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# In a Dispute, Army Cancels Rebuilding Contract in Iraq

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By [JAMES GLANZ](#) and [DAVID ROHDE](#)

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BAGHDAD, Iraq, May 12 — The Army Corps of Engineers said Friday that it had canceled the work remaining on a \$70 million project to refurbish 20 hospitals in Iraq, deepening a dispute with one of the largest American contractors operating here and seriously threatening an ambitious United States-led effort to improve Iraqi health care.

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Brig. Gen. William H. McCoy Jr., commander of the corps division that administers the projects, said the cancellation would affect mainly work on eight hospitals that he said the contractor, Parsons, had not completed on time, adding that Iraqi companies would be used to finish those jobs. He said Parsons had finished most or all of the work on 12 of the hospitals.

The move follows by less than two weeks a federal audit of work by Parsons on a \$243 million program to build health care clinics around Iraq that found that just 20 of the original 150 clinics would be completed without new financing.

Together, the programs constitute the most important American effort to improve Iraq's dilapidated health care system, and are widely regarded as crucial to showing ordinary Iraqis that the invasion has improved their lives.

General McCoy had disputed many of the findings in the audit, which laid much of the blame for poor workmanship and cost overruns on the clinics to lax oversight by the corps.

On Friday, the general said in an interview that while he did not think all the problems with the hospitals were the fault of the contractor, Parsons, he had no choice but to act. "I'm not trying to deflect blame here; I'm responsible for construction in Iraq," he said. "But this contractor was not performing, and we took aggressive action."

The abrupt cancellation of the hospital project appeared to stun company officials, who said the corps had done nothing after receiving repeated warnings that money was running low and that serious missteps by corps managers had undermined certain projects. The audit on the clinics, which was carried out by the Special Inspector General for Iraq Reconstruction, found that the corps had made similar mistakes in that case.

The Parsons officials cited one case in April when, they said, frustrated doctors wanted to move into a new residence hall that Parsons had completed next to a maternity hospital in Najaf, but could not open it until corps inspectors approved the work. When inspectors did not arrive, the doctors finally stormed the building, breaking locks and overrunning guards, the officials said, showing pictures of what they said was the incident.

Among the other challenges that the company faced, it said, was a strangely structured agreement with the corps that paid construction costs from one contract and administrative costs — things like living quarters, security and the salaries of Parsons managers in Iraq — from a separate contract.

For the full range of the Parsons work on clinics, hospitals and a few related things like Iraqi ministry buildings, the costs on the administrative contract alone have risen above \$100 million, the company said. With the delays in completing the hospitals, the corps says, those costs have risen too far.

For its part, the company says that it was clear about what the job would cost, but that the corps did not provide the necessary support to finish the work.

"There have been many reasons for delay," said Earnest Robbins, a senior vice president at Parsons, citing a proliferation of government contracting entities in Iraq, rapid turnover in the corps staff and difficulties in dealing with Iraqi ministry officials. But among the main problems, Mr. Robbins said, was that "we were never funded to provide the level of management, of oversight, that we told the government it would take to complete those projects."

The residence hall was not the only work scheduled at the Najaf maternity hospital, which is one of the eight that will not be completed under the Parsons contract. Two other maternity hospitals in the south, in Nasiriya and Hilla, also will not be finished, along with three hospitals in Baghdad, one north of the capital and one in Ramadi.

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James Glanz reported from Baghdad for this article, and David Rohde from New York.

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