

DEFENSE RECONSTRUCTION SUPPORT OFFICE

Independent Accountants' Report on Applying Agreed-Upon Procedures to
Documentation Justifying Non-Competitively Awarded Contracting Actions

For the Period June 29, 2003 through June 28, 2004

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Independent Accountants' Report on Applying Agreed-Upon Procedures to Documentation Justifying Non-Competitively Awarded Contracting Actions

Defense Reconstruction Support Office
The Pentagon:

We have performed the procedures enumerated in Attachment A, which were agreed to by the Defense Reconstruction Support Office (DRSO) and the International Advisory and Monitoring Board (IAMB), solely to assist you in evaluating the accompanying Schedule of Reported Contracting Actions, for the period June 29, 2003 through June 28, 2004. The DRSO's management is responsible for the information provided in the Schedule of Reported Contracting Actions (Attachment B). This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Society of Certified Public Accountants and standards established by the International Standards on Related Services, 4400: Engagement to Perform Agreed-Upon Procedures Regarding Financial Information. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment A either for the purpose for which this report has been requested or for any other purpose. The procedures we performed as enumerated in Attachment A and our associated findings are presented below.

1. KPMG obtained contract files (which include contract award documentation, statements of work, contract modifications, invoices, receiving reports, purchase orders, funding requests, evidence of competition, signed Justification and Approval for Other than Full and Open Competition, sole-source justification, solicitation notifications and any other contract related document available) that were non-competitively awarded by the former Coalition Provisional Authority (CPA) and that were in excess of \$5 million and funded with the Development Fund for Iraq (DFI), as provided from the Project and Contracting Office (PCO) and the Joint Contracting Command – Iraq (JCC-I). A total of twenty-three contracting actions related to the contract files were obtained from the PCO and JCC-I and have been summarized along with the contract award date, scope of work and value for each contracting action, in the attached Schedule of Reported Contracting Actions (Attachment B). We performed the following procedures on the twenty-three contracting actions:
 - a. KPMG inspected the signed Justification and Approval for Other than Full and Open Competition or funding request and identified the existence of a reason(s) justifying a non-competitive contracting action for eleven of the twenty-three contracting actions, without exception and as summarized in the attached Schedule of Reported Contracting Actions (Attachment C, column labeled 1a) For these eleven contracting actions with a contract value



totaling \$389,599,411, we compared the reason(s) listed on the Justification and Approval for Other than Full and Open Competition or funding request to the acceptable reasons identified in the CPA Memorandum 4 Criteria (specifically whether reason(s) were limited to i) availability of single responsible source of goods or services; or, ii) unusual or compelling urgency) and found the reason(s) to be in agreement. The description of reason(s) for each of these eleven contracting actions is summarized in the attached Schedule of Reported Contracting Actions and Findings (Attachment C, columns labeled 1a).

For the remaining twelve contracting actions with a contract value totaling \$206,132,684, no documentation was provided to justify the non-competitive contracting action and as such, because of lack of such evidence, we consider these to be exceptions. Because we were unable to obtain such documentation for these twelve contracting actions, we were unable to compare the reason(s) to the acceptable reasons identified in the CPA Memorandum 4 Criteria. These twelve contracting actions are summarized in the attached Schedule of Reported Contracting Actions and Findings (Attachment C, column labeled 1a).

- b. KPMG inspected the signed Justification and Approval for Other than Full or Open Competition or funding request and identified evidence that describes the circumstance(s) for foregoing competition for eleven of the twenty-three contracting actions. For these eleven contracting actions, we compared the circumstance(s) identified in the Justification and Approval for Other than Full and Open Competition or funding request to acceptable circumstances identified in the CPA Memorandum 4 Criteria (specifically whether circumstances(s) were limited to time constraints, unique contractor capabilities, or risk to government objectives) and found them to be in agreement. The description of circumstance(s) for foregoing competition for each of these eleven contracting actions is summarized in the attached Schedule of Reported Contracting Actions and Findings (Attachment C, column labeled 1b).

For the remaining twelve contracting actions, no documentation was provided to justify the non-competitive contracting action and as such, we were unable to perform the procedure. These twelve contracting actions are summarized in the attached Schedule of Reported Contracting Actions and Findings (Attachment C, column labeled 1b).

- c. KPMG inspected the solicitation notification or sole source justification and identified the existence of a description of efforts to obtain competition for two of the twenty-three contracting actions which are summarized in the attached Schedule of Reported Contracting Actions and Findings (Attachment C, column labeled 1c). For nine of the remaining contracting actions, no description of efforts to obtain competition was provided, and these are considered exceptions. These exceptions are summarized in the attached Schedule of Reported Contracting Actions and Findings (Attachment C, column labeled 1c).

For the remaining twelve contracting actions, no documentation was provided to justify the non-competitive contracting action, and as such, we were unable to perform the procedure. These twelve contracting actions are summarized in the attached Schedule of Reported Contracting Actions and Findings (Attachment C, column labeled 1c).



- d. KPMG inspected the “Fair and Reasonable Cost Determination” section of the Justification and Approval for Other than Full or Open Competition and identified the existence of a Contracting Officer’s explicit determination that a fair and reasonable price was obtained as evidenced by the Contracting Officer’s signature for ten of the twenty-three contracting actions which are summarized in the attached Schedule of Reported Contracting Actions and Findings (Attachment C, column labeled 1d). For one contracting action, the “Fair and Reasonable Cost Determination” section of the Justification and Approval for Other than Full or Open Competition did not contain the signature of the Contracting Officer and is considered an exception. This exception is summarized in the attached Schedule of Reported Contracting Actions and Findings (Attachment C, column labeled 1d).

For the remaining twelve contracting actions, no documentation was provided to justify the non-competitive contracting action and as such, we were unable to perform the procedure. These twelve contracting actions are summarized in the attached Schedule of Reported Contracting Actions and Findings (Attachment C, column labeled 1d).

2. KPMG obtained from CPA Memorandum 4, the title of personnel authorized to approve non-competitive contracting actions, specifically, the Contracting Officer’s Appointing Authority (also known as the Principal Assistant Responsible for Contracting) or the Head of Contracting Activity, CPA. For each contracting action included in the accompanying Schedule of Reported Contracting Actions (Attachment B), KPMG identified the title of CPA personnel approving the non-competitive contracting action and agreed it to the title of personnel authorized to approve non-competitive contracting actions per CPA Memorandum 4, for six of the twenty-three contracting actions, without exception and as summarized in the attached Schedule of Reported Contracting Actions and Findings (Attachment C, column labeled 2). For five of the remaining contracting actions, the contracting action was either not signed or not signed by the authorized personnel and are considered exceptions. These exceptions are summarized in the attached Schedule of Reported Contracting Actions and Findings (Attachment C, column labeled 2).

For the remaining twelve contracting actions, no documentation was provided to justify the non-competitive contracting action and as such, we were unable to perform the procedure. These twelve contracting actions are summarized in the attached Schedule of Reported Contracting Actions and Findings (Attachment C, column labeled 2).

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying Schedule of Reported Contracting Actions included in Attachment B. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the DRSO and the IAMB and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

August 30, 2005

Agreed-Upon Procedures To Be Performed

1. Obtain contract files (which include contract award documentation, statement of work, contract modifications, invoices, receiving reports, purchase orders, funding requests, evidence of competition, signed Justification and Approval for Other than Full and Open Competition sole-source justification, solicitation notifications and any other contract related document available) that were non-competitively awarded by the former Coalition Provisional Authority (CPA) and that were in excess of \$5 million and funded with Development Fund for Iraq (DFI), as provided from the Project and Contracting Office (PCO) and the Joint Contracting Command - Iraq. The contract files to be obtained relate to the contracting actions summarized on a provided Schedule of Reported Contracting Actions. Perform the following procedures:
 - a. Inspect the signed Justification and Approval for Other than Full and Open Competition or funding request and identify the existence of a reason(s) justifying a non-competitive contracting action. Compare the reason(s) listed on the Justification and Approval for Other than Full and Open Competition or funding request to the acceptable reasons identified in the CPA Memorandum 4 Criteria, (specifically whether reason(s) were limited to i) availability of single responsible source of goods or services; or, ii) unusual or compelling urgency) to determine if the reasons are in agreement. Summarize description of reason(s) for each contracting action in an attached reporting schedule.
 - b. Inspect the signed Justification and Approval for Other than Full or Open Competition or funding request and identify evidence that describes the description of circumstance(s) for foregoing competition. Compare the circumstance(s) identified in the Justification and Approval for Other than Full and Open Competition or funding request to acceptable circumstances identified in the CPA Memorandum 4 Criteria, (specifically whether circumstances(s) were limited to time constraints, unique contractor capabilities, or risk to government objectives) to determine if circumstance(s) are in agreement. Summarize whether there was evidence of a description of circumstance(s) for foregoing competition and provide the description for each contracting action in an attached reporting schedule.
 - c. Inspect the solicitation notifications or sole source justification and identify the existence of a description of efforts to obtain competition. Summarize whether there was evidence of a description of efforts to obtain competition and provide the description for each contracting action in an attached reporting schedule.
 - d. Inspect the “Fair and Reasonable Cost Determination” section of the Justification and Approval for Other than Full or Open Competition and identify the existence of a Contracting Officer’s explicit determination that a fair and reasonable price was obtained as evidenced by the Contracting Officer’s signature. Summarize whether there was evidence of the Contracting Officer signature for each contracting action in an attached reporting schedule.
2. Obtain from CPA Memorandum 4, the title of personnel authorized to approve non-competitive contracting actions, specifically, the Contracting Officer’s Appointing Authority or the Head of Contracting Activity, CPA. For each contracting action summarized on the Schedule of Reported Contracting Actions, identify the title of CPA personnel approving the non-competitive contracting action and agree to the title of personnel authorized to approve non-competitive contracting actions per CPA Memorandum 4.

**Schedule of Reported Contracting Actions
For the Period June 29, 2003 through June 28, 2004**

Contracting Action	Award Date	Scope of Work	Value
1 Modification 3	12/31/2003	Base award for security infrastructure to protect Iraqi oil industry competitively awarded - Mod 3 amended original award to add air surveillance	\$ 9,939,933
2 Modification 4	1/20/2004	Base award for security infrastructure to protect Iraqi oil industry competitively awarded - Mod 4 increased number of security sites	\$ 20,800,000
3 Base Award	8/28/2003	Secure and protect main reception, storage, sorting and distribution sites of new Iraqi Dinars	\$ 24,770,738
4 Base Award	9/9/2003	Reconstruction of power stations made of contractor's diesel generators	\$ 9,763,184
5 Modification 1	5/21/2004	Base award for Iraqi police training competitively awarded - Mod 1 to provide additional training to Private Security Personnel to protect Iraqi Government Officials	\$ 20,500,000
6 Modification 2	6/28/2004	Base award for Iraqi police training competitively awarded - Mod 2 to add armored vehicles	\$ 6,961,160
7 Modification 3	6/28/2004	Base contract for Iraqi police training competitively awarded - Mod 3 to increase amount of trained personnel and extend period of performance	\$ 37,000,000
8 Base Award	4/24/2004	Power line security	\$ 7,064,100
9 Base Award	1/29/2004	Import of wheat flour	\$ 15,850,000
10 Modification 2	5/21/2004	Base award for import of wheat flour non-competitively awarded - Mod 2 to supply more flour	\$ 33,500,000
11 Modification 6	8/10/2003	Base award for secure radio equipment competitively awarded - Mod 6 to supply more radios than prescribed in original contract	\$ 9,669,097
12 Modification 9	4/6/2004	Base award for weapons for Iraqi army base competitively awarded - Mod 9 to supply more weapons	\$ 10,729,792
13 Base Award	8/8/2003	Import of electricity	\$ 16,831,000
14 Modification 1	12/23/2003	Base award for import of electricity non-competitively awarded - Mod 1 to import more electricity	\$ 134,000,000
15 Base Award	7/17/2003	Printing of new Iraqi currency	\$ 102,952,500
16 Supplement 1	11/4/2003	Base award for printing of new Iraqi currency non-competitively awarded - Sup 1 to print more currency	\$ 13,640,000
17 Supplement 2	12/23/2003	Base award for printing of new Iraqi currency non-competitively awarded - Sup 2 to print more currency	\$ 8,184,000
18 Modification 9	6/29/2003	Base award for life support at Iraqi Military Base - Mod 9 to increase personnel	\$ 53,210,011
19 Base Award	5/13/2004	Support services at Iraqi police counter-terrorism training camp	\$ 5,243,771
20 Modification 3	5/13/2004	Base award for support services at Iraqi counter-terrorism training camp - Mod 3 to increase number of trainees	\$ 13,483,268
21 Base Award	5/15/2004	Supply ambulances, water trucks, refuelers	\$ 6,430,426
22 Base Award	5/18/2004	Supply trucks and vehicles	\$ 9,209,115
23 Base Award	6/20/2004	Life support at Baghdad Police Academy	\$ 26,000,000

**Schedule of Reported Contracting Actions and Findings
For the Period June 29, 2003 through June 28, 2004**

			1a		1b	1c	1d	2
Contracting Action	Scope of Work	Value	Existence of Documentation Justifying Reason for Non-competitive Contracting Action	Reason Justifying Non-competitive Contracting Action is in Agreement with the Former Coalition Provisional Authority Memorandum 4 Criteria	Existence of Evidence that Describes Circumstance(s) for Foregoing Competition	Existence of a Description of Effort to Obtain Competition	Existence of Contracting Officer's Signature Evidencing Fair and Reasonable Price Determination	Authorized Approval of Non-competitive Contracting Action
1 Modification 3	Base award for security infrastructure to protect Iraqi oil industry competitively awarded - Mod 3 amended original award to add air surveillance	\$ 9,939,933	Exception Noted - No documentation to justify reason for non-competitive action	Unable to Perform Procedure	Unable to Perform Procedure	Unable to Perform Procedure	Unable to Perform Procedure	Unable to Perform Procedure
2 Modification 4	Base award for security infrastructure to protect Iraqi oil industry competitively awarded - Mod 4 increased number of security sites	\$ 20,800,000	Yes - Included in Justification and Approval of Other than Full or Open Competition	Yes - Unusual and compelling urgency and only one responsible source	Yes - Security was a priority - contractor perceived as sole source with organic assets in place to provide immediate support required	Exception Noted - No description of efforts to obtain competition	Yes	Exception Noted - Not signed
3 Base Award	Secure and protect main reception, storage, sorting and distribution sites of new Iraqi Dinars	\$ 24,770,738	Yes - Included in funding request	Yes - Unusual and compelling urgency	Yes - Extreme urgency to meet deadline of Iraqi banknote exchange	Exception Noted - No description of efforts to obtain competition	Yes	Exception Noted - Not Approved by appropriate contracting officials
4 Base Award	Reconstruction of power stations made of contractor's diesel generators	\$ 9,763,184	Yes - Included in Justification and Approval of Other than Full or Open Competition	Yes - Unusual and compelling urgency	Yes - Cited FAR 5.202(a)(12) The proposed contract action is by a Defense agency and the proposed contract action will be made and performed outside the United States and its outlying areas, and only local sources will be solicited	Exception Noted - No description of efforts to obtain competition	Yes	Yes - Approved
5 Modification 1	Base award for Iraqi police training competitively awarded - Mod 1 to provide additional training to Private Security Personnel to protect Iraqi Government Officials	\$ 20,500,000	Yes - Included in Justification and Approval of Other than Full or Open Competition	Yes - Unusual and compelling urgency	Yes - Cited FAR 5.202(a)(2) The proposed contract action is made under the conditions described in 6.302-2 (or, for purchases conducted using simplified acquisition procedures, if unusual and compelling urgency precludes competition to the maximum extent practicable) and the Government would be seriously injured if the agency complies with the time periods specified in 5.203	Exception Noted - No description of efforts to obtain competition	Yes	Yes - Approved
6 Modification 2	Base award for Iraqi police training competitively awarded - Mod 2 to add armored vehicles	\$ 6,961,160	Exception Noted - No documentation to justify reason for non-competitive action	Unable to Perform Procedure	Unable to Perform Procedure	Unable to Perform Procedure	Unable to Perform Procedure	Unable to Perform Procedure
7 Modification 3	Base contract for Iraqi police training competitively awarded - Mod 3 to increase amount of trained personnel and extend period of performance	\$ 37,000,000	Exception Noted - No documentation to justify reason for non-competitive action	Unable to Perform Procedure	Unable to Perform Procedure	Unable to Perform Procedure	Unable to Perform Procedure	Unable to Perform Procedure
8 Base Award	Power line security	\$ 7,064,100	Yes - Included in Justification and Approval of Other than Full or Open Competition	Yes - Unusual and compelling urgency	Yes - extreme urgency and unique circumstances of operational safety	Exception Noted - No description of efforts to obtain competition	Yes	Yes - Approved
9 Base Award	Import of wheat flour	\$ 15,850,000	Yes - Included in Justification and Approval of Other than Full or Open Competition	Yes - Unusual and compelling urgency	Yes - A one time urgent buy, acquisition for additional quantities would be purchased using full and open competition. No other known suppliers	Exception Noted - No description of efforts to obtain competition	Yes	Yes - Approved
10 Modification 2	Base award for import of wheat flour non-competitively awarded - Mod 2 to supply more flour	\$ 33,500,000	Yes - Included in Justification and Approval of Other than Full or Open Competition	Yes - Unusual and compelling urgency	Yes - No other known sources that could provide flour in the urgent time frame required	Exception Noted - No description of efforts to obtain competition	Exception Noted - no Contracting Officer's signature	Yes - Approved
11 Modification 6	Base award for secure radio equipment competitively awarded - Mod 6 to supply more radios than prescribed in original contract	\$ 9,669,097	Yes - Included in Justification and Approval of Other than Full or Open Competition	Yes - Unusual and compelling urgency	Yes - Contractor provided good service on basic contract hence no need to seek alternative supplier	Exception Noted - No description of efforts to obtain competition	Yes	Exception Noted - Not Signed
12 Modification 9	Base award for weapons for Iraqi army base competitively awarded - Mod 9 to supply more weapons	\$ 10,729,792	Yes - Included in Justification and Approval of Other than Full or Open Competition	Yes - Unusual and compelling urgency	Yes - Contractor provided good service on basic contract hence no need to seek alternative supplier	Exception Noted - No description of efforts to obtain competition	Yes	Exception Noted - Not Signed
13 Base Award	Import of electricity	\$ 16,831,000	Exception Noted - No documentation to justify reason for non-competitive action	Unable to Perform Procedure	Unable to Perform Procedure	Unable to Perform Procedure	Unable to Perform Procedure	Unable to Perform Procedure
14 Modification 1	Base award for import of electricity non-competitively awarded - Mod 1 to import more electricity	\$ 134,000,000	Yes - Included in Justification and Approval of Other than Full or Open Competition	Yes - Unusual and compelling urgency and only one responsible source	Yes - No other known sources that could provide electricity in the urgent time frame required	Yes - Ministry issued a request for information seeking potential sources	Yes	Yes - Approved

			1a		1b	1c	1d	2	
Contracting Action	Scope of Work	Value	Existence of Documentation Justifying Reason for Non-competitive Contracting Action	Reason Justifying Non-competitive Contracting Action is in Agreement with the Former Coalition Provisional Authority Memorandum 4 Criteria	Existence of Evidence that Describes Circumstance(s) for Foregoing Competition	Existence of a Description of Effort to Obtain Competition	Existence of Contracting Officer's Signature Evidencing Fair and Reasonable Price Determination	Authorized Approval of Non-competitive Contracting Action	
15	Base Award	Printing of new Iraqi currency	\$ 102,952,500	Yes - Included in funding request	Yes - Unusual and compelling urgency and only one responsible source	Yes - Due to time constraints, "old" Iraqi dinar design was used. Contractor had legal rights for printing plates and copyrights	Yes - held discussions with 4 firms to assess capabilities	Yes	Exception Noted - Not Approved by appropriate contracting officials
16	Supplement 1	Base award for printing of new Iraqi currency non-competitively awarded - Sup 1 to print more currency	\$ 13,640,000	Exception Noted - No documentation to justify reason for non-competitive action	Unable to Perform Procedure	Unable to Perform Procedure	Unable to Perform Procedure	Unable to Perform Procedure	Unable to Perform Procedure
17	Supplement 2	Base award for printing of new Iraqi currency non-competitively awarded - Sup 2 to print more currency	\$ 8,184,000	Exception Noted - No documentation to justify reason for non-competitive action	Unable to Perform Procedure	Unable to Perform Procedure	Unable to Perform Procedure	Unable to Perform Procedure	Unable to Perform Procedure
18	Modification 9	Base award for life support at Iraqi Military Base - Mod 9 to increase personnel	\$ 53,210,011	Exception Noted - No documentation to justify reason for non-competitive action	Unable to Perform Procedure	Unable to Perform Procedure	Unable to Perform Procedure	Unable to Perform Procedure	Unable to Perform Procedure
19	Base Award	Support services at Iraqi police counter-terrorism training camp	\$ 5,243,771	Exception Noted - No documentation to justify reason for non-competitive action	Unable to Perform Procedure	Unable to Perform Procedure	Unable to Perform Procedure	Unable to Perform Procedure	Unable to Perform Procedure
20	Modification 3	Base award for support services at Iraqi counter-terrorism training camp - Mod 3 to increase number of trainees	\$ 13,483,268	Exception Noted - No documentation to justify reason for non-competitive action	Unable to Perform Procedure	Unable to Perform Procedure	Unable to Perform Procedure	Unable to Perform Procedure	Unable to Perform Procedure
21	Base Award	Supply ambulances, water trucks, refuelers	\$ 6,430,426	Exception Noted - No documentation to justify reason for non-competitive action	Unable to Perform Procedure	Unable to Perform Procedure	Unable to Perform Procedure	Unable to Perform Procedure	Unable to Perform Procedure
22	Base Award	Supply trucks and vehicles	\$ 9,209,115	Exception Noted - No documentation to justify reason for non-competitive action	Unable to Perform Procedure	Unable to Perform Procedure	Unable to Perform Procedure	Unable to Perform Procedure	Unable to Perform Procedure
23	Base Award	Life support at Baghdad Police Academy	\$ 26,000,000	Exception Noted - No documentation to justify reason for non-competitive action	Unable to Perform Procedure	Unable to Perform Procedure	Unable to Perform Procedure	Unable to Perform Procedure	Unable to Perform Procedure