

Statement of Senator Thomas R. Carper, Chairman

**Subcommittee on Federal Financial Management, Government Information,
Federal Services, and International Security**

Committee on Homeland Security and Governmental Affairs

“Management and Oversight of Contingency Contracting in Hostile Zones”

January 24, 2008

The subcommittee will come to order.

I would like to thank my colleagues, our witnesses and guests for joining Senator Coburn and myself today. I want to particularly welcome Senator Collins, Ranking Member of the Senate Homeland Security and Government Affairs Committee. I also want to welcome and thank Senator Akaka, Chairman of the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, for jointly sponsoring this hearing. I would like to thank all my colleagues for their continued support in ensuring the federal government is accountable to the American taxpayer.

Nearly five years after going into Iraq, we still do not know how many contractors are there. We have estimates but they differ. Last summer, United States Central Command told us there were about 130,000, then later updated that number to approximately 180,000. The Gansler Commission report, which came out in October, estimated there are 160,000 contractors in Iraq. The Government Accountability Office (GAO) bases its cost estimate on what the Department of Defense said last year, which is that there are over 120,000 contractors in Iraq. Whatever estimate we accept, one thing seems for sure: We have almost as many and, according to some estimates, more contractors in Iraq as we do U.S. troops.

There is an old saying that you can't manage what you can't measure. We in Congress are in the position of trying to oversee contracting in Iraq (among other places) without our government agencies knowing how many contractors are in theater. Certainly, the continuing lack of management attention and proper oversight over the contractors in a war zone has resulted in runaway costs.

Unfortunately, waste, fraud, and abuse are all too common in Iraq. Out of \$57 billion worth of contracts for services and reconstruction work in Iraq, the Defense Contract Audit Agency has reported that more than \$10 billion – or one-sixth of the total spent on contracts – is either questionable or cannot be supported because of a lack of contractor information needed to assess costs. To date, there are more than 80 separate criminal investigations into contracts totaling more than \$5 billion.

Despite the dedicated, talented, and hard-working contracting professionals – contract abuse appears to have become endemic. Late last year, we learned that the U.S. military paid a Florida company nearly \$32 million to build barracks and offices for Iraqi army units even though nothing was ever built. Earlier last year, the Special Inspector General of Iraq told us that Parsons Global Inc. was charged with building 140 primary healthcare centers throughout Iraq, but only completed six after two years and a half a billion dollars spent. Parsons was also paid \$62 million to build the Iraqi Police College, but the barracks failed to include proper plumbing, causing sewage to leak through the floors – a building my staff has learned has not yet been repaired. Construction of the \$600 million U.S. Embassy in Baghdad continues to be plagued with safety and construction problems and contractor First Kuwaiti has been accused of labor abuses and human trafficking. And the list goes on.

However, the story is not just doom and gloom. There are strides being made on all fronts worthy of recognition. In response to the 2007 Department of Defense Authorization bill, the DOD has established a comprehensive policy and program framework for managing contractors and contractor personnel deployed with our forces on contingency operations. The Army, under the leadership of Secretary Pete Geren, commissioned the Gansler report and – with the blessing of Defense Secretary Gates – has begun implementing some of its recommendations. A Memorandum of Agreement has been recently reached between the Departments of Defense and State defining the authorities and responsibilities of private security contractors in Iraq. With the leadership of Senators Lieberman and Collins, we were able to get more accountability in contracting. And, with the leadership of the Freshman Senators, we were able to pass into law the Wartime Contracting Commission. I, along with most of my colleagues here, were co-sponsors of both pieces of legislation. I was able to get an amendment into the Department of Defense Authorization that mandates training of military personnel operating in contingency environments.

This hearing is inspired by a trip I took to Iraq last summer. I called for it for two reasons: first, how to figure out how to improve contracting practices in Iraq and Afghanistan; and second, how to prevent these contracting problems from happening again. As elected members of Congress, we have an obligation to safeguard American taxpayer dollars wherever they are being spent. The point of this hearing is to move forward and plan better for future contingencies, which the U.S. is certain to face.

Today, I want to try to ensure the following:

- That the workforce problems caused by inadequate staffing on the contracting and contract management sides are being addressed and solved;
- That the lack of training for military personnel and civilians on the battlefield is remedied before the next contingency operation;

- That we capture the lessons learned and incorporate them into military leadership schools and civilian training for contracting officials;
- That we are planning U.S. government-wide how to deal with reconstruction and stabilization crises in conflict and post-conflict areas;
- That we are clear and precise about who should be ultimately charged to implement those interagency activities; and
- That Congress plays an active and effective role in the path forward.

To date, the United States has appropriated nearly \$630 billion for Iraq and Afghanistan and has spent nearly \$470 billion on Iraq alone. A large part of that money is going to contractors involved in providing services to our troops and in reconstruction projects.

Since 2003, we have passed nine supplemental bills for Iraq and Afghanistan. At home, we are addressing huge, growing fiscal imbalances due to our aging population, skyrocketing healthcare costs, and a sharp decline in the housing sector. Now, we are facing a recession. We need to do everything we can to make sure the American taxpayer is getting what he or she paid for.