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*U.S. House of Representatives*

Washington, DC 20515-6035

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ERIN C. CONATON, STAFF DIRECTOR

February 19, 2008

The Honorable James Nussle  
Director  
Office of Management and Budget  
Executive Office Building  
Washington, DC 20503

Dear Director Nussle:

I was disturbed by two recent news reports that appear to indicate a failure to recognize the significance of the waste and fraud that has occurred with contingency contracting in Iraq. I ask that you act immediately to reverse these two decisions, and apply the full range of government accountability and oversight measures to overseas contracting.

One of the most unpleasant and disillusioning tasks of my recent congressional service has been the responsibility for reviewing cases of waste, fraud, and abuse in Department of Defense contracts in Iraq and Kuwait. In many of these cases government employees, and even a few military officers, have seriously abused the public trust. The House Armed Services Committee has received testimony that a review of these contracts has discovered over \$15 million in bribes, and that contracts valued at over \$6 billion have potentially been undermined as a result.

For this reason, the Congress included the Acquisition Improvement and Accountability Act in the National Defense Authorization Act for Fiscal Year 2008. The act requires a new, clear division of responsibility for oversight of Iraq contracting between the Departments of Defense and State and the U.S. Agency for International Development. It also establishes a Commission on War-Time Contracting in Iraq and Afghanistan, requires extensive additional auditing of these contracts, and mandates additional training in contingency contracting for the defense acquisition workforce.

In the course of the committee's work, what became readily apparent was how quickly contracting can go awry when seemingly simple measures of oversight and accountability are ignored. I was quite dismayed, therefore, when I learned about two recent rulemakings that would exempt overseas contracts from such oversight and accountability measures. First, the *Federal Register* published a notice indicating that the Cost Accounting Standards (CAS) Board,

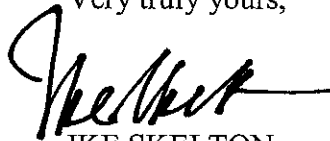
The Honorable Jim Nussle  
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which reports to you, will continue to exempt overseas contracts from the CAS. The CAS provides a baseline for measuring and allocating contract costs which ensures that contract claims are auditable. Second, a proposed Department of Justice rule requiring self reporting by contractors of abuses in excess of \$5 million (as opposed to voluntary self reporting under current regulations) would exempt overseas contracts. While self reporting is certainly no panacea in combating contract fraud, it is profoundly unwise to send the message that overseas contracts need not follow whatever internal processes for accountability that companies establish to comply with this rule.

Reconsideration of these two decisions will go a long way toward ensuring that accountability and oversight of contingency contracting are once again high priorities of the government.

I look forward to receiving a thorough response from you on these matters not later than April 1, 2008, prior to the committee's consideration of the President's legislative proposal for the National Defense Authorization Act for Fiscal Year 2009.

Very truly yours,

A handwritten signature in black ink, appearing to read "Ike Skelton", with a long horizontal flourish extending to the right.

IKE SKELTON  
Chairman

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