

The seal of the Office of the Special Inspector General for Iraq Reconstruction is a large, circular emblem in the background. It features a central eagle with wings spread, holding an olive branch and arrows. The eagle's chest is covered by a shield with vertical stripes. Above the eagle's head is a sunburst with stars. The seal is surrounded by text in both English and Arabic. The English text reads "SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION" and the Arabic text reads "مفتش العام لعمارة العراق".

**AGENCIES NEED IMPROVED
FINANCIAL DATA REPORTING FOR
PRIVATE SECURITY CONTRACTORS**

**SIGIR-09-005
OCTOBER 30, 2008**



SIGIR

Special Inspector General for IRAQ Reconstruction

October 30, 2008

AGENCIES NEED IMPROVED FINANCIAL DATA REPORTING FOR PRIVATE SECURITY CONTRACTORS

Summary of Report: SIGIR-09-005

Why SIGIR Did This Study

Section 842 of the National Defense Authorization Act of 2008 (Public Law 110-181), required SIGIR to, among other things, develop a plan to evaluate various characteristics of contracting for private security contractor services in Iraq.

The objective of this report was to determine the extent to which federal agencies have systematically captured financial data for private security services in Iraq since 2003, and to identify private security contractors and costs. SIGIR reviewed available data from the Departments of Defense (DoD), State (DoS) and the U.S Agency for International Development (USAID).

What SIGIR Recommends

SIGIR recommends that the Secretaries of Defense and State and the Administrator, USAID, take the following actions: (1) Develop processes for routinely capturing financial information for all contracts and subcontracts for private security services and all other security related costs. (2) Direct program managers to consider the costs of security relative to the expected benefits for all new projects. (3) Identify security costs at the subcontractor level for all new projects. SIGIR also identifies a lesson learned applicable to other contingencies.

The Department of Defense provided written comments and did not fully concur with the recommendations. The comments are addressed in the report where applicable, and a copy of their response is included in the report's Management Comments and Agency Response section. USAID and the Multi National Force- Iraq provided technical comments that are addressed where applicable in the report. The Department of State did not provide comments on this report.

For more information, contact SIGIR Public Affairs at (703) 428-1100 or HPublicAffairs@sigir.mil

What SIGIR Found

DoD, DoS, and USAID have not been required to systematically identify financial data for private security contractors (PSCs) providing physical security services such as guarding sites, escorting individuals and equipment convoys, and providing security advice and planning. Consequently, financial management systems do not routinely capture data that would show how much has been obligated and spent for these individual services. Obtaining data from multiple government sources, SIGIR identified 77 PSCs with associated obligations of about \$5.3 billion in direct contracts and subcontracts to provide security services to U.S. funded projects and programs since 2003. SIGIR also identified an additional 233 contractors with about \$662 million in associated obligations for contracts to provide security services that could be for providing guards or escorts, but the descriptions of work were so general that they could be for other services such as providing information technology security. This is the best information available because agencies were not required to specifically identify and aggregate this data. It likely means that the obligations identified from various government sources are understated. For example:

- There was no financial information on obligations for 191 companies identified in various data bases as having contracts for some type of security services.
- Financial data on subcontracts to prime contractors implementing reconstruction programs is limited. DoD, DoS, and USAID are not required to routinely track these costs in general and do not do so for security costs. However, from various data bases and other sources, SIGIR identified \$1.2 billion in subcontract costs for security. This number is likely low given the limited data available on subcontracts.

Having more complete financial data would provide managers with better information in two key areas to support future decisions to invest resources. First, as the reconstruction effort evolves from large-scale infrastructure projects to capacity building, physical security could become a larger portion of total contract cost. Such an increase could make it more important to weigh the potential value of a project outcome against the potentially larger security costs. Second, to the extent U.S. forces are withdrawn, and assuming that significant civilian technical assistance missions remain, requirements for private security services for DoS and USAID would likely increase to compensate for support previously provided by the military. PSC requirements could also increase because the recent reduction in violence enables more frequent personnel movements within Iraq but with private security contractor support still being needed for all trips outside of U.S. secured areas. Financial information for these contracts and subcontracts would allow U.S agencies to assess their security costs relative to expected project benefits and costs and it can also be useful in planning for other contingency operations. This information should also include supporting costs for purchasing such items as armored vehicles, hardening offices, and overhead costs.



SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

October 30, 2008

MEMORANDUM FOR SECRETARY OF STATE
SECRETARY OF DEFENSE
ADMINISTRATOR, U.S. AGENCY FOR INTERNATIONAL
DEVELOPMENT
U.S. AMBASSADOR TO IRAQ
DIRECTOR, IRAQ TRANSITION ASSISTANCE OFFICE
COMMANDING GENERAL, U.S. CENTRAL COMMAND
COMMANDING GENERAL, MULTI-NATIONAL FORCE-IRAQ

SUBJECT: Agencies Need Improved Financial Data Reporting for Private Security Contractors (SIGIR-09-005)

We are providing this report for your information and use. We performed this audit under the authority of Public Law 108-106, as amended, which also incorporates the duties and responsibilities of inspectors general under the Inspectors General Act of 1978, as amended.

This review was also performed to address provisions of Section 842 of the Public Law 110-181, which requires SIGIR develop, in consultation with other audit agencies, a comprehensive plan of audits of private security functions in Iraq. This is the first in a series of reviews to be completed by SIGIR regarding contracting for private security services in Iraq. This report was conducted as SIGIR Project 8016.

We provided a draft of this report to the Departments of State and Defense, the U.S. Agency for International Development and the Multinational Force-Iraq. The U.S. Agency for International Development and the Multinational Force-Iraq provided technical comments, which we incorporated where appropriate. The Department of State did not provide comments on this report. The Department of Defense provided written comments which are incorporated in the Management Comments section of this report.

We appreciate the courtesies extended to the staff. For additional information on the report, please contact Glenn Furbish, Deputy Assistant Inspector General for Audits (703) 428-1058/glenn.furbish@sigir.mil.

A handwritten signature in black ink, reading "Stuart W. Bowen, Jr." with a period at the end.

Stuart W. Bowen, Jr.
Inspector General

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Agencies Need Improved Financial Reporting for Private Security Contractors

SIGIR-09-005

October 30, 2008

Executive Summary

Introduction

Since April 2003, private sector companies and individuals, commonly known as private security contractors (PSCs), have provided physical security services to protect the personnel, facilities, and property of the U.S. government and its contractors, subcontractors, and other parties supporting the U.S. mission and military in Iraq. The National Defense Authorization Act for Fiscal Year (FY) 2008¹ requires SIGIR to develop a “comprehensive plan for a series of audits of contracts, subcontracts, and task and delivery orders...” relating to the performance of security and reconstruction functions in Iraq. As part of this mandate, SIGIR reviewed available data from the Department of Defense (DoD), Department of State (DoS), U.S. Agency for International Development (USAID) and other government sources on U.S.-funded private security services provided to the U.S. government and its contractors and grant recipients in Iraq. These services are defined in this report as guarding sites (static security), escorting individuals and equipment convoys, and providing security advice and planning.

The objective for this report was to determine the extent to which federal agencies have systematically captured financial data for private security services in Iraq since 2003, and to attempt to identify the number of contracts and costs for private security services in Iraq from available data sources.

Results

DoD, DoS, and USAID have not been required to systematically identify financial data for private security contractor (PSC) services. Consequently, financial management systems do not routinely capture data that would show how much has been obligated and spent for these individual services. Obtaining data from multiple government sources², SIGIR identified:

- 77 PSC’s with associated obligations of about \$5.3 billion in direct contracts and subcontracts to provide security services to U.S. funded projects and programs since 2003.³
- an additional 233 contractors with about \$662 million in associated obligations for contracts to provide security services that could be for providing guards or escorts, but

¹ National Defense Authorization Act for Fiscal Year 2008, Pub. L. No. 110-181, Section 842

²Included in these sources of funds was a very small amount from the Development Fund for Iraq --\$71.9 million.

³ Ten of these PSCs account for approximately 75 percent of \$5.3 billion in obligations

the descriptions of work were so general that they could be for other services such as providing network security.

This is the best information available because agencies were not required to specifically identify and aggregate this data. It likely means that the obligations identified from various government sources are understated. For example:

- There was no financial information on obligations for 191 companies identified in various data bases as having contracts for security services.
- Financial data on subcontracts to prime contractors implementing reconstruction programs is limited. DoD, DoS, and USAID are not required to routinely track these costs in general and do not do so for security costs. However, from various data bases and other sources, SIGIR identified \$1.2 billion in subcontract costs for security. This number is likely low given the limited data available on subcontracts.

Having more complete financial data would provide managers with better information in two key areas to support future decisions to invest resources. First, as the reconstruction effort evolves from large-scale infrastructure projects to capacity building, physical security could become a larger portion of total contract cost. Such an increase could make it more important to weigh the potential value of a project outcome against the potentially larger security costs. Second, to the extent U.S. forces are withdrawn, and assuming that significant civilian technical assistance missions remain, requirements for private security services for DoS and USAID would likely increase to compensate for support previously provided by the military. PSC requirements could also increase because the recent reduction in violence enables more frequent personnel movements within Iraq but with private security contractor support still being needed for all trips outside of U.S. secured areas. Finally, there are additional costs associated with providing security that are also relevant including procuring armored vehicles, hardening of office and employee residences, and prime contractor overhead expenses that are charged for security subcontracting. Financial information for these contracts and subcontracts would allow U.S. agencies to assess their security costs relative to expected project benefits and costs, and it can also be useful in planning for other contingency operations.

Recommendations

SIGIR recommends that the Secretary of Defense, Secretary of State, and USAID Administrator take the following actions:

1. Develop processes for routinely capturing financial information for all contracts and subcontracts for private security services. This should also include such ancillary costs as government furnished equipment and hardening of offices.
2. Direct program managers to consider the costs of security relative to the expected benefits for all new projects.
3. Identify security costs at the subcontractor level for all new projects.

Lessons Learned

At the beginning of reconstruction activities in 2003, the high costs associated with providing security for U.S. personnel in Iraq were not readily apparent. Further, because there was no requirement to track these costs, it was not completely clear for several years that security costs were consuming large portions of reconstruction budgets. However, it is now clear that these costs were extremely high. As a result, SIGIR believes that an important lesson learned from the experience in Iraq is the need to include security costs in decision-making when engaging in and contracting for reconstruction activities in any contingency operation including Afghanistan.

Management Comments and Audit Response

We provided a draft of this report to the Departments of State and Defense, the U.S. Agency for International Development and the Multinational Force-Iraq. The U.S. Agency for International Development and the Multinational Force-Iraq provided technical comments, which we incorporated where appropriate. The Department of State did not provide comments on this report. The Department of Defense provided written comments that are addressed in the report where applicable, and a copy of their response is included in the Management Comments section of this report.

DoD agreed with SIGIR's recommendation to direct program managers to consider the costs of security relative to the expected costs and benefits associated with all new projects.

However, DoD did not agree with SIGIR's recommendation to develop processes for routinely capturing financial information for all contracts and subcontracts for private security services, citing FAR 15.403-1(b)(2) as prohibiting it (in a subsequent communication, DoD stated that the proper cite should be FAR 15.403-1(b)(1) rather than the initial one cited in their written response.) DoD also did not agree with SIGIR's recommendation to identify security costs at the subcontractor level for all new projects for the same reasons. In support of its argument, DoD cited the FAR which states that contracting officers shall not require submission of cost or pricing data to support any action when prices are agreed to based on adequate competition. Nevertheless, DoD did indicate that it would assess the legality and feasibility of adding a requirement in the Defense Acquisition Register Supplement for price of security to be included in a separate contractor line item number with the understanding that this would place an additional burden on DoD's already limited acquisition resources.

SIGIR does not agree that the FAR precludes DoD from obtaining the financial information needed to implement the SIGIR recommendations. The FAR requirements regarding cost and pricing data are designed to assure that a contracting officer is obtaining a fair and reasonable price when negotiating with a prospective contractor. SIGIR's recommendation is not directed at the price negotiation process and therefore this section of the FAR does not apply.

The SIGIR recommendation suggests that DoD include in its solicitations a requirement that contractors provide security cost estimates in their proposals and that expenditure data be maintained and provided to DoD contracting and program management officials upon request. This is permissible under the FAR. SIGIR agrees that there may be some cost associated with implementing this recommendation, but believes the usefulness of this information given the magnitude of the security costs is a reasonable investment.

Introduction

Since April 2003, private sector companies and individuals, commonly known as private security contractors (PSCs), have provided physical security services to protect the personnel, facilities, and property of the U.S. government and its contractors, subcontractors, and other parties supporting the U.S. mission and military in Iraq. The National Defense Authorization Act for Fiscal Year 2008⁴ requires the Special Inspector General for Iraq Reconstruction (SIGIR) to develop a “comprehensive plan for a series of audits of contracts, subcontracts, and task and delivery orders...” relating to the performance of security and reconstruction functions in Iraq. SIGIR’s plan, entitled Comprehensive Plan for Audits of Private security Contractors to Meet the Requirements of Section 842 of Public Law 110-181, was issued on October XX, 2008. As part of this mandate, SIGIR reviewed available government data from seven contract and financial management data bases used by DoD, DoS, and USAID and other information on U.S.-funded PSCs providing security services to the U.S. government and its contractors and grant recipients in Iraq. This report presents the results of our review.

Background

The U.S. makes extensive use of private security contractors in Iraq. This represents a continuation of a trend that has seen the increasing growth of the use of private contractors to provide security as well as a variety of other functions in support of stabilization and reconstruction efforts. DoD and DoS, along with USAID, have primarily employed PSCs in Iraq through various types of direct contract actions and indirectly to PSCs engaged as subcontractors to organizations implementing reconstruction programs with U.S. government funds (including grants).⁵ DoD has used PSCs to provide security for movements of senior military officials, protection of military facilities, and protection of supply convoys traveling throughout Iraq. DoS PSCs provide security for the ambassador, other U.S. government officials working in Iraq under the authority of the ambassador, DoS facilities, and visiting Members of Congress and executive branch officials. USAID had its own contract to protect its personnel from 2003 to 2005, but since then DoS has provided security for USAID. All three agencies have also employed PSCs indirectly through reconstruction and support contracts. The Central Intelligence Agency, and the National Security Agency have also had direct contracts with PSCs.

The mission of PSCs includes providing physical security to protect the personnel, facilities, or property of the U.S. government, contractors, subcontractors, or third parties in Iraq. This is done by providing several types of services defined as:

- guard forces for fixed sites such as military bases, facilities, housing areas, and work sites (static)

⁴ Public Law No. 110-181, Section 842

⁵ The Federal Acquisition Regulation currently defines a contract as all types of written commitments that obligate the government to an expenditure of appropriated funds. In addition to bilateral instruments, contracts include delivery, task, job, or purchase orders; letter contracts; and contract modifications. For the purposes of this report, SIGIR is treating contracts and grants as equivalent obligating actions by the government.

- personal security details (PSD) for movements of high-ranking U.S., Iraqi, contractor, or other officials
- escorts for other personnel moving through Iraq (escort)
- escorts for vehicle convoys moving equipment and supplies through Iraq (convoy)
- security advice and planning (advice and planning)

Since the September 16, 2007, shooting incident in Baghdad involving Blackwater Worldwide, which resulted in the deaths of 17 Iraqi civilians, DoD and DoS have taken actions to improve oversight of PSCs in Iraq. These actions include signing a Memorandum of Agreement in 2007 to define the authority and responsibilities for the accountability and operations of U.S. PSCs in Iraq and publishing guidance implementing this agreement. The two agencies and USAID also signed a Memorandum of Understanding in July 2008 regarding oversight of all contractors, including PSCs, operating in Iraq and Afghanistan. This agreement extended the oversight responsibilities of DoD, DoS, and USAID for any subcontract at any tier on a contract lasting longer than 14 days and requires these agencies to populate a DoD-managed common database with information on contracts—and eventually grants—valued at more than \$100,000.

Section 842 of the National Defense Authorization Act for Fiscal Year 2008 required SIGIR to develop, in consultation with other cognizant inspector general agencies, a comprehensive plan for a series of audits of Federal agency contracts, subcontracts, and task and delivery orders for the performance of security and reconstruction functions in Iraq. This report is the first to be produced by SIGR under that mandate.

Objective

The objective for this report was to determine the extent to which federal agencies have systematically captured financial data for private security services in Iraq since 2003, and to attempt to identify the number of contracts and costs for private security services in Iraq from available data sources.

For a discussion of the audit scope and methodology, see Appendix A. For a list of Security Contractors and Identified Obligations, see Appendix B. For a list of acronyms used in this report, see Appendix C. For a list of the audit team members, see Appendix D.

Scope of Private Security Costs Is Large But Exact Data Remains Elusive

U.S. government agencies have not been required to identify security contract and subcontract related financial information, consequently this information is not readily available. SIGIR, working with the respective agencies and using other data sources, identified large numbers of contracts for private security services and associated financial data from available government information. As would be expected, SIGIR found gaps in the information which limited our ability to be able to confirm we had identified all providers of private security services and associated obligations and expenditures. These gaps make it difficult for U.S. agencies to determine security requirements and costs as the U.S. reconstruction effort develops from construction to capacity-building projects. This lack of information could become more problematic for decision-makers if the need for private security services were to increase for agencies such as DoS and USAID as U.S. forces continue withdrawing from Iraq.

Large Numbers of Contractors and High Costs for Private Security Services Identified from Available Data

As of September 26, 2008, SIGIR had identified 310 companies with direct contracts and subcontracts to provide security services to U.S. agencies, contractors supporting the military, or organizations implementing reconstruction programs for these agencies since 2003. SIGIR also identified almost \$6.0 billion in obligations associated with these contracts. This includes about \$4.8 billion in obligations for direct contracts with DoD, DoS, and USAID and also an additional \$1.2 billion in obligations for private security subcontractors to companies implementing reconstruction programs with U.S. government funds.

Seventy seven of these companies are private security contractors (PSC) providing physical security services such as guarding sites, escorting individuals and equipment convoys, and providing security advice and planning. These 77 companies accounted for almost 90 percent of the obligations. Of these, the top ten PSCs accounted for about 75 percent of the obligations. The remaining 233 had contracts to provide security services that could be for providing guards or escorts, but the descriptions of work were so general that they could be for other services such as providing network security. See appendix B for a listing of all 310 companies.

DoD, DoS, and USAID have obligated these funds from several appropriations accounts used for reconstruction activities in Iraq. The funds have been obligated primarily from the Iraq Relief and Reconstruction Fund, the Diplomatic and Consular Programs Fund, the Iraqi Security Forces Fund, the Economic Support Fund, and the military services' Operations and Maintenance accounts. However, agencies obligated money from multiple funds for many individual contracts for private security services. Funds have also been obligated from the Development Fund for Iraq (This fund was the primary financial vehicle to channel revenue from ongoing Iraqi oil sales, unencumbered Oil for food deposits, and repatriated Iraqi assets to the relief and reconstruction efforts for Iraq), Seized Assets, the Commander's Emergency Response Program, supplemental funding for Provincial Reconstruction Teams for Fiscal Year 2007, and the Iraq

Freedom Fund. Several contracts were funded from multiple accounts. Table 1 shows the breakout of obligations from these accounts by U.S. agency.

Table 1—Obligations of Reconstruction Funds for Private Security Contracts by Agency (\$ Millions)

No.	Fund Source	DoD^a	DoS^b	USAID^c	Total
1	Multiple Funds Used for Contract	\$712.0	\$1,443.3	\$493.8	\$2,649.1
2	Operations and Maintenance Account	1,150.1	0.0	0.0	1,150.1
3	Iraq Relief and Reconstruction Fund	310.7	422.4	127.1	860.2
4	Iraqi Security Forces Fund	244.1	254.5	0.0	498.6
5	Diplomatic and Consular Programs Fund	0.0	97.7	0.0	97.7
6	Economic Support Fund	67.6	0.0	14.7	82.3
7	Development Fund for Iraq (Iraqi funds)	71.9	0.0	0.0	71.9
8	Fiscal Year 2007 Supplemental	0.0	71.6	0.0	71.6
9	Seized Assets	16.8	0.0	0.0	16.8
10	Commander's Emergency Response Program	11.0	0.0	0.0	11.0
11	Iraq Freedom Fund	7.9	0.0	0.0	7.9
-	Fund Source Not Identified	331.2	0.0	105.1	436.3
Total		\$2,923.3	\$2,289.5	\$740.7	\$5,953.5

Source: SIGIR analysis of prior audit reports, current audits, and available agency data. Agency data was not audited.

Notes:

^a DoD data is as of September 26, 2008.

^b Dos data is as of July 31, 2008.

^c USAID data is as of March 31, 2008.

DoD, DoS, and USAID have obligated these funds for several types of security services. The agencies largest costs are for multi-service contracts, which generally may include personal security details, static security, and other services. DoD's second largest cost is for static security, about half of which is for protection of forward operating bases under a theater-wide internal security services contract. DoS primarily obligated funds through the Bureau of Diplomatic Security's Worldwide Personal Protection Services contract and for security for an Iraqi police training program managed by the Bureau of International Narcotics and Law Enforcement Affairs. Most of USAID's obligations for an indented service were for contracts with multiple services under subcontracts for organizations implementing USAID reconstruction programs through contracts and grants as USAID personnel have been protected under DoS' Worldwide Personal Protection Services contract since 2005. Table 2 shows the breakout of obligations for these services by U.S. agency.

Table 2—Obligations for Private Security Services by Agency (\$ Millions)

No.	Security Service	DoD ^a	DoS ^b	USAID ^c	Total
1	Multiple Services Provided	\$962.9	\$1,875.4	\$314.7	\$3,153.0
2	Static	893.4	414.1	108.5	1,416.0
3	Convoy	185.9	0.0	0.0	185.9
4	Personal Security Detail	163.3	0.0	7.4	170.7
5	A & P Advice and Planning	17.7	0.0	0.0	17.7
6	Escort	1.8	0.0	0.3	2.1
-	Security Service Not Identified	698.2	N/A	309.8	1,008.0
	Total	\$2,923.3	\$2,289.5	\$740.7	\$5,953.5

Source: SIGIR analysis of prior audit reports, current audits, and available agency data. Agency data was not audited.

Notes:

N/A = The amount obligated for security services under a contract associated with the company was not available

^a DoD data is as of September 26, 2008.

^b Dos data is as of July 17, 2008.

^c USAID data is as of March 31, 2008.

Need For Comprehensive Financial Data on Private Security Costs

Since there has been no requirement to track financial information for private security services, no federal procurement database comprehensively identifies contractors and the current financial data for their contracts. There are significant gaps in the agencies' financial information on PSCs as a result. Therefore, SIGIR compiled the information cited above from data provided by the agencies, current and prior audits, and other federal databases. As would be expected from this broader review of data sources, SIGIR was able to identify significant gaps in the agencies' data. Because of these gaps, SIGIR believes that the number of contractors and their associated costs are likely greater than we have identified thus far. The following information shows examples of the gaps SIGIR found:

- Of the 310 companies identified, 191 did not have obligations associated with their contracts in available databases for some type of security service. These include 183 companies with contracts with DoD, 7 with contracts with DoS, and one company with a contract with USAID. Therefore, financial information for these companies is not reflected in the total obligations above.
- The obligations data for 434 contract actions (427 with DoD, seven with DoS) represent the original amount awarded for the contract rather than the current obligations and disbursements because current data was not available. Consequently, 18 percent of the total obligations cited above are based on the original award amount rather current obligations. While the award value may equal the current amount obligated on recently awarded contracts, the value of a contract can increase significantly over time.
- The private security service was not identified for 582 contract actions.
- SIGIR did not receive data on the security costs for the construction of DoS' New Embassy Compound in Baghdad.

Information on PSC subcontracts to organizations implementing reconstruction programs is also not required to be captured by U.S agencies in financial or other databases. Neither the Federal Procurement Data System Next Generation⁶ nor U.S. agencies explicitly track the costs of those subcontracts because those costs are not direct government obligations. Finally, there are additional costs associated with providing security that are also relevant including procuring armored vehicles, hardening of office and employee residences, and prime contractor overhead expenses that are charged for security subcontracting. In addition, subcontract arrangements for reconstruction contracts can be very complex, with several tiers of subcontracts between the prime contractor and all of its subcontractors,⁷ and these arrangements cannot currently be tracked by U.S. contract and financial databases. Therefore, some prime contractors which may actually have subcontracts for security, could be listed as direct providers of security services. For example well known defense contractors such as General Dynamics and Raytheon are listed as PSCs in some DoD databases.

Despite this gap in capability, DoD published guidance in October 2005 to identify all PSCs at all tiers and DoS published guidance for prime contractors to identify costs for private security goods and services at all tiers on their invoices. Although SIGIR found that DoS and USAID can capture this information on an *ad hoc* basis by querying organizations implementing reconstruction activities, the three agencies have not maintained data on PSC subcontractors. However, SIGIR identified \$1.2 billion in subcontract costs for security from various data bases and other sources. This number is likely low given the limited data available on subcontracts. While not every contract action for reconstruction has a security component, SIGIR believes the total obligations for PSC subcontracts are likely much greater than those identified in this report.

Additionally, SIGIR believes the potential exists for security costs as a percentage of total contract costs to increase significantly as we continue to look more closely at contracts, subcontracts, and task orders. In 2006, SIGIR found that security costs ran between 7.6% and 16.7% for large-scale infrastructure construction projects.⁸ However, SIGIR's current analysis shows that security costs for capacity-building projects comprise a larger percentage of total contract costs than for construction contracts. For example, SIGIR found that USAID's security costs for 7 of 11 capacity-building contracts and grants ranged from 24% to 53%.

The absence of information on private security costs limits the basis for management decision-making to support future contracting decisions related to PSC's or for contracts that may require PSC support. With more accurate information, U.S. agencies could better plan and budget for non-construction projects and programs. They could also better determine whether the potential outcome and costs of a project warrants moving forward given the relative cost of security. As SIGIR has previously reported,⁹ U.S. agencies adopted a high-risk strategy with little emphasis

⁶ The Office of Federal Procurement Policy Act, as amended, 41 USC 401 et seq. requires the Administrator for Federal Procurement Policy to establish a computer-based Federal Procurement Data System for collecting, developing, and disseminating procurement data to the Congress, Executive Branch, and private sector.

⁷ On one contract, Bechtel had 168 known subcontractors at different tiers. Of these, three provided security and another eight provided security through additional subcontracts. See *Review of Bechtel's Spending Under Its Phase II Iraq Reconstruction Contract* (SIGIR-07-009, July 24, 2007).

⁸ *Fact Sheet on Major U.S. Contractor's Security Costs Related to Iraq Relief and Reconstruction Fund Contracting Activities* (SIGIR-06-044, January 30, 2007).

⁹ *Key Recurring Management Issues Identified in audits of Iraq Reconstruction Efforts* (SIGIR-08-020, July 27, 2008)

on determining whether a project's rewards were worth the risk or whether proper oversight of a project could be maintained. As a result, agencies pushed forward with reconstruction activities and experienced project failure and waste in some cases because security conditions were not properly analyzed and accounted for.

Better Information on PSCs Is Needed to Manage Costs and Requirements as the Role of U.S. Forces Changes

The withdrawal of U.S. forces could affect PSC requirements and costs. The administration has already withdrawn the majority of the forces used during the surge and plans to withdraw another 8,000 troops from Iraq by February 2009. To the extent additional U.S. forces are withdrawn, and depending on the level of continued U.S. civilian technical assistance missions that remain, PSCs may have to be called on to increase their services to offset the loss of capability normally provided by the military as part of its ongoing presence, according to PSC officials. PSCs currently rely on U.S. military forces for quick reaction forces as backup protection and medical evacuation in emergencies. In some cases, these U.S. military backup responsibilities are a part of the PSC contract. For example, in one contract with Aegis World the U.S. military is required to provide a means to request both a quick reaction force and medical evacuation capabilities. In commenting on a draft of this report, DoD states that it does not expect that PSCs will assume any responsibility for a broader role when military forces are withdrawn. The mission of DoD PSCs is, and will remain, strictly defensive in protecting persons, facilities, places, or supplies. Nonetheless, it is reasonable to assume that increased threat levels could require an increase in the level of defensive security services provided by DoD PSCs.

Without the benefit of these capabilities, PSCs may be called on to provide additional personnel, equipment, medical personnel, and additional weapons that the military now provides in daily operations in Iraq. Although the military funds these efforts through procurement and operations and maintenance accounts, the cost of the security the military provides to civilian agencies and contractors is not easily quantifiable. While any increase in PSC requirements will be based on several factors, including the location of the security work and the future security environment, PSC officials agreed that acquiring these types of capabilities will increase the costs of future contracts.

This could be of great concern for Provincial Reconstruction Teams, whose security has been a significant concern. These teams have been important because they provide grassroots support in the development of local provincial governments' abilities to govern, increase security and rule of law, and promote political and economic development among other objectives. SIGIR found that because of security concerns, face-to-face meetings between provincial government officials and team personnel were often limited and, in some cases did not occur at all. The security challenges have limited the teaching, coaching, and mentoring that form the core of the teams' capacity-development mission. Security officials with the U.S. Embassy expressed concern for the overall physical safety of unarmed civilians and cautioned that the security situation could deteriorate as coalition forces withdraw and turn over areas to the Iraqi government. To the extent such teams or other technical assistance teams remain requirements for private security services could increase. Moreover, understanding these costs is also important in planning for other ongoing or future contingency operations.

Consistent with our current concern over rising security costs, DoS and USAID officials stated that these costs have increased for several reasons. First, with reduced violence has come an increase in mobility for their personnel into areas where travel had been previously prohibited and they are spending more time working with Iraqis in their villages and cities. Second, concurrent with the military surge, DoS and USAID officials said the agency also placed more resources and personnel into Iraq including their grant partners. However, even with the reduced level of violence, U.S. civilians continue to require private security contractor support for all trips outside of U.S. military secured areas. Third and finally, USAID officials pointed out that protection of these teams cost inordinately more as a percentage of the total costs of their grants than would be the case for providing static security around their large construction project sites that have now been largely completed. DoD officials told us that as troop levels are reduced their overall need for private security services would decrease. Multinational Force Iraq (MNF-I) stated that costs for private security services have generally declined over the past year.

Conclusions, Recommendations, and Lesson Learned

Conclusions

Given the significant cost of security services for reconstruction activities and the overall number of PSCs used in Iraq, it is critical that U.S agencies engaged in reconstruction activities have accurate financial information and a complete understanding of how funds are spent on security services. In particular, a better understanding of how security costs impact total contract costs is essential to plan for other ongoing and future contingency operations involving reconstruction projects. In addition, and more importantly, to the extent the United States continues drawing down its forces in Iraq, but maintains a large contingent of civilians working in Iraq on reconstruction and capacity building activities, costs for private security contractors in Iraq could increase.

Recommendations

SIGIR recommends that the Secretaries of Defense and State and the Administrator, USAID, take the following actions:

1. Develop processes for routinely capturing financial information for all contracts and subcontracts for private security services. This should also include such ancillary costs as government furnished equipment and hardening of offices.
2. Direct program managers to consider the costs of security relative to the expected benefits for all new projects.
3. Identify security costs at the subcontractor level for all new projects.

Lesson Learned

The high costs associated with providing security for U.S. personnel in Iraq were not readily apparent at the beginning of reconstruction activities in 2003. Further, because there was no requirement to track these costs, it was not completely clear for several years that security costs were consuming large portions of reconstruction budgets. However, it is now clear that these costs were extremely high. As a result, SIGIR believes that an important lesson learned from the Iraq experience is the need to include security costs in decision-making when engaging in and contracting for reconstruction activities in any contingency operation including Afghanistan.

Management Comments and Audit Response

We provided a draft of this report to the Departments of State and Defense, the U.S. Agency for International Development and the Multinational Force-Iraq. The U.S. Agency for International Development and the Multinational Force-Iraq provided technical comments, which we incorporated where appropriate. The Department of State did not provide comments on this report. The Department of Defense provided written comments that are addressed in the report where applicable, and a copy of their response is included in the Management Comments section of this report.

DoD agreed with SIGIR's recommendation to direct program managers to consider the costs of security relative to the expected costs and benefits associated with all new projects.

However, DoD did not agree with SIGIR's recommendation to develop processes for routinely capturing financial information for all contracts and subcontracts for private security services, citing FAR 15.403-1(b)(2) as prohibiting it (in a subsequent communication, DoD stated that the proper cite should be FAR 15.403-1(a)) rather than the initial one cited in their written response. DoD also did not agree with SIGIR's recommendation to identify security costs at the subcontractor level for all new projects for the same reasons. In support of its argument, DoD states that the FAR states that contracting officers shall not require submission of cost or pricing data to support any action when prices are agreed to based on adequate competition. Nevertheless, DoD did indicate that it would assess the legality and feasibility of adding a requirement in the Defense Acquisition Register Supplement for price of security to be included in a separate contractor line item number with the understanding that this would place an additional burden on DoD's already limited acquisition resources.

SIGIR does not agree that the FAR precludes DoD from obtaining the financial information needed to implement the SIGIR recommendations. The FAR requirements regarding cost and pricing data are designed to assure that a contracting officer is obtaining a fair and reasonable price when negotiating with a prospective contractor. SIGIR's recommendation is not directed at the price negotiation process and therefore this section of the FAR does not apply.

The SIGIR recommendation suggests that DoD include in its solicitations, a requirement that contractors provide security cost estimates in their proposals and that expenditure data be maintained and provided to DoD contracting and program management officials upon request. This is permissible under the FAR. SIGIR agrees that there may be some cost associated with implementing this recommendation, but believes the usefulness of this information given the magnitude of the security costs is a reasonable investment.

Appendix A—Scope and Methodology

SIGIR initiated this project in February 2008 (Project 8016) to address a mandate in Section 842 of the National Defense Authorization Act for 2008 requiring SIGIR to develop and carry out, in consultation with other audit agencies, a comprehensive plan of audits of private security functions in Iraq.

To determine the extent to which federal agencies have systematically captured the costs for private security services in Iraq since 2003, SIGIR met with officials from DoD, DoS, and USAID to identify and understand potential sources of data on PSC contract actions. SIGIR noted that agencies were not required to capture PSC financial data and that no single government source of information contained complete data on PSC contracts. Therefore, SIGIR requested and obtained all available information on private security services contained in several databases from several DoD and DoS components and USAID. We also collected additional information from DoS and USAID, which they collected from contractors and grant recipients to address our data request.

To identify contracts and financial information, agency-provided data and data from current and prior audits were compiled by providers of security services. Costs in terms of the original award, current obligations, and expenditures were also identified for each contract. DoD information included data on the original award, whereas DoS and USAID information included current obligations and expenditures. Where available, cost data was updated from SIGIR's July 2008 *Quarterly and Semiannual Report to the Congress*.

Given the differences in how data are captured by the agencies, and because a contract award creates an obligation, we chose to identify and discuss obligations in the report. The security service provided under each contract was also identified in the process if this information was available. With the exception of information included in prior audits and ongoing audits of Blackwater Worldwide, Aegis Defence Services Ltd. and RTI International SIGIR did not independently verify the financial data provided.

There were limitations in the available data. Because the agencies have not been required to and do not track and aggregate current financial data for security contracts, SIGIR could not identify costs for 191 companies with contracts to provide security services. Additionally, 18 percent of the total obligations SIGIR identified for DoD are for the original award amount rather than the current obligation amount. This is particularly important because contracts are frequently amended and the actual amounts obligated and expended can differ from the original award. Also, financial data on subcontracts to prime contractors implementing reconstruction programs is limited. DoD, DoS, and USAID are not required to track subcontractor costs in general and do not do so for security. As a result, data for subcontracts for private security was limited.

To understand the impact of the drawdown of U.S. forces on security costs and requirements, SIGIR met with several officials from two of the larger PSC firms. We obtained their views on current and future cost drivers and the future security environment in Iraq. We also discussed this issue with agency officials.

We performed our work in Arlington, Virginia, and Baghdad, Iraq. We performed the audit for this report under authority of Public Law 108-106, as amended, which also incorporates the duties and responsibilities of inspectors general under the Inspector General Act of 1978, as amended. We conducted this performance audit from February through October 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our results based on our audit objectives. Based on those objectives, we believe that the evidence obtained provides a reasonable basis for our results.

Internal Controls

To achieve the assignment's objective we identified agency processes for tracking and managing financial information on private security contractors but did not specifically evaluate those processes. To test the accuracy of the agency data provided, we identified different sources of agency information and other federal procurement data to verify the information for accuracy and completeness where possible. Our assessment focused on the opportunity to enhance financial reporting to support decision-making.

Reliability of Data from Computer-Based Systems

To perform this audit, SIGIR extensively used financial and other information from seven U.S. government contract databases, financial management systems, and other management information systems. These systems are:

- DoD – U.S. Army Corps of Engineers Financial Management System, Synchronized Predeployment and Operational Tracker, Joint Contingency Contracting System, Civilian Arming Database
- DoS – Integrated Logistics Management System, Global Financial Management System
- USAID – Phoenix System
- FPDS-NG – Federal Procurement Data system – Next Generation

We did not independently verify the internal controls of the data contained in these systems. Instead we relied on prior audit reports and agency official's process for verifying data in the system and compiling data for SIGIR use. Although our review indicated limitations in the data's completeness, officials from DoD, DoS, and USAID stated that these systems contained the data on PSC contracts and obligations and expenditures. Therefore SIGIR determined the data contained in these systems are the best available for purposes of our review.

Compliance with Laws and Regulations

A review of agency compliance with laws and regulations was not applicable to this review and therefore was not performed.

Prior Coverage

To identify PSCs and security costs, we reviewed the following reports and relied on them in conducting our review:

- *Private Security Contractors in Iraq: Background, Legal Status, and Other Issues* (Congressional Research Service, August 25, 2008)
- *Contractors' Support of U.S. Operations in Iraq* (Congressional Budget Office, August 2008)
- *Quarterly Reports to Congress* (SIGIR, July 30, 2003 through July 30, 2008)
- *Key Recurring Management Issues Identified in Audits of Iraq Reconstruction Efforts* (SIGIR-08-020, July 27, 2008)
- *Rebuilding Iraq: DoD and State Department Have Improved Oversight and Coordination of Private Security Contractors in Iraq, but Further Actions Are Needed to Sustain Improvements* (GAO-08-966, July 2008)
- *Outcome, Cost, and Oversight of Electricity-Sector Reconstruction Contract with Perini Corporation* (SIGIR-08-011, April 29, 2008)
- *Defense Management: DoD Needs to Reexamine Its Extensive Reliance on Contractors and Continue to Improve Management and Oversight* (GAO-08-572T, March 2008)
- *Independent Auditor's Report on the Fiscal Year 2007 and U.S. Army Corps of Engineers, Civil Works, Financial Statements* (Department of Defense: Office of the Inspector General, March 31, 2008)
- *Military Operations: Implementation of Existing Guidance and Other Actions Needed to Improve DoD's Oversight and Management of Contractors in Future Operations* (GAO-08-436T, January 24, 2008)
- *Differences in Services and Fees for Management and Administration of Iraq Reconstruction Contracts* (SIGIR-08-005, January 29, 2008)
- *Outcome, Cost, and Oversight of Iraq Reconstruction Contract W91NS-04-D-0006* (SIGIR-08-010, January 29, 2008)
- *Efforts to Implement a Financial Management Information System in Iraq* (SIGIR-08-007, January 25, 2008)
- *Federal Acquisition: Oversight Plan Needed to Help Implement Acquisition Advisory Panel Recommendations* (GAO-08-160, December 2007)

- *Independent Auditor's Report on the U.S. Department of State's 2007 and 2006 Financial Statements* (Department of State: Office of the Inspector General Report AUD/FM-08-15, November 15, 2007)
- *Audit of the USAID's Financial Statements for Fiscal Years 2007 and 2006* (USAID Office of the Inspector General, Audit Report Number 0-000-08-001-C, November 14, 2007)
- *Controls Over Unliquidated Obligations in the Iraq Relief and Reconstruction Fund* (SIGIR-07-011, October 23, 2007)
- *Review of the Effectiveness of the Provincial Reconstruction Team Program in Iraq* (SIGIR-07-015, October 18, 2007)
- *Review of Bechtel's Spending Under Its Phase II Iraq Reconstruction Contract* (SIGIR-07-009, July 24, 2007)
- *Rebuilding Iraq: Reconstruction Progress Hindered by Contracting, Security, and Capacity Challenges* (GAO-07-0426T, February 2007)
- *Follow-Up of USAID/Iraq's Education Activities* (USAID Office of the Inspector General E-267-07-003-P, February 4, 2007)
- *Review of Iraq Relief and Reconstruction Fund Unmatched Disbursements* (SIGIR-06-043, January 30, 2007)
- *Fact Sheet on Major U.S. Contractors' Security Costs Related to Iraq Relief and Reconstruction Fund Contracting Activities* (SIGIR-06-042, SIGIR-06-044, January 30, 2007)
- *Military Operations: High Level DoD Action is Needed to Address Long-standing Problems with Management and Oversight of Contractors Supporting Deployed Forces* (GAO-07-145, December 2006)
- *Report on the Audit of USAID's Financial Statements for Fiscal Years 2006 and 2005* (USAID Office of the Inspector General, Audit Report Number 0-000-07-001-C, November 15, 2006)
- *Audit of USAID/Iraq's Civil Society Activities* (USAID Office of the Inspector General Audit Report Number E-267-07-001-P, November 5, 2006)
- *Rebuilding Iraq: Status of Competition for Iraq Reconstruction Contracts* (GAO-07-40, October 2006)
- *Review of Advanced First Responder Network* (SIGIR-06-020, July 28, 2006)

- *Rebuilding Iraq: Actions Still Needed to Improve the Use of Private Security Providers* (GAO-06-865T, June 13, 2006)
- *Review of Task Shield Programs* (SIGIR-06-009, April 28, 2006)
- *Challenges Faced In Carrying Out Iraq Relief and Reconstruction Fund Activities* (SIGIR-05-029, January 26, 2006)
- *Management of the Mansuria Electrical Reconstruction Project* (SIGIR-05-024, January 23, 2006)
- *Audit of USAID/Iraq's Basic Education Activities* (USAID Office of the Inspector General E-267-06-001-P, December 20, 2005)
- *Rebuilding Iraq: Actions Needed to Improve the Use of Private Security Providers* (GAO-05-737, July 2005)
- *Agreed-Upon Procedures Review of Daily Direct Labor, Aerial Support Equipment and Indirect Expense Rates Proposed by Blackwater Security Consultants, Incorporated, Contractor's Accounting System & Timekeeping Procedures* (Department of State Office of the Inspector General AUD/IQO-05, January 2005)
- *Audit of USAID's Compliance with Federal Regulations in Awarding the Contract for Security Services in Iraq to Kroll Government Services International, Inc.* (USAID Office of the Inspector General A-267-05-005-P, January 6, 2005)
- *Audit of USAID/Iraq's Economic Reform Program* (USAID Office of the Inspector General E-266-04-004-P September 20, 2004)
- *Rebuilding Iraq: Fiscal Year 2003 Contract Award Procedures and Management Challenges*, (GAO-04-605, June 1, 2004)

Appendix B—Security Contractors and Identified Obligations

Tables 3 and 4 list the 310 contractors we identified from multiple data sources that provided or are providing private security services. Table 3 shows direct contract actions (Direct), subcontracts (Sub), and total obligations for PSCs by U.S. agencies since 2003. Table 4 shows direct contract actions (Direct), subcontracts (Sub), and total obligations for contractors providing all private security services by U.S. agencies since 2003. These services could be for providing guards or escort, but the descriptions of work were so general that they could be for other services such as providing network security.

As many contractors have merged or changes their names over time, SIGIR used a naming convention to reflect the current name of the company where this information was available. For example, any contract for Blackwater Lodge & Training or Blackwater USA is included in the total obligations for Blackwater Worldwide. Similarly, any contract for PWC Logistics is counted in the total for Agility Logistics. However, subsidiaries of parent corporations that are listed in U.S. agency databases with distinct contracts from their parent organizations are listed separately. For example, L-3 Communications owns Military Professional Resources Inc. (MPRI), but these companies are identified in DoD databases individually with different contracts actions. Therefore, they are listed as separate companies in Tables 4 and 5.

Table 3—Total Obligations for Contractors with Direct Contracts or Subcontracts for Private Security Contractors (PSCs) by U.S. Agency since 2003 (\$ Millions)

No.	Contractor Name	Direct	Sub	DoD	DoS	USAID	Total
1	Blackwater Worldwide	7	2	\$27.740	\$1,147.020	\$31.290	\$1,206.050
2	Aegis Defence Services LTD.	19	2	798.621	0	0	798.621
3	DynCorp International LLC	10	3	31.428	659.220	0	690.647
4	Triple Canopy, Inc.	35	0	106.932	422.233	0.291	529.455
5	EOD Technology, Inc. (EODT)	295	0	328.665	0	0	328.665
6	Sabre International Security	25	3	225.816	0	58.666	284.482
7	Special Operations Consulting-Security Management Group (SOC-SMG)	35	2	271.856	0	0	271.856
8	Agility Logistics	23	0	183.030	0	0	183.030
9	Unity Resources Group	0	2	0	50.000	92.951	142.951
10	ArmorGroup	22	7	91.558	0	46.088	137.646
11	Erinys International	3	8	108.159	0	0	108.159
12	Sallyport Global Holdings	0	3	0	0	101.526	101.526
13	Global Strategies Group	7	1	83.797	0	0	83.797
14	Garda World	0	4	0	0	74.701	74.701
15	Kroll Associates, Inc.	2	2	8.969	0	38.386	47.355
16	MVM	21	0	38.382	0	0	38.382
17	US Investigations Services (USIS)	10	0	35.511	0	0	35.511
18	Vance Global	0	1	0	0	31.255	31.255

No.	Contractor Name	Direct	Sub	DoD	DoS	USAID	Total
19	Falcon Group	8	0	29.289	0	0	29.289
20	Hart Group	4	1	26.264	0	0	26.264
21	Olive Group FZ LLC	13	8	17.603	0	0	17.603
22	Control Risks Group	8	3	17.213	0	0	17.213
23	Custer Battles	1	0	16.840	0	0	16.840
24	CSS Global, Inc.	112	0	15.016	0	0	15.016
25	Total Defense Logistics	13	0	12.710	0	0	12.710
26	Iraqi Contractor #4	0	1	0	10.800	0	10.800
27	Reed Incorporated	8	0	9.235	0	0	9.235
28	Universal Security	86	0	8.523	0	0	8.523
29	Edinburgh International	2	2	4.989	0	0	4.989
30	Raymond Associates	5	0	4.944	0	0	4.944
31	BLP	1	0	4.185	0	0	4.185
32	Rover Global Services. Ltd (RGS Logistics)	46	0	3.883	0	0	3.883
33	ISI Group	1	3	3.838	0	0	3.838
34	Securiforce International	73	0	3.408	0	0	3.408
35	SAL Risk Group Ltd.	63	0	1.861	0	0	1.861
36	American-Iraqi Life Support Solutions	1	0	1.614	0	0	1.614
37	Sandi Security Company	1	0	1.575	0	0	1.575
38	Panalpina	0	1	0	0	1.137	1.137
39	Blue Hackle Middle East	3	25	0.904	0	0	0.904
40	Overseas Security & Strategic Information	2	0	0.781	0	0	0.781
41	Threat Management Group	2	0	0.500	0	0	0.500
42	BH Defence	1	0	0.179	0	0	0.179
43	Iraqi Contractor #1	0	1	0	0.119	0	0.119
44	Iraqi Contractor #3	0	1	0	0.054	0	0.054
45	Tetra International LLC	3	1	0.053	0	0	0.053
46	Iraqi Contractor #6	0	1	0	0.047	0	0.047
47	Iraqi Contractor #2	0	1	0	0.034	0	0.034
48	Danubia Global	1	0	0.010	0	0	0.010
49	Iraqi Contractor #5	0	1	0	0.008	0	0.008
50	Peak Group Inc.	1	0	0.005	0	0	0.005
51	Cochise Consultancy Inc.	1	0	0	0	0	0
52	ECC International (ECCI)	1	1	N/A	0	0	0
53	Operations Support Technologies	1	0	N/A	0	0	0
54	OSSI-Safenet Security Services	2	9	N/A	0	0	0
55	Janusian Security Risk Management Ltd.	1	0	N/A	0	0	0
56	Paratus World Wide Protection	1	0	N/A	0	0	0
57	Pesh - Kurdistan Army	1	0	N/A	0	0	0
58	Pilgrims Group Ltd	1	0	N/A	0	0	0
59	Iraqi Contractor #28	0	0	N/A	0	0	0
60	Askar Security Svcs	2	14	N/A	0	0	0
61	Ronco Consulting Corporation	1	0	N/A	0	0	0
62	Innovative Technical Solutions, Inc. (ITSI)	2	0	N/A	0	0	0

No.	Contractor Name	Direct	Sub	DoD	DoS	USAID	Total
63	Rubicon International Services	1	0	N/A	0	0	0
64	Safe Security Limited (SSL)	1	0	N/A	0	0	0
65	Babylon Gates	1	0	N/A	0	0	0
66	TOIFOR	12	1	N/A	0	0	0
67	Ellis World Alliance Corp. (EWAC)	1	0	N/A	0	0	0
68	Britam Defence, Ltd.	1	0	N/A	0	0	0
69	Burhan Security Services	2	0	N/A	0	0	0
70	Wamar International, Inc	0	0	N/A	0	0	0
71	Whitestone Group, Inc.	1	0	N/A	0	0	0
72	Greystone Ltd	0	1	N/A	0	0	0
73	Centurion Risk Assessment Ltd	1	0	N/A	0	0	0
74	Lakeshore Engineering Svc, Inc.	1	0	N/A	0	0	0
75	Iraqi Contractor #7	0	1	N/A	0	0	0
76	Unity Logistics And Security	1	0	N/A	0	0	0
77	DS Vance Iraq	1	0	N/A	0	0	0
Total				\$2,525.890	\$2,289.530	\$476.290	\$5,291.710

Source: SIGIR analysis of prior audit reports, current audits, and available agency data. Agency data was not audited.

Notes:

N/A = The amount obligated for security services under a contract associated with the company was not available

^a DoD data is as of September 4, 2008.

^b Dos data is as of July 31, 2008.

^c USAID data is as of March 31, 2008.

Table 4—Total Obligations for Contractors with Direct Contracts or Subcontracts for Private Security Services by U.S. Agency since 2003 (\$ Millions)

No.	Contractor Name	Direct	Sub	DoD	DoS	USAID	Total
1	Parsons Brinckerhoff, Inc.	1	0	79.635	0	0	79.635
2	ASRC Airfield and Range Services (ASARS)	1	0	42.800	0	0	42.800
3	Iraqi Contractor #10	0	0	15.411	0	0	15.411
4	Science Applications International Corporation (SAIC)	20	15	5.246	0	9.980	15.226
5	General Electric International	0	1	0	0	9.980	9.980
6	Kuehne and Nagel	0	1	0	0	9.980	9.980
7	Al-Bahar and Bardawil Specialties	0	1	0	0	9.980	9.980
8	General Electric Company (GE)	0	1	0	0	9.980	9.980
9	Weir Engineering Services	0	1	0	0	9.980	9.980
10	MID-Contracting	0	1	0	0	9.980	9.980
11	Asea Brown Boveri	0	1	0	0	9.980	9.980
12	Iraqi Contractor #11	0	0	8.383	0	0	8.383
13	Golden Company	19	0	7.898	0	0	7.898
14	American Science and Engineering	1	0	7.550	0	0	7.550
15	Apptis Inc	1	0	7.041	0	0	7.041
16	GW Consulting	0	3	6.368	0	0	6.368
17	Iraqi Contractor #9	1	0	4.999	0	0	4.999
18	Iraqi Contractor #12	0	0	4.745	N/A	0	4.745
19	Iratrac	1	0	3.006	0	0	3.006
20	ALMCO	4	0	2.818	0	0	2.818
21	LINC International	1	0	2.804	0	0	2.804
22	Motorola Joint Venture (AIEE)	5	0	2.513	0	0	2.513
23	Dobeshtic International	0	1	2.360	0	0	2.360
24	SoS International, Ltd.	1	1	2.336	0	0	2.336
25	Proactive Communications Inc.	2	0	2.278	0	0	2.278
26	Armor Holdings, Inc.	2	0	1.934	0	0	1.934
27	Iraqi Contractor #13	0	0	0	0	1.884	1.884
28	Mercury Development	1	0	1.880	0	0	1.880
29	Iraqi Contractor #14	0	0	1.684	0	0	1.684
30	Minetech International	4	0	1.590	0	0	1.590
31	Iraqi Contractor #15	0	0	0.991	0	0	0.991
32	Iraqi Contractor #16	0	0	0.887	0	0	0.887
33	Banah Group	1	0	0.816	0	0	0.816
34	Winter Travel Company	2	0	0.650	0	0	0.650
35	Iraqi Contractor #17	0	0	0.627	0	0	0.627
36	Iraqi Contractor #18	0	0	0.575	0	0	0.575
37	Northrop Grumman	1	0	0.438	0	0	0.438
38	Iraqi Contractor #19	0	0	0.409	0	0	0.409
39	Great American Networks, Inc	1	0	0.398	0	0	0.398
40	77 Construction & Trading	5	0	0.395	0	0	0.395
41	Military Professional Resources Inc. (MPRI)	4	1	0.291	0	0	0.291

No.	Contractor Name	Direct	Sub	DoD	DoS	USAID	Total
42	Makeen Tech Corporation	1	0	0.288	0	0	0.288
43	Water Wheel Construction Company	1	0	0.287	0	0	0.287
44	Iraqi Contractor #20	0	0	0.240	0	0	0.240
45	HSS Engineering Aps	1	0	0.236	0	0	0.236
46	Spectrum Worldwide LLC	1	1	0.234	0	0	0.234
47	Comtech Mobile Datacom Corporation	1	0	0.165	0	0	0.165
48	Treasure Trust Company Ltd.	1	0	0.149	0	0	0.149
49	Iraqi Contractor #21	0	0	0.147	0	0	0.147
50	Iraqi Contractor #8	1	0	0.143	0	0	0.143
51	E.C.C. Engineering Consultant Co., Ltd	2	0	0.138	0	0	0.138
52	Horizon Light Co	1	0	0.137	0	0	0.137
53	Rose Company	1	0	0.112	0	0	0.112
54	Babylonia Company	1	0	0.108	0	0	0.108
55	Aardvark Tactical, Inc.	1	0	0.087	0	0	0.087
56	Super Star Army Company	1	0	0.079	0	0	0.079
57	Gulf Company	1	0	0.073	0	0	0.073
58	Iraqi Contractor #22	0	0	0.065	0	0	0.065
59	Iraqi Contractor #23	0	0	0.047	0	0	0.047
60	Iraqi Contractor #24	0	0	0.036	0	0	0.036
61	Armament Systems and Procedures	1	0	0.032	0	0	0.032
62	Iraqi Contractor #25	0	0	0.027	0	0	0.027
63	Said Contracting	1	0	0.026	0	0	0.026
64	ADS Inc	1	0	0.021	0	0	0.021
65	SkyLink (Arabia)	2	0	0.018	0	0	0.018
66	Arkel International	1	0	0.016	0	0	0.016
67	Securimetrics	1	0	0.010	0	0	0.010
68	Iraqi Contractor #26	0	0	0.006	0	0	0.006
69	Night Galaxy	1	0	0.003	0	0	0.003
70	Taylor Security & Loc Co., Inc	1	0	0.001	0	0	0.001
71	NAE	0	1	0	0	0	0
72	COP	0	2	0	0	0	0
73	NCL	1	0	0	0	0	0
74	ILEX Systems, Inc.	0	2	0	0	0	0
75	NEK Advanced Securities Group	1	0	N/A	0	0	0
76	Telesis Corp.	0	2	N/A	0	0	0
77	API Industries	0	3	N/A	0	0	0
78	Iraqi Contractor #33	0	0	N/A	0	0	0
79	Espial Services, Inc.	0	1	N/A	0	0	0
80	Exponent Inc.	1	0	N/A	0	0	0
81	Iraqi Contractor #39	0	0	N/A	0	0	0
82	OIWI	1	0	N/A	0	0	0
83	Raman International, Inc.	0	1	N/A	0	0	0
84	US Falcon, Inc	0	1	N/A	0	0	0
85	Iraqi Contractor #38	0	0	N/A	0	0	0

No.	Contractor Name	Direct	Sub	DoD	DoS	USAID	Total
86	Burj Al Emaar Co	0	1	N/A	0	0	0
87	FOB Shank ASG	2	0	N/A	0	0	0
88	Dynetics, Inc.	0	2	N/A	0	0	0
89	GMECI	0	1	N/A	0	0	0
90	Arrowhead Global Solutions	1	0	N/A	0	0	0
91	Jacobs	3	0	N/A	0	0	0
92	Parsons Infrastructure & Technology	1	0	N/A	0	0	0
93	LSI	0	1	N/A	0	0	0
94	Passman Company	1	0	N/A	0	0	0
95	Oberon Associates, Inc.	0	1	0	N/A	0	0
96	Air Cargo Carriers	1	0	N/A	0	0	0
97	Stanley Associates, Inc.	0	1	N/A	0	0	0
98	Toccoa Ins.	0	1	N/A	0	0	0
99	Iraqi Contractor #40	0	0	N/A	0	0	0
100	Praemittias	1	0	N/A	0	0	0
101	L-3 Communications	1	8	N/A	0	0	0
102	Emerge International	0	1	N/A	0	0	0
103	PSS	1	1	0	N/A	0	0
104	Bennett & Fouch Associate	0	3	N/A	0	0	0
105	QIT Co.	3	1	N/A	0	0	0
106	Centurum	0	1	N/A	0	0	0
107	AECOM Government Services (AGS)	1	0	N/A	0	0	0
108	DAMAC	0	1	N/A	0	0	0
109	Eastern Company	0	1	N/A	0	0	0
110	Raytheon	2	3	N/A	0	0	0
111	Global Freight	0	4	N/A	0	0	0
112	HKA	0	1	N/A	0	0	0
113	IGT&C	1	0	N/A	0	0	0
114	Asmar ASG	1	0	N/A	0	0	0
115	JIL IT Consulting and SVC	0	1	N/A	0	0	0
116	Leadstay	0	1	N/A	0	0	0
117	Iraqi Contractor #37	0	0	N/A	0	0	0
118	MED	0	4	N/A	0	0	0
119	Iraqi Contractor #29	0	0	N/A	0	0	0
120	NCI Information Systems,	1	0	N/A	0	0	0
121	PMA Services, Ltd.	0	1	N/A	0	0	0
122	Iraqi Contractor #30	0	0	N/A	0	0	0
123	Serco, Inc.	0	1	0	N/A	0	0
124	Ideas to Solutions	1	0	0	N/A	0	0
125	Sys Products & Solutions	0	2	N/A	0	0	0
126	General Atomics	1	0	N/A	0	0	0
127	Tiger Swan (TSI)	0	2	N/A	0	0	0
128	SATTRUCK	1	0	N/A	0	0	0
129	TRIRINSE	0	1	N/A	0	0	0
130	Iraqi Contractor #27	0	0	N/A	0	0	0
131	VSE Corp.	0	1	N/A	0	0	0
132	CH2M Hill, Inc.	1	0	N/A	0	0	0

No.	Contractor Name	Direct	Sub	DoD	DoS	USAID	Total
133	Environmental Chemical Co	17	1	N/A	0	0	0
134	Computer Science Corporation (CSC)	2	3	N/A	0	0	0
135	Iraqi Contractor #36	0	0	N/A	0	0	0
136	Cubic Corporation	1	0	N/A	0	0	0
137	SM Consulting, Inc.	1	0	N/A	0	0	0
138	Lockheed Martin	1	0	0	N/A	0	0
139	BAE Systems PLC	1	0	N/A	0	0	0
140	ANHAM Joint Venture	0	4	N/A	0	0	0
141	General Dynamics	1	1	N/A	0	0	0
142	Areebel Co.	1	0	N/A	0	0	0
143	Iraqi Contractor #32	0	0	N/A	0	0	0
144	Bioban	0	1	N/A	0	0	0
145	SSSI	1	0	N/A	0	0	0
146	CARD	0	1	N/A	0	0	0
147	Streit Manufacturing Inc.	1	0	N/A	0	0	0
148	CHS	0	1	N/A	0	0	0
149	AMEC	1	0	N/A	0	0	0
150	Corner Research Group	0	1	N/A	0	0	0
151	TAMSCO, Inc.	1	1	N/A	0	0	0
152	Dataline	0	1	N/A	0	0	0
153	TATE, Inc.	1	0	N/A	0	0	0
154	E2M	0	1	N/A	0	0	0
155	FP	0	1	N/A	0	0	0
156	ESP	0	3	N/A	0	0	0
157	FTI	0	1	N/A	0	0	0
158	GFS	0	1	N/A	0	0	0
159	Fundamentals	0	1	N/A	0	0	0
160	Afghan Security Guards	1	0	N/A	0	0	0
161	Ghaya Group	0	1	N/A	0	0	0
162	TJFIG, Inc.	1	0	N/A	0	0	0
163	Global Operational Resources Group (GORGrp)	0	10	N/A	0	0	0
164	Gutierrez-Palmenberg, Inc	0	2	N/A	0	0	0
165	Toledo Knights Company	1	0	N/A	0	0	0
166	Honeywell Technology Solutions Inc. (HTSI)	0	4	N/A	0	0	0
167	AEGIS Mission Essential Personnel, LLC	1	0	0	N/A	0	0
168	IMG	0	1	N/A	0	0	0
169	Town Care Company	1	0	0	N/A	0	0
170	INTECON, LLC	0	1	N/A	0	0	0
171	Golden State Group	3	0	0	N/A	0	0
172	JB Management, Inc	0	1	N/A	0	0	0
173	Blackbird Technologies Inc.	1	0	N/A	0	0	0
174	JTSI, Inc.	0	1	N/A	0	0	0
175	Iraqi Contractor #31	0	0	N/A	0	0	0
176	Kufan Group	0	1	N/A	0	0	0
177	Louis Berger Group	1	0	N/A	0	0	0

No.	Contractor Name	Direct	Sub	DoD	DoS	USAID	Total
178	ManTech Intl Corp.	0	4	N/A	0	0	0
179	USA Environmental	1	0	N/A	0	0	0
180	Microsoft Corp	0	1	N/A	0	0	0
181	National Logistics, Est.	0	1	N/A	0	0	0
182	VCE	0	7	0	0	N/A	0
183	Oak Grove	0	1	N/A	0	0	0
184	Wackenhut Corporation	1	1	N/A	0	0	0
185	Perini Corp.	1	0	N/A	0	0	0
186	PPI	0	1	N/A	0	0	0
187	Wave Technologies, Inc.	1	0	N/A	0	0	0
188	SBSI	0	1	N/A	0	0	0
189	CACI International, Inc.	2	0	N/A	0	0	0
190	Sikorsky Aircraft Corp.	1	0	N/A	0	0	0
191	Dynamic Aviation	2	1	N/A	0	0	0
192	Stanley Baker Hill, LLC.	1	0	N/A	0	0	0
193	Wexford Group International	1	0	N/A	0	0	0
194	Techrizon, LLC.	0	1	N/A	0	0	0
195	Thales ATM Inc	0	1	N/A	0	0	0
196	Whitney, Bradley and Brown (WBB)	1	0	N/A	0	0	0
197	Tigris Net LTD	0	1	N/A	0	0	0
198	Wintara-Salihi Group Inc.	1	0	N/A	0	0	0
199	Torres Advanced	0	6	N/A	0	0	0
200	TSG	0	1	N/A	0	0	0
201	Zel Technologies, LLC	1	0	N/A	0	0	0
202	USF	0	1	N/A	0	0	0
203	CCP	0	1	N/A	0	0	0
204	Iraqi Contractor #41	0	0	N/A	0	0	0
205	Triumph Technologies, Inc	0	1	N/A	0	0	0
206	3D Global Solutions	0	9	N/A	0	0	0
207	Chroo Group Ltd	1	0	N/A	0	0	0
208	Aggreko	0	1	N/A	0	0	0
209	SYColeman Corp	1	1	N/A	0	0	0
210	Iraqi Contractor #35	0	0	N/A	0	0	0
211	GSS Inc.	1	0	N/A	0	0	0
212	DI	1	1	N/A	0	0	0
213	CTU Asia	1	0	N/A	0	0	0
214	Lincoln Group LLC	2	0	0	N/A	0	0
215	American Service Center (ASC)	1	0	N/A	0	0	0
216	EOIR Technologies, Inc.	1	0	N/A	0	0	0
217	Washington Group International	1	0	N/A	0	0	0
218	Lee Dynamics International Co.	1	0	N/A	0	0	0
219	Iraqi Contractor #34	0	0	N/A	0	0	0
220	Taos Industries	1	0	N/A	0	0	0
221	ITT Corporation	1	0	N/A	0	0	0
222	All World Language	0	1	N/A	0	0	0
223	AMAR Intl Foundation, The	1	0	N/A	0	0	0
224	Jorge Scientific Corp	1	0	N/A	0	0	0
225	Entourage International Security	1	0	N/A	0	0	0

No.	Contractor Name	Direct	Sub	DoD	DoS	USAID	Total
226	ALM	0	1	N/A	0	0	0
227	AMS	0	1	N/A	0	0	0
228	ANA Co	0	1	0	N/A	0	0
229	AGI	0	1	N/A	0	0	0
230	Highlighter	1	0	N/A	0	0	0
231	AIM	0	2	N/A	0	0	0
232	Alkafore	0	1	N/A	0	0	0
233	Weston Solutions, Inc.	1	0	N/A	0	0	0
-	Contractor Not Identified	21	14	172.706	N/A	182.7	355.406
Total				\$397.393	\$0	\$264.424	\$661.817

Source: SIGIR analysis of prior audit reports, current audits, and available agency data. Agency data was not audited.

Notes:

N/A = The amount obligated for security services under a contract associated with the company was not available

^a DoD data is as of September 4, 2008.

^b Dos data is as of July 31, 2008.

^c USAID data is as of March 31, 2008.

Appendix C—Acronyms

Acronym	Definition
DoD	Department of Defense
DoS	Department of State
PSC	Private Security Contractor
PSD	Personal Security Detail
SIGIR	Special Inspector General for Iraq Reconstruction
USAID	U.S. Agency for International Development

Appendix D—Audit Team Members

This report was prepared and the review was conducted under the direction of David R. Warren, Assistant Inspector General for Audit, Office of the Special Inspector General for Iraq Reconstruction.

The staff members who conducted the audit and contributed to the report include:

Michael A. Bianco

Waheed Nasser

Richard R. Kusman

James Shafer

Jason Venner

Lovell Q. Walls

Samson J. Wright

Management Comments

Department of Defense



DEPUTY UNDER SECRETARY OF DEFENSE FOR
LOGISTICS AND MATERIEL READINESS
3500 DEFENSE PENTAGON
WASHINGTON, DC 20301-3500

OCT 24 2008

MEMORANDUM FOR SPECIAL INSPECTOR GENERAL FOR IRAQ
RECONSTRUCTION

THROUGH: DIRECTOR, ACQUISITION RESOURCES AND ANALYSIS

SUBJECT: SIGIR Draft Report, SIGIR-09-005, "Agencies Need Improved
Financial Data Reporting For Private Security Contractors," dated
September 30, 2008

Per request of Mr. David R. Warren, Assistant Inspector General for Audit,
L&MR has reviewed the subject SIGIR Draft Report and latest revisions. Attached is
our response to version 2 of subject draft report which revised the October 1, 2008 draft
report.

My point of contact is Ms. Kerry Powell, kerry.powell@osd.mil, (703) 614-1944.


Jack Bell

Attachment:
As stated



SIGIR Draft Report Dated September 30, 2008

SIGIR-09-005

**“AGENCIES NEED IMPROVED FINANCIAL DATA
REPORTING FOR PRIVATE SECURITY CONTRACTORS”**

**DEPARTMENT OF DEFENSE COMMENTS
TO THE SIGIR FINDINGS AND RECOMMENDATIONS**

RECOMMENDATION 1: Develop processes for routinely capturing financial information for all contracts and subcontracts for private security services. This should include such ancillary costs as government furnished equipment and hardening of offices.

DOD RESPONSE: DoD non-concurs with this recommendation. SIGIR's recommendation conflicts with the Federal Acquisition Regulation 15.403-1(b)(2). It states that Contracting Officers **shall not** require submission of cost or pricing data to support any action (contracts, subcontracts, modifications) when prices are agreed to based on adequate competition. Accordingly, DoD's contract writing and financial systems comply with the FAR and can not currently require this level of fidelity nor do the data fields exist for it.

DoD will assess the legality and feasibility of adding a requirement in the Defense Federal Acquisition Register Supplement for the price of security to be included in a separate Contractor Line Item Number, with the understanding that this would place an additional burden on DoD's already limited acquisition resources both in dollars and manpower. It is anticipated that implementing this recommendation would also place an additional burden on the contractors.

RECOMMENDATION 2: Direct program managers to consider the costs of security relative to the expected benefits for all new projects.

DOD RESPONSE: DoD concurs with this recommendation with comment. We agree that a requiring activity or agency should consider all costs relative to the expected benefits of a project however; the impact of increasing threat levels in an unstable security environment has been an unpredictable factor in forecasting reconstruction project management costs. Additionally, given that we do not currently separately price security costs, the extent to which we implement this recommendation would be dependent upon the resolution of recommendation 1.

RECOMMENDATION 3: Identify security costs at the subcontractor level for all new projects.

DOD RESPONSE: DoD non-concurs with this recommendation. See response to recommendations 1 and 2.

FINDING: To the extent U.S. forces are withdrawn, and assuming significant civilian technical assistance missions remain, requirements for private security services for DoS and USAID would likely increase to compensate for support previously provided by the military.

DOD RESPONSE: DoD concurs with this assessment with comment. The updated DOD Instruction 1100.22 *Policy and Procedures for Determining Manpower Mix* provides guidance on the restrictions on the use of PSCs. The mission of DoD PSCs is, and will remain, strictly defensive – protecting persons, facilities, places or supplies, depending on the specific contract under which they operate. They are specifically prohibited from engaging in combat (offensive) operations. DoD PSCs will never operate under Rules of Engagement, rather they will operate under the more restrictive Rules for the Use of Force. DoD does not expect that PSCs will assume any responsibility for a broader role when military forces are withdrawn. Nonetheless, it is reasonable to assume that increased threat levels could require an increase in the level of defensive security services provided by DoD PSCs.

<p>SIGIR's Mission</p>	<p>Regarding the U.S. reconstruction plans, programs, and operations in Iraq, the Special Inspector General for Iraq Reconstruction provides independent and objective:</p> <ul style="list-style-type: none"> • oversight and review through comprehensive audits, inspections, and investigations • advice and recommendations on policies to promote economy, efficiency, and effectiveness • deterrence of malfeasance through the prevention and detection of fraud, waste, and abuse • information and analysis to the Secretary of State, the Secretary of Defense, the Congress, and the American people through Quarterly Reports
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<p>Congressional Affairs</p>	<p>Hillel Weinberg Assistant Inspector General for Congressional Affairs Mail: Office of the Special Inspector General for Iraq Reconstruction 400 Army Navy Drive Arlington, VA 22202-4704 Phone: 703-428-1059 Email: hillel.weinberg@sigir.mil</p>
<p>Public Affairs</p>	<p>Kristine Belisle Director of Public Affairs Mail: Office of the Special Inspector General for Iraq Reconstruction 400 Army Navy Drive Arlington, VA 22202-4704 Phone: 703-428-1217 Fax: 703-428-0818 Email: PublicAffairs@sigir.mil</p>