



**DEFENSE CONTRACT MANAGEMENT AGENCY
DEFENSE CONTRACT MANAGEMENT AGENCY INTERNATIONAL**

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IN REPLY
REFER TO
DCMAI-C

September 30, 2008

Mr. Richard Hack
Vice President, Operations, Maintenance and Logistics
Kellogg, Brown, and Root (KBR), Regional Office 677
2451 Crystal Drive
Arlington, VA 22022

Subject: KBR Response to CAR # HQ-08-LOGCAP-QA-001-LIII Level III Corrective Action Request (CAR)

Dear Mr. Hack:

On behalf of the DCMA Director, we thank you for the opportunity that you, Mr. Stanski, and your KBR team afforded representatives of DCMA and other DoD activities at our Wednesday, September 24, 2008, meeting to discuss the subject response. Our joint discussion revealed significant concerns among the DoD representatives surrounding the direction, scope, and viability of KBR's initial Corrective Action Plan (CAP). We must therefore reject KBR's initial CAP and request that KBR submit a revised CAP no later than Friday, October 10, 2008.

To provide KBR with some general direction, we offer six observations for your consideration as a starting point for your revised CAP:

First, we cannot over emphasize the significance of the lack of sustained electrical support services being provided by KBR in Iraq to maintain the minimum Life, Health and Safety standards in support of our warfighters. As a result of KBR's unacceptable CAP submittal, and KBR's inability to adequately and expeditiously address serious deficiencies real time in theater, many within DoD have lost or are losing all remaining confidence in KBR's capability to successfully and repeatedly perform the required electrical support services mission in Iraq. It is imperative that you understand that KBR's initial CAP did not assuage this loss of confidence in my mind, nor among most others who attended our Wednesday meeting.

Second, the Level III CAR identifies numerous deficiencies in KBR's performance -- deficiencies in the performance of electrical services as well as the operation of KBR's quality assurance program. Your CAP did not express a sufficient understanding of the prior deficiencies; nor did it present a comprehensive and well-developed plan of action for improving, changing, or refocusing KBR's efforts in the areas of staffing, training, operating methods, procedures, and organizational configuration, to name just a few. Your initial CAP focused on offering solutions to the electrical realities on the ground, as if you were arriving on the scene for the first time. We also perceived a corporate leadership team that was not

sufficiently in touch with the urgency or realities of what was actually occurring on the ground with their theater operation. Your revised CAP must address head-on the KBR performance deficiencies cited in the CAR and offer a CAP that presents an immediate call to action for thorough and effective resolution of the deficiencies, along with correction of the processes within KBR that enabled these problems to occur.

Third, the Government does not accept KBR's assertions that the National Electric Code (NEC) is not a contractual requirement for electrical services under the LOGCAP III contract and that by inspecting to this standard the Government changed or introduced a new contractual requirement for electrical work on LOGCAP III. We appreciate KBR's comments at Wednesday's meeting identifying British Standard 7671 as the electrical standard to which KBR operated in Iraq during the period of performance encompassed by the CAR. However, it is troubling to note that KBR's initial CAP did not explain why the NEC is not a contract requirement through compliance with Army Regulations; nor did the initial CAP identify British Standard 7671, or any other electrical code, as the standard used by KBR throughout its performance of electrical operations, which includes installation, refurbishment, maintenance, repair, and inspection services.

Fourth, it is imperative that KBR's revised CAP state the standard/code used by KBR in each of the facilities identified in CAR Specific Finding #1 – Grounding and Bonding (G&B), and explain how KBR's installation, refurbishment, maintenance, repair, and inspection services conformed to a specified code and how the code differs from the NEC with regards to grounding and bonding, relative to KBR's performance outlined in the CAR.. To the extent that KBR relied on valid authority permitting a deviation to the contract's electric code requirements (as understood by KBR), KBR must identify the contract authority and the details associated with the use of a deviation under the specific circumstances (e.g., facility involved; KBR's request for deviation that includes: date, reason for the deviation, and any government approval received).

Fifth, KBR's initial CAP failed to identify and describe the root cause(s) of the non-conformances cited in the CAR. The Government, therefore, cannot assess the adequacy of the other elements of KBR's plan. For example, without knowing whether deficient training of personnel was or was not a root cause of any of the many listed G&B deficiencies, the Government cannot determine whether KBR's training and continuing education plan (page 19 of the initial CAP) is adequate in scope, nature, or detail to sufficiently address the root cause and thus correct the deficient performance and minimize the likelihood of recurrence.

Sixth, the initial CAP lacked a milestone schedule and a Rough Order of Magnitude that addresses each element of the CAR.

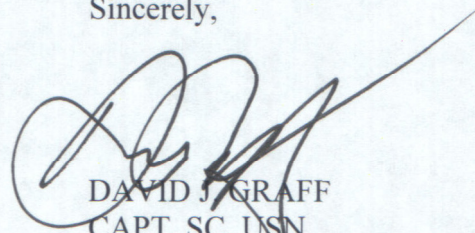
The above general guidance areas do not detail every deficiency in the initial CAP requiring KBR's attention. Conversely, areas in KBR's CAP not addressed in this letter do not imply Government acceptance at this time. We expect that you will review and rework all aspects of your CAP to ensure that your revised submission meets the expectations set forth in my initial letter of September 11, 2008, supplemented by this writing and the insights gained from Wednesday's meeting. Meanwhile, rest assured that we continue our oversight of KBR electrical services and quality assurance system. For example, since issuance of the Level III

CAR on September 11, 2008, our DCMA Iraq field command has issued four additional level II CARs for electrical-related matters involving preventive maintenance inspections, G&B, and serious incident reports. These CARs reiterate KBR's continuing quality deficiencies.

The Government will resume its review upon receipt of KBR's revised CAP. If KBR's revised response is not acceptable, the Government will provide additional comments or consider other available remedies.

The Iraq in-theater POC for this action is Colonel Jeffrey A. Gabbert, Commander, DCMA-Iraq/Afghanistan, at COM: (703) 427-5130 1 X 3057, DSN 312-987-5130 1 X 3057, e-mail: Jeffrey.Gabbert@mmcs.army.mil. Address all other matters to the undersigned at COM: (703) 428-1794, email: david.graff@dcma.mil.

Sincerely,



DAVID J. GRAFF
CAPT, SC, USN
Commander

cc:
President, KBR Government and Infrastructure
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