



Commission on Wartime Contracting In Iraq and Afghanistan

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Special report calls for reforms in oversight of wartime contractors' business systems

ARLINGTON, VA, Sept. 21, 2009 – A special report from the Commission on Wartime Contracting in Iraq and Afghanistan says the federal agencies that manage and audit contracts “must improve their oversight of contractor business systems to reduce waste, fraud, and abuse” and work together more closely.

The new report from the independent, bipartisan commission says, “Weak control systems—such as those for estimating, billing, purchasing, labor, and compensation, among other activities—increase the risk of unallowable and unreasonable costs on government contracts, especially in contingency environments like Iraq and Afghanistan.” The commission notes that its Aug. 11 hearing on contractor business systems revealed that weaknesses “produced billions of dollars in contingency-contract costs that government auditors often could not verify.”

The report also concludes that the two primary government agencies involved, the Defense Contract Management Agency and the Defense Contract Audit Agency, “are not effectively working together to protect government interests.” Federal contract managers often do not agree with audit opinions and appear to be reluctant to suspend payments if deficient business systems are not fixed, while the federal audit reports “are not informative enough to help contracting officers make effective decisions,” the report says.

The commission recommends actions to ensure that government speaks with one voice to contractors, to make rapid resolution of agency conflicts, to improve the auditors' rating system, to provide “aggressive compliance enforcement,” to provide more resources to the agencies, and to increase their oversight emphasis on contracts that are supporting wartime or national-emergency.

The law that created the commission authorizes it to issue special reports to Congress as it deems appropriate. Commission co-chairs Michael Thibault and Christopher Shays said the commission expects to issue a series of special reports on topics that need prompt and concentrated attention, rather than waiting on completion of its mandated, full-scale final report.

Congress created the Commission in 2008 (Public Law 110-181) and directed it to research federal contracting for reconstruction, logistical support, and security functions, and to recommend improvements. The eight Commissioners are: Michael Thibault and Christopher Shays, co-chairs; and Clark Kent Ervin, Grant Green, Robert Henke, Linda Gustitus, Charles Tiefer, and Dov Zakheim. They are supported by 40 staff members.

Special Report 09-01, “Defense agencies must improve their oversight of contractor business systems to reduce waste, fraud, and abuse,” will be posted at the Commission's Web site, www.wartimecontracting.gov, under the Activities/Reports tab. The site also links to the commission's June 2009 interim report to Congress, “At What Cost? Contingency Contracting in Iraq and Afghanistan.”

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