Fact Sheet on Major U.S. Contractors’ Security Costs Related to Iraq Relief and Reconstruction Fund Contracting Activities

SIGIR-06-044
January 30, 2007
MEMORANDUM FOR: SEE DISTRIBUTION

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

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

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

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

- the total amount of their IRRF contract dollars spent on security costs
- the percentage of total IRRF funds disbursed comprising security costs
- initial and subsequent revisions to the projected security costs of IRRF contracting activities
- when the magnitude of these costs became evident, and what were the significant causal or contributing factors
• the contractor’s method(s) of record-keeping for capturing and differentiating between the types of security required, such as Personal Security Details, site/static, perimeter, and convoy/materiel movement

• the breakdown, by category (billed, charged, and estimated) of both the direct and indirect security costs for IRRF contracting activities

• any other additional security cost increases from subcontractor work

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

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

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

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

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

Stuart W. Bowen, Jr.
Inspector General

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