Mr. President, I rise today to discuss the alarming

incidence of U.S. contract funds being abused in Iraq. These violations

range from the abandonment of vehicles, each worth $85,000, to

significant project overruns involving tens of millions of tax dollars.

The scope of these wasteful and fraudulent activities is both

disturbing and unacceptable.

At this critical juncture in Iraq's rehabilitation, contractors and

their administrators should be providing contracted services and goods

with maximum efficiency.

As an American, I am proud of and thankful of the men and women who

have traveled to Iraq to help restore this country. They risk their

lives and, sadly, some have given their lives. However, stories of

outright waste and fraud involving contract funds are deeply

disturbing.

Three themes have emerged from the abuse of U.S. contracts in Iraq:

task order violations, the absence of cost controls, and inconsistent

oversight.

Numerous contract officers have used existing procurement or task

orders to obtain services and goods beyond the scope of approved

contracts. For instance, during December 2003, the Army acquired

interrogators for Iraqi prisons via a contract marked for the

Department of Interior information technology purchases. Interior

contract officers negotiated interrogation services through an open-

ended agreement laden with tenuous connections to technology. In such

circumstances, new procurement items should only be obtained under open

and fair competition.

The absence of consistent cost controls has also attributed to the

misuse of contract funds. The General Accounting Office reports that a

significant portion of task orders, associated with defense logistical

support contracts in Iraq, have been granted without concrete

specifications, deadlines, and prices. The prevalence of open-ended

contracts have fueled inefficiency and numerous project overruns

exceeding 100 percent. Unfortunately, the absence of a well-trained

procurement workforce in Iraq has impeded efforts to counter these

adverse outcomes.

In the presence of fragmented oversight, the misuse of contract funds

has further escalated. Currently, the Coalition Provisional Authority,

CPA, only has oversight of contracts associated with reconstruction and

Task Order 44 of the U.S. Army's Logistical Operations Civil

Acquisition Program, LOGCAP, which provides CPA logistical support, yet

all other contractors in Iraq are audited by agency inspector General,

IG, offices. It is anticipated that the challenges of fostering

accountability will substantially increase after the handover of Iraq

on June 30, 2004. The CPA IG reports that 60 days after the handover,

CPA audit activities will be merged into the State Department's IG

Office. This office will oversee all U.S. contracts in Iraq including

those managed by the Department of Defense. Government officials

forecast that this change

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in audit authority will generate confusion at a time when consistent

oversight is most needed.

The widespread misuse of contract funds in Iraq warrants Senate

attention. During these financially lean times, it is unacceptable to

tolerate such outright abuse of U.S. tax dollars. It is imperative that

we demand greater accountability and efficiency, and immediately focus

on this critical issue. Senate hearings would help identify sources of

misuse and assist in developing viable remedies. This war has cost

hundreds of lives and billions of dollars. We should not ignore the

price being paid, and the debt incurred, by this generation and future

generations in this conflict.