

**Statement of Senator Susan M. Collins of Maine  
Before the Commission on Wartime Contracting  
in Iraq and Afghanistan**

**Monday February 2, 2009**

**The Caucus Room, Russell Senate Office Building**



Mr. Chairman, members of the Commission, I appreciate this opportunity to testify on an issue that has been a priority of mine as both Chairman and Ranking Member of the Senate Homeland Security and Governmental Affairs Committee. I am pleased to join Senators Webb and McCaskill whose hard work led to this Commission's establishment.

Ensuring the best value for the American taxpayer in government procurements is important under the best of circumstances. But it is crucial when our nation is at war and takes on reconstruction efforts such as those in Iraq and Afghanistan.

As the Commission undertakes its review of the failures associated with these reconstruction efforts, I would encourage you to address this fundamental question: are the military, diplomatic and foreign aid goals of the United States being advanced through our wartime reconstruction contracts?

Beset by waste, fraud, and failure, reconstruction efforts in Iraq and Afghanistan too often have failed to support the mission.

As you begin your examination of this topic, I commend to you the work of the Special Inspector General for Iraq Reconstruction. I strongly supported Senator Russ Feingold in establishing the SIGIR's office and joined him in expanding its mission and defending it against efforts to terminate its critical work. Stuart Bowen and his staff of skilled auditors and investigators – many serving in harm's way in Iraq – have proven time and again to be a much-needed watchdog over taxpayer dollars.

You will have no greater ally than the SIGIR as you undertake the monumental task of determining how to improve wartime contracting. I commend to you the SIGIR's latest comprehensive report, "Hard Lessons," which reviews the Iraq reconstruction experience from mid-2002 through fall of 2008. It's a tough, no-holds barred report that will give you tremendous insights.

As SIGIR's new report underscores, our nation's reconstruction efforts during the last six years in Iraq have been plagued by waste and abuse. Examples of unsuccessful contracting practices and poor contract execution and oversight abound.

Many of these failures, however, can be boiled down to four categories:

- unclear and evolving contract requirements;
- poor program management, including an inadequate number of skilled contracting personnel;
- an unstable security environment; and
- a lack of commitment by Iraqi government officials to the reconstruction of their own nation.

Untimely and unclear requirements hampered our nation's security efforts in Iraq from the start. During the first big push by the Coalition Provisional Authority to stand up the Iraqi police force, program managers failed to set timely requirements for many goods and services, even for something as simple as winter coats. Orders for the coats were not placed until mid-November and deliveries were not completed until February. Meanwhile, sub-freezing temperatures gripped Northern Iraq. Under these conditions, it was unrealistic to assume that the ill-equipped Iraqi police force could provide effective security in the north.

Poor scoping and management of contracts also led to waste and abuse. The SIGIR reviewed Department of Defense records and identified 1,262 projects that were terminated—732 for the convenience of the government and 530 for contractor default. These terminated projects had initial obligations of nearly \$1 billion. Approximately \$600 million had been paid to contractors, including \$89.7 million to contractors on projects terminated for default.

Terminations for convenience were often due to changes in scope or security problems. Terminations for default were normally due to poor contractor and subcontractor performance. And it is troubling that very few attempts have, or are being made, to recoup the payments from contractors that defaulted. Incredibly, at least two contractors that were terminated for default were subsequently rehired for other jobs.

An egregious example of poor scoping and management is the Falluja Waste Water Treatment system. This important project cost three times the original estimates, will be completed three years late, and will serve just one-third of the number of homes originally contemplated. Thus, a project with a \$32.5 million price tag will end up costing taxpayers nearly \$98 million dollars.

In many ways, these failures can be traced to a key underlying reason: inadequate numbers of skilled contracting personnel in Iraq. The SIGIR's report painfully illustrates the failure of the Coalition Provisional Authority Project Management Office (PMO) to successfully oversee the \$18.4 billion in American reconstruction contracts in Iraq due, in large measure, to a lack of staff.

When the PMO was established in September 2003, it had a staff of one. In the summer of 2004, twenty months later, it had only hired half of the staff it estimated it needed to oversee over 2,000 reconstruction projects across the country. At that time, the PMO had roughly one government employee for every \$400 million it was overseeing. How could effective and thorough oversight and accountability be expected with this ratio of workload to qualified staff?

The Iraqis themselves also failed to take responsibility for completed reconstruction projects that were turned over to them. A recent SIGIR Report on the Baghdad Police Training Facility detailed the failure of the Iraqis to adequately protect and maintain that project. When transferred to the Iraqis, the facility was operating at full capability serving over 3,200 cadets in

eight barracks. Due to vandalism, theft, and a lack of routine maintenance after the transfer, the latrine facilities fell into a state of disrepair. Bathrooms on the top two floors had to be shut down. Theft of plumbing, heating, and ventilating equipment, lack of repairs, and generally poor maintenance resulted in potential health hazards for the cadets.

Progress has been made on this front. Based on legislation that I co-authored with Senators Ben Nelson and Evan Bayh, the Iraqis must now pick up the tab for their own reconstruction and stabilization efforts. This shift in our Iraqi policy was long overdue and should help focus reconstruction efforts on projects that the Iraqis will support and maintain going forward.

In the six years since the first Iraq Supplemental was passed, Congress has also taken action to improve the United States' acquisition and reconstruction practices. Our Committee, in particular, has worked hard to strengthen federal contracting laws.

Legislation that I co-authored with Senator Lieberman was signed into law as part of the last two defense authorization acts.

- The reforms in our bill will provide greater competition, accountability, and transparency in government contracting – mandating additional public disclosure, curtailing sole-source contracting, limiting tiering of subcontractors, placing strict time limits on non-competitive contracts, and preventing bonuses to poorly performing contractors.
- Our bill also establishes a Contingency Contracting Corps to ensure that emergency contracting to respond to disasters or support military operations is performed swiftly, effectively, and economically both within and outside the United States.
- Finally, Senator Lieberman and I mandated the development of a strategic plan to revitalize our federal acquisition workforce.

These reforms – forged from failures in Iraq and Afghanistan, in disaster recovery following Hurricane Katrina, and in other, more routine government procurements over the last several years – will help ensure that the goods and services purchased by the government are the best value for the American taxpayer. They will improve management and increase oversight of the goods and services that our nation procures every year. Last year alone, the federal government spent \$532 billion on contracts – a 140% increase from 2001 to 2008.

Reform efforts must continue. Informed by the work of this Commission and other oversight entities, we must examine ways to further improve the contracting process – from concept through to execution.

This Commission's work will help us learn other important lessons about our government's procurement practices. Your findings and recommendations will play a central role as we seek to ensure that government funds are spent wisely in the future.

Your efforts come at a watershed moment for America's mission in both Iraq and Afghanistan. As the responsibility for Iraq reconstruction slowly, but surely, shifts to the Iraqis, the United States mission in Afghanistan is set to increase.

So what can be done to prevent new money sent to Afghanistan from suffering the same fate as funds previously wasted in Iraq?

Whether in the United States or in a wartime environment overseas, two immediate priorities are

clear. First, our nation must revitalize its acquisition workforce. Second, we must improve the way the government manages federal procurements.

We are facing a crisis in our federal contracting workforce. The federal government has entered the 21st century with 22 percent fewer federal civilian acquisition personnel than it had at the start of the 1990s.

The Department of Defense, the center of our acquisition budget, has been disbursing enormous amounts of money to contractors but saw its acquisition workforce shrink by more than 50 percent between 1994 and 2005.

Moreover, as early as 2012, 50 percent of the entire federal acquisition workforce will be eligible to retire. This means that as our contract spending continues to increase dramatically, our contracting workforce will continue to shrink. This gap between the work to be done and the staff to do it is eerily reminiscent of the workforce challenges our government faced in Iraq.

As SIGIR Bowen has outlined in “Hard Lessons,” when there are too few eyes on too much money, the risk for fraud and abuse is high.

As we work to revitalize the acquisition workforce, the federal government’s contract management must also improve. It is impossible to quantify the amount of tax dollars that are wasted or how much damage is caused by the inability to set effective requirements at the beginning of a contract, to prevent the unnecessary proliferation and modification of requirements as the contract proceeds, and to manage and oversee contract performance.

In Iraq and Afghanistan, these program management failures were often the result of an over-worked and inexperienced work force. The Contingency Contracting Corps is critical to fulfilling this mission. By putting experienced contracting professionals on the ground, the Corps will help ensure that procurements made under the stress and urgency of the moment do not fall prey to wasteful or fraudulent practices. The Corps must be made operational as soon as possible to improve contract management in Iraq and Afghanistan.

The Commission’s work in this area is vital, because, in the simplest of terms, how well we execute wartime contracting helps to determine how well we build the peace.

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