

Opening Statement of
Senator Susan M. Collins
Committee on Homeland Security
and Governmental Affairs

“Deconstructing Reconstruction:
Problems, Challenges, and the Way Forward
in Iraq and Afghanistan”

March 22, 2007

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Mr. Chairman, reconstruction efforts, whether in war zones abroad or disaster areas at home, require careful planning, effective oversight, and wise stewardship of the taxpayers’ investment.

Regrettably, our reconstruction operations in Iraq have been plagued by a lack of coordination, poor management of projects, and an over-reliance on costly, non-competitive contracts.

Today, we have an opportunity to learn from these serious mistakes as the Special Inspector General for Iraq Reconstruction releases his third and final “Lessons Learned” report. It has nine thought provoking recommendations. The most significant calls for a new “Goldwater-Nichols” approach to coordinate efforts among the Departments of Defense and State, the U.S. Agency for International Development, and other agencies involved in future reconstruction efforts.

Other recommendations call for more funding of reconstruction and stabilization planning, clarification of who is in charge, more involvement of local people in reconstruction, and improved management of non-U.S. funds. These are sound recommendations, and I look forward to hearing more about them today.

Reflecting its disarray and uncertainty, the federal government has adopted four different strategies to deal with reconstruction in Iraq. Each approach has had difficulties making the progress necessary to improve the lives of the people and to pave the way for our troops to come home. The November 2005 National Strategy for Victory in Iraq lacked solid estimates for operations and for the costs of training Iraqi security forces. Reports have made clear that estimates for rebuilding the damaged Iraqi oil and electric infrastructure were also woefully inadequate.

The heart of the American reconstruction effort in Iraq and Afghanistan is an enormous network of contracts. The Department of Defense has a large role in managing the more than \$30 billion appropriated for reconstruction, and the Army alone

has an estimated 60,000 contractor employees supporting its operations.

The Special Inspector General has uncovered many disturbing cases of egregious waste and mismanagement, and in some cases, outright fraud, in Iraq reconstruction contracts and projects. His work suggests that Congress should revamp the way the federal government conducts significant relief and reconstruction efforts, whether it is in Iraq, Afghanistan, or even the Gulf Coast of the United States.

It was the SIGIR's investigations and the findings from this Committee's Hurricane Katrina hearings that led me to introduce the Accountability in Government Contracting Act, with the welcome

cosponsorship of our Chairman and of Senators Carper, Coleman, and McCaskill.

The bill aims to improve our stewardship of taxpayers' money while increasing the fairness and transparency of federal dealings with suppliers of goods and services.

Obstacles exist to fair, effective, and open competition and oversight including inadequate documentation requirements, the overuse of letter contracts that fail to include all the critical terms, excessive tiering of subcontractors, and insufficient public data on federal contracts.

An example is a task order for an oil project that cost \$84 million. When the Defense Contract Audit Agency looked into the charge, it discovered that the work had been complete for more than a year before

DOD negotiated the final terms of the contract. Unfortunately, the record of federal contracting in Iraq is replete with this kind of lax oversight. The Special Inspector General for Iraq Reconstruction last July identified 194 individual task orders valued at \$3.4 billion that were classified as “undefinitized contract actions;” that is, they were missing key terms, such as scope, schedule, or price.

The provisions of our legislation would help avoid such outrageous contracting abuses

Mr. Chairman, our witnesses today can offer us invaluable observations and guidance in our work to improve our reconstruction efforts overseas, with corollary benefits to federal reconstruction efforts at home, particularly on the Gulf Coast. I am eager to hear their comments.

Thank you, Mr. Chairman.

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[Note: Final version, including hand-written edits by the Senator during the hearing.]