



GOVERNMENT CONTRACTOR PRACTICE

Defense Reconstruction Support Office – Final Report Summary

***Noncompetitively awarded contracts funded from the
Development Fund for Iraq***

October 2006

Risk Advisory Services

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AUDIT ■ TAX ■ ADVISORY

Executive Summary

• Reporting Objectives

- Adequacy of Contract Settlement Process
- Comparison of Settlement Process – U.S. appropriated vs. DFI
- Physical Existence of Contract Deliverables – Limited to seven contracting actions
- Corrective Action to Previously Reported Exceptions

• Results of Review / Unresolved Items

- **\$712,956,082** of contracting value included in review
- **\$22,418,543** of unresolved items
 - Previously Reported Exceptions – **\$16,050,905**
 - Evidence of Goods Received – \$14,706,083
 - Missing Invoices – \$951,346
 - Reconciliation of Disbursements to Contract Value – \$393,471
 - Additional Exceptions – **\$6,367,638**
 - Evidence of Goods Received – \$3,867,638
 - Reconciliation of Disbursements to Contract Value - \$2,500,000
 - Contract close-out process similar between DFI funded and U.S. appropriated transactions

• Resolution of Previously Reported Exceptions

- Significant reduction in value of previously reported exceptions
- \$110,647,398 of previously reported exceptions reduced to \$16,050,905

Reporting Objectives

- **Adequacy of Contract Settlement Process**

- Review of internal DCMA memorandum guidance
- Comparison to formal DCMA Guidebook and Federal Acquisition Regulation
- Acceptance process by Iraqi government

- **Comparison of Settlement Process – U.S. appropriated vs. DFI**

- U.S. appropriated settlements limited to DCMA administered transactions in Iraq – five close-out actions selected for review
- Reconciliation of disbursements to contract value
- Reconciliation of invoiced amounts to goods received documentation
- Authorized approval and acceptance of goods received documentation
- Formal documentation and approval of contract close-out process

- **Physical Existence of Contract Deliverables – Limited to seven contracting actions**

- Assessment limited to review of available documentation
- Contracting actions determined from KPMG scope of work requirements

- **Corrective Action to Previously Reported Exceptions**

- Review of previously unavailable documentation and discussion with JCC-I / DCMA personnel
- Assessment utilized expanded procedures

Results of Review / Unresolved Items – October 2006 Report

Contract No.	Nature of Contract	Value of Contract	Value of Unresolved Item	Explanation
6	Purchase of wheat flour ¹	49,350,000	2,962,523	Documentation supporting evidence of goods received
7	Purchase of radios ¹	15,611,197	3,867,638	Documentation supporting evidence of goods received
10	Printing of new Iraqi currency ¹	124,776,500	4,092,000	Documentation supporting evidence of goods received
11	Military training camp ¹	73,310,273	2,500,000	Reconciliation of disbursements to contract value
14	Purchase of ambulances and other vehicles ²	10,400,355	7,651,560	Documentation supporting evidence of goods received
Subtotal - Contract Settlement Process		273,448,325	21,073,721	
2	Security for the 2003 Iraqi currency exchange ¹	31,814,337	231,823	Lack of invoices supporting payment
2	Purchase of weapons ¹	31,814,337	719,528	Lack of invoices supporting payment
8	Purchase of weapons	14,782,392	393,471	Prior overpayment
Subtotal - Previous Reported Exceptions		78,411,066	1,344,822	
Total Unresolved Items		351,859,391	22,418,543	

Bold - Items noted in prior KPMG report totalling \$16,050,905

¹ Unresolved item due to missing DD250s and / or specific invoices; nonrecurring basis

² Unresolved item due to incorrect use of DD250 and advance payment for goods not received

Resolution of Previously Reported Exceptions – September 2005 Report

Contracting Action	Nature of Contract	Value of Previously Reported Exception	Resolution	Remaining Balance
3	Security for the 2003 Iraqi currency exchange	231,823	Exception remains unresolved, missing invoice	231,823
5, 6, 7	Iraqi police training services	8,410,919	Previously missing receipt documents and corresponding invoices available for review	-
8	Security services related to power line	2,538,000	Previously missing receipt documents and corresponding invoices available for review	-
9, 10	Import of wheat flour	39,997,129	Exception partially resolved; third party verification of payment data (\$33,500,000) and location of previously missing invoice (\$3,534,606) resolved	2,962,523
12	Purchase of weapons	719,528	Exception remains unresolved, missing invoice	719,528
15, 16, 17	Printing of new Iraqi currency	43,802,250	Exception partially resolved; location of previously missing invoice (\$39,710,250) resolved	4,092,000
22	Purchase of trucks and vehicles	10,400,355	Exception partially resolved; location of previously missing receipt documentation (\$2,748,795)	7,651,560
	Subtotal - Receipt and Invoice Documentation	<u>106,100,004</u>		<u>15,657,434</u>

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Resolution of Previously Reported Exceptions – September 2005 Report (cont'd.)

Contracting Action	Nature of Contract	Value of Previously Reported Exception	Resolution	Remaining Balance
12	Purchase of weapons	1,424,581	Exception partially resolved; portion of prior overpayment recovered by government	393,471
19, 20	Support services - Iraqi police training	552,890	Overpayment amount recovered through subsequent reduction in invoiced amounts	-
5, 6, 7	Iraqi police training services	2,569,923	Payment made to correct previous underpayment situation	-
	Subtotal - Reconciliation of Payments	<u>4,547,394</u>		<u>393,471</u>
	Total - Previously Reported Exceptions	<u><u>110,647,398</u></u>		<u><u>16,050,905</u></u>

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