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United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510-6250

September 16, 2011

Patrick F. Kennedy
Under Secretary for Management
United States Department of State
2201 C Street NW
Washington, DC 20520

Dear Mr. Kennedy:

I am writing regarding the progress that the State Department is making on recovering \$132 million in questioned costs from First Kuwaiti for the construction of the New Embassy Compound in Baghdad, Iraq.

In October 2009, the State Department's Inspector General released an audit of the design and construction of the Baghdad Embassy. The Inspector General identified \$132 million in questioned costs due to construction deficiencies, incomplete and undocumented design work, additional maintenance charges attributable to inadequate quality control and commissioning procedures, and unrecovered liquidated damages and interest on unauthorized advance mobilization payments. The OIG recommended that the State Department recover the \$132 million from First Kuwaiti, the contractor responsible for constructing the Baghdad Embassy.¹

On June 6, 2011, you testified before the Commission on Wartime Contracting that the OIG had not yet provided adequate documentation to support the \$132 million figure and that without the supporting documentation, the State Department could not move forward with recovering the questioned costs. Recently, the State Department's OIG informed the Subcommittee that the supporting documentation was provided on April 22, 2010. Based on this information, the State Department should be well into the process of recovering the questioned costs.

I recently learned that First Kuwaiti has now submitted a list of claims totaling over \$375 million to the State Department for work on the Baghdad Embassy. The list includes, among

¹ U.S. Department of State Office of the Inspector General, *Audit of the Design and Construction of the New Embassy Compound in Baghdad, Iraq* (October, 2009) (Report No. AUD/IQO-09-25).

Patrick F. Kennedy
September 16, 2011
Page 2

others, claims for extra security, danger pay, and food shortages.² First Kuwaiti has submitted these claims despite the documented construction deficiencies identified by the OIG.

To assist the Subcommittee in understanding how the State Department plans to protect and conserve taxpayer dollars, I request that you provide a briefing to the Subcommittee staff on what specific actions are being taken to recover the \$132 million and the Department's response to First Kuwaiti's claims. I request that you provide this briefing as soon as possible, but in no case later than **Friday, October 7, 2011**.

The jurisdiction of the Subcommittee on Contracting Oversight is set forth in Senate Rule XXV clause 1(k); Senate Resolution 445 section 101 (108th Congress); and Senate Resolution 73 (111th Congress).

Please have your staff contact Sarah Garcia at (202) 224-1014 with any questions. Please send any official correspondence relating to this request to Kelsey_Stroud@hsgac.senate.gov.

Sincerely,



Senator Claire McCaskill
Chairman
Subcommittee on Contracting Oversight

cc: Rob Portman
Ranking Member
Subcommittee on Contracting Oversight

² Jake Wiens, *Contractor Behind Bungled Embassy Construction Sends State Dept. List of Claims Totalling \$375 Million*, Project on Government Oversight (August 30, 2011).