

**Opening Statement
Senator Byron L. Dorgan
Chairman, Democratic Policy Committee**

“Safeguarding Taxpayer Dollars in Iraq: An Insider’s View of Questionable Contracting Practices by KBR and the Pentagon”

**Wednesday, July 9, 2008
608 Dirksen Senate Office Building**

This is the sixteenth in a series of oversight hearings to examine contracting fraud, waste, and abuse in Iraq.

Today we will hear testimony from a single witness, and what a remarkable witness he is.

Last month, Charles Smith described to the *New York Times* how he was summarily removed as the Director of the Army’s Field Contracting Division, after he objected to the payment of over \$1 billion in unsupported costs by Kellogg, Brown and Root (KBR), a subsidiary of Halliburton.

Mr. Smith’s testimony today will be his first appearance before Congress and the American people, to explain in detail how the Army essentially ended his career for trying to protect American taxpayers and our troops.

This is by no means the first time that the Pentagon has retaliated against a very senior contracting official who objected to special treatment for KBR. This committee has held two hearings to investigate how the Army demoted Bunnatine Greenhouse, who was the most senior civilian contracting official at the Army Corps of Engineers.

Ms. Greenhouse was demoted after she objected to the Army’s sweetheart deal with KBR for a massive contract to restore Iraq’s oil production. This is what she told this committee:

“I can unequivocally state that the abuse related to contracts awarded to KBR represents the most blatant and improper contract abuse I have witnessed during the course of my professional career.”

For this, Ms. Greenhouse was demoted and replaced with an official with no contracting experience, who had to go to evening classes just to learn the basics.

There seems to be a concerted effort in the Pentagon to award huge contracts to KBR and to protect it at all costs, no matter how poor the company’s performance. We’ve seen everything from massive overcharging for meals and oil supplies, to retaliation against whistleblowers who uncovered all manner of contracting abuses, to exposure of workers and U.S. troops to deadly chemicals and contaminated water.

For example, in 2006 this committee held two hearings to examine multiple allegations that KBR was providing contaminated water to our troops.

Both KBR and the Pentagon denied that there was a problem – even though internal KBR reports showed that there had been a serious problem that could have caused “mass sickness or death.”

In April of 2007, the Pentagon sent a two-star general, Brig. General Jerome Johnson, to a hearing of the Armed Services Committee, to deny flatly that there was any problem with the water that KBR was supplying.

In March of this year, the Inspector General of the Defense Department reported that there had been a serious problem with water contamination in Iraq, along with a spike in water-related illnesses by U.S. troops.

What’s more, the IG also reported that it had alerted the Pentagon of this fact several weeks before General Johnson had provided his testimony. In sum, the Pentagon turned a blind eye to KBR’s dangerously poor performance, and then misled the Congress about it.

As we will hear today in detail, the very same General Johnson who misled Congress about the water issue was also the officer who ordered that Mr. Smith be removed as director of contracting, after Mr. Smith objected to paying KBR over \$1 billion in questionable costs.

In effect, the Pentagon ended Mr. Smith’s career for just doing his job.

I want to thank Mr. Smith for having the courage to come before Congress today. I know it is not easy to do so.

I should note that we invited KBR to testify at today’s hearing, as we have at past hearings involving that company – and that KBR declined.