

It's rarely dull when the Commission on Wartime Contracting in Iraq and Afghanistan (CWC) holds a hearing. Our past stories have included—

- “[New Report](#) Blasts DOD Management of Contractors Deployed on the Battlefield”
- “[Testimony](#) Blaming Contractor Internal Controls”
- “[CWC](#) – Out of Touch with Reality?”
- “DOD [Responds](#) to CWC's Concerns”

On May 24, 2010, the Commission was back at its oversight job, this time [evaluating](#)

## CWC Assesses “System for Curbing Contract Waste, Fraud, and Abuse”

Written by Administrator

Thursday, 10 June 2010 00:00

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“the challenges and issues that confront law-enforcement officials as they attempt to discover and successfully prosecute fraud in a contingency environment,” and also hearing about “the work of the Inspectors General for USAID, State, and Defense” regarding their efforts to combat the unholy trinity of waste, fraud, and abuse in the Southwest Asia (SWA) theater of operations. This was a follow-up hearing to one held in February, 2009.

Co-Chair Shays [opened](#) the hearing by saying—

Testimony at that first hearing established that billions of taxpayer dollars have been lost to waste, fraud, and abuse. The inspectors general told us that contributing causes included: ... insufficient numbers of adequately trained contract officers and auditors, poorly written contracts with haphazard record keeping ... as the DoD witness put it, ‘continual exposure to offers of bribes, gratuities, and kickbacks.’

In his discussion of fraud, Mr. Shays was careful to be evenhanded. He said—

Let me emphasize that our outrage is not directed solely at misbehaving contractor employees. More than a third of the 477 subjects of open investigations tabulated by the International Contract Corruption Task Force in May were U.S. government employees or military personnel. ... [Therefore] [w]e are particularly interested in seeing expanded anti-fraud initiatives and actions, unity of effort among federal agencies, recognition that many peacetime ways do not work in wartime, balancing between accelerated contracting and appropriate safeguards, and greater accountability.

The first panel included several government investigators. They discussed various topics, including the International Contract Corruption Task Force (ICCTF), which is an outgrowth of the [National Procurement Fraud Task Force](#). For example, [James Burch](#) (Department of Defense Office of Inspector General, Deputy Inspector General for Investigations) testified—

Contract administrators focused primarily on timely mission accomplishment versus ensuring strict adherence to traditional contract administration procedures, many of which are designed to reduce the risk of corruption and abuse. When engaging in contingency contracting, administrators typically do not consider the risk of increased levels of fraud resulting from lower levels of oversight, as the mission is to provide goods and services as promptly as possible. When left unchecked, this mind set can become pervasive to the extent contract administrators begin to view oversight responsibilities as unwelcome burdens conflicting with their ability to effectively perform their duties. This factor has been especially prevalent when exploring allegations of corruption and abuse related to funds administered via the Commander’s Emergency Response Program (CERP), which was designed to fund development of local programs and institutions.

He also testified that “As of May 1, 2010, 106 DCIS agents (approximately 33% of the DCIS workforce) are involved in investigating a total of 223 Overseas Contingency Operations (OCO) cases. The volume of criminal cases has increased by roughly 18 percent over the past year.”

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Mr. Kevin Perkins (Assistant Director, Criminal Investigative Division, Federal Bureau of Investigation)

[testified](#)

that—

Since 2004, the ICCTF has initiated nearly 700 investigations in Afghanistan, Iraq, and Kuwait. To date for FY 2010, the ICCTF has 273 pending cases. Only seven months into the fiscal year, the ICCTF has already generated 80% of the prior year’s case load. In FY 2009 alone, the ICCTF obtained over \$3.3 million in forfeitures/seizures, over \$1 million in fines/penalties, and over \$1.1 million in restitution. To date in FY 2010, the ICCTF has obtained over \$47 million in restitution, and \$1 million in forfeitures/seizures.

The CWC also heard from SIGAR (Special Inspector General for Afghanistan Reconstruction, which is a parallel organization to SIGIR, who also provided a representative to testify before the CWC

). They heard that “

SIGAR currently has 42 pending investigative matters, 57 percent of which are focused primarily on contract and procurement fraud, 31 percent on corruption, and the remainder on theft of government property.”

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[Here](#) is a link to a two-and-a-half-hour long C-SPAN video of the first Panel.

As noted above, the second panel was all about the various Inspectors General. The IG for the [USAID](#) testified that the agency had found “poor contract and program management practices.” He also told the CWC that—

From February 2009 to date, we have issued 12 performance audits with 84 recommendations for USAID improvement and completed 19 financial audits that identified \$206 million in questioned costs, of which \$180 million were sustained. Over the same term, we opened 43 civil and criminal investigations, closed 17 investigations, effected 10 arrests and 3 convictions, and secured \$141 million in investigative savings and recoveries for the Government.

The USAID Inspector General also testified that—

We cannot measure the full extent of waste, fraud, and abuse in Iraq and Afghanistan but can provide information on what we have found. From 2003 to the present, we have submitted \$4.9 billion of the \$17 billion USAID has obligated in Iraq and Afghanistan to in-country financial audits. These audits questioned \$282 million in costs, or approximately 6 percent of the total audited. Over that period, we identified an additional \$166 million in waste, fraud, and abuse in USAID’s Iraq and Afghanistan program portfolio in the form of investigative savings and recoveries.

Last year, the amount of waste, fraud, and abuse that we identified increased. Thus far, our FY 2009 investigative leads and referrals have led to \$101 million in investigative savings and recoveries—more than all of our leads and referrals from FY 2003 to 2008 combined. A similar pattern emerged with our audits, as the percentage of questioned costs arising from in-country financial audits increased in FY 2009. This increase in observed waste, fraud, and abuse is

primarily associated with a small number of contracts with a few firms, but some of it may result from the growing prevalence of contract and program management issues we have witnessed during our performance audits.

The Department of State Deputy Inspector General told the CWC that his team found “an insufficient number of U.S. Government contracting personnel in the field, which led to weak oversight and management of programs. This situation is a root cause of poor ‘ground truth’ monitoring of contractors, incomplete contract files, and untimely or inadequate review of invoices.”

The DOD Deputy Inspector General for Auditing [told](#) the CWC about “10 systemic issues related to deficiencies in the contract management process.” The 10 areas of concern were: “requirements, contract documentation, contract type, source selection, contract pricing, oversight and surveillance, inherently governmental functions, property accountability, award fees, and financial management.”

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