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DynCorp Billed U.S. \$50 Million Beyond Costs in Defense Contract

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A Defense Department auditor testified Tuesday that DynCorp International billed the government \$50 million more than the amount specified in a contract to provide dining facilities and living quarters for military personnel in Kuwait.

April G. Stephenson, director of the Defense Contract Audit Agency, described a variety of problems in DynCorp contracts associated with the wars in Afghanistan and Iraq. She appeared before the Commission on Wartime Contracting in Iraq and Afghanistan, which Congress established to investigate overspending by military contractors and issue recommendations for improvement.

Stephenson said the Falls Church-based company exceeded the costs outlined in its contract with the government for the Kuwait project by 51 percent. She said the government was overbilled \$13.3 million -- all of which was repaid -- for generators, rifle scopes, body armor and other equipment that was not delivered. And she noted that, in a recent audit, the government rejected 15 of 29 billings, or \$8.7 million out of \$20.6 million in expenses.

DynCorp is working under several contracts with the government and provides other services, such as recruiting and deploying civilian peacekeepers and destroying land mines.

Stephenson, who also testified about similar problems with contractors KBR and [Fluor Corp.](#), blamed DynCorp's situation in part on frequent changes in its organization structure and on new business systems that were applied inconsistently throughout the company.

Members of the commission, though, expressed frustration after hearing Stephenson's testimony.

"There is a tremendous amount of waste and abuse and some fraud -- billions and billions of dollars are wasted," former congressman Christopher Shays (R-Conn.), co-chairman of the panel, said in an interview. "We're looking to change policy, regulations, law -- and in some cases culture."

William L. Ballhaus, president and chief executive of DynCorp, said the billing problems with the Kuwait contract were largely the result of the government's decision to expand the scope of the project and shorten the time frame for it, which required the company to use more expensive workers from the West rather than locals.

"The transition time got compressed. It caused us to adjust our labor and staffing profile," Ballhaus said. As a result, he added, 50 percent of the labor the company is using is from the West, compared with 10 percent called for in its proposal.

Ballhaus told the commission that the company is upgrading its information technology system to better track expenses and is implementing new measures to better assess compensation and benefits costs. "We will see cost reductions over time," he said. "If we're not competitive [in costs], it's possible for the government to replace us."

But Stephenson, in a written statement, said the company submitted a "corrective action" plan in 2007 but has not implemented it.

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