

Iraq war contractor accused of inflating costs – but still holds Pentagon contract

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The US justice department has accused a security contracting giant of defrauding the public even as the same firm continues to contract with the Pentagon.

Papers filed in a Washington DC federal court on Tuesday allege that DynCorp, a fixture of wartime US contracting in Iraq and [Afghanistan](#), knowingly inflated costs during a four-year stretch when the company held a contract with the US state department for training Iraqi police.

Since 2010, DynCorp has held a contract with the US defense department for training Afghanistan's ministry of defense and its own national police. DynCorp essentially inherited that contract thanks to a prior deal for the same Afghan police training with the state department that began in 2003.

The company received an [extension](#) on that contract in March under limited competition. Although in the past the contract was worth approximately [\\$1bn over three years](#), the dollar value on the reaward, a far shorter period, was redacted.

While the justice department does not precisely estimate how much the alleged fraud cost the US, it states that DynCorp's deal for the services at issue in the filing led to the firm receiving \$135m from the state department.

In a statement provided to the Guardian, DynCorp said it was "disappointed" by the fraud accusation and "looks forward to responding to the complaint's allegations in court".



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The fraud allegation against DynCorp stems from a subcontractor it used, Corporate Bank, during a period from 2004 to 2008 when it held the Iraqi police training contract. According to the justice department complaint, DynCorp was aware that rates from the subcontractor – for hotels for US government officials, local security personnel, drivers and interpreters – were "unreasonable", yet the firm billed them to the state department anyway.

"DynCorp's invoices, which reflected these inflated subcontractor rates, and DynCorp's own fees and mark-ups,

were false and fraudulent claims,” the complaint alleges.

DynCorp, which provides private security guards as well as aviation and logistics services, was not among seven contractors awarded state department contracts in February to protect its diplomats. It was a departure for state, which has included the security company on its previous awards of its Worldwide Protective Services contract, most recently in 2010.

Yet the firm currently holds contracts with the US department of defense, according to a federal contracting database, atop the Afghanistan interior ministry training deal.

Among them is an [air force contract](#) for supplying materiel relevant to a training aircraft for which DynCorp was the sole bidder, and an [army contract](#) for support services at a base in Honduras. A [different contract](#), with the navy for maintenance on test aircraft, is set to expire on 31 July.

According to the justice department complaint, DynCorp management called its subcontractor Corporate Bank’s labor and hotel rates “expensive” during an internal presentation, without the subcontractor providing evidence justifying the costs. DynCorp allegedly presented those rates to the state department as justified by “historical data” or a “vendor quote”, and is alleged to have billed the government for unoccupied hotel rooms.

In 2005, according to the complaint, a DynCorp vice-president worried that the company “would not win the CIVPOL [civilian police] [Iraq](#) business back if we allow these outrageous rates to continue”.

As well as the hotel costs, Corporate Bank is alleged to have inflated the labor costs for personnel it supplied DynCorp for security and transport, resulting in the state department paying what the complaint says is over \$1m in false claims while DynCorp “profited by recovering its own markups and fees on its subcontractor’s inflated charges”.

DynCorp, in a statement, denied the justice department’s allegations. The company said it stopped doing business with Corporate Bank “many years ago” and claimed that the US government itself proposed using the subcontractor.

“The suit is an after-the-fact attempt to re-price certain labor and housing costs charged nearly a decade ago by a subcontractor in Iraq which was recommended to DynCorp International by the US government,” DynCorp’s statement said.

The Afghan police, which DynCorp still has a role in training and mentoring, have long faced criticism for [corruption](#) and unreliable performance. A US government watchdog testified in February that its audits indicated the police claiming payroll for [nonexistent employees](#). DynCorp’s latest contract extension lasts through September, with options for two month-long extensions.