



Summary of Government Audit Report Review Related to Non-Competitive Contracting Actions Consistent in Scope with Agreed Upon Procedures Performed by KPMG

Executive Summary

In conjunction with KPMG's performance of the agreed upon procedures related to the scope of work under contract number W74V8H-05-F-0392 (agreed upon procedures), KPMG reviewed previously issued United States (U.S.) government audit reports to assess if the audit objectives of the subject government audits were relevant to KPMG's performance of the agreed upon procedures. Upon identification of U.S. government issued audit reports with relevant scope and audit objectives compared to KPMG's agreed upon procedures, KPMG shall summarize the U.S. government audit scope performed and corresponding findings.

KPMG identified and read U.S. government audit reports issued by the Special Inspector General for Iraq Reconstruction (SIGIR), the Defense Contract Audit Agency (DCAA) and the United States General Accountability Office (GAO). The results of KPMG's assessment of these audit reports is summarized below.

Assessment

SIGIR

KPMG reviewed SIGIR Audit Report Number 04-013, dated July 27, 2004. The scope of this audit was to evaluate the procedures used by the former Coalition Provisional Authority (CPA) Contracting Activity to award contracts and to evaluate the policies and procedures associated with acquisition planning, source selection, use of competition and contract negotiation. The findings summarized in the related audit report were generally not reported at a contract specific level; however, one specific contract referenced in this audit report related to a contracting action within the scope of KPMG's agreed upon procedures. SIGIR reported that for this specific contracting action, "The CPA Contracting Activity did not ensure that a fair and reasonable price was negotiated for contract....." Management did not concur with this result. Based upon application of KPMG's agreed upon procedures, KPMG found existence of documentation supporting a fair and reasonable price determination for this contracting action.

KPMG reviewed SIGIR Audit Report Number 05-008, dated April 30, 2005. The scope of this audit was to determine whether the Project and Contracting Office (PCO) complied with the Minister of Finance, Iraqi Interim Government, memorandum, *Administration of Development Fund for Iraq-Funded Contracts*. The subject report states, in part,



“Specifically, determine whether the Director, PCO, effectively implemented the assigned responsibilities under the Memorandum to monitor and confirm contract performance, certify and/or make payments, and administer contracts or grants funded with monies from the DFI.” The findings summarized in the related audit report were not reported at a contract specific level; therefore, KPMG could not ascertain the relationship of these findings to our performance of the agreed upon procedures.

KPMG reviewed other audit reports issued by SIGIR; however, the scope of these audits did not appear to relate to the KPMG agreed upon procedures.

DCAA

KPMG obtained from the DCAA a summary of audits performed by the DCAA related to contracts that were funded by the Development Fund for Iraq (DFI). KPMG compared this summary of audits performed as provided by the DCAA to the listing of contracting actions contained in the scope of KPMG’s agreed upon procedures. KPMG notes that none of the DCAA audits performed and provided related to contracting actions included in KPMG’s agreed upon procedure scope.

GAO

KPMG reviewed GAO audit report number 04-605, dated June 2004. The scope of this audit was to review the documentation of award and related administration of contracts awarded to rebuild Iraq. The audit focused on reconstruction-related contracting actions by the Department of Defense, the U.S. Agency for International Development and the Department of State through September 30, 2003. The audit objectives were to determine whether agencies had complied with applicable laws and regulations governing competition in awarding new contracts and issuing task orders under existing contracts, and to evaluate agencies’ initial efforts in carrying out contract administration tasks. This audit scope did not appear to relate to KPMG’s agreed upon procedures as the source of the reconstruction-related contracts’ funding was, in whole or in part, obtained from U.S. appropriations. The GAO did not review contracting actions that were funded with the DFI.

Summary

Based on KPMG’s review of the various U.S. government issued audit reports referred to above, KPMG did not limit performance of the agreed upon procedures due to the audit scope and findings as presented in the subject issued U.S. government reports.



Summary of Government Audit Report Review Related to Non-Competitive Contracting Actions Consistent in Scope with Agreed Upon Procedures Performed by KPMG (Note 1)

Contracting Action	Award Date	Value	KPMG Procedure - Documentation of Non-Competitive Award	KPMG Procedure - Transparency of Contracting Action	Government Audit Report Reference, Summary of Scope and Results
1 Modification 3	12/31/2003	\$ 9,939,933	Notes 2,3,4,5	Notes 2,3,4,5	Note 1
2 Modification 4	1/20/2004	\$ 20,800,000	Notes 2,3,4,5	Notes 2,3,4,5	Note 1
3 Base Award	8/28/2003	\$ 24,770,738	Notes 3,4,5,6	Notes 2,3,4,5	SIGIR Report No. 04-013 (Note 6)
4 Base Award	9/9/2003	\$ 9,763,184	Notes 2,3,4,5	Notes 2,3,4,5	Note 1
5 Modification 1	5/21/2004	\$ 20,500,000	Notes 2,3,4,5	Notes 2,3,4,5	Note 1
6 Modification 2	6/28/2004	\$ 6,961,160	Notes 2,3,4,5	Notes 2,3,4,5	Note 1
7 Modification 3	6/28/2004	\$ 37,000,000	Notes 2,3,4,5	Notes 2,3,4,5	Note 1
8 Base Award	4/24/2004	\$ 7,064,100	Notes 2,3,4,5	Notes 2,3,4,5	Note 1
9 Base Award	1/29/2004	\$ 15,850,000	Notes 2,3,4,5	Notes 2,3,4,5	Note 1
10 Modification 2	5/21/2004	\$ 33,500,000	Notes 2,3,4,5	Notes 2,3,4,5	Note 1
11 Modification 6	8/10/2003	\$ 9,669,097	Notes 2,3,4,5	Notes 2,3,4,5	Note 1
12 Modification 9	4/6/2004	\$ 10,729,792	Notes 2,3,4,5	Notes 2,3,4,5	Note 1
13 Base Award	8/8/2003	\$ 16,831,000	Notes 2,3,4,5	Notes 2,3,4,5	Note 1
14 Modification 1	12/23/2003	\$ 134,000,000	Notes 2,3,4,5	Notes 2,3,4,5	Note 1
15 Base Award	7/17/2003	\$ 102,952,500	Notes 2,3,4,5	Notes 2,3,4,5	Note 1
16 Supplement 1	11/4/2003	\$ 13,640,000	Notes 2,3,4,5	Notes 2,3,4,5	Note 1
17 Supplement 2	12/23/2003	\$ 8,184,000	Notes 2,3,4,5	Notes 2,3,4,5	Note 1
18 Modification 9	6/29/2003	\$ 53,210,011	Notes 2,3,4,5	Notes 2,3,4,5	Note 1
19 Base Award	5/13/2004	\$ 5,243,771	Notes 2,3,4,5	Notes 2,3,4,5	Note 1
20 Modification 3	5/13/2004	\$ 13,483,268	Notes 2,3,4,5	Notes 2,3,4,5	Note 1
21 Base Award	5/15/2004	\$ 6,430,426	Notes 2,3,4,5	Notes 2,3,4,5	Note 1
22 Base Award	5/18/2004	\$ 9,209,115	Notes 2,3,4,5	Notes 2,3,4,5	Note 1
23 Base Award	6/20/2004	\$ 26,000,000	Notes 2,3,4,5	Notes 2,3,4,5	Note 1

Notes

- The scope of KPMG's agreed upon procedures with the Defense Reconstruction Support Office was used as the basis for identifying and reviewing relevant government issued audit reports related to the contracting actions noted above. Government issued reports summarizing a scope inconsistent with these agreed upon procedures or not presented at the contract specific level were not deemed relevant for this analysis.
- KPMG read Special Inspector General for Iraqi Reconstruction (SIGIR) Report Nos. 05-008, entitled "Administration of Contracts funded by the Development Fund for Iraq", dated April 30, 2005 and 04-013, entitled "Coalition Provisional Authority's Contracting Processes Leading up to and Including Contract Award", dated July 27, 2004. The subject SIGIR reports did not address at the contract specific level the scope of audit procedures performed or the corresponding result (see Note 1). Accordingly, KPMG was unable to ascertain the results of SIGIR's audit scope relative to the specific contract and in conjunction with KPMG's performance of the subject agreed upon procedures.

KPMG read additional published SIGIR audit reports and notes the scope of these reports were different than KPMG's performance of the agreed upon procedures noted above.
- KPMG was provided by the Defense Contract Audit Agency (DCAA) a listing of audit reports issued related to various contracts that were funded from the Development Fund for Iraq. Based on a review of the audit reports provided by DCAA, no audits appear to have been performed relative to the specific contracts in our scope.
- KPMG read United States General Accounting Office (GAO) Report No. 04-605, entitled "Rebuilding Iraq - Fiscal Year 2003 Contract Award Procedures and Management Challenges", dated June 2004. The scope of GAO's procedures as summarized in the subject GAO report were limited to contracts funded by U.S. appropriated funds. The specific contracts incorporated in KPMG's scope of work and application of related agreed upon procedures applies exclusively to contracting actions funded from the Development Fund for Iraq.
- KPMG identified additional government audit reports issued from various agencies, including the Department of State Office of Inspector General, the U.S. Army Audit Agency and the U.S. Agency for International Development Office of Inspector General. The scope of these audits are different than KPMG's performance of the agreed upon procedures noted above and do not appear to apply to Development Fund for Iraq funded contracting actions.
- KPMG read Special Inspector General for Iraqi Reconstruction (SIGIR) Report No. 04-013, entitled "Coalition Provisional Authority's Contracting Processes Leading up to and Including Contract Award", dated July 27, 2004. The subject report referred specifically to contracting action 3 above and stated that "the CPA Contracting Activity did not ensure that a fair and reasonable price was negotiated for contract xxxx.....".