



Highlights of [GAO-10-357](#), a report to congressional committees

Why GAO Did This Study

The Departments of Defense (DOD) and State and the U.S. Agency for International Development (USAID) have relied extensively on contractors in Iraq and Afghanistan, including using contractors to help administer other contracts or grants. Relying on contractors to perform such functions can provide benefits but also introduces potential risks, such as conflicts of interest, that should be considered and managed.

Pursuant to the National Defense Authorization Act for Fiscal Year 2008, GAO reviewed (1) the extent to which DOD, State, and USAID rely on contractors to perform contract and grant administration in Iraq and Afghanistan; (2) the reasons behind decisions to use such contractors and whether the decisions are guided by strategic workforce planning; and (3) whether agencies considered and mitigated related risks. GAO analyzed relevant federal and agency policies and agency contract data, and conducted file reviews and interviews for 32 contracts selected for case studies.

What GAO Recommends

GAO is making recommendations to improve State's and USAID's ability to plan for the use and mitigate risks of contractors performing contract and grant administration functions. State and USAID generally concurred with the recommendations. GAO made similar recommendations to DOD in 2009, with which it concurred. DOD had no additional comments.

View [GAO-10-357](#) or [key components](#). For more information, contact John P. Hutton at (202) 512-4841 or huttonj@gao.gov.

CONTINGENCY CONTRACTING

Improvements Needed in Management of Contractors Supporting Contract and Grant Administration in Iraq and Afghanistan

What GAO Found

DOD, State, and USAID's use of contractors to help administer contracts and grants was substantial, although the agencies did not know the full extent of their use of such contractors. GAO found that the agencies had obligated nearly \$1 billion through March 2009 on 223 contracts and task orders active during fiscal year 2008 or the first half of fiscal year 2009 that included the performance of administration functions for contracts and grants in Iraq and Afghanistan. The specific amount spent to help administer contracts or grants in Iraq and Afghanistan is uncertain because some contracts or task orders included multiple functions or performance in various locations and contract obligation data were not detailed enough to allow GAO to isolate the amount obligated for other functions or locations. Overall, the agencies relied on contractors to provide a wide range of services, including on-site monitoring of other contractors' activities, supporting contracting or program offices on contract-related matters, and awarding or administering grants. For example, Air Force Center for Engineering and the Environment officials noted that contractors performed quality assurance for all of the center's construction projects in Iraq and Afghanistan. In another example, USAID contractors awarded and administered grants on USAID's behalf to support development efforts in Iraq and Afghanistan.

Decisions to use contractors to help administer contracts or grants are largely made by individual contracting or program offices on a case-by-case basis. In doing so, the offices generally cited the lack of sufficient government staff, the lack of in-house expertise, or frequent rotations of government personnel as key factors contributing to the need to use contractors. Offices also noted that using contractors in contingency environments can be beneficial, for example, to meet changing needs or address safety concerns regarding the use of U.S. personnel in high-threat areas. GAO has found that to mitigate risks associated with using contractors, agencies have to understand when, where, and how contractors should be used, but offices' decisions were generally not guided by agencywide workforce planning efforts.

DOD, State, and USAID took actions to mitigate conflict of interest and oversight risks associated with contractors helping to administer other contracts or grants, but did not always fully address these risks. For example, agencies generally complied with requirements related to organizational conflicts of interest, but USAID did not include a contract clause required by agency policy to address potential conflicts of interest in three cases. Also, some State officials were uncertain as to whether federal ethics laws regarding personal conflicts of interest applied to certain types of contractors. In almost all cases, the agencies had designated personnel to provide contract oversight. DOD, State, and USAID contracting officials generally did not, however, ensure enhanced oversight as required for situations in which contractors provided services closely supporting inherently governmental functions despite the potential for loss of government control and accountability for mission-related policy and program decisions.