

Joint Statement of  
Michael Thibault and Christopher Shays, Co-Chairs  
The Commission on Wartime Contracting in Iraq and Afghanistan

Hearing:

**‘Department of State Contracting:  
the Commission on Wartime Contracting’s  
Second Interim Report, the QDDR, and Iraq  
Transition Implementing Improvements  
to Defense Wartime Contracting’**

Room 216, Hart Senate Office Building, Washington, DC  
9 a.m., Monday, June 6, 2011

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[As prepared for delivery.]

Good morning. I am Christopher Shays, co-chairman of the Commission on Wartime Contracting in Iraq and Afghanistan.

The other Commissioners at the dais are my fellow Co-Chair, Michael Thibault; and Commissioners Clark Kent Ervin, Grant Green, Robert Henke, Katherine Schinasi, Charles Tiefer, and Dov Zakheim.

Today’s hearing focuses on Department of State contracting in U.S. contingency operations like those in Iraq and Afghanistan. The Commission is interested in three major topics:

1. The Department of State’s response to the Commission’s second interim report to Congress;
2. The treatment of contingency contracting in the most recent Quadrennial Diplomacy and Development Review; and
3. Transition issues in Iraq and Afghanistan.

The Commissioners may, of course, raise additional issues as the question period unfolds.

Our sole witness today is a distinguished official of the Department of State, Ambassador Patrick F. Kennedy. His current position as Under Secretary of State for Management puts him squarely at the center of the action in many issues that concern this

Commission. We appreciate the informed and helpful testimony he has provided in other appearances before this panel, and welcome him back today.

Before we hear Ambassador Kennedy's testimony, I will comment briefly on our three main areas of interest.

First is the State Department's response to our request for comment on the recommendations in our February 2011 second interim report to Congress. That report, called "At What Risk? Correcting over-reliance on contractors in contingency operations," made 32 recommendations for statutory, policy, or administrative changes.

At our request, the Department of State provided responses to the items that would affect it. We appreciate that. To be candid, however, we thought some of the responses were cursory, while others struck us as logically dubious.

For example, we think the Department's resistance to our recommendation for a permanent, government-wide inspector general for contingency operations did not pay due regard to the inter-agency dimensions of these operations, or to the drawbacks of setting up special-IG shops after boots have already hit the ground.

As experience in Iraq and Afghanistan has shown, a great deal of waste, fraud, and abuse can happen if oversight isn't deployed along with troops, diplomats, and reconstruction officials.

State also disagreed with our recommendation that suspension-and-debarment officials *document* the rationale for not taking action against a contractor officially recommended for suspension or debarment. State's response said that would be a "burden."

That response approaches the borderline of government negligence. If cognizant oversight officials have recommended that a contractor be suspended or debarred from receiving taxpayers' money, it is perfectly reasonable and potentially important to insist that other officials write a few sentences of explanation if they decide to do nothing.

Our second main topic is the treatment of contingency contracting in the State Department's *Quadrennial Diplomacy and Development Review*, which includes operations of the U.S. Agency for International Development.

To its credit, the Department notes in the QDDR that contracting has real benefits for the government, but has often been "the default option" to work around agency staffing and budget constraints.

The QDDR calls for rebuilding core capabilities in critical areas, creating more competition in contracting, and strengthening contract oversight and accountability. These are all excellent points.

We might also note that the Department of State has given contracting much more thought—in public print, at least—than the Department of Defense displayed in the most recent *Quadrennial Defense Review*.

Nonetheless, we hope to continue an earlier discussion on the QDDR to judge whether it gives appropriate weight to the importance of contracting to mission success and to the need for good stewardship of taxpayer dollars.

That thought leads to our third main topic, the Defense-to-State transitions in Iraq and Afghanistan. Concerns about the planning, timelines, resources, and risks of those transitions have figured in previous Commission hearings and in two special reports to Congress.

Unfortunately, our concerns remain very much alive. And they are reinforced by the Department of State Inspector General's report released just last week.

On October 1 of this year, State will take over responsibility for the U.S. presence in Iraq as U.S. troop strength there draws down to essentially zero by December 31, 2011.

We have noted that this transition requires that State take on or contract for hundreds of functions ranging from medical care and air transport, to construction and pest control—all while expanding its presence to posts outside of Baghdad. Much of this work involves contracting, including contracting for thousands of new private-security employees.

The Department's new IG report, however, tells us that "several key decisions have not been made, some plans cannot be finalized, and progress is slipping in a number of areas." The IG also notes a "lack of senior-level Department participation dedicated to the transition process," which may be helped by new office of an Iraq Transition Coordinator.

The State Department IG report also says 5,405 projects valued at \$15 billion have been transferred to Iraq, but with security concerns and "poor contractor performance" being "major hindrances to project completion."

The IG report underscores a concern featured in this Commission's special report on sustainability risks that we released Friday morning. Quoting the IG, "Embassy officials noted the challenge of getting local and provincial governments and [Government of Iraq] ministries to readily assume responsibility for some transferred projects."

As we have said repeatedly, even the best U.S.-funded projects can turn into waste if the host government doesn't have the money, supplies, trained staff, or will to sustain it. So we will certainly talk about these issues with Ambassador Kennedy.

We are also interested in and will explore planned and ongoing contract awards and related oversight. These awards are at the core of the Commission's responsibilities.

Lest our questions be misconstrued as lack of appreciation for the State Department, let me note that the Department is operating in an unprecedented set of circumstances.

We know of no other time in our history when we have asked State to conduct extensive diplomatic, development, and reconstruction operations in countries where

- host governments cannot provide effective, customary security;
- there are no front lines; and
- large terrorist organizations are trying to kill our people and anyone who works for them or cooperates with them.

We appreciate the dedication and courage of State Department people who have served in Iraq and Afghanistan, and have the highest respect for them. We want to ensure that the contingency contracting vital to their work is being conducted in ways that support State's mission while economizing the use of taxpayers' money.

We have asked Ambassador Kennedy to offer a 10-minute summary of his testimony before we move on to questions from the Commissioners. The full text of the Ambassador's written statement will be entered into the hearing record and posted on the Commission's website. We also ask that the Ambassador provide within 15 business days responses to any questions for the record and any additional information he may offer to share.

Now, Sir, if you will rise and raise your right hand, I will swear you in:

Do you solemnly swear or affirm that the testimony you will give in this hearing is the truth, the whole truth, and nothing but the truth?

Thank you. Let the record show that the witness answered in the affirmative.

Ambassador Kennedy, please begin.

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