

**Statement of John F. Tierney
Chairman
Subcommittee on National Security and Foreign Affairs
Committee on Oversight and Government Reform
U.S. House of Representatives**

Hearing on “Contracting in Combat Zones: Who Are Our Subcontractors?”

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Good morning. Today, the Subcommittee continues its oversight of U.S. government contracting in our conflicts overseas. Specifically, we ask the important questions: who is getting U.S. taxpayer money, and how are they using those funds?

Last week, this Subcommittee held a hearing that examined the results of a six-month investigation into the Host Nation Trucking contract in Afghanistan. That investigation uncovered distressing details of how U.S. taxpayer money is funding warlordism and corruption in Afghanistan, and how the contract is undermining U.S. counterinsurgency strategy. Equally troubling is the finding that the U.S. officials charged with overseeing this contract have no visibility into the actual operations of the contractors and subcontractors. In most cases, officials don't know who the subcontractors are, let alone who they employ, how they function, and where they spend their money.

To give an example, seven of the eight prime contractors on the Host Nation Trucking contract employ, either directly or indirectly, a man by the name of Commander Ruhullah to provide security for the supply convoys. Commander Ruhullah claims to spend \$1.5 million per month on ammunition and has reportedly attacked convoys that do not use his security services. Yet, no U.S. military officials have ever met with Commander Ruhullah, and despite the fact that he receives millions of dollars of taxpayer money, there have been no attempts to enforce the U.S. laws that govern his U.S.-funded contractual relationship.

With \$2.16 billion of taxpayer funds at stake, it is unconscionable that the military does not have tighter control over Host Nation Trucking subcontractors.

But the Host Nation Trucking contract is not the only problem. This week's *Economist* reports that 570 NATO contracts worth millions of dollars were issued in southern Afghanistan but “nobody [is] quite sure to whom.” In January, the Special Inspector General for Iraq Reconstruction – one of our witnesses here today – issued a report about a State Department contract with DynCorp, which noted that “over \$2.5 billion in U.S. funds are vulnerable to waste and fraud.” In May, the Inspector General for the U.S. Agency for International Development

(USAID) issued an audit of its private security contractors in Afghanistan, which highlighted significant problems with USAID contracts. It found that USAID does not have “reasonable assurance that [private security contractors] are reporting all serious security incidents, are suitably qualified, and are authorized to operate in Afghanistan.”

Audits from the Department of State, USAID, and others have found problems with subcontractor management in areas as diverse as embassy construction, fuel delivery, and educational outreach programs. The Government Accountability Office – another of our witnesses today – has reported that the agencies are not even able to accurately report the number of contractor and subcontractor personnel working on U.S. contracts. And just yesterday, the *Wall Street Journal* reported that over \$3 billion in cash has been flown out of Afghanistan in the last three years. Officials believe that at least some of that money has been skimmed from U.S. contracts and aid projects.

The conflicts in Iraq and Afghanistan have dramatically changed the way the United States wages war. With more contractors than combat troops currently in both countries, the role that these civilians play has become increasingly important. The changing role of contractors has challenged the agencies that employ them. Thus far, the agencies have not risen to meet those challenges.

Over the last several years, Congress has tried to impose greater control over contingency contractors and subcontractors, including private security companies. The last three defense authorization acts included provisions aimed to strengthen oversight mechanisms and mandate more stringent controls over all contractors and subcontractors working on U.S. contracts. Those new regulations apparently have not been sufficient.

We are not here today, however, to criticize what has – and has not – been done so far. In the spirit of constructive oversight, today we ask what can be done to keep these significant problems from reoccurring. We have invited a panel of witnesses with considerable expertise and experience in the area of contingency contracting. It is my hope that today we can discuss what more Congress, the agencies, and others can do to increase visibility, oversight, and accountability over the contractors and subcontractors who are now crucial to the success of our missions in Iraq and Afghanistan.

As we learned from the Host Nation Trucking investigation, the actions of the subcontractors on that contract may be undermining our entire strategy in the region. With so much at stake, it is time to dig in and find solutions. I look forward to continuing that conversation today.