



**Testimony of  
Scott Amey, General Counsel  
Project On Government Oversight  
before the  
Subcommittee on Government Management,  
Organization, and Procurement  
on the  
Status of Contracting Reform  
Wednesday, February 27, 2008  
2154 Rayburn House Office Building**

Good morning Chairman Towns, Ranking Member Bilbray, and Members of the Subcommittee.

Thank you for inviting me to testify today about the status of federal contracting reform. I am Scott Amey, General Counsel of the Project On Government Oversight (POGO), a nonpartisan public interest group. Founded in 1981, POGO investigates and exposes corruption and other misconduct in order to achieve a more accountable federal government.<sup>1</sup> Throughout its twenty-seven-year history, POGO has created a niche in investigating, exposing, and helping to remedy waste, fraud, and abuse in government spending.

POGO is pleased that the Subcommittee is holding this very important hearing. First, government contract spending was nearly \$440 billion in fiscal year 2007, and that amount continues to increase on a daily basis.<sup>2</sup> Second, there have been many changes in contracting through the years, and it is a perfect time to audit the system to ensure that it is working in the best interest of the government and taxpayers. Third, there are numerous legislative proposals

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<sup>1</sup> For more information on POGO, please visit [www.pogo.org](http://www.pogo.org).

<sup>2</sup> According to the FPDS-NG, federal agencies have reported awarding \$439,862,555,999 in FY 2007. Available at [http://www.fpdnsng.com/downloads/agency\\_data\\_submit\\_list.htm](http://www.fpdnsng.com/downloads/agency_data_submit_list.htm). Total contract spending in FY 2000 was \$219,346,881,314. Available at [http://www.fpdnsng.com/downloads/top\\_requests/FPDSNG5YearViewOnTotals.xls](http://www.fpdnsng.com/downloads/top_requests/FPDSNG5YearViewOnTotals.xls).

and recommendations that require serious consideration. The Iraq reconstruction, Hurricane Katrina, the dramatic rise in contract spending, and recent procurement scandals resulted in numerous headlines, government reports, and legislative fixes that require greater attention.

POGO has been asked to present its views on the recommendations made by the Acquisition Advisory Panel, as well as on the proposals made in H.R. 3033 (the “Contractors and Federal Spending Accountability Act of 2007”), H.R. 4881 (the “Contracting and Tax Accountability Act of 2007”), and H.R. 3928 (the “Government Contractor Accountability Act of 2007”).

### **The Acquisition Advisory Panel<sup>3</sup>**

Nearly two years after its initial meeting in February 2005, the Acquisition Advisory Panel (also known as the 1423 Panel and the Services Acquisition Reform Act (SARA) Panel) released its report on the status of the federal contracting system.<sup>4</sup> During that two year period, the Panel held over thirty public meetings, interviewed scores of government and private sector witnesses, reviewed thousands of pages of testimony, studied numerous government reports, and formulated hundreds of findings and recommendations that, if considered and passed by Congress and the Office of Federal Procurement Policy, could improve the government’s system for buying goods and services.

POGO followed very closely the activities of the Panel. We testified before the Panel in 2005, provided it with additional written comments over the next year, and attended nearly every Panel meeting.<sup>5</sup> Last year, I went on the record to state that “Congress has been thrown a contracting softball, and it should hit the ball out of the park.... Although the Panel’s recommendations do not go as far as POGO would like, the Panel focused in on some core problems that, if resolved, will improve competition, negotiations, oversight, and transparency, and provide better spending decisions. The evidence presented to the Panel highlighted many flaws in the government’s system. Hopefully, the Panel’s work will push Congress to reject those inside the government and the contracting industry who often contend that the system isn’t in need of repair.”

Although originally POGO feared the Panel would rubber stamp House Government Reform Committee’s then-Chair Tom Davis’ pro-contractor agenda, the Panel’s findings were in fact very evenhanded. POGO’s subsequent fear was the 1423 Panel’s work would be the next federal

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<sup>3</sup> Authorized by Section 1423 of the Services Acquisition Reform Act of 2003, the Panel was directed to “review and recommend any necessary changes to acquisition laws and regulations as well as government-wide acquisition policies with a view toward ensuring effective and appropriate use of commercial practices and performance-based contracting.” To handle the complexity of the federal contracting system, the Panel created smaller working groups in the following areas: (1) Commercial Practices, (2) Federal Acquisition Workforce, (3) Interagency Contracting, (4) Performance-Based Services Acquisition, (5) Small Business Contracting, and (6) Appropriate Role of Contractors Supporting the Government.

<sup>4</sup> Report of the Acquisition Advisory Panel, to the Office of Federal Procurement Policy and the United States Congress, January 2007. Available at [http://acquisition.gov/comp/aap/24102\\_GSA.pdf](http://acquisition.gov/comp/aap/24102_GSA.pdf).

<sup>5</sup> POGO testified before the Panel on May 17, 2005. Available at <http://pogo.org/m/cp/cp-POGOAcq-05172005.pdf>. POGO remained active in Panel activities, submitting three additional letters to the Panel for its consideration. Available at <http://pogo.org/p/contracts/cl-050801-acquisition.html>, <http://pogo.org/p/contracts/cl-050802-acqreform.html>, and <http://pogo.org/p/contracts/cl-051201-acquireform.html>.

study to sit on a shelf collecting dust. The Panel’s work deserves attention because, rather than recommending changes that benefit contractors, the Panel instead has urged the government to tighten up contracting rules and to adopt many commercial best buying practices that protect taxpayers.

POGO urges the Subcommittee and Congress to pass legislation that incorporates the following Panel recommendations and findings:

1. Competitive fixed-priced offers are essential in contracting.
2. Congress should redefine the definition of “commercial” services to include only those services that are actually sold in substantial quantities in the commercial marketplace. “Commercial” item requirements should be revised to strengthen price reasonableness determinations when no or limited competition exists.<sup>6</sup> (POGO recommends that Congress also re-define “commercial” *items* to include only those goods sold in substantial quantities in the commercial marketplace.)
3. Contractors should receive an agency’s annual ethics training.
4. Federal contract reporting systems should be improved to ensure that complete, accurate, and timely information is available to the public. Agencies should improve transparency and openness of all no-bid task and delivery orders.<sup>7</sup>
5. Agencies should develop a system to un-bundle contracts and mitigate the effects of contract bundling.
6. Contractors should be permitted to file bid protests of task and delivery orders over \$5 million under multiple award contracts.

Some of these provisions have already been incorporated into House and Senate acquisition reform bills—H.R. 1362 and Senate S. 680.<sup>8</sup> Those bills attempt to restrict noncompetitive contracts, increase contract oversight by expanding the acquisition workforce, promote integrity

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<sup>6</sup> In July 2006, GAO reported that “DOD sometimes uses commercial item procedures to procure items that are misclassified as commercial items and therefore not subject to the forces of a competitive marketplace.” GAO Report, *Contract Management: DOD Vulnerabilities to Contracting Fraud, Waste, and Abuse*, GAO-06-838R, July 7, 2006, p. 11. Available at <http://www.gao.gov/new.items/d06838r.pdf>. However, if the government designates a service (or an item) as commercial merely because the service is “of a type” that is sold commercially, but the offered service is not readily available in the commercial market, the government reduces its ability to assess the reasonableness of the contractor’s price because it does not have prices derived through the benefit of competition in the commercial market place.

<sup>7</sup> “Like the panel, [GAO has] pointed out that FPDS-NG data accuracy has been a long-standing problem and have made numerous recommendations to address this problem.” GAO Report, *Federal Acquisition: Oversight Plan Needed to Help Implement Acquisition Advisory Panel Recommendations*, GAO-08-160, December 2007, p. 18. Available at <http://www.gao.gov/new.items/d08160.pdf>.

<sup>8</sup> On March 15, 2007, the House passed H.R. 1362, the “Accountability in Contracting Act,” by a vote of 347-73. The Senate unanimously approved the bipartisan “Accountability in Government Contracting Act of 2007” on November 7, 2007.

in federal contracting, and authorize protests of task or delivery orders that exceed a certain threshold.

In addition to new legislation, many 1423 Panel recommendations require Office of Federal Procurement Policy actions, including guidance, review, and data collection. Although OFPP has produced some memoranda and guides related to 1423 Panel recommendations, and more are on the horizon, additional work needs to be done to ensure that the Panel's recommendations are implemented.

Of particular note, the Panel emphasized that government is not following the private sector's lead when it comes to competition in contracting. The Panel's report stated: "It is clear from the many private sector buyers who testified before the Panel that the bedrock principle of current commercial practice is competition."<sup>9</sup> The Panel also found that the "[c]ommercial practice strongly favors fixed-price contracts in the context of head-to-head competition in an efficient market."<sup>10</sup> That fact was corroborated in a recent industry study, which stated that:

In this year's survey, 40% of the revenue from federal contracts was from cost reimbursable contracts, which is slightly higher than the 39% reported in the 12th annual survey and significantly higher than the 28% and 30% reported in the 11th and 10th annual surveys. It is difficult to reconcile the high use of cost reimbursable contracts with the notion that the government is attempting to use more commercial processes to streamline federal procurement. The commercial environment generally uses fixed price or time and material contracts while the government continues to maximize the use of cost reimbursable contracts.<sup>11</sup>

Despite those basic principles to ensure fair and reasonable contracts, the government ultimately enters into far too many noncompetitive cost reimbursable contracts. Competition is also an issue because nearly 35 percent of federal contract award dollars are awarded without competition.<sup>12</sup> That number increases to nearly 45 percent if one-bid awards are included.<sup>13</sup> Simply stated, although the commercial sector strives for full and open competition to obtain goods and services, the federal government awards contracts based on that principle only 50 percent of the time.<sup>14</sup>

What is the result? GAO found that "sole-source contracts were awarded by [the Department of Defense] despite recognizing it was paying about 25 percent more than previously paid for the

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<sup>9</sup> 1423 Panel Report, p. 4.

<sup>10</sup> 1423 Panel Report, p. 11.

<sup>11</sup> Grant Thornton, *13th Annual Government Contractor Industry Highlights Book: Industry Survey Highlights 2007*, p. 6. Available at

[http://www.grantthornton.com/staticfiles/GTCom/files/Industries/Government%20contractor/13Highlights\\_Final.pdf](http://www.grantthornton.com/staticfiles/GTCom/files/Industries/Government%20contractor/13Highlights_Final.pdf). POGO generally opposes the government's use of Time and Material (T&M) contracts.

<sup>12</sup> POGO's total is based on contracts "not competed," "not available for competition," and "follow-on to previous contract." USAspending.gov, *Federal Contract Awards by extent of Competition*. Available at <http://www.usaspending.gov/fpds/tables.php?tabtype=t1&rowtype=a&subtype=p&sorttype=2007>.

<sup>13</sup> Id.

<sup>14</sup> Id.

contracts awarded competitively.”<sup>15</sup> Everyone agrees that competition is essential in contracting, yet competitive processes are often replaced by sole source processes that, in the long run, waste taxpayer money and create an impression of favoritism.

POGO believes that a more accountable contracting system will benefit the government, taxpayers, and federal contractors. At the same time, an improved contracting system will create a cultural shift that rewards good contracting decisions and that genuinely holds contractors accountable for the goods and services they provide to the government.

I urge the Members of the Subcommittee to focus on Appendix II of the GAO report discussing the 1423 Panel’s recommendations.<sup>16</sup> That section highlights GAO’s assessment of the 1423 Panel’s recommendations and OFPP’s implementation plans. Appendix II is a great source to find out what actions OFPP is taking, and should be used as a benchmark to determine what future legislation will be needed in order to fix the contracting system.

### **“Contractors and Federal Spending Accountability Act of 2007” (H.R. 3033)**

POGO is pleased to share its thoughts on Representative Carolyn Maloney’s bill, H.R. 3033—“Contractors and Federal Spending Accountability Act of 2007.”<sup>17</sup> On July 18, 2007, POGO testified before this Subcommittee in support of that bill.<sup>18</sup> H.R. 3033 would formalize and replicate POGO’s Federal Contractor Misconduct Database (FCMD),<sup>19</sup> and address the government’s failure to vet contractors to determine whether they are truly responsible.<sup>20</sup> Since the Subcommittee’s hearing last year, POGO has also been working with the Senate to introduce companion legislation to H.R. 3033.

As the Subcommittee might recall, POGO’s FCMD is a compilation of instances of misconduct and alleged misconduct committed by the top federal government contractors between 1995 and the present. POGO compiled these instances through searches of public records. We do not claim to have identified every instance of misconduct and alleged misconduct involving these contractors. We have attempted, however, to find and categorize specific instances of misconduct that should help government officials. POGO has tirelessly scanned the internet and utilized the Freedom of Information Act (FOIA) to find government and contractor press

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<sup>15</sup> GAO Report (GAO-08-160), p. 7.

<sup>16</sup> “The 89 recommendations in the panel report are largely consistent with our past work and recommendations.” GAO Report, *Federal Acquisition: Oversight Plan Needed to Help Implement Acquisition Advisory Panel Recommendations*, GAO-08-160, December 2007, p. 5. Available at <http://www.gao.gov/new.items/d08160.pdf>.

<sup>17</sup> Available at [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110\\_cong\\_bills&docid=f:h3928ih.txt.pdf](http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_cong_bills&docid=f:h3928ih.txt.pdf).

<sup>18</sup> Testimony of POGO’s Scott Amey, before the Subcommittee on Government Management, Organization, and Procurement, *Federal Contracting: Why Do Risky Contractors Keep Getting Rewarded With Taxpayer Dollars?* July 18, 2007. Available at <http://www.pogo.org/p/contracts/ct-070718-fedcon.html#3>. POGO’s response to the Subcommittee’s July 30, 2007, letter is available at <http://www.pogo.org/p/contracts/cl-070827-contract.html>.

<sup>19</sup> POGO’s FCMD is available at <http://www.contractormisconduct.org/>. The FCMD will be updated and expanded to include the top 100 federal contractors in March 2008.

<sup>20</sup> See FAR Subpart 9.104-1(d) (contractors must “[h]ave a satisfactory record of integrity and business ethics.” Available at [http://www.arnet.gov/far/current/html/Subpart%209\\_1.html#wp1084075](http://www.arnet.gov/far/current/html/Subpart%209_1.html#wp1084075).

releases, settlement agreements, court documents, and other primary sources to support each instance of misconduct. The FCMD now includes over 420 instance of misconduct totaling over \$10 billion. Frankly, it is shocking that a nonprofit is doing this work. H.R. 3033 would correct the government's inaction in collecting and evaluating contractor responsibility information.

While Congress is considering this legislation, the defense and civilian agencies have initiated a rulemaking that would begin to address some of the issues raised in H.R. 3033. That proposed rulemaking would (1) require contractors to have a code of ethics and business conduct, (2) establish and maintain specific internal controls to detect and prevent improper conduct in connection with the award or performance of federal contracts or subcontracts, and (3) require the notification of contracting officers without delay when there are violations of federal criminal laws with regard to such contracts or subcontracts. The proposed rule also stipulates that the failure to comply with the notification requirement could result in suspension or debarment.<sup>21</sup> Related to the database provision in H.R. 3033, contractors would have to disclose overpayments on a government contract and, when reasonable grounds exist, violations of criminal law. Although greater in scope, H.R. 3033 would codify into law the actions that agencies are taking on their own.

Even the Department of Justice's National Procurement Fraud Task Force (NPFTF) Legislation Committee (co-chaired by two Inspectors General) has proposed a database system that is a variation of one provision in H.R. 3033.<sup>22</sup> In an unreleased white paper, the NPFTF Legislation Committee made many recommendations to improve the government's ability to detect, prevent, and prosecute contract and grant fraud.<sup>23</sup> The "Procurement Inquiry Check System" (PCIS) would provide for a procurement fraud background check system.<sup>24</sup> The system would contain contractor performance information, including fraud instances and suspension and debarment details.<sup>25</sup> The NPFTF Legislation Committee found that "mobility permits fraudulent contractors and service providers to move between levels of government and across jurisdictions with little fear of detection sine a national database does not exist."<sup>26</sup>

H.R. 3033 would go a long way in improving pre-award contracting decisions and enhancing the government's ability to weed out risky contractors, especially those with repeated histories of misconduct or poor performance. I predict that there will be industry criticism about what to call

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<sup>21</sup> POGO provided a public comment on the contractor compliance programs and integrity reporting proposals on January 14, 2008. POGO supported the proposal, but advocated that the proposed rule's mandatory reporting requirement must be clarified and expanded to require contractors to disclose a broader array of unethical conduct. Available at <http://pogo.org/p/contracts/cl-080114-fedcontracts.html>.

<sup>22</sup> National Procurement Fraud Task Force, Legislation Committee, Procurement and Grant Fraud: Legislation and Regulatory reform Proposals, July 9, 2007 The Committee Chairs are Inspector General Brian D. Miller, GSA, and Inspector General Richard L. Skinner, DHS. Available at [http://www.ballardspahr.com/files/tbl\\_s29GeneralContent/PDFfile1222/94/8-1-07TaskForceWhitePaper.PDF](http://www.ballardspahr.com/files/tbl_s29GeneralContent/PDFfile1222/94/8-1-07TaskForceWhitePaper.PDF).

<sup>23</sup> NPFTF stated that "procurement fraud includes, but is not limited to, cost/labor mischarging, defective pricing, defective parts, price fixing and bid rigging, and product substitution." NPFTF Legislation Committee Report, p. 15.

<sup>24</sup> The Procurement Inquiry Check System (PICS) would be created and maintained by the General Services administration (GSA) and utilized by federal, state, and local procurement officials prior to the authorization of grant or contract actions using federal funds

<sup>25</sup> NPFTF Legislation Committee Report, p. 16.

<sup>26</sup> NPFTF Legislation Committee Report, p. 15.

the database and efforts to scale back the type of information that is included. POGO encourages an open debate on those topics, and POGO fully supports this bill.

### **“Contracting and Tax Accountability Act of 2007” (H.R. 4881)**

POGO believes that the “Contracting and Tax Accountability Act of 2007” will also help address the need for greater transparency to prevent risky contractors from receiving federal dollars. Improved market research and contractor specific information should provide for better pre-award contractor responsibility determinations. Furthermore, these tax evaders should be included in the database created by H.R. 3033.

POGO is concerned about contractors that cheat on or are delinquent in paying their taxes. The Senate has held three hearings on federal contractors with unpaid tax debt,<sup>27</sup> identifying at least \$6.3 in unpaid taxes by defense and civilian contractors.<sup>28</sup> Contractors that owe taxes are still allowed to do business with the federal government. To fix this problem, H.R. 4881 would prohibit any person or contractor that has a seriously delinquent tax debt from obtaining a federal government contract. The bill also requires federal agency heads to require prospective contractors to certify that they do not have such a debt and authorize the Secretary of the Treasury to disclose information describing whether such contractors have such a debt.<sup>29</sup>

H.R. 4881 is on the right track, but POGO believes that it could go further in its scope. The bill is limited to “negotiated” acquisitions (leaving out FAR Part 12 contracts for commercial goods and services) and would apply only to contractors with “seriously delinquent tax debt.”<sup>30</sup> The prohibition would apply only to contractors “for which a notice of lien has been filed in public records” pursuant to applicable tax law. POGO supports H.R. 4881 with the understanding that the definition for “seriously delinquent” encompasses the companies that owe the \$6.3 billion in delinquent taxes to the federal government. H.R. 4881 provides another tool to prevent companies with questionable track records from receiving federal contracts.

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<sup>27</sup> The Senate Committee on Homeland Security and Governmental Affairs, Permanent Subcommittee on Investigations held hearings on contractors who cheat on their taxes on March 14, 2006, June 16, 2005, and February 12, 2004. Available at <http://hsgac.senate.gov/index.cfm?Fuseaction=Hearings.Detail&HearingID=333> (GSA contractors), <http://hsgac.senate.gov/index.cfm?Fuseaction=Hearings.Detail&HearingID=248> (civilian contractors), and <http://hsgac.senate.gov/index.cfm?Fuseaction=Hearings.Detail&HearingID=153>.

<sup>28</sup> “On February 12, 2004, the Subcommittee held a hearing entitled DOD Contractors Who Cheat on Their Taxes, which examined the IRS’ failure to collect \$3 billion in unpaid taxes owed by contractors doing business with the Department of Defense (DOD) and getting paid with taxpayer dollars. On June 16, 2005, the Subcommittee held a hearing entitled Civilian Contractors Who Cheat On Their Taxes, which identified an additional \$3.3 billion in unpaid taxes and demonstrated that the problem of tax delinquent federal contractors is not confined to DOD. Senate Committee on Homeland Security and Governmental Affairs, Permanent Subcommittee on Investigations, Hearing Announcement. Available at <http://hsgac.senate.gov/index.cfm?Fuseaction=Hearings.Detail&HearingID=333>.

<sup>29</sup> Available at [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110\\_cong\\_bills&docid=f:h4881ih.txt.pdf](http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_cong_bills&docid=f:h4881ih.txt.pdf).

<sup>30</sup> H.R. 4881 section 3.

## “Government Contractor Accountability Act of 2007” (H.R. 3928)

H.R. 3928 would require covered government contractors that receive more than 80 percent of their annual gross revenue from federal contracts to disclose the names and salaries of their most highly compensated officers.<sup>31</sup> Covered contractors are defined as non-publicly traded companies that receive more than \$5 million in annual gross revenues from federal contracts or subcontracts at any tier.<sup>32</sup> The data would be made publicly available in searchable form through the Federal Procurement Data System.<sup>33</sup>

Executive compensation is an intriguing part of the contracting regulations. Currently, \$597,912 in executive compensation (which includes wages, salary, bonuses, deferred compensation, and employer contributions to defined contribution pension plans) is allowable under a federal contract. That amount, however, is not a limit on the compensation an executive may receive—the nearly \$600,000 is the maximum allowable amount that the government will reimburse contractors for their senior executives’ compensation.<sup>34</sup> Simply stated, the threshold is the maximum allowable amount that may be allocated to a government contract. For example, if a contractor has a 50/50 share in federal and commercial contracts, the threshold would be allocated proportionally -- the government would only reimburse just under \$300,000 for executive compensation.

The intent of the executive compensation threshold is to prevent taxpayers from footing the bill for high salaries paid to contractor executives, particularly defense contractor officials.

The executive compensation threshold, however, is based on commercially available data from publicly traded companies with annual sales over \$50 million.<sup>35</sup> More specifically, as required by Section 39 of the OFPP Act, the data used is the median (50th percentile) amount of compensation accrued over a recent 12 month period for the top five highest paid executives of publicly traded companies with annual sales over \$50 million. Unlike a publicly traded company that is required by the Securities and Exchange Commission to open its books to its shareholders and the public, there is very little, if any, information disclosed by privately-held contractors. As witnessed during the October 2007 House Oversight and Reform Committee hearing on Private Security Contracting in Iraq and Afghanistan, representatives of Blackwater were less than

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<sup>31</sup> Section 2(a). Section 2(a)(1)(A) of the bill would require contractors to file a “certification that the contractor received, during the fiscal year preceding the fiscal year in which the contract is awarded, 80 percent or less of its annual gross revenues from other contracts with the Federal Government.” Available at <http://thomas.loc.gov/cgi-bin/query/z?c110:H.R.3928>.

<sup>32</sup> H.R. 3982, Section 2(c).

<sup>33</sup> H.R. 3982, Section 2(b).

<sup>34</sup> Office of Management and Budget, Office of Federal Procurement Policy, Determination of Executive Compensation Benchmark Amount Determination of Executive Compensation Benchmark Amount, March 27, 2007. Available at [http://www.whitehouse.gov/omb/fedreg/2007/032707\\_casb.pdf](http://www.whitehouse.gov/omb/fedreg/2007/032707_casb.pdf). See FAR Subpart 31.205-6(p) (“Limitation on allowability of compensation for certain contractor personnel.”) Available at [http://www.arnet.gov/far/current/html/Subpart%2031\\_2.html#wp1095659](http://www.arnet.gov/far/current/html/Subpart%2031_2.html#wp1095659).

<sup>35</sup> See [http://www.whitehouse.gov/omb/fedreg/2007/032707\\_casb.pdf](http://www.whitehouse.gov/omb/fedreg/2007/032707_casb.pdf).



forthcoming with company information. Blackwater's justification was that "we are a private company, and there is a key word there, private."<sup>36</sup>

H.R. 3928 raises an interesting debate regarding privacy verses openness for private companies that are federal contractors. On one hand, the bill's 80 percent annual federal revenue threshold and the limited disclosure are limited in scope. On the other hand, what is the burden on the government to collect executive compensation information and how will it be used?

More importantly, however, POGO believes that the weak executive compensation laws need to be reviewed and amended to ensure that taxpayers are not being exploited. Although additional disclosure might assist the government's executive compensation efforts, the current law is riddled with loopholes. For example, the compensation limits only apply to the top five highest paid executives. That system allows companies to fully charge the government for excessively high contractor compensation packages for other mid- and high-level executives.

POGO has always urged Congress to promote openness in government. Therefore, we tepidly support H.R. 3928 because any contractor, public or private, that receives the majority of its revenue from the federal government should be held accountable by the public.

## **Conclusion**

The aforementioned work by the 1423 Panel and the contractor accountability bills will add much-needed competition, oversight, and transparency to the contracting system.

POGO fully supports H.R. 3033 and H.R. 4881. We must remember that contracting with the federal government is a privilege, not a right, and taxpayers must be confident in the integrity of the federal government and the companies with which it does business. If all of the 1423 Panel recommendations are implemented and Congress passes the legislation included in today's hearing, as well as H.R. 1362 and S. 680, there will still be more work to be done.

Thank you for inviting me to testify today. I look forward to working with Chairman Towns, Ranking Member Bilbray, and the entire Subcommittee to further explore how the federal government can improve the methods of buying goods and services.

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<sup>36</sup> Testimony of Erik Prince, Chairman, The Prince Group, LLC and Blackwater USA, before the House Oversight and Reform Committee, *Hearing on Private Security Contracting in Iraq and Afghanistan*, October 2, 2007, p. 173. <http://oversight.house.gov/documents/20071127131151.pdf>.