to provide logistics support to the troops, Administration officials "overstepped the latitude provided by competition laws" when they misused the logistics contract to assign the planning job to Halliburton. This plan was the major reason that Halliburton was later given its \$7 billion sole-source oil infrastructure contract.

Cost-Control Risks. Finally, GAO reiterated that open-ended contracts that are not "definitized" pose significant cost control risks. According to GAO, oil infrastructure task orders issued to Halliburton in March and May 2003 were supposed to be finalized in six months, but still haven't been. The longer it takes to finalize the terms of a cost-plus contract, the less incentive there is for contractors like Halliburton to control costs.