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ALLEGATIONS OF WASTE, FRAUD AND ABUSE AT THE NEW U.S. EMBASSY IN IRAQ

JOINT HEARING

BEFORE THE

SUBCOMMITTEE ON NATIONAL SECURITY AND FOREIGN AFFAIRS

AND THE

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

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ALLEGATIONS OF WASTE, FRAUD AND ABUSE AT THE NEW U.S. EMBASSY IN IRAQ

THURSDAY, JULY 26, 2007

HOUSE OF REPRESENTATIVES, SUBCOMMITTEE ON NATIONAL SECURITY AND FOREIGN AFFAIRS, COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM, JOINT WITH THE COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,

Washington, DC.

The committee and subcommittee met, pursuant to notice, at 10:10 a.m., in room 2154, Rayburn House Office Building, Hon. Henry A. Waxman (chairman of the Committee on Oversight and Government Reform) presiding.

Present: Representatives Waxman, Davis of Virginia, Maloney, Cummings, Kucinich, Tierney, Watson, Lynch, Braley, Norton, McCollum, Sarbarnes, Shays, Platts, Cannon, Duncan, Issa, and Westmoreland.

Staff present: Phil Schiliro, chief of staff; Phil Barnett, staff director and chief counsel; Karen Lightfoot, communications director and senior policy advisor; David Rapallo, chief investigative counsel; Theo Chuang, deputy chief investigative counsel; Margaret Daum, counsel; Christopher Davis, professional staff member; Earley Green, chief clerk; Teresa Coufal, deputy clerk; Matt Siegler, special assistant; Caren Auchman, press assistant; Zhongrui J.R. Deng, chief information officer; Leneal Scott, information systems manager; Dave Turk, staff director, National Security and Foreign Affairs Subcommittee; Andrew Su and Andrew Wright, professional staff members; Davis Hake, clerk; Steve Glickman, counsel; Kerry Gutknecht, staff assistant; David Marin, minority staff director; Larry Halloran, minority deputy staff director; Keith Ausbrook, minority general counsel; Ellen Brown, minority legislative director and senior policy counsel; John Brosnan, minority senior procurement counsel; A. Brooke Bennett and Emile Monette, minority counsels; Nick Palarino, minority senior investigator and policy advisor; Patrick Lyden, minority parliamentarian and member services coordinator; Brian McNicoll, minority communications director; and Benjamin Chance, minority clerk.

Chairman WAXMAN. The committee and subcommittee will please come to order.

Today, the committee is holding a hearing on the State Department's single largest construction project in the world, the $600 million U.S. Embassy in Baghdad. This is the first oversight hearing Congress has held on this immense project.

We will hear today from the State Department witnesses that the Embassy will be built on time and under budget. I hope they are right.

Billions of taxpayer dollars have been squandered on contracts in Iraq. There should be at least one major project that is done right.

But there are red flags involving the Embassy complex that should not be ignored. On July 5, the Washington Post ran a front page article that described "a cascade of building and safety blunders" in the facility being built to house the Embassy security guards.

This facility was built by the same company, First Kuwaiti, that is building the main Embassy. It was delivered to the Embassy with the assurance that it "meets and exceeds" contract requirements. It passed the inspections required by the State Department and it seemed like a success.

But when the kitchen equipment was turned on for the first time in May, the appliances didn't work. The electrical wiring melted, creating a serious fire hazard. Embassy officials cabled Washington: "Poor quality construction . . . [l]ife safety issues . . . inherent construction deficiencies . . . left the post with no recourse but to shut the camp down in spite of the blistering heat in Baghdad."

Over 2 months later, the base for the guards remains shuttered.

As we will learn today, there are other red flags. The oversight and management of the Embassy project appears to be in disarray. The State Department agency responsible for the day to day oversight of the project is the Office of Overseas Buildings Operations [OBO], but the OBO appears to be in a raging battle with the State Department officials in Baghdad who will ultimately live and work in the new Embassy.

The conflicts are so severe that the senior OBO official who is supposed to be on the ground in Iraq, monitoring the construction of the new Embassy has been banished from the country.

It does not help matters that there are only three career State Department officials onsite to oversee this massive project. Everyone else is a private contractor.

The project has also been beset by allegations that the prime contractor, First Kuwaiti, has used forced labor to build the Embassy, violating the laws against human trafficking and sending exactly the wrong message to Iraqis and the rest of the world about U.S. respect for human rights.

This committee called this hearing to investigate these allegations. As the principal oversight committee in the House, that is our job.

Unfortunately, the State Department has taken exactly the wrong approach to our inquiry. The Department has gone into full bunker mentality, stonewalling the committee's document requests and obstructing our efforts to conduct legitimate oversight of the Embassy project.

The committee sent a letter on July 10th requesting documents in preparation for today's hearing. We asked for a list of eight discrete, clearly identified memos, reports and cables. We also asked for a set of broader documents including communications, briefings and meeting minutes. We informed the Department that we want-

ed the eight documents we specifically identified before today's hearing. The rest could be produced afterwards.

In response, the committee was told almost daily that these documents were on the way. We were told: They are being gathered. They are being reviewed. They are in the approval process. They will be there tomorrow.

But aside from two incomplete cables, none of the documents were provided. Finally, 2 weeks after we requested these eight documents, we issued a subpoena for the documents. The due date was yesterday at 4 p.m. The Department produced none of the documents by the deadline.

Just this morning, the State Department faxed over a handful of documents that were required under the subpoena. Some of these documents raise even new questions.

In one e-mail exchange, the Senior Coordinator of the State Department Office to Monitor and Combat Trafficking in Persons writes that he has "strong concerns about allegations of human trafficking among state contractors in Iraq."

The State Department official in charge of overseeing the Embassy project instructs his staff, "Do not respond to these folks as you can see no matter what you say you cannot win."

The fact that the Department is resisting congressional oversight doesn't mean that the project is failing, but it inspires no confidence in the Department's assertions that everything is on track.

We have also received limited cooperation from the State Department's prime contractor on this project, First Kuwaiti. We sent an invitation to company officials to testify here today, but they refused. We asked to interview knowledgeable First Kuwaiti officials, but they refused. We asked for a telephone call to ask questions, but again they refused.

First Kuwaiti did make a substantial document production to the committee and did provide a written statement, but from the standpoint of the U.S. taxpayer, its refusal to testify is, to me, another red flag.

The State Department awarded First Kuwaiti a contract to build the largest U.S. Embassy in the world. The company is being paid a half a billion dollars in taxpayer funds, yet it is acting as if it is unaccountable to Congress and the taxpayer.

There is one party in this process that did cooperate with the committee, and that is KBR. KBR has provided the documents we asked for, gave a briefing to committee staff and agreed to testify here today, and they took these steps even though they knew that I have been outspoken about my concerns about other KBR projects in Iraq.

Despite the obstacles we faced, today's hearing will raise important questions about the Embassy project. Witnesses will describe evidence of substandard labor conditions and shoddy construction work. Internal cables will reveal a Department at war with itself.

My goal is to use this hearing to begin to sort through the claims and counterclaims that envelope the Embassy project. We won't answer every question that has emerged about this secretive project, but if we can shed more light on some, we will be doing our job.

I hope the Embassy project opens on time and under budget, but real questions about the project are being asked and these need to be addressed.

This is an unusual hearing in that it is being held as a joint hearing of the full committee and its National Security Subcommittee. The hearing is being held jointly in recognition of the extensive work that the subcommittee has been doing for the past several months to examine the allegations of human trafficking by First Kuwaiti.

For this reason, after Ranking Member Davis is recognized for his statement, Subcommittee Chairman Tierney and Subcommittee Ranking Member Shays will be recognized for their opening statements, and then we will go directly to the witnesses.

[The prepared statement of Chairman Henry A. Waxman follows:]

Opening Statement of Rep. Henry A. Waxman
Chairman, Committee on Oversight and Government Reform
Allegations of Waste, Fraud, and Abuse at the New U.S. Embassy in Iraq
July 26, 2007

Today the Committee is holding a hearing on the State Department's single largest construction project in the world: the $600 million U.S. embassy in Baghdad. This is the first oversight hearing Congress has held on this immense project.

We will hear today from the State Department witnesses that the embassy will be built on time and under budget.

I hope they are right. Billions of taxpayer dollars have been squandered on contracts in Iraq. There should be at least one major project that's done right.

But there are red flags involving the embassy complex that should not be ignored.

On July 5, the *Washington Post* ran a front-page article that described "a cascade of building and safety blunders" in the

facility being built to house the embassy security guards. This facility was built by the same company, First Kuwaiti, that is building the main embassy. It was delivered to the embassy with the assurance that it "meets and exceeds" contract requirements. It passed the inspections required by the State Department. And it seemed like a success.

But when the kitchen equipment was turned on for the first time in May, the appliances didn't work and the electrical wiring melted, creating a serious fire hazard. Embassy officials cabled Washington: "Poor quality construction … [l]ife safety issues … inherent construction deficiencies … left the post with no recourse but to shut the camp down, in spite of the blistering heat in Baghdad."

Over two months later, the base for the guards remains shuttered.

As we will learn today, there are other red flags. The oversight and management of the embassy project appears to be

in disarray. The State Department agency responsible for the day-to-day oversight of the project is the Office of Overseas Buildings Operations (OBO). But the OBO appears to be in a raging battle with the State Department officials in Baghdad who will ultimately live and work at the new embassy.

The conflicts are so severe that the senior OBO official who is supposed to be on-the-ground in Iraq monitoring the construction of the new embassy has been banished from the country.

It does not help matters that there are only three career State Department officials on site to oversee this massive project. Everyone else is a private contractor.

The project has also been beset by allegations that the prime contractor, First Kuwaiti, has used forced labor to build the embassy, violating the laws against human trafficking and sending exactly the wrong message to Iraqis and the rest of the world about U.S. respect for human rights.

This Committee called this hearing to investigate these allegations. As the principal oversight committee in the House, that's our job.

Unfortunately, the State Department has taken exactly the wrong approach to our inquiry. The Department has gone into full bunker mentality, stonewalling the Committee's document requests and obstructing our efforts to conduct legitimate oversight of the embassy project.

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in charge of overseeing the embassy project instructs his staff: "Do not respond to these folks. As you can see, no matter what you say, you cannot win."

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This is an unusual hearing in that it is being held as a joint hearing of the full Committee and its National Security Subcommittee. The hearing is being held jointly in recognition of the extensive work that the Subcommittee has been doing for the past several months to examine the allegations of human trafficking by First Kuwaiti. For this reason, after Ranking Member Davis is recognized for his statement, Subcommittee Chairman Tierney and Subcommittee Ranking Member Shays will be recognized for their opening statements.

Chairman WAXMAN. Mr. Davis.

Mr. DAVIS OF VIRGINIA. Thank you, Mr. Chairman.

In my opinion, this could have been a good hearing. It could have been a thoughtful examination of how the State Department's Overseas Building Operations Office constructs diplomatic facilities under difficult conditions in some of the most inhospitable parts of the world.

It could be a responsible assessment of incidental and systematic problems encountered by an ambitious program to build more secure embassies, particularly the effort to complete the State's largest single project ever in Baghdad, Iraq, in the middle of a war zone. It could, but I am afraid it won't.

Why? Because, as I think the chairman would acknowledge, this hearing is a little bit premature.

Based on media reports alone, the committee scheduled today's testimony before completing a thorough investigation of thinly sourced, sensationalized charges of shoddy construction and labor abuses.

In what has become an unfortunate modus operandi, politically charged allegations are marching miles ahead of the proven facts. Whenever a news story jumps to a convenient conclusion to back suspected administration malfeasance or misconduct, the committee rushes to see how they can elevate mere questions, concerns and speculation before the real fact-finding.

As I have said before, it is oversight by firing squad. Ready. Fire. Aim.

The most significant waste, fraud and abuses we are likely to uncover today may be our own. So what are we really aiming at today?

The allegations of waste, fraud and abuse at the new U.S. Embassy in Iraq cited in today's hearing title are based primarily on an exchange of State Department cables detailing a dispute over an entirely separate construction project, the security camp adjacent to the Embassy, a completely separate contract. Both projects were built by the same contractor, First Kuwaiti General Trading and Contracting, but the camp was designed as a temporary collection of prefabricated trailers and support structures while the 592 million Embassy compound involved full-scale construction of permanent buildings.

In the short time we have had to pursue claims of substandard materials and practices, we found nothing to suggest the intramural spat over who is responsible for expanding and changing design elements at the temporary camp has any implications whatsoever on the quality of work at the permanent Embassy.

But here is a fact that does have an impact on the risk of waste, fraud and abuse. Both projects were built under firm fixed-price contracts, the kind the majority generally prefers. First Kuwaiti got the work only after no U.S. contractor offered to meet the ambitious 24 month schedule while facing substantial financial and logistical risks, building in a war zone on those terms. They wanted a cost reimbursement arrangement.

Under the fixed price vehicle, disputes over electrical wiring loads and dripping pipes can have little impact on ultimate costs.

In effect, we are here litigating a punch list, the usual inventory of fixes and finishing touches generated by any project this size.

Allegations about labor abuses and human trafficking violations are far more serious, and it appears the State Department took them seriously. We can be proud of U.S. labor protection but shouldn't be naive about the applications elsewhere in the world.

Nevertheless, complaints about working and living conditions were referred to the State Department Inspector General who, in conjunction with the IG for the Multi-National Forces in Iraq, conducted onsite inspection and interviews with foreign workers and U.S. personnel. The State IG team found "nothing that caused us to believe that trafficking in persons violations had occurred at the site."

The military IG did find illegal and deceptive hiring practices by recruiting agencies, but it found no evidence of the alleged abduction, abuse, overcrowding or unsanitary facilities. In fact, the MNF-I IG concluded of the 58 living areas inspected, the State Department facility "rated in the top third with above average quality of life conditions."

Against those findings, we have claims by disgruntled ex-employees who may have pending or potential financial interests against the Government. Their accusations should be evaluated very carefully, something we have not had the opportunity to do. They may sound atrocious. Someone saw passports in a safe or boarding passes marked Dubai on a flight to Iraq.

But today we will get one side of the story. Only further inquiry will tell us if the passports were stored voluntarily or whether anyone boarding a charter flight in Kuwait was confused about its destination.

Another reason not to take these allegations at face value is that they have been thrown at an extraordinarily effective Federal agency. Under the leadership of General Charles Williams, the State's Bureau of Overseas Building Operations has completed 47—47—new, secured diplomatic facilities in 6 years on schedule and all within budget. He brings unimpeachable credentials to a difficult job, coming out of retirement at the request of his friend, Colin Powell.

After logging 2,000 flight hours in helicopters in Vietnam, General Williams finished a 29 year Army military career successfully, completing major construction projects with the Corps of Engineers. He knows how to build. He has proven his dedication, his skill and his integrity.

I question whether we will prove anything else here today. Nevertheless, I thank the witnesses for their time and perspectives.

[The prepared statement of Hon. Tom Davis follows:]

HENRY A. WAXMAN, CALIFORNIA
CHAIRMAN

TOM DAVIS, VIRGINIA
RANKING MINORITY MEMBER

ONE HUNDRED TENTH CONGRESS

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House of Representatives
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Statement of Rep. Tom Davis
Ranking Republican
Committee on Oversight and Government Reform
"Allegations of Waste, Fraud, and Abuse at the New U.S. Embassy Iraq"
July 26, 2007

Mr. Chairman, this could be a good hearing. It could be a thoughtful examination of how the State Department's Overseas Building Operations office constructs diplomatic facilities under difficult conditions in some of the most inhospitable parts of the world. And it could be a responsible assessment of incidental and systemic problems encountered by an ambitious program to build more secure embassies, particularly the effort to complete State's largest single project ever in Baghdad, Iraq.

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So what are we really aiming at today? The "Allegations of Waste, Fraud and Abuse at the New U.S. Embassy in Iraq" cited in today's hearing title are based primarily on an exchange of State Department cables detailing a dispute over an entirely separate construction project – the security camp adjacent to the embassy. Both projects were built by the same contractor, First Kuwaiti General Trading and Contracting. But the camp was designed as a temporary collection of prefabricated trailers and support structures while the $592 million embassy compound involved full-scale construction of permanent buildings. In the short time we've had to pursue claims of substandard materials and practices, we've found nothing to suggest the intramural spat over who's responsible for expanding and changing design elements at the temporary camp has any implications whatsoever on the quality of work at the permanent embassy.

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I question whether we'll prove anything else here today. Nevertheless, I thank the witnesses for their time and their perspectives.

Chairman WAXMAN. Thank you, Mr. Davis.

Mr. Tierney, the chairman of the subcommittee.

Mr. TIERNEY. Good morning and thank you, Mr. Chairman. I want to thank you and Ranking Member Davis for allowing the National Security and Foreign Affairs Subcommittee to jointly hold this hearing.

There are many questions raised by the construction of this enormous 65 acre, 24 building walled fortress of an Embassy in Iraq.

What will it mean to Iraqis? Will most Iraqis react like one quoted recently in the Los Angeles Times article, who said they are not leaving Iraq for a long time, and he called the Embassy a symbol of oppression and injustice?

What purpose does an Embassy serve if nearly 1,000 of the State Department officials are only rarely permitted to interact with Iraqis outside the Green Zone, an essential part of their job, as questioned by the American Foreign Service Association, the professional body representing State Department employees?

What does it mean that our military is planning on co-locating at the Embassy site and how will this be interpreted?

Is this reminiscent of the even larger Somalia compound that was dismantled by looters after the overthrow of the dictator, Mohamed Siad Barre, and does it foretell the planned Lebanon Embassy now said to be located in the heart of Hezbollah-controlled territory?

Is it bigger than it should be if you really expect Iraq to stabilize and not as big as it needs to be for the nerve center of an ongoing war effort, as the L.A. Times quotes a State Department advisor and Council on Foreign Relations senior fellow as saying?

But the purpose of our hearing today is to look at the construction of the Embassy itself. Our new Iraq Embassy is not only our most expensive Embassy to date. It is also supposed to become a beacon of freedom and democracy in Iraq and throughout the Middle East.

Still, as Chairman Waxman has noted, very troubling allegations have come to the subcommittee's attention that this proposed beacon of freedom was built quite literally on the backs of workers from Nepal, the Philippines, Pakistan, India and Ghana, just to name a few nations.

We have heard allegations that some third country nationals working for the prime contractor, First Kuwaiti, had to pay recruitment fees amounting to more than a full year of salary, fees as high as $3,000 with salaries as low as $7 a day.

We have heard of workers, essentially waylaid to Iraq, being told they were going to work in Dubai and given boarding passes to Dubai but being transported instead to Iraq.

We have heard of verbal abuse, physical assaults and physical intimidation, the First Kuwaiti managers brandishing weapons.

We have heard of workers living a dozen or two dozen or even more in a single trailer measuring 40 feet by 10 feet. That would essentially be the breadth of this two rows of seats and about the width as well.

We have heard of inadequate medical care, of a lack of safety training and equipment and about deaths not adequately explained.

We have heard of workers unable to return home whether because their passports were withheld or because of threats or because they faced a year's salary penalty if they resigned. I might note that the withholding of passports by employers is an act forbidden by the U.S. Government.

Our first panel today consists of former workers from the Embassy site who will tell us what they themselves have heard and seen. We take these allegations very seriously.

Unfortunately, however, it appears that not everyone may have done so. We have learned during the course of our investigation that a number of officials in our own State Department may have looked the other way when confronted with these disturbing or inconvenient allegations.

Our State Department is supposed to be the face of U.S. diplomacy to the world. Unfortunately, when it appears that when it came to the workers used to construct our flagship Embassy in Iraq, some State Department officials may not have kept their eyes wide open. For example, it has become clearer and clearer that little to no forethought on labor issues had been done during the contract award and in the vetting of First Kuwaiti.

It appears that State Department officials have largely taken a hands-off approach with respect to First Kuwaiti's relations with its third country workers, and we have heard about the State Department's own Office to Combat Human Trafficking pressing for action from General Williams and from other top officials in the Bureau of Overseas Building Operations and from the State Department Inspector General and receiving what can only be described as the cold shoulder.

We have a State Department Inspector General who reportedly allowed First Kuwaiti itself to select the workers to be interviewed, an Inspector General who apparently didn't even interview those alleging abuses and an Inspector General who didn't use interpreters despite the fact that only 10 percent of the worker population was fluent in English.

I sincerely hope that what we hear today from our State Department witnesses dispels and explains those troubling stories our investigation has uncovered. I hope we hear that a strict adherence to on time and on budget does not mean the trampling of workers' rights and dignity.

It is important that all of us in the U.S. Government recognize that our words and our actions matter. Our words and our actions matter both because others in the world are watching us and listening to us but even more importantly because they reflect on who we are and who we should constantly be striving to become.

Thank you again, Mr. Chairman.

[The prepared statement of Hon. John F. Tierney follows:]

Opening Statement of Chairman John F. Tierney at the Oversight Hearing entitled, "Allegations of Waste, Fraud, and Abuse at the New U.S. Embassy in Iraq."

July 26, 2007

Good morning, and thank you Chairman Waxman and Ranking Member Davis for allowing the National Security and Foreign Affairs Subcommittee to jointly hold this hearing.

There are many questions raised by the construction of this enormous sixty-five acre, twenty-four building, walled fortress of an embassy in Iraq. What will it mean to Iraqis? Will most Iraqis react like one quoted recently in a Los Angeles Times article when he said, "They're not leaving Iraq for a long time..." and called the embassy "...a symbol of oppression and injustice?" What purpose does an embassy serve if the nearly one thousand U.S. State Department officials are only rarely permitted to interact with Iraqis outside the Green Zone - an essential part of their job, as questioned by the American Foreign Service Association, the professional body representing State Department employees? What does it mean that our military is planning on co-locating at the embassy site, and how will this be interpreted?

Is this reminiscent of the even-larger Somalia compound that was dismantled by looters after the overthrow of the dictator Mohamed Siad Barre, and does it foretell of the planned Lebanon embassy now said to be planned to be located in the heart of Hezbollah-controlled territory? Is it bigger than it should be if you really expect Iraq to stabilize and not as big as it needs to be as the nerve center of an ongoing war effort as the L.A. Times quotes a State Department advisor and Council on Foreign Relations senior fellow as saying?

But the purpose of our hearing today, however, is to look at the construction of the embassy itself. Our new Iraq Embassy is not only our most expensive embassy to date; it is also supposed to become a beacon of freedom and democracy in Iraq and throughout the Middle East. Still, as Chairman Waxman has noted, very troubling allegations have come to the Subcommittee's attention that this proposed beacon of freedom was built, quite literally, on the backs of workers from Nepal, the Philippines, Pakistan, India and Ghana, just to name a few.

-We have heard allegations of some third country nationals working for the prime contractor, First Kuwaiti, who had to pay recruitment fees amounting to more than a full year's salary. Fees as high as $3,000 with salaries as low as $7 per day.

-We have heard of workers essentially waylaid to Iraq; being told they were going to work in Dubai and given boarding passes to Dubai, but being transported instead to Iraq.

-We have heard of verbal abuse, physical assaults and intimidation and First Kuwaiti managers brandishing weapons.

-We have heard of workers living a dozen, two dozen, or even more, in a single trailer measuring 40 feet by 10 feet.

-We have heard of inadequate medical care; of a lack of safety training and equipment; and of deaths not adequately explained.

-And we have heard of workers unable to return home, whether because their passports were withheld or because of threats or because they faced a year's salary penalty if they resigned.

Our first panel today consists of former workers from the embassy site who will tell us what they themselves saw and heard.

We take these allegations very seriously. Unfortunately, however, it appears that not everyone has done so. We have learned during the course of our investigation that a number of officials in our own State Department may have looked the other way when confronted with these disturbing and "inconvenient" allegations.

Our State Department is supposed to be the face of U.S. diplomacy to the world. Unfortunately, it appears that when it came to the workers used to construct our flagship embassy in Iraq, some State Department officials may not have kept their eyes wide open.

-For example, it is becoming clearer and clearer that little or no forethought on labor issues had been done during the contract award and in the vetting of First Kuwaiti.

-It appears the State Department officials have largely taken a hands-off approach with respect to First Kuwaiti's relations with its third country workers.

-We have heard about the State Department's own Office to Combat Human Trafficking pressing for action from General Williams, from other top officials in the Bureau of Overseas Building Operations and from the State Department Inspector General and receiving what can only be described as the cold shoulder.

-And, we have a State Department IG, who reportedly allowed First Kuwaiti to select the workers he interviewed; an IG who apparently did not even interview those alleging abuses; and, an IG who did not use interpreters despite the fact that only 10 percent of the worker population was fluent in English.

I sincerely hope that what we hear today from our State Department witnesses dispels and explains these troubling stories our investigation has uncovered. I hope we hear that a strict adherence to "on time and on budget" does not mean the trampling of a worker's rights and dignity.

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Thank you again, Mr. Chairman.

Chairman WAXMAN. Thank you, Mr. Tierney.

Mr. Shays.

Mr. SHAYS. Mr. Chairman, when it comes to U.S. citizens and foreign nationals working in our embassies abroad, there is absolutely no question that their safety and security must be our top priority, and we also have the significant responsibility to examine alleged waste, abuse and fraud in Government. We need to look at the State Department and its contractors in the construction of the new $600 million U.S. Embassy in Baghdad.

I support today's oversight efforts. Unfortunately, what we have today is potentially a one-sided discussion about allegations found in some recent articles and Internet blog entries. In terms of preparation and research, the minority staff have been rushed through more than a half dozen interviews this week, many of which were given with just 5 minutes notice of, and just last night the committee still had not received key documents from the Department of State.

So although the facts are still muddled, this is what we do know. A recent construction guard camp near to but separate from the Baghdad Embassy is running on schedule. It appears there were some electrical problems, but it is still not clear whether it was these problems that resulted in a temporary delay in the occupation of the camp or other construction and installation deficiencies.

On the one hand, we hear from the Department of State the project is currently on schedule and within budget. On the other hand, we hear from contractors and whistleblowers that the construction is suffering massive problems with the fuel tank, sprinklers, air conditioning, heating and electrical system among other things.

In reality, this is a complex, high-risk project in a war zone, so certainly there will be some issues with the building system. But we are still lacking hard evidence to make any assessments.

The other side of today's hearing is allegations of potential human trafficking and labor abuses. We cannot take lightly these allegations of human trafficking and labor abuses. Human trafficking is modern day slavery and something that affects every nation on every continent around the globe, including the United States, and we must put an end to it wherever we find it.

In 2000, my fellow members and I drew a line when we passed the Trafficking Victims Protection Act making human trafficking a Federal crime. Between 2001 and 2006, the Department of Justice has prosecuted over 360 defendants, secured 238 convictions and guilty pleas, and had opened 639 new human trafficking investigations. That is how seriously the United States takes this issue.

So it makes sense when individuals, some of whom are here today with us, raise concerns about possible labor abuses or inhumane conditions, the Trafficking in Persons Office in the Department of State and the Inspector Generals from the Multi-National Force-Iraq quickly took action, observing the employees, interviewing workers and inspecting facilities on the site in Baghdad. In fact, the State and MNF-Iraq Inspector Generals in their three reviews did not find anything to indicate human trafficking violations had occurred.

However, serious questions about possible illegal and deceptive hiring practices by recruiting agencies are still being pursued, and it is reported the Department of Justice has recently opened their own human trafficking investigation to pursue these allegations.

I commend each of these agencies for taking this matter seriously and continuing with their investigation.

I look forward to today's hearing but wish we had more information and had spent more time preparing this investigation before commencing this hearing. Nevertheless, I do appreciate the opportunity to participate in today's hearing and thank each of the witnesses for providing their testimony for the record.

Thank you, Mr. Chairman.

[The prepared statement of Hon. Christopher Shays follows:]

HENRY A. WAXMAN, CALIFORNIA
CHAIRMAN

TOM DAVIS, VIRGINIA
RANKING MINORITY MEMBER

ONE HUNDRED TENTH CONGRESS
Congress of the United States
House of Representatives
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
2157 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515–6143

Majority (202) 225–5051
Minority (202) 225–5074

Statement of Rep. Christopher Shays
Ranking Republican
Subcommittee on National Security and Foreign Affairs
Committee on Oversight and Government Reform
"Allegations of Waste, Fraud, and Abuse at the New U.S. Embassy Iraq"
July 26, 2007

Mr. Chairman, when it comes to United States citizens and foreign nationals working in our embassies abroad, there is absolutely no question that their safety and security must be our top priority. And, we also have the significant responsibility to examine alleged waste, abuse, and fraud in government. We need to look at the State Department and its contractors in the construction of the new $600 million U.S. embassy in Baghdad. I support today's oversight efforts.

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So, although the facts are still muddled, this is what we do know: a recently constructed guard camp near to but separate from the Baghdad Embassy is running on schedule. It appears there were some electrical problems, but it is still not clear whether it was these problems that resulted in a temporary delay in the occupation of the camp or other construction and installation deficiencies.

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In reality, this is a complex, high risk project in a war zone, so, certainly there will be some issues with the building systems, but we still lack hard evidence.

The other side to today's hearing is allegations of potential human trafficking and labor abuses. We cannot take lightly these allegations of human trafficking and labor abuses. Human trafficking is modern day slavery and something that affects every nation on every continent around the globe—including the United States—and we must put an end to it wherever we find it.

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In fact, the State and MNF-I Inspectors General, in their three reviews, did not find anything to indicate human trafficking violations had occurred, however, serious questions about possible illegal and deceptive hiring practices by recruiting agencies are still being pursued. And, it is reported the Department of Justice has recently opened their own human trafficking investigation to pursue these allegations. I commend each of these agencies for taking this matter seriously and continuing with their investigations.

I look forward to today's hearing but wish we had more information and had spent more time preparing this investigation before commencing this hearing. Nonetheless, I do appreciate the opportunity to participate in today's hearing, and thank each of the witnesses for providing their testimony for the record.

Chairman WAXMAN. Thank you very much, Mr. Shays.

I want to now call forward our first witnesses, Mr. Karl Demming. He is the engineering and construction manager of KBR.

Mr. Demming, we are pleased to have you with us today to testify and to give us your analysis of what has been happening.

It is the policy of this committee that all witnesses that testify take an oath, so I would like to ask you, if you would, to please stand and raise your right hand.

[Witness sworn.]

Chairman WAXMAN. The record will indicate that you did answer in the affirmative.

Mr. Demming, your prepared statement is going to be in the record in its entirety. What I would like to ask you to do is to give your testimony.

We do try to keep the oral testimony to around 5 minutes. I am going to have a clock. It will be green, but then it will turn orange when it indicates you have 1 minute left and then red when the time is up.

If you feel you need to go over to summarize it, fine, but we do want all witnesses to try to keep within the timeframe, so we can hear from everybody.

We are happy to have you here.

There is a button on the base of the mic. Be sure it is pushed in, so it is activated. When you have done that, I want to recognize you to proceed.

STATEMENT OF KARL DEMMING, ENGINEERING AND CONSTRUCTION MANAGER, KBR

Mr. DEMMING. Thank you, Mr. Chairman.

My name is Karl Demming. I am currently employed as a technical professional leader, Specialties for KBR in Baghdad in support of USMI, the U.S. Mission in Iraq.

Under the LOGCAP contract, I oversee KBR's engineering and construction work in Iraq. I arrived in-country soon after the invasion in 2003. I have been on the ground there ever since.

I am a participating electrician, practicing, and have been a member of the International Brotherhood of Electrical Workers for more than 30 years.

You asked KBR to assist the committee in its inquiry regarding the Baghdad Embassy security force guard camp, and I am here to do so. The guard camp and the new Embassy are being constructed by another contractor. KBR did not design or construct either one. Once the guard camp is complete, KBR will provide support services to the personnel who will be housed there.

I am a native Californian. I grew up in Burbank, went to Burbank High and later the Los Angeles Trade Technical School. I joined the U.S. Army in 1971 and returned to Burbank after my tour of duty.

I began work in the electrical field in 1975 and in the course of my career have had the opportunity to work in many aspects of this field, for example, power generation for the Federal Aviation Administration and the Marine Corps and electrical systems and construction positions for International Controls, Carnation, Lockheed, and Anheuser Busch.

I have held State of California electrical and HVAC, heating-ventilation-air conditioning, contractors licenses and an L.A. city supervisor's license. I also owned and operated my own electrical firm. I worked on a wide variety of projects where the IBEW supplied the work teams.

I was a member of the National Guard from 1975 through 1997, and I volunteered for the Gulf war and served in Saudi Arabia, Iraq and Kuwait as a staff sergeant with the Guard.

I moved to Denver soon after leaving active duty and worked on multiple construction projects at Denver International Airport. At night, I also taught the IBEW's electrical apprenticeship program.

I began working for KBR in May 2003. After an initial assignment in Basra, I began working in Baghdad on several power generation projects related to the U.S. Embassy Annex. In November 2006, I was promoted to my current position.

Under the LOGCAP contract, KBR provides a variety of support functions to the United States and Coalition personnel in Iraq and Afghanistan. As part of that work, every day KBR provides meals, laundry and other support services throughout theater. Specific to today's discussion, KBR was asked to prepare to provide similar services at the Baghdad Embassy security force camp.

As I mentioned before, KBR did not design or construct either the guard camp or the new Embassy compound, but as the company prepared to support personnel at the guard camp, KBR participated in several site visits and was asked to conduct a technical inspection of the facilities. This is not unlike having an inspection done before buying a house.

My team and I carried out these inspections, and earlier this week, at the committee's request, I briefed the committee's bipartisan staff on our findings. I am here today to answer any questions you may have.

[The prepared statement of Mr. Demming follows:]

STATEMENT BY KARL DEMMING
TECHNICAL PROFESSIONAL LEADER, SPECIALTIES, KBR
BEFORE THE
U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
July 26, 2007

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# # #

Chairman WAXMAN. Thank you very much for your testimony. I have questions, and I know other Members will as well. We are going to proceed recognize Members 5 minutes at a time.

The Iraq Embassy is the largest construction project at the State Department. It has a price tag of $600 million, and its successful completion is an essential part of the administration's strategy for Iraq.

The first part of this mammoth project to be completed was a base for the security guards. It was delivered to the Embassy this spring by the prime contractor, First Kuwaiti, with the assurance that it meets and exceeds contract requirements.

My understanding is that KBR was hired by the State Department to run the guard base and prepare meals for the guards. As a result, KBR entered the facility after it was turned over to the Embassy to see how the equipment was operating.

Mr. Demming, I want to ask you about the problems KBR found in the construction of the guard base when you tested the facility.

I understand you were part of a KBR team that was involved with the process of starting up the dining facility in the guard camp after First Kuwaiti finished assembling it, is that right?

Mr. DEMMING. That is correct, Mr. Chairman.

Chairman WAXMAN. On May 25th, the Embassy sent a cable back to Washington to the Overseas Business Operations Office or OBO that described some of the problems you encountered with the process. I would like to make this cable part of the record today and without objection that will be the order.

[The information referred to follows:]

Cable
Text:

UTE8490
ACTION OBO-00

INFO	LOG-00	MFA-00	EEB-00	AGRE-00	AID-00	A-00	CA-00
	CIAE-00	INL-00	DNI-00	DS-00	EUR-00	OIGO-00	E-00
	UTED-00	FOE-00	H-00	TEDE-00	INR-00	IO-00	L-00
	MOFM-00	MOF-00	M-00	NEA-00	NSAE-00	NSCE-00	OIG-00
	OMB-00	PA-00	PER-00	PM-00	P-00	SCT-00	D-00
	SP-00	IRM-00	SSO-00	SS-00	NCTC-00	FMP-00	CBP-00
	R-00	SCRS-00	PMB-00	DSCC-00	PRM-00	DRL-00	G-00
	ALM-00	SAS-00	FA-00	SWCI-00	/000W		

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R 291155Z MAY 07
FM AMEMBASSY BAGHDAD
TO SECSTATE WASHDC 1439

UNCLAS BAGHDAD 001786

DEPT FOR OBO; NEA/EX; DS; DS/DSS; DS/IP/NEA; DS/IP/OPO; A/LM/AQM

E.O. 12958: N/A
TAGS: ASEC, AMGT
SUBJECT: STATUS - NEW BAGHDAD EMBASSY SECURITY FORCE (BESF) GUARD CAMP

REF: A) LOTD 07-130-077 dtd 5/14/07
B) KBR Electrical Assessment for BESF DFAC dtd 5/15/07
C) KBR Technical Inspection of BESF DFAC dtd 5/25/07
D) OBO/EPCO memo dtd 5/18/07
E) White/Golden memo dtd 5/18/07
F) State 69549
G) Baghdad 001743 dtd 5/25/07

1. Summary: The new Baghdad Embassy Security Force (BESF) guard camp remains vacant and non functional. Poor quality construction, specifically involving the electrical wiring and generator installation have precluded post from being able to utilize the camp as intended. Life safety issues, lack of turnover and training, inherent construction deficiencies and refusal by OBO to provide operations and maintenance support left post with no recourse but to shut the camp down, in spite of the blistering heat in Baghdad, until the concerns listed below can be resolved.

2. The following is a brief summary of the chronology of events and the status of the new BESF guard camp. Post requests that DS, NEA/EX, AQM and OBO coordinate a resolution to this situation.

3. On 14 May 2007, RSO was contacted by KBR concerning an electrical problem at the new BESF guard camp Dining Facility (DFAC). RSO and Embassy Facilities Management (FM) representatives met with individuals from KBR, OBO and First Kuwaiti at the new BESF guard camp. The meeting was requested due to the melting of the electrical wiring in the DFAC during the process of KBR initiating the preparation of the first meal to be served in the DFAC.

4. According to KBR, all the DFAC equipment had been turned on five days previously and all the appliances appeared to be operational. Based on this initial determination, the first meal was to have been served in the DFAC on 15 May and the guards would begin moving into

the new camp. In conjunction with the meal preparation, KBR moved food from Camp Jackson to the new BESF guard camp DFAC. During the course of preparing the first meal on 14 May, KBR kitchen personnel began to notice that some of the appliances were not working properly, some of the kitchen staff received electrical shocks and there was a burning smell in the DFAC. Further inspection revealed that the electrical wiring under the DFAC had melted. KBR subsequently shut down all the DFAC equipment. KBR is the only resource available to post that has the subject matter expertise to inspect these systems.

5. At the 14 May meeting, the group decided that the DFAC at the new guard camp was currently non-operational. As it was unknown as to when the repairs would be made, and how long it would take to verify that the problem had been corrected, a decision was made to provide the Triple Canopy guards at Camp Jackson with MRE's and continental type meals for the next 24-48 hours. During this period, KBR would move the Camp Jackson food back to Camp Jackson and begin serving meals at Camp Jackson on 17 May. KBR received direction from DCMA (Ref A) that will allow KBR to continue to provide meals at Camp Jackson for 1-2 weeks, or until such time as the new guard camp DFAC is fully operational. The movement of the guards from Camp Jackson will be delayed until the new BESF guard camp DFAC is functioning properly.

6. The DFAC wiring issue was discussed with, S. Drisko, the LOGCAP DOS Contract Officer Representative (COR) and the Defense Contracting Management Agency (DCMA) Administrative Contracting Officer (ACO). Both agreed with the course of action outlined above and will provide the necessary administrative support.

7. The initial assessment by the KBR electricians was that the gauge of the DFAC electrical wiring is too small for the electrical load required and that most if not all of the wiring will need to be replaced. A follow-on inspection by KBR electricians Ref (B) identified additional electrical issues that require corrective action. A copy of Ref (B) was provided to the OBO representative. OBO has not provided documentation regarding the electrical problems or corrective action by First Kuwaiti. However, during a 16 May meeting, it was discussed that the First Kuwaiti electricians concur with all the corrective actions indicated in Ref (B) with the exception of item (1) which involves:

Panel 1 Dining Area
- 100 ampere main: this panel appears to be overloaded
- 12 window unit AC's @ 10 amp each
- 33 ampere lighting load on two 15 ampere circuits
- Additional load: two coolers and receptacles

KBR electricians expressed belief that the load on the 100 ampere main was in excess of the capacity provided. First Kuwaiti electricians advised that the load did not exceed the capacity of the 100 ampere main. First Kuwaiti advised this was a design issue vice being construction related. Once the wiring repairs have been made, the actual load requirements for this panel will be tested and the results evaluated.

8. The DFAC wiring is under warranty and thus First Kuwaiti is obligated to correct the problem. OBO and First Kuwaiti

representatives agreed that KBR electricians could observe the repairs to ensure familiarity with the wiring. The OBO

representative advised that repairs would take approximately two days after the problem had been assessed.

9. A subsequent meeting on 16 May at the new BESF guard camp DFAC was held with representatives from RSO, Embassy Facilities, KBR and OBO. During this meeting additional electrical concerns were presented which included grounding and the electrical feeds into the DFAC. It was discussed that there have been at least four known fires in DFAC's in Iraq, in which the primary causes appeared to be improper grounding and electrical wiring. During this meeting several photos of the initial DFAC wiring were shown that displayed numerous instances of split wiring and wiring not contained in electrical conduit or junction boxes. As this wiring presented a potential fire hazard and it was unknown as to whether similar wiring was present in the residential trailers, those guards that had moved from the Villas to the new camp have returned to the Villas. No guard personnel will move to the camp until the extent of the electrical concerns can be fully assessed and necessary corrective action completed. During the 16 May meeting, "as built" drawings were requested from OBO.

10. The 16 May meeting also included concerns expressed by KBR as to their responsibility and liability in assuming Operations and Maintenance for the camp electrical system and other camp infrastructure. KBR involvement and concern stems solely from their pending responsibility to provide Operations and Maintenance to the camp. It was agreed that this issue would be reviewed with the DOS LOGCAP COR and DCMA ACO. A meeting will be held with Embassy personnel, KBR, OBO, DOS LOGCAP COR and DCMA ACO to discuss this issue and actions required to allow the guards to occupy the new BESF guard camp.

11. OBO advised on 24 May 2007 that the DFAC wiring had been corrected. KBR conducted a Technical Inspection of the DFAC wiring on 25 May 2007 and submitted a report Ref (C) indicating continuing concerns with the DFAC electrical wiring.

12. RSO and FM had previously identified several potential problems pertaining to the construction of the BESF guard camp. Extensive records of the problems identified are readily available and were identified prior to the acceptance of the camp by post. RSO and Post were directed to accept the camp from DS and OBO. This directive was based upon OBO on site ensuring post representatives that First Kuwaiti would correct any deficiencies identified after move in at no cost to the USG and that they, First Kuwaiti, would continue to provide O&M for water purification, sewage treatment, and power generation for 60 to 90 days or until the new NEC O&M contractor (PA&E) was operational. The plan entailed that PA&E would provide the water purification system, sewage treatment and electrical power O&M at the BESF camp. AQM has advised post that PA&E will not be operational until July 2007.

13. Several additional issues have risen since the electrical concerns regarding the BESF camp DFAC electrical wiring were identified, including the discovery of counterfeit wire that was labeled as being 10mm when in fact it was only 6mm.

14. Formaldehyde fumes were first discovered emanating from the residential trailers in early May. Some personnel have experienced a reaction from the fumes. Post FM contacted OBO/SHEM and OBO at post contacted the trailer manufacturer (Red Sea) regarding the fumes. OBO advised that the trailer manufacturer confirmed that formaldehyde was used in the trailers and that airing the trailers

with the door/windows open was the best remedy to dissipate the fumes. OBO/SHEM confirmed the method of airing the trailer. The manufacturer also advised that placing charcoal in an open container in each room may also absorb the fumes. Post is airing the trailers as prescribed and this appears to be working although the fumes are still prevalent.

15. On 18 May 2007, OBO/EPCO provided RSO with a memo, ref (D) indicating that effective 1200 noon on 20 May 2007, OBO/EPCO would cease to provide maintenance of power stations, water treatment and waste water treatment at the BESF camp. Post responded (ref E) to this memo and on 19 May 2007, OBO/EPCO extended the deadline to 27 May 2007. On 26 May 2007, OBO agreed to provide 30 minutes of maintenance daily to the water treatment system to prevent damage or failure. On 28 May, OBO advised the FM that OBO will no longer provide any O&M for the BESF camp water system.

The post FM attempted to assume maintenance responsibilities for power generation and sewage treatment until an alternative O&M provider can be identified. However, the FM does not have any O&M resources or staff at this time, thus only one generator will be operated by the FM in order to provide air conditioning to the unit housing water purification chemicals. Post was advised by First Kuwaiti that the water purification system has 16 filter membranes that must remain wet or they will need to be replaced. Each membrane costs approximately $6,000 to replace. Without OBO cooperation and the provision of at least minimal water system O&M, post is unsure as to the extent of damage that will be caused to the water system

or if/when it could be made operational.

Ref (F) indicated OBO continued support for providing water, sewage and power O&M to the BESF camp. In ref (G), Post expressed appreciation for the OBO support and acknowledged the continued need for this support until an alternative O&M provider could be established. Without the provision of O&M support reflected in ref (F) or an alternative as described in ref (G), post is left without an O&M service provider for the BESF camp.

16. On 25 May 2007, as part of the technical inspection to assume O&M for power generation, a KBR HazMat expert identified leaks in fuel pipes of all ten generators at the BESF camp. It was also noted that the fuel tanks are direct buried single walled steel tanks without any corrosion protection. Further, no leak detection or any level gauges were installed. Multiple leaks on the pipe fittings between the underground tank and the generators were noted by oil saturated soil around the joints. As a result of these issues KBR has refused to assume O&M of the power generators. The FM confirmed the findings of the KBR HazMat expert. It appears that Teflon tape used for water piping was used on all the fuel pipes. The KBR HazMat expert advised that this Teflon tape will only hold a seal for a few weeks and will then fail as this type of Teflon tape is not designed for fuel systems and will dissolve upon contact with diesel fuel. Post is exploring options with DCMA and the LOGCAP COR to waive liability that would allow KBR to perform power generation O&M.

17. On 26 May 2007, First Kuwaiti delivered minimal spare parts for the power generator and less than minimal spare parts for the water treatment plant. The material is currently being stored at the BESF camp.

18. On 26 May 2007, KBR completed a technical inspection of the DFAC and submitted a report (ref C) that indicates "reworked" wiring is still sub-standard. The KBR report indicates that KBR cannot provide DFAC services in the BESF camp until the deficiencies in the current DFAC wiring is corrected.

19. On 27 May 2007, First Kuwaiti stopped providing services to the power generator and waste water treatment plant. During the course of the attempt by the FM to maintain generator operation, the FM identified the following items related to power generation that need to be corrected as part of the original work completed by First Kuwaiti (FKTC) at the new BESF guard camp.

- Generator switches and breakers must be labeled. The lack of clear markings presents a maintenance and safety concern as only the previous FKTC operators are aware of which switch to turn and what breaker to operate. Nothing is labeled on the distribution panels or fuel pump panels. Post did not receive any walkthrough or transition training on the generators which presents additional safety concerns.

- Installation of the generators has not been completed. Additional work is required to permit the automatic fuel fill system to operate. The fuel fill system must now be operated manually and the auto system has apparently never worked.

- Install overflow piping from the day tank back to the main supply tank. Overflow piping has been removed from all 10 generators creating a hazardous situation if the tank overflows. The overflow pipe currently exits the day tank, runs down vertically from the day tank to the floor of the generator housing and deposits overflow on the floor of the generator housing unit.

- Clean oil spills from all generator containers. Obvious overflows have occurred and all generators have excessive residue of fuel on the floor. This presents a dangerous fire safety situation.

- Repair leaks on all fuel piping joints between the underground tank and the generators. Each joint is currently leaking fuel both into the generator housing unit and on the ground between the underground tank and the generator. Post has requested information as to whether the fuel system was pressure tested prior to being placed in service.

20. As of 27 May 2007, vehicle wedge barriers have not been delivered to the BESF camp as was required in the original camp construction statement of work.

21. On 26 May 2007, First Kuwaiti began installing the fire suppression system and initiated construction to complete the kennels at the BESF camp. The $500,000 project to install the fire suppression system which DS funded, is under way without any EPCO supervision. The main project manger is a third country national who the day before was responsible for the plumbers running the water system on the camp. During the construction of the BESF guard camp, there were multiple changes to the project managers. To date there have been a total of five individuals intermittently identified as the project manager for the BESF guard camp. Post has experienced difficulties in attempting to obtain information from EPCO project managers as it seems each time post requested information from one

individual, post was directed to someone else. Two of the project

managers have had extremely limited previous project management experience.

22. The timeframe for moving the BESF guards from tents and deplorable living conditions into the new camp is dependent on the ability to correct DFAC electrical deficiencies, the result of a pending KBR technical inspection of the residential trailers and the ability to provide O&M services to the water treatment facility, sewage treatment and power generation systems. Post is seeking alternative options for housing the incoming NEC guard force personnel and will advise.

23. The Embassy facilities point of contact on this issue is Embassy Facilities Manager Brian McCarthy. The RSO point of contact on this issue is Countermeasures RSO Brian Murphy.

CROCKER

NNNN

End Cable Text

Recipient/Profile Information
Cable Recipients:
- No Recipients - LMDS Profiles/Office Symbols:
NO_HITS CableXpress Folders:
- No Folders -

Chairman WAXMAN. Paragraph three of the Embassy cable says that on May 14th, KBR was in the process of initiating the dining facility when the wires began to melt, is that right?

Mr. DEMMING. That is correct, Mr. Chairman.

Chairman WAXMAN. Paragraph four of the cable states that some of the appliances were not working properly and there was a burning smell. It also says that the staff received electrical shocks. In your opinion, was this a serious safety issue and why?

Mr. DEMMING. Yes, Mr. Chairman, it was a serious safety issue. I will explain why as layman as I possibly can.

The grounding issues and the personnel injury as far as coming in contact with any of the metal equipment such as commercial type cooking equipment and such in the facility as well as the type of facility it is. They are trailers or modular units, and they are steel or metal of construction.

Chairman WAXMAN. At that point, the cable says you had shut off all the equipment and could not serve any meals.

Paragraph seven of the Embassy cable states the initial assessment by the KBR electricians was that the gauge of the electrical wiring is too small for the electrical load required and that most if not all of the wiring will need to be replaced.

It then says a followup inspection by KBR identified additional electrical issues that required corrective action.

Can you tell us more about the problems you found?

Mr. DEMMING. Yes, sir, Mr. Chairman. In regards to the electrical cable, the equipment that this cable was feeding, we call them circuits and they are protected by over-current devices. The system does not work properly if it is not designed properly.

We did not have the design drawings or plans at that time. So we were merely there to assist in starting this facility up, so we can serve the first meal on May 15th.

During that time, these issues arose and we did have personnel that were getting shocked or electrocuted mildly at the facility. We did shut the power off to investigate and assist the contractor, Overseas Building Office, to find these issues and try to remedy them.

Chairman WAXMAN. Well, the cable mentions problems with the grounding, electrical feeds, split wiring, wiring not contained in junction boxes.

Paragraph 11 of the Embassy cable states that on May 24th, 10 days after the meltdown, OBO said the wiring had been corrected. You came back on May 25th, the next day, but you still found continuing concerns with the wiring, according to the cable.

How can it be that OBO thought it had fixed the problems when it really hadn't?

Mr. DEMMING. Mr. Chairman, we don't monitor what those, that entity does out there on that camp. We are directed by our client—at that time it would be the U.S. Army—to perform these tasks and only upon direction do we actually act.

Chairman WAXMAN. Well, the wiring failed once. First Kuwaiti fixed it, and OBO checked it, but there were still problems if what you are telling us is right, something appears to be seriously wrong with the management and oversight of this project. This doesn't

mean that the rest of the Embassy project will be plagued by similar problems, but it obviously raises a major red flag.

The State Department said the guard base was fine, that it met and exceeded requirements. It turned out to be a fiasco. The $600 million question is whether we are going to discover the same kinds of problems when the Embassy is turned over to the State Department this fall.

I want to recognize Mr. Shays for 5 minutes as well.

Mr. SHAYS. Mr. Demming, first, you deserve a tremendous thanks for serving your country by serving overseas in Iraq for so long in your capacity with KBR, and I thank you for that.

Mr. DEMMING. Thank you, Congressman.

Mr. SHAYS. What I want to do is just be clear. We are not talking about the $600 million Embassy. We are talking about a temporary camp designed to house workers who would work on the $600 million Embassy, is that correct?

Mr. DEMMING. To my understanding, Mr. Congressman, that BESF was the Baghdad security force camp.

Mr. SHAYS. Is the answer yes?

Mr. DEMMING. This would be for the security force.

Mr. SHAYS. What you are talking about now is a facility that is temporary, designed to hold the security forces or the workers or whatever, correct?

Mr. DEMMING. Correct.

Mr. SHAYS. OK. We are not talking about a permanent Embassy problem, correct?

Mr. DEMMING. This does attach to the big Embassy campus itself.

Mr. SHAYS. I am not trying to suggest that we should have problems in a temporary facility, but I want us to make sure we are not mixing the two right yet.

Now it is my understanding that the OBO, the Overseas Building Operations, is a State Department agency that had basically written out the specs for this temporary facility and that when KBR got there, they felt that the facility was not adequate, is that not true?

Mr. DEMMING. That would take some explanation, Mr. Congressman.

Mr. SHAYS. Well, first off, isn't it true that this was a facility that was built according to the specs of the State Department and when KBR got there, they said this isn't going to be able to handle all that we need? Isn't that true?

Mr. DEMMING. Can I explain to that?

Mr. SHAYS. Well, first off, tell me if it is true or not and then explain.

Mr. DEMMING. That is true.

Mr. SHAYS. OK, now explain.

Mr. DEMMING. OK. What the issues were when KBR was asked to perform operation and maintenance logistic services at the guard camp itself, we have certain equipment and support mechanics that require trucks, fire trucks, fuel trucks and etc. At that time, we did not have a lot of information.

Mr. SHAYS. I need a shorter version. The bottom line is are you trying to say they should have known that it was not going to be adequate?

Mr. DEMMING. No, sir. We could not get our equipment in there to perform that O&M. That was our pushback.

Mr. SHAYS. Are you a witness today to have evidence about the Embassy itself and that the Embassy itself has major construction problems?

Mr. DEMMING. No, Mr. Congressman.

Mr. SHAYS. Your thrust today is just to say there may be indication of some problems with the full Embassy because there are problems with this temporary site or are you just here because you were requested to be? What is your motivation for being here?

Mr. DEMMING. I was requested to be here or asked to be here, Mr. Congressman, to explain the difficulties and issues at the security force camp.

Mr. SHAYS. Temporary site, OK.

In your work in the United States, is this sometimes what is built sometimes doesn't meet the need of the person, of the client? Is this unusual?

Is this event unusual, what you are encountering, what you encountered in Iraq?

Mr. DEMMING. Comparing to Iraq, it is a very volatile environment. Unusual, I would say no, sir.

Mr. SHAYS. Thank you very much, sir.

Mr. DAVIS OF VIRGINIA. Do you have a second?

Mr. SHAYS. Yes, I would be happy to yield to my colleague.

Mr. DAVIS OF VIRGINIA. Is the problem here with the specs or is the problem with the construction?

Mr. DEMMING. Mr. Congressman, KBR was never privy to the specifications that this entity was built by. We were going by the Unites States national electrical codes and some of the national building codes, the UBC and the UMC.

Mr. DAVIS OF VIRGINIA. So you don't have any information that the construction didn't meet the specs and there might have been a problem with the specs.

Mr. DEMMING. That is correct.

Mr. DAVIS OF VIRGINIA. You don't have any information that there is anything wrong in the construction at the Embassy at all, do you?

Mr. DEMMING. That is correct.

Mr. DAVIS OF VIRGINIA. Thank you.

Chairman WAXMAN. Mr. Cummings.

Mr. CUMMINGS. Thank you very much. I want to thank you, Mr. Demming, for being with us today.

Did I understand you correctly when you said that you are an electrician?

Mr. DEMMING. That is correct, Mr. Congressman.

Mr. CUMMINGS. How long have you been that?

Mr. DEMMING. Over 30 years, Mr. Congressman.

Mr. CUMMINGS. Now, Mr. Demming, I understand that after the wires melted at the guard camp, is that true? They melted?

Mr. DEMMING. Yes, sir, Mr. Congressman.

Mr. CUMMINGS. Let me see if we can connect some dots here. After they melted, the Embassy asked KBR to conduct a technical inspection of the entire guard camp electrical system, is that correct?

Mr. DEMMING. Yes, sir.

Mr. CUMMINGS. Were you a part of that in any way?

Mr. DEMMING. Yes, I was, Mr. Congressman.

Mr. CUMMINGS. Mr. Chairman, I have a copy of KBR's report dated May 25, 2007, which I ask to be made a part of the hearing record.

[The information referred to follows:]

KBR | KELLOGG BROWN & ROOT SERVICES INC. • LOGCAP III
UNITED STATES MISSION – IRAQ CENTRAL • APO AE 09316
PHONE 281-659-3421

Date: 25-May-2007

To: Karl Demming

From: Paul Chretien

Subject: Technical Inspection of BESF DFAC Electrical

Scope:
This inspection covered all electrical items within the BESF camp DFAC. The inspection was performed by KBR and was completed at 1730 hrs on May 25, 2007. Items in this report are based upon visual observations of all non-KBR installed panels--randomly selected appliances and lighting fixtures were opened to visually inspect internal wiring. Currents and voltages were tested at all panel and selected appliances with a digital multimeter. Current readings at panels are with all available equipment running...which represent approximately half of what can be expected to be connected when DFAC is completed and operating.

Areas of Concern:
One of the greatest areas of concern is the use of 'counterfeit wire'—which refers to wire found which has a particular wire size printed on the insulation but actually has smaller, lower-capacity conductors. One sample of wire taken from the DFAC is labeled as 10mm^2, but physically measures only 6mm^2. In other cases breakers are the wrong size, wire is too small and correct wiring practices, and/or equipment were not used.

Current Readings (non KBR installed panels):

Panel Name	Rating (A)	Wire Size attached (mm^2)	Line Amperage (A)		
			Line A	Line B	Line C
PB1	100	70	45	25	38
PB2	125	70	33	55	48
PB3	200	120	45	41	28
PB4	200	120	70	42	61
PB5	125	70	80	89	83
FKMDP	400	240	158	148	163

NOTE: This document contains information which may be withheld from the public because disclosure would cause a foreseeable harm to an interest protected by one or more Exemptions of the Freedom of Information Act, 5 USC Section 552. Furthermore, it is requested that any Government entity receiving this information act in accordance with DoD 5400.7-R, and consider this information as being for official use only (FOUO), and mark, handle and store this information so as to prevent unauthorized access.

Issues:

- Wire Size
  - Internal wiring of appliances…wire too small, improperly landed and grounded on all equipment inspected
  - 60A circuit to 2 fryers…10mm^2 counterfeit wire (6mm^2) actual
  - Light circuit on PB3…wire is undersized and breaker undersize for load
  - PB5 main cables are undersized require 120mm^2 wire
- Grounding
  - First Kuwaiti Installed 400A distribution panel (FKDP) has no ground bus, no ground wire
  - Panels PB1, PB2, PB4, PB5…have no ground wire to main panel
  - Evidence of poor grounds causing over power situations resulting in burnt wires and outlets
  - Grounds need to be verified with a Galvanometer
- Amperage
  - Main panel FKDP Breaker #6 (lift station) oversize needs 50A
  - Main panel FKDP Breaker #4 (PB5) undersize needs 200A
  - Main panel FKDP Breaker #7 (PB2) undersize needs 125 A
  - Main panel FKDP Breaker #5 (PB1) undersize needs 125A
  - PB5 main breaker undersized needs 200A
  - PB1 main breaker undersized needs 125A
  - Light circuit in PB3 is over current rating for its circuit…3 wires landed on 1 breaker
- Equipment and Practices
  - Light ballasts need replacing – 80 fixtures @ 2ea – 160 ballasts
  - All reach in coolers have spliced cords
  - Outlets in floor of dining area of DFAC are not suitable for the application…not waterproof, flush mounted or GFCI
  - 100A breakers (2) in PB5 have not been replaced …should be (2) new 80A breakers installed
  - Light circuit in panel PB2 is over rated amperage for its circuit, needs to be split into 2 circuits , but PB2 is full—1 of the split circuits must be relocated to PB1
  - Boxes under building have no fittings installed

BROWN & ROOT PROPRIETARY DATA – SOURCE SELECTION INFORMATION - SSS FAR 3.104
Information contained on this page is subject to the restrictions on the first page of this document.

Electrical Assessment for BESF DEFAC as noted by Electrical Department

Panel 1 Dining Area
100 ampere main: this panel is overloaded!
12 window unit AC's @ 10 amp each
33 ampere lighting load on two 15 ampere circuits
Additional load: two coolers and receptacles

Panel 2 Serving/Dining Area
Will need load tested when all appliance are in place and in use

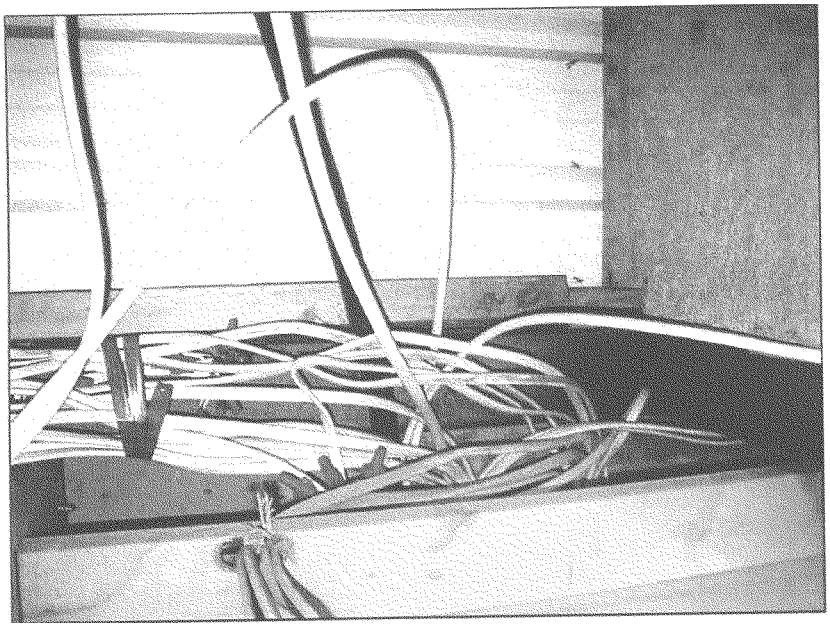
Panel 3 Kitchen Equipment
1. Deep Fat Fryer Circuits 1, 3, and 5: cable needs to be changed from 10mm cable to 16mm cable: 33KW nameplate reading
2. Griddle top # 1 Circuits 7, 9, and 11: downsize three pole 40 ampere breaker to 30 ampere in order to protect the 6mm cable in use
3. Boiling Pan Circuits 8, 10, and 12: Existing breaker "three pole 30 ampere breaker" and cable are too small; change to 3 pole 40 ampere breaker with 10mm cable

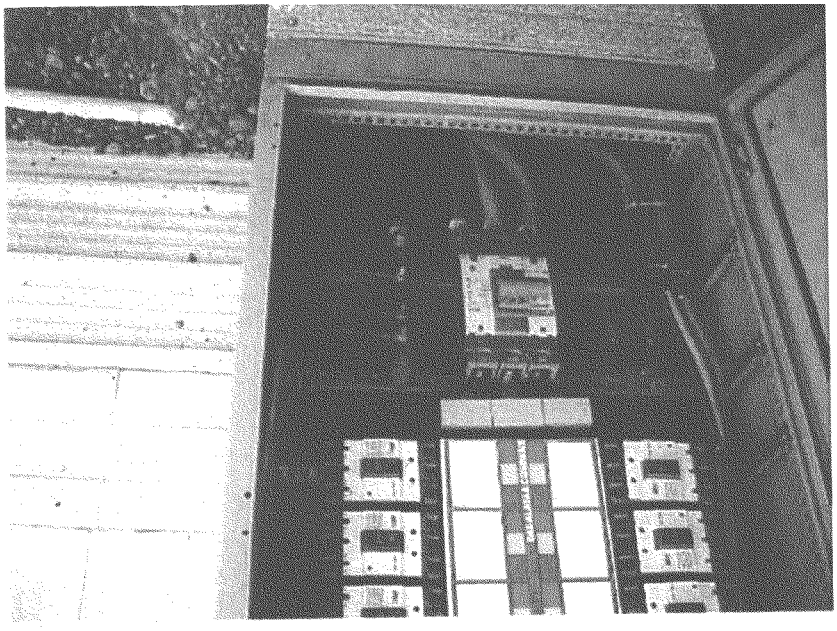
Panel 4
1. Deep Fat Fryer Circuits 1, 3, 5: cable needs to be changed from 10mm cable to 16mm cable: 33KW nameplate reading
2. Electric Range # 1 Circuits 7, 9, and 11: three pole 40 ampere breaker is sufficient: 6mm cable needs changed to 10mm cable: nameplate rating 40 amperes 19KW
3. Electric Range # 2 Circuits 13, 15, and 17: three pole 40 ampere breaker is sufficient: 6mm cable needs changed to 10mm cable: nameplate rating 40 amperes 19KW
4. Tilting Brat Pan Circuits 2, 4, and 6: nameplate 12 KW (22 amperes) 4mm cable is borderline ok; recommend increasing to 6mm cable for NEC or continuous (3 hour) use
5. Boiling Pan Circuits 8, 10, and 12: nameplate 19 KW (32 amperes) 4mm cable needs changed to 6mm cable

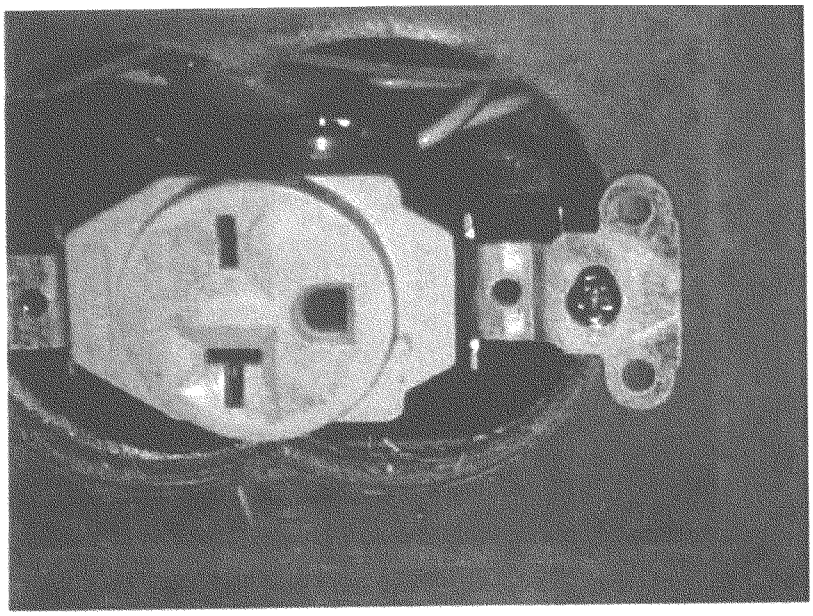
Panel 5 Back Kitchen
1. Convection oven # 1 circuits 2, 4, and 6: change 3 pole 40 ampere breaker and 6mm cable to 3 pole 80 ampere breaker and 25mm cable
2. Convection oven # 2: same as above

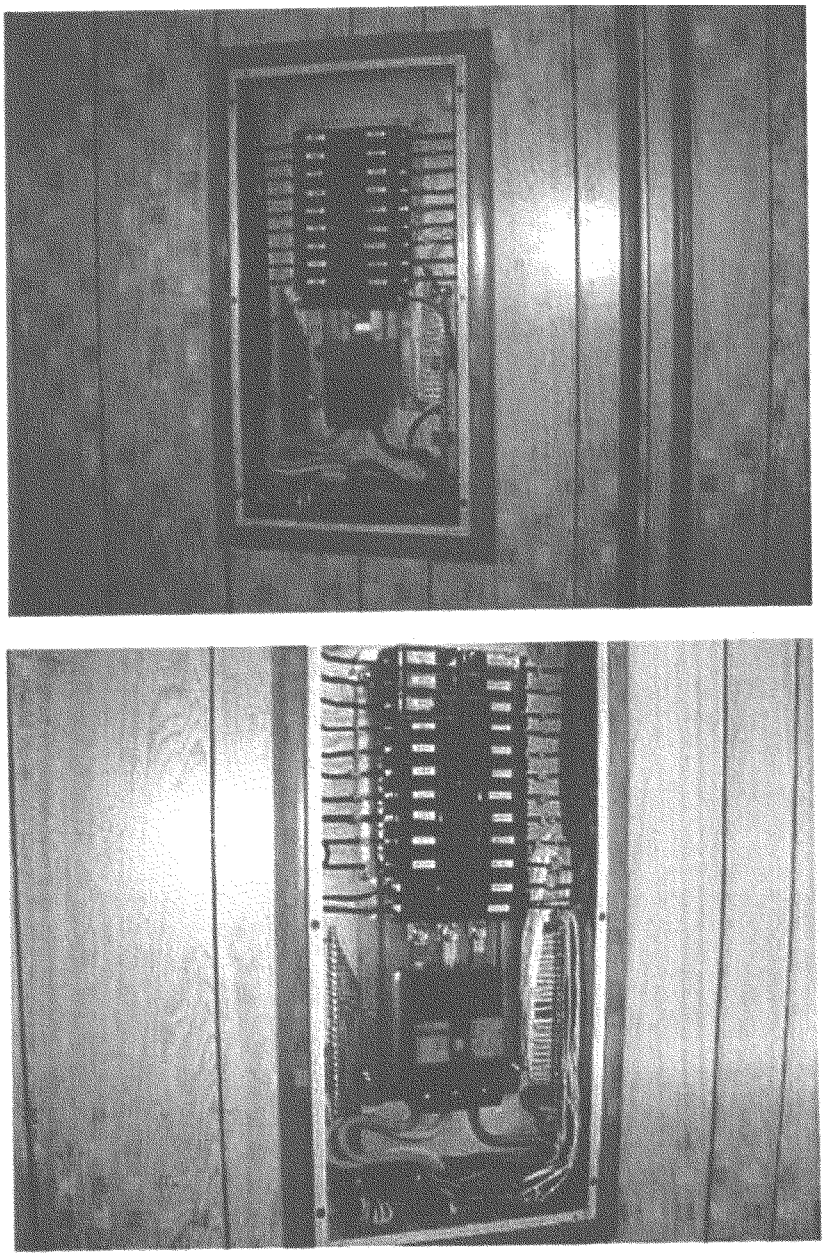
This report is our Fast Track Electrical Assessment of the BESF DEFAC electrical system and noted. In addition to the deficiencies noted; we also

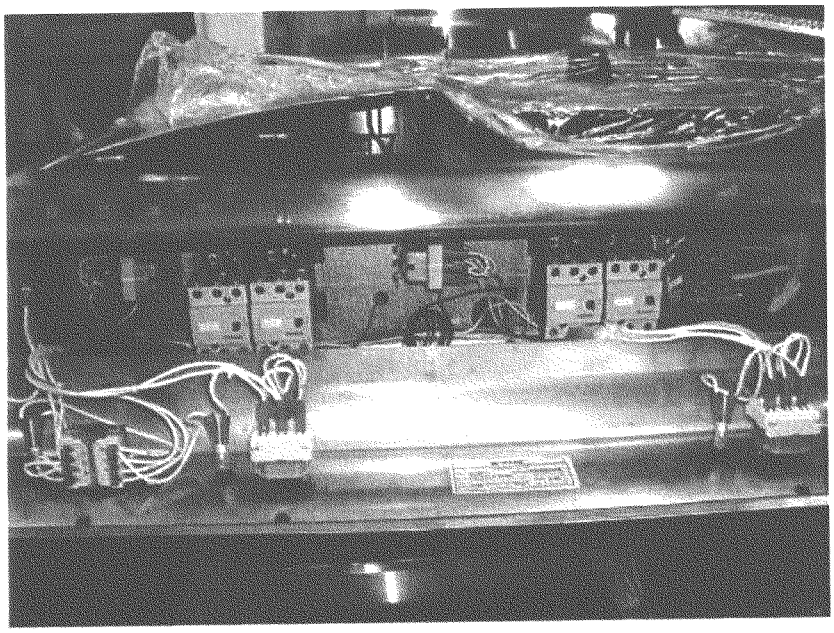
found no grounding system in place. We highly recommend a further investigation to verify the presence on a grounding system.

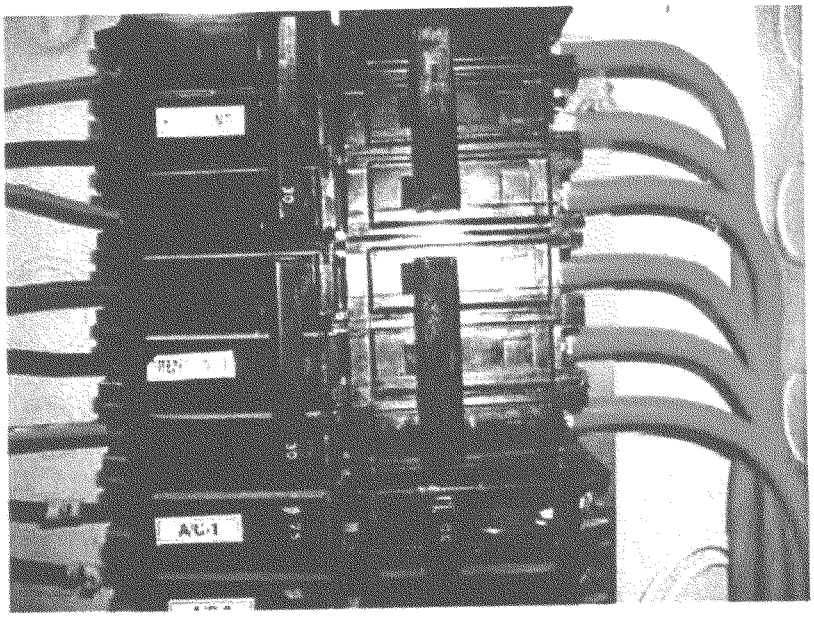








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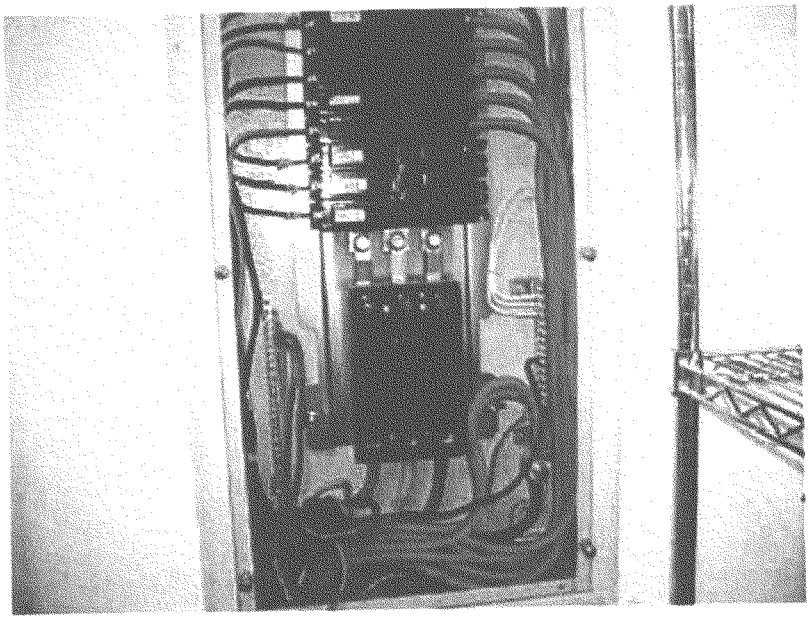

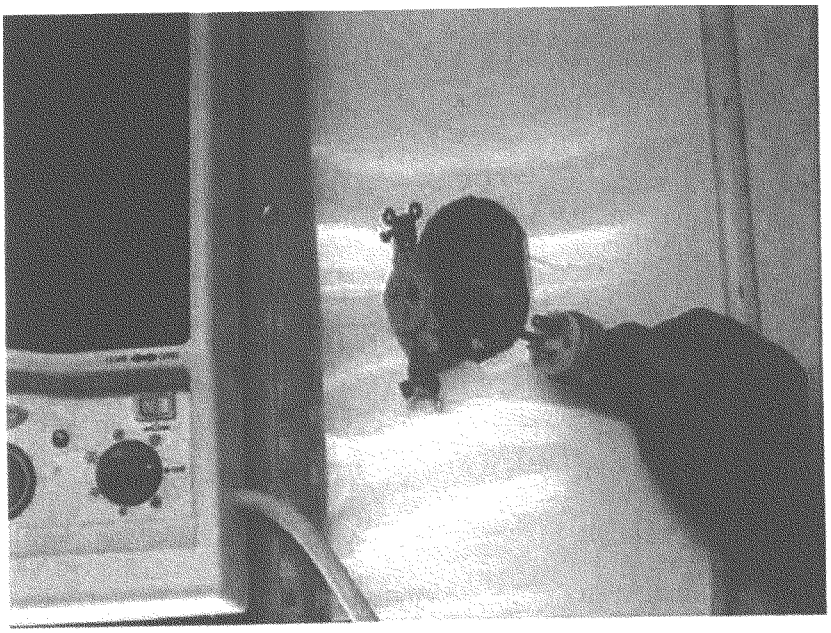

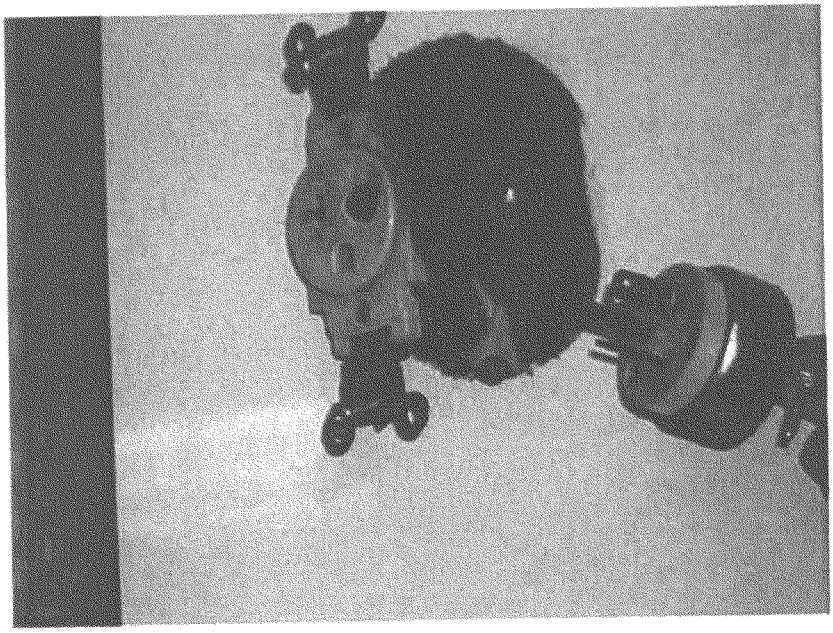

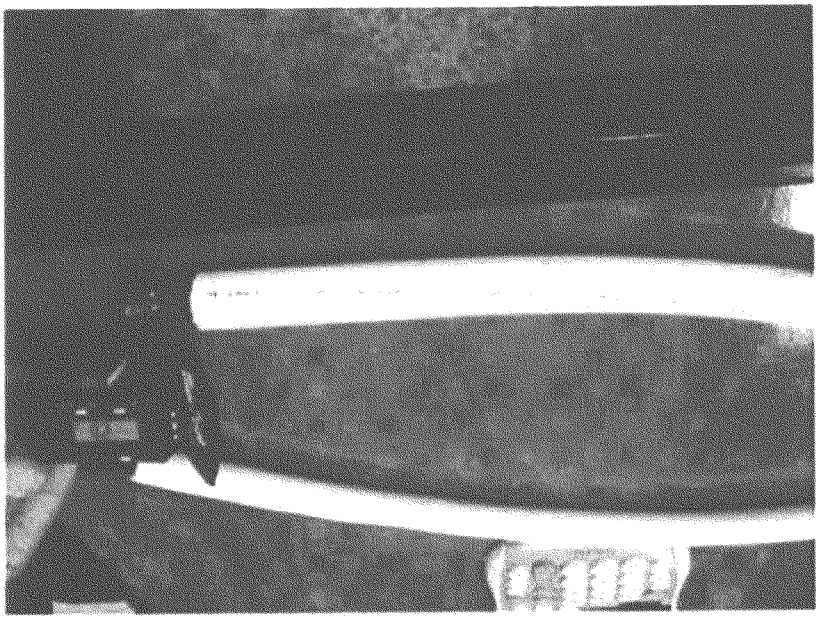

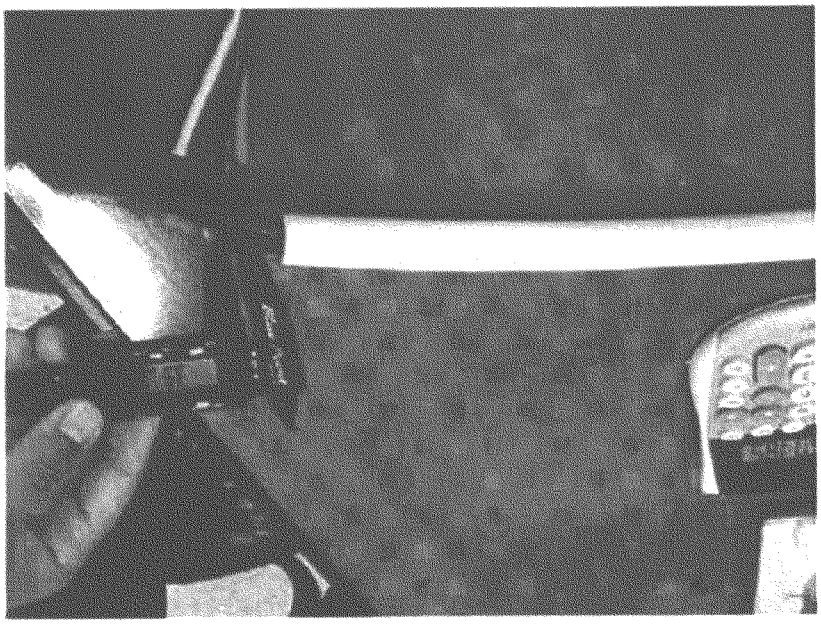

Mr. CUMMINGS. Mr. Demming, this report says that it is from Paul Chretien. Do you know him?

Mr. DEMMING. Say that again.

Mr. CUMMINGS. I probably pronounced his name wrong. Paul C-H-R-E-T-I-E-N.

Mr. DEMMING. Chretien.

Mr. CUMMINGS. Yes. Who is he?

Mr. DEMMING. He is my electrical engineer. He works on my staff.

Mr. CUMMINGS. All right, so he works, he is under you?

Mr. DEMMING. That is correct, Mr. Congressman.

Mr. CUMMINGS. All right. On page 1 of this report, it lists "areas of concern" and it says this: "One of the greatest areas of concern is the use of counterfeit wire," which refers to a wire found which has a particular wire size printed on the insulation but actually has smaller, lower capacity conductors, is that right?

Mr. DEMMING. That is correct, Mr. Congressman.

Mr. CUMMINGS. Did you actually obtain samples of the counterfeit wire?

Mr. DEMMING. Yes, that is correct, Mr. Congressman.

Mr. CUMMINGS. Now that word, counterfeit, that is a pretty strong word, isn't it?

Mr. DEMMING. Yes, it is.

Mr. CUMMINGS. In other words, it implies that somebody did something wrong, is that right? In other words, that is not proper, is that right?

Mr. DEMMING. That is correct.

Mr. CUMMINGS. How did you determine what the size of the wire in the insulation was?

Mr. DEMMING. When the team was inspecting on that technical inspection through the panels to further meet the needs of the direction that we received, they identified that first by looking at the cable that was installed. Further investigation, we found that the cable was marked, and on that cable marking it was marked for the required cable size.

As further investigation went, the copper diameter size of the conductors inside the multi-conductor cable was thought to be smaller than what the stamped rating was on the jacket.

Mr. CUMMINGS. So, in other words, even if the specifications had asked for a certain thing, when you went to look at the wire, even if the specifications asked for it, the proper wire was not there, is that correct?

Mr. DEMMING. That is correct.

Mr. CUMMINGS. I believe we have a picture of the counterfeit wires you found. Can we please display that on the screen?

Where did you find this wire in the camp?

Mr. DEMMING. This cable was at, this particular cable was going to the fryers from a panel inside the DFAC, the dining facility.

Mr. CUMMINGS. What problems might result from the use of such a counterfeit wire?

Mr. DEMMING. Well, they might melt.

Mr. CUMMINGS. As they did.

Mr. DEMMING. Correct.

Mr. CUMMINGS. After you did your report to the Embassy, the Embassy wrote this cable to OBO, and here is what they said: "Several additional issues have arisen including discovery of counterfeit wire."

So they reported what you found to Washington.

Now I want to show you what Washington said in response. This was written on June 7th, and I ask that it be entered into the record.

[The information referred to follows:]

Cable
Text:

UTE1694
ORIGIN OBO-00

INFO	LOG-00	MFA-00	A-00	CIAE-00	INL-00	DNI-00	DS-00
	OIGO-00	UTED-00	FOE-00	H-00	TEDE-00	INR-00	IO-00
	L-00	MOFM-00	MOF-00	NEA-00	NSAE-00	PA-00	PER-00
	SP-00	IRM-00	T-00	NCTC-00	ASDS-00	FMP-00	CBP-00
	R-00	SCRS-00	DSCC-00	LBA-00	DRL-00	G-00	ALM-00
	SAS-00	FA-00	/000R				

080286
SOURCE: GUARD.004362
DRAFTED BY: OBO/IPCO:LMWIEDERWAX -- 06/08/2007 703-812-2248
APPROVED BY: OBO/IPCO:JLGOLDEN
OBO/COO: CEWILLIAMS
DESIRED DISTRIBUTION:
NEA/EX, R.BRADY, DS/DSS, G.STARR, DS/EX, S.MERGENS, OBO/AM, T.GRAY, A/LM
----------CD4D6D 082124Z /38
O 082112Z JUN 07
FM SECSTATE WASHDC
TO AMEMBASSY BAGHDAD IMMEDIATE

UNCLAS STATE 080286

TO BAGHDAD SENIOR FM BRIAN MCCARTHY FROM OBO DIRECTOR WILLIAMS

E.O. 12958: N/A
TAGS: ABLD, AMGT, ASEC
SUBJECT: NEW BAGHDAD EMBASSY SECURITY FORCE (BESF) GUARD CAMP

REF: BAGHDAD 1786

In response to the reference, concerning certain issues relating to the DS Man Camp construction, OBO has reviewed all aspects and issues outlined in this cable and below present OBO's position as follows:

1. First, I am surprised that you would send a front channel cable to your parent organization concerning project close out, punch list management and project turnover procedures. You should know OBO has a management preamble and operating procedure that allows and encourages all FMO's to communicate directly with our OBO/FAC and the rest of the organization if facilities help or clarification is needed.

Following below are OBO/EPCO's Managing Director James L. Golden response to your accusations:

2. Summary: The contents of this cable are all over the place and do not support the facts at site. Our investigation has shown that the Man Camp has been constructed according to the approved design specifications as agreed to by all parties as presented in a design review meeting at the KBR offices in Baghdad in November 2006. Agreement and clearance to proceed with design and construction was made by all parties represented and

clearance given to build the facility per the design and specifications presented. KBR confirmed and agreed specifically that they could manage and operate the facility based on the design, and DS agreed the facility was adequately designed for the purpose intended. Attendees at the meeting represented Post, DS, the RSO, KBR, the military and OBO/EPCO.

Present issues outlined in the Ref represent a complete lack of facts and have mixed many unrelated issues, i.e. Warranty issues, additional scope items, temporary camp construction as opposed to permanent camp desire, and most ridiculous of all, OBO's refusal to provide Operations and Maintenance support, which was never a function of any OBO agreement or requirement.

Post refusal to move into and operate the camp is not a function of the camp being constructed to poor quality, but rather a desire by Post for whatever reason to not operate the camp. None of the issues raised in the cable has merit and warrant post not moving into the camp due to construction problems except those willingly created by Post and KBR after accepting the camp from OBO completed according to the original SOW. A response to the cable summary chronology of events makes these points very clear:

3. The issues with the DFAC wiring melting was a function of KBR installing considerable more equipment in the DFAC than that originally designed and anticipated. This had nothing to do with poor construction or quality of material used. Briefly, the original design did not include kitchen equipment. However, after the project was initiated, DS requested we include kitchen equipment. This equipment was specified and approved for purchase. The factory was then instructed to wire the facility for the equipment to be included in the facility. However, after turning the facility over to Post, KBR installed considerable more cooking equipment (one large reefer; one large oven, one broiler, one tilting pan, several potato peelers) not purchased with the facility and proceeded to tie all this equipment into the same wiring circuits. All such equipment appeared to be larger/higher power requirement than the manufacturer had intended based on our original specifications. This is the real reason the facility overheated, and not as presented in the Post cable.

Also not mentioned in the Post cable, at the time the wires overheated, the OBO representatives were on site and pointed out the problems to KBR immediately. They admitted the additional equipment had been installed, however said it was needed to operate. Although not in the original scope and not paid for, OBO rewired the kitchen in two days and they were able to proceed with the additional equipment hook up. Additional upgraded wiring and circuit breakers were installed to include breakers and retrofit wiring as required to the new equipment. This issue was solved over three weeks prior to the Post cable being written, and all parties involved knew the reason for the problems, knew they had been resolved, knew it was not an OBO or First Kuwaiti problem and knew as of the date of the cable we no longer had any issues in this regard.

Two things to note about this issue, 1) FKTC did not wire any

trailers initially, as they were specified and wired at the factory. Therefore if you change the specifications and what you put into the facility, rewiring needs to be addressed. This was a problem created solely by Post and KBR by putting additional equipment in the facility and not checking the electrical loads. 2) FKTC only did the rewiring after OBO learned of the problem. Also, if as stated in the Post cable that KBR is the only resources available to Post that have the subject matter expertise to inspect these systems, there lies the problems. They, KBR created the problems, and are now trying to put this matter on the construction of the camp. In fact, OBO has confirmed that the problems with the generator leaks and complaints about socket overheating has to do with equipment and systems that KBR has altered on site and rendered the warranty from both FKTC and the manufacturers no longer valid.

OBO sees no need to comment on fires at other installations in Iraq, as these have no bearing on the issues at the DS Man Camp in question. However all the electrical concerns about the living units in our view unfounded. Each trailer has been manufactured and wired at the factory, and are the same identical trailers being used for many of the persons living in Baghdad today, including OBO and other State Department personnel. FKTC did not wire any of these trailers and we have no facts to justify all the concerns referenced in the KBR inspection report. OBO would however be willing to address any specific issues related to the trailer wiring with the manufacturer, and FKTC remains totally responsible for any warranty work needed even if wired at the factory.

References to the counterfeit wire claim, we have inspected the entire camp with both OBO and FKTC personnel, and can not locate a single counterfeit wire as outlined in the cable. We have also asked KBR and Post to identify any counterfeit wire and its location and they have not been able to do so. This claim in our opinion is therefore a false one.

4. The cable falsely claims that Post was directed to accept the camp by OBO. This is patently not true! At a meeting held in the OBO site offices for the purpose of handing over the camp after both Post and KBR had considerable time inspecting the camp, it was asked clearly did anyone have any problems with the camp or if there were any items Post considered not yet completed from the original scope of work. Post and DS was given numerous opportunities to discuss all issues and each and every point was handled professionally. At the conclusion of this meeting, a representative group of individuals were sent out to the camp immediately after the meeting to do a final walk around and inspect each and every trailer and discuss any issues related to the camp before handover, This meeting was to take as long as necessary prior to accepting the camp. Only after this walk around did the parties agree that the camp was completed and the parties signed the camp over as accepted based on meeting the design scope of works. At no time did anyone force anyone to sign or agree to something not completed according to the specifications or the approved scope of works.

The issue about OBO and First Kuwaiti maintaining the camp until Post could put an O&M contract in place is embarrassingly false. OBO and First Kuwaiti providing O&M for the camp was never discussed. Only the following day

Brian McCarthy and Matt Eastman asked James Schofield if he would see if OBO could assist with maintaining the water treatment and waste water treatment plants until they could work something out with KBR. Again in a misguided attempt to assist Post with this problem, OBO confirmed that we would assist for a short time (up to 90 days), which was based on our working with the O&M contractor we was to manage and have on site much earlier to assume these duties. After the O&M contract was returned to Post, we no longer had a means, mandate or funds to provide this service, and informed Post of our situation accordlingly. This was consistent with our initial agreement and had nothing to do with the camp hand over and acceptance.

You are well aware of this agreement, and are also aware that this arrangement has absolutely nothing to do with Post not being able to move into the man camp. This issue of OBO agreeing to assist where possible was done after the camp had been handed over and accepted.

5. When we consider the remaining items listed in the Post cable, it appears the persons writing the cable is not aware of the original requirements specified for the DS man camp. All the references to US. Standards and possible long term effects on certain aspects of the facility do not match with the original requirements. OBO has continually strived to explain to Post and KBR that the camp was designed and built as a temporary facility, and not as a permanent camp. It is therefore not possible to apply specifications used in a temporary facility to a permanent facility. It would have been more constructive for Post to recognize that the plan for the camp has changed and the camp is now intended to remain for a longer period of time, and request OBO take another look at what could be done to make this temporary camp suitable for longer occupation. This would have required a considerable more engineering effort, however many of the items addressed in the KBR report would have been addressed i.e., burying of tank with liner to protect against leakage after two years, leak detection devices, etc..

6. The automatic fuel systems have worked ever since the plant was installed. The OBO maintenance team during our time on the site used the system daily. We can only assume Post and KBR do not know how to operate this system. OBO is prepared to set up a training session to ensure Post and KBR is aware of the operational requirements upon request.

7. The so called formaldehyde fumes are normal for all Red Sea manufactured trailers. This is the same trailers being used by OBO and many other State Department personnel in Iraq today. Red Sea is the primary trailer suppliers in the Middle East, including Iraq, and supplies over 75% of the trailers in the Iraq Theater. OBO staff lives in at least 40 of the new trailers identical to those supplied in the DS man camp. No one has taken sick or suffered any adverse effect from the trailers. It is common to air out the trailers before use, which was told to Post as a means to solve the problem. Inclusion of this issue in this cable seems only be for show, as the solution provided by OBO initially is now said to be followed. This again is not a reason to delay the occupation of the camp,

8. The statement that no OBO project manager is responsible

for the project is also not true, and has no merit. James Schofield and Dave Desoto have managed the construction since the beginning of the project. Again, Post representatives are aware of this fact, and have contacted the above referenced personnel on many occasions. The cable specified five EPCO project managers for the project, which simply does not make sense and is not true.

9. Any leaks and labeling of breakers are a vital concern and will be addressed by OBO and FKTC. James Schofield has been working with FKTC and Post to identify any such warranty issues and repair as necessary. However, all the issues found by OBO staff to date represent items that has either been modified or changed completely by KBR.

These items however do not represent any health or safety risk outlined in the 25 May cable, and will not stop Post from occupying the camp if they desire. For whatever the reason, it appears Post and KBR simply do not want to operate the camp for other reasons, which have nothing to do with the construction or equipment installed as part of the original scope.

In conclusion, there is no issue here between OBO and DS. We have worked with a level of collaboration over the past 6 1/2 years at 82 New Compound construction sites. This is a model for the government. I believe this cable will allow this project to be put to rest so all can concentrate on the rest of the critical facilities DOS work in Baghdad.
RICE

NNNN

End Cable Text

Recipient/Profile Information
Cable Recipients:
- No Recipients - LMDS Profiles/Office Symbols:
NO_HITS CableXpress Folders:
- No Folders -

Mr. CUMMINGS. The cable said this: "We have also asked KBR and Post to identify any counterfeit wire and its location and they have not been able to do so."

Mr. Demming, first of all, did you understand what I just said?

Mr. DEMMING. Yes, Mr. Congressman.

Mr. CUMMINGS. I am asking you, Mr. Demming. Did anyone at OBO ever ask you about the counterfeit wire you found?

Mr. DEMMING. No, Mr. Congressman.

Mr. CUMMINGS. Did anyone at OBO ask anyone on your team about it to your knowledge?

Mr. DEMMING. Mr. Congressman, to my knowledge, no.

Mr. CUMMINGS. Do you know why OBO would claim in this cable that they asked you for this when they didn't? Do you know?

Mr. DEMMING. No, I do not know that.

Mr. CUMMINGS. One of the documents that the committee subpoenaed is a fire safety inspection report of the Embassy complex itself. We understand that this inspection report documents a number of serious safety risks similar to those that KBR found at the guard base, but the State Department won't turn this document over to the committee.

That is not a good sign. Covering up serious safety problems at the Embassy does not make them go away.

Again, this word, counterfeit, is very significant, is it not?

Mr. DEMMING. That is correct, Mr. Congressman.

Mr. CUMMINGS. Thank you very much.

Chairman WAXMAN. Thank you, Mr. Cummings.

Mr. Davis.

Mr. DAVIS OF VIRGINIA. You showed the cable, this counterfeit cable, whatever, to the Embassy Post, is that right?

Mr. DEMMING. That is correct, Mr. Congressman.

Mr. DAVIS OF VIRGINIA. There is an inherent conflict sometimes between the Embassy Post and OBO in terms of what the specs should be. Everybody, they always are asking to try to get greater capacity, better walls, better flooring. In my experience, that has been true. They always want a little more and the State Department, to put these things on time and under budget, has certain specs.

Do you have any evidence that this wire did not meet the specs?

Mr. DEMMING. No, Mr. Congressman. I never saw the specs.

Mr. DAVIS OF VIRGINIA. I think that is the nub of the matter. I think what we have here is that if you looked at American standards in a permanent facility, you would have looked for a different kind of wiring that would have supported what you were trying to put in.

This was a temporary facility. The specs that were written were one thing, and maybe they should have been something else.

I am not an expert in this area, but what I am looking for is evidence that the construction here was, in fact, counterfeit which would mean they represented it would be one thing and it was something else versus what the specifications called for since this was a temporary facility.

I don't know what the specs called for and we can ask this in our next panel.

You don't know what the specs called for, do you?

Mr. DEMMING. No, Mr. Congressman, I do not.

Mr. DAVIS OF VIRGINIA. Thank you.

I mean I think that is the point we are trying to get at is they have made a leap over here without looking at the underlying specifications in the contract. This was a temporary facility. They had a budget.

Do you have any evidence that this would not have met, well, let me just ask this.

What capacity did the customer require for its dining facility? Do you know how many people they were trying to feed there?

Mr. DEMMING. There was 1,200 personnel that were to live on that guard camp, and they served three meals a day.

Mr. DAVIS OF VIRGINIA. What organization is KBR's customer for the O&M contract to operate the guard camp?

Mr. DEMMING. Can you repeat that, Mr. Congressman?

Mr. DAVIS OF VIRGINIA. What organization is your customer on the O&M contract to operate the guard camp? Who are you working for?

Mr. DEMMING. The U.S. Army.

Mr. DAVIS OF VIRGINIA. So your contract was with the U.S. Army, and this was a State Department facility.

Mr. DEMMING. That is correct, Mr. Congressman.

Mr. DAVIS OF VIRGINIA. Now what capacity does that customer require for its dining facility?

Mr. DEMMING. Capacity as in personnel?

Mr. DAVIS OF VIRGINIA. Yes.

Mr. DEMMING. There is 1,200 personnel.

Mr. DAVIS OF VIRGINIA. Is that capacity different from the capacity the dining facility was built to support?

Mr. DEMMING. I do not believe so, Mr. Congressman.

Mr. DAVIS OF VIRGINIA. Some have said that the reason for the problems with the wiring in the dining facility was caused by KBR installing more equipment than the facility was designed to accept. Now what is your view on that?

Mr. DEMMING. That is not true.

Mr. DAVIS OF VIRGINIA. But you haven't seen the specs.

Mr. DEMMING. I have not seen the specifications, Mr. Congressman, but most of the kitchen equipment, commercial type kitchen equipment, was already installed not by KBR.

Mr. DAVIS OF VIRGINIA. Right. Now OBO says they repaired the damage soon after and that the wiring issue was resolved, is that correct?

Mr. DEMMING. Those were the readily identified issues on May 14th that they resolved.

Mr. DAVIS OF VIRGINIA. Did they resolve those issues?

Mr. DEMMING. Yes, Mr. Congressman.

Mr. DAVIS OF VIRGINIA. Pretty quickly?

Mr. DEMMING. Yes, Mr. Congressman.

Mr. DAVIS OF VIRGINIA. Is the dining facility that you inspected capable of handling the capacity required by your customer?

Mr. DEMMING. Yes, Mr. Congressman.

Mr. DAVIS OF VIRGINIA. What improvements need to be made to the dining facility in order to meet your customer's capacity requirements or are they already done?

Mr. DEMMING. In our contract and according to preventive MED issues and some of the Army regulations, we are required certain things to happen as far as how hot the water must be, how much water we must have to properly sanitize and wash the dishes. The food storage, we are required in some instances to maintain several days of storage because of the environment that we are in.

Situations like that, Mr. Congressman, are required that we brought to the attention that facility did not meet.

Mr. DAVIS OF VIRGINIA. Did you have concerns about your contractual liability for the dining facilities during the contract for the camp?

Mr. DEMMING. Just when we were asked to do the O&M services is when we brought up those concerns.

Mr. DAVIS OF VIRGINIA. Do you know if KBR submitted an offer to build the Embassy compound?

Mr. DEMMING. No, I do not know that, Mr. Congressman.

Mr. DAVIS OF VIRGINIA. But once again just to clarify, you have no knowledge or no relationship between what was done at the Embassy itself versus this separate contract for the dining facility, is that correct, temporary facility?

Mr. DEMMING. That is correct, Mr. Congressman.

Mr. DAVIS OF VIRGINIA. OK. Thank you very much.

Mr. TIERNEY [presiding]. Thank you.

Ms. Watson, you are recognized for 5 minutes.

Ms. WATSON. Thank you so much and thank you, Mr. Demming, for being here.

In the OBO's cable responding to the Embassy's concerns, they essentially blame you at KBR for all of these problems, and I would like to have you respond to some of the statements.

The basic argument seems to be that after the camp was turned over, KBR came in and added a lot of extra equipment that was never intended to be there. So let me read you what the OBO's cable actually says, and it is in paragraph three.

It says this was a problem created solely by Post and KBR by putting additional equipment in the facility and not checking the electrical loads.

The cable also says all such equipment appeared to be larger, higher power requirement than the manufacturer had intended based on our original specifications. This is the real reason for the facility overheating.

So what is your response to that claim?

Mr. DEMMING. Ms. Congresswoman, we did not provide any extra equipment to the kitchen facility other than the 20 foot by 8 foot container for a chiller or cooler unit which was placed outside the dining facility and wired to a separate circuit system as well as 20 by 8 foot container utilized as a freezer container. Those two items were brought over from the previous camp where the guards are living now, Camp Jackson, in order to store food there in preparation to move the guards over to the new camp and provide DFAC services by May 15th.

Ms. WATSON. Can you stipulate to that, the equipment that you brought in and the reason?

Mr. DEMMING. Yes, ma'am. The equipment that we brought in was specifically for the additional food that was required and to start the DFAC services on May 15th.

Ms. WATSON. Is there a work order that would state that in writing? Was there a work order?

Mr. DEMMING. There was some. There would had to have been a work order for us to do that, Ms. Congresswoman, and on the e-mail traffic, I have just been handed, from First Kuwaiti, on one of their preparations for a billing statement, they do include adding an existing chiller to be moved from the triple canopy camp and add existing freezer to be moved from the triple canopy camp. They were aware that these two items needed to be brought over and in working condition in order to meet the May 15th inaugural meal.

Ms. WATSON. Did you also check the electrical loads?

Mr. DEMMING. We were asked to do the technical inspection after we received the administrative contracting letter to do the O&M on the camp, and upon that inspection is when we started to find some of the issues on the loads. However, it was not until the actual startup of the facility is when the events appeared.

Ms. WATSON. Did you document that inspection? Can we find it somewhere in writing what you found?

Mr. DEMMING. Yes, ma'am. Yes, ma'am.

Ms. WATSON. Now here is another statement that was in the cable. I am just repeating what the cable said. "KBR confirmed and agreed specifically that they could manage and operate the facility based on the design."

Is that true?

Mr. DEMMING. I am sorry, Ms. Congresswoman. Can you say that again?

Ms. WATSON. I will repeat it, yes.

"KBR"—you—"confirmed and agreed specifically that they could manage and operate the facility based on the design."

Did you know what the design was?

Mr. DEMMING. No, Ms. Congresswoman. I really can't answer that. That might have been something from upper management, but to my knowledge we did not accept that based on design.

Ms. WATSON. So there was no confirmation.

Mr. DEMMING. That is correct.

Ms. WATSON. From you, OK.

Mr. DEMMING. From me.

Ms. WATSON. Now here is another statement. "KBR created the problems and are now trying to put this matter on the construction of the camp."

This says that KBR created the problems. What is your response to that?

Mr. DEMMING. That is not true, Ms. Congresswoman.

Ms. WATSON. And you stipulate to that? You are under oath.

Mr. DEMMING. Yes, ma'am.

Ms. WATSON. The cable not only blames KBR for the problems but also suggests a motive, and this is what was said in the cable.

Mr. TIERNEY. Just finish up if you would, please. Thank you.

Ms. WATSON. OK, I will go real quickly.

"These items do not represent any health or safety risk as outlined in the 25 May cable and will not stop Post from occupying

the camp if they desire. For whatever reason, it appears Post and KBR simply do not want to operate the camp for other reasons which have nothing to do with the construction or equipment installed as part of the original scope."

Do you have any idea what is being said and does KBR have other reasons for not wanting to operate this camp?

Mr. DEMMING. No, Ms. Congresswoman. I do not understand the justification of that statement.

However, if I may, I would like to respond to your question about the safety of the camp. On May 15th, I received an e-mail from my electrical superintendent working out there, describing how our guys have gotten shocked touching up against the frame of the trailer. None of our wiring was powered up at the time of the modifications that we were doing over there for the May 15th meal.

So they shut down the breakers one by one to find the cause. One of the feeds for the oven had actually melted. This was a feeder wire to the ovens, equipment KBR did not supply, that actually melted and came into contact with the trailer, causing personnel in there to get shocked or electrocuted.

It did not trip the circuit breaker, the over-current protection, because it was improperly grounded. That is another safety issue that we discovered during the May 14th startup.

This goes on, ma'am.

Mr. TIERNEY. Thank you.

We can cover that maybe another time. Thank you, Ms. Watson.

Ms. WATSON. I will continue to probe this if we have a second round.

Mr. TIERNEY. Thank you very much.

Mr. Westmoreland, you are recognized for 5 minutes.

Mr. WESTMORELAND. Thank you and thank you for coming to testify.

Are you aware of any labor abuse that was involved?

Mr. DEMMING. No, Mr. Congressman.

Mr. WESTMORELAND. Let me ask you another question referring to some of these pictures that were submitted. Are you familiar with the pictures that have been submitted?

Mr. DEMMING. Yes, I am, Mr. Congressman.

Mr. WESTMORELAND. The last picture shows and I know the exact term for it but shows the measurement of the wires.

Mr. DEMMING. That is correct.

Mr. WESTMORELAND. Could you tell me what those numbers actually say on that picture?

Mr. DEMMING. That is correct. On the top picture, the micrometer reading is the cable that we buy, that we have had in stock from our purchases. The 3.9 is the diameter dimension of the copper wire inside that cable. It is a multi-conductor cable.

If you take the diameter divided by 2 squared and do some mathematics, you get the area in millimeters of that cable which comes to a little over 10 millimeters. That is referred to as a 10 millimeter square conductor or multi-conductor cable.

The bottom picture shows the suspect counterfeit cable marked clearly 10 millimeter square. With the micrometer gauge on that, it is reading 2.8.

Again, if you do the mathematics, Mr. Congressman, the area square of that conductor will come out to 6 millimeters. That 6 millimeter difference is a significant amperage load difference on that cable of what it is capable of carrying.

Mr. WESTMORELAND. Thank you.

I notice you have a calculator there next to it. So I am assuming that you just can't do this in your mind. It takes some type of calculation to come up with these millimeters. Is that correct?

Mr. DEMMING. That is correct, Mr. Congressman.

Mr. WESTMORELAND. How many electricians have you ever seen on the job that carried around one of these whatever those things were with a calculator?

Mr. DEMMING. Micrometer.

Mr. WESTMORELAND. Have you ever seen any electricians have those in their nail pouch or their screwdriver belt or anything?

Mr. DEMMING. No, Mr. Congressman.

Mr. WESTMORELAND. OK.

In some of the other pictures, I noticed, and I am in the building business. I have never seen red, blue and yellow wires. There seems to be some type of color coding for these wires. What are the different colors?

Why are some of the wires blue, some yellow and some red?

Mr. DEMMING. Mr. Congressman, that type of cabling and color coding is indigenous to that region.

Mr. WESTMORELAND. I am sorry.

Mr. DEMMING. That type of color coding and cabling is indigenous to that region.

Mr. WESTMORELAND. OK.

So when I look at the panel box and I see red, yellow and blue, that would be some kind of indication that somebody might have a language barrier or something, but he would know to plug the red wire in the red and the yellow into the yellow and the blue into the blue.

Mr. DEMMING. Typically, just like the United States, Mr. Congressman, we have black, red, blue as an indication of phasing, and this is the same configuration. Just they use different colors over there, and that would be considered what we say RYB which would be the same as black, red, blue.

Mr. WESTMORELAND. I have been in the construction business a long time and seen a lot of panel boxes, and I have never seen any that had the color codes for the cables to go into, but I understand that.

Not only is there maybe something lost, I guess, in interpretation or in wiring diagrams or differences in building codes or whatever, but also the thickness of this wire would be something if you were using metric or American or whatever to try to get in place that this was only a 6 millimeter.

Do you know if by just cutting that wire with your hand that you would have noticed any difference?

Mr. DEMMING. Mr. Congressman, I might be a little rusty on that after being in the administrative portion of this industry for a while, but the gentlemen that are in the field and do this every day, it is very typical for them to distinguish the differences on sight.

Mr. WESTMORELAND. OK, and let me ask you another question.

You mentioned the ground wiring to the boxes, and I looked and I couldn't tell where the ground wire would go. I didn't see the bus bar, I guess, or whatever on the box itself. But how much would it cost to run a ground wire and hook it to these panels?

What is an estimate? Are we talking about $10 million, $1 million, $100,000, $1,000? What would be the cost to correct this grounding situation and really replace?

Mr. TIERNEY. Mr. Westmoreland, we are going to let him ask that first question, if we might, because your time is expired and I do want to hear the answer. Then we will move on. Thank you.

Mr. DEMMING. Mr. Congressman, I could not give you a price on the cost of that because of the intricacy of the construction involved. The cable has already been run. In some spots and areas of the camp, they have poured concrete roadways over, and this would have to be tallied up as square footage.

Mr. TIERNEY. Thank you very much.

Mr. WESTMORELAND. Just to followup on that, just one question, just one quick thing.

Mr. TIERNEY. If you can keep it very, very, very brief.

Mr. WESTMORELAND. Why would you have to run a ground wire under a road? I am confused about that.

Mr. DEMMING. That is the way they ran the feeders, Mr. Congressman.

Mr. TIERNEY. Thank you.

Mr. Lynch, you are recognized for 5 minutes.

Mr. LYNCH. Thank you, Mr. Chairman. Thanks for holding this hearing.

Thank you, Mr. Demming, for helping the committee with its work.

I am going to let this electrical thing go at some point, but it would seem to me. I spent 20 years working, strapping on the work boots and working on a constructionsite before coming to Congress, and I know my way around a constructionsite. This is a pretty basic mistake here. This is basic.

Either the people doing the work at the very basic level should have recognized what they were doing. If they knew what they were doing, they would have known this was wrong. That is the workers themselves, the workers themselves wiring this job for the intended purpose. It should have been painfully obvious that they were making huge mistakes here.

Then if you go to the next level, the foremen or forewomen that are supervising the actual work, they should have known. Then, of course, whoever is above them, the supervisors on the site, they should have known. Then the quality control people who are supposed to be checking this work, they should have known.

This is like putting your pants on backward. This is something that should have been obvious to anybody who was familiar with electrical work, regardless of what country, regardless of what standard. This was just totally unacceptable.

When you turn the appliances on and the wires start to melt, you know you have yourself a problem. So I think this is something that is inherent in the whole system here. It is not a technical misreading.

I have been over to Iraq seven times now, and a lot of that time has been spent reviewing Iraq reconstruction projects, working with Stuart Bowen.

Every time I go to a job site, and it is the same everywhere, whether I visit Al Qaim. KBR has a project up there at the border entry on the Syrian border. I go through there, and I try to talk to the workers and had an Iraqi interpreter which was to no purpose because they were all from India, all these workers from India.

Then we visit a water sewage treatment facility up near Irbil, and they are all Pakistanis. So I couldn't talk to them.

We went to a couple of projects in and around Baghdad. They were Chinese and Korean.

It just makes me wonder. Here we are. We are trying to sell democracy to these folks, the Iraqis. We are pumping in $12 billion a month there, and yet every job I go to the Iraqis aren't working.

It is like we have our policy wrong. If we are going to convince them democracy is the way to go, you don't do that through the Defense Department. The way you show them that democracy works is to provide them with jobs. If they were employed, maybe instead of employing, and God bless the Indians and the Pakistanis and the Chinese and the Koreans, but they have major problems in Iraq right now.

We are providing the money. We are providing the construction projects. We are supposed to be providing the oversight and the supervision. It seems to me that you don't export democracy through the Defense Department. You do it through the Commerce Department, the State Department and letting these folks go to work and actually seeing what a normal life is like.

Take these people out of employment. The unemployment rate in Iraq among males between ages 18 and 35 years old is probably up over 50 percent. Put some of these folks to work.

I know you are probably not the guy responsible for that decision, but somewhere someone along the line ought to figure out that if we put some of these Iraqis to work instead of bringing in the lowest wage workers from around the world and exploiting them, it might help the situation there.

Is that the practice?

I mean everywhere I go, it seems to be that the workers are from somewhere else. Even though there is a ton of unemployed Iraqis all over Iraq, doing God knows what, we seem to be employing through our tax dollars, through government contracting, we are employing everybody but the Iraqis. I just want to know if that is the policy and is that something that you have seen.

Mr. DEMMING. Mr. Congressman, I employ over 300 Iraqis in the engineering and construction side of KBR's support for USMI.

Mr. LYNCH. Out of how many people?

Mr. DEMMING. That is out of 400 and some odd people.

Mr. LYNCH. So 75 percent of your entire department.

How about KBR on the ground in Iraq, how about the total number there?

Mr. DEMMING. I am not understanding your question. I am on the ground in Iraq.

Mr. LYNCH. No, no. I am talking about Kellogg Brown and Root, all your operations.

Mr. DEMMING. Oh, the whole operations, I don't have that information.

Mr. LYNCH. All right. I will let it go at that. Thank you, Mr. Chairman.

Mr. TIERNEY. Thank you, Mr. Lynch.

Mr. Issa, you are recognized for 5 minutes.

Mr. ISSA. Thank you, Mr. Chairman.

Mr. Demming, it is kind of interesting. This is a hearing in search of an enemy, and I keep wondering how many and when they are going to turn on you because obviously this has been the Democrat agenda from day one. Halliburton, once managed by the Vice President. KBR, owned by him. Obviously, you are bad guys as a result.

It is sort of interesting that you are here today as a neutral observer, somebody to give us information. It is sort of amazing when it is convenient, KBR is what it is, an incredibly knowledgeable global builder who understand the right way, the wrong way, the expeditious way to do things.

Do you see any irony there in your role?

Mr. DEMMING. I will defer that comment.

Mr. ISSA. You are a wise man. I see the irony, fortunately, for both of us.

I am not an engineer, but I did once operate an engineer company for the Army and did a little other work. What this rat's nest looks like to me is like most of the 20 by 20's we in the Corps of Engineers built.

It looks like every piece of temporary expeditious building that ever went on when you didn't go for permits and you used romex or whatever you had to go from point to point to get a job done. Is that what it looks like to you?

Mr. DEMMING. Yes, it does, Mr. Congressman. I would just like to iterate that in the National Electrical Code, Article 590, temporary refers to 90 days or less.

Mr. ISSA. Would it surprise you to know that 75 percent of Fort Ward when I was there was temporary buildings? They were built in World War II. I know I look old, but I wasn't there in World War II or in 90 days after.

Mr. DEMMING. No. No, Mr. Congressman. I was stationed there prior to going overseas with the U.S. Army in 1971.

Mr. ISSA. Now the State Department estimate—I know you don't have an estimate—is that to do the basic compliance wiring for the items that are shown here, it is $4,000 to $6,000 to correct that. I am assuming that they are going to drive in a ground on the building side and pick up a new ground there.

Is that something that if you were having to retrofit this, you would figure you could do, and with the labor force cost there, you could do for $4,000 to $6,000, just a rough guess, to correct it, simply to make it safe?

Mr. DEMMING. Mr. Congressman, I can't comment on that price. We run a different system to make things safe because of the ground and the environment over there. It is called a solid grounding system.

Mr. ISSA. OK. I understand. It is probably more than we can get into for how we would establish a ground, but basically let us switch to another question.

You have operated out of construction trailers for a long time, haven't you?

Mr. DEMMING. Yes, Mr. Congressman.

Mr. ISSA. You consider them temporary.

Mr. DEMMING. No, Mr. Congressman.

Mr. ISSA. You don't consider a construction trailer temporary? Please, you don't have to say Mister and Congressman.

Mr. DEMMING. A construction trailer, yes, I do. The environment that we are in there at this particular point in time, it is running over 90 days.

Mr. ISSA. No, no. I understand that, but I just want to make sure I understand that construction trailers aren't permanent. The connection, the actual drop, the electrical drop to a construction trailer is a separate consideration. It is done normally with a black multiconductor that comes down. You do different connections on a constructionsite.

Mr. DEMMING. That is correct.

Mr. ISSA. OK.

Often on a constructionsite, and I am not making any apologies for this kind of wiring, but these wires and how they are run, these things, they are often done expeditiously, quick order. Is that true on a constructionsite?

Mr. DEMMING. The typical wiring is on the startup of a project or the ending of a project or during a project is done hastily.

Mr. ISSA. Was anyone killed as a result of these mistakes?

Mr. DEMMING. When I first landed on the ground in 2003, we did have several soldiers get electrocuted to death, sir.

Mr. ISSA. As a result of these trailers?

Mr. DEMMING. As a result of bad wiring.

Mr. ISSA. These trailers?

Mr. DEMMING. Not these trailers. I am not sure of the actual.

Mr. ISSA. OK. I just wanted to find out because that is a separate concern and each accident investigation should be done.

Last question because my time is expiring and it is an important one, and I think it is one that we all need to have an answer to.

In this combat zone, if you do not source materials at a fairly expensive amount directly from a known source, if you simply buy on the local market or through intermediaries in Iraq, is it likely to get counterfeits and is that one of the reasons that KBR and other prime contractors pay extra to have known sources they are buying from in the region rather than picking up on the domestic market?

I am particularly referring to the micrometer measurings and the counterfeits that obviously got into this project.

Mr. DEMMING. That would be a concern, but it is not common or atypical. We have acquired the proper material in-country through local purchasing.

Mr. TIERNEY. Thank you, Mr. Issa.

Ms. Norton, you are recognized for 5 minutes.

Ms. NORTON. Thank you, Mr. Chairman. I appreciate this hearing.

The State Department, we have been hearing for months now as well as other civilian employees have eschewed going to Iraq even in the safe zones. We are trying to get our soldiers out. We hope we would leave Embassy employees there. This hearing is important to establish whether it is safe for people to be there and whether the United States of America is making it safe.

I understand that you have brought some pictures with you, and I am going to ask a series of questions to try to get to responsibility here. We can look and say, well, you could always fix that. I would like to know who is responsible.

We are now looking at this picture before you. Could you describe for us what the problem is as you see it in your expertise?

Mr. DEMMING. Ms. Congresswoman, this particular picture here is showing the cabling branch circuits from all the other areas of that particular section of modular unit of the DFAC. This is underneath the DFAC.

Ms. NORTON. This is what, sorry?

Mr. DEMMING. Underneath the DFAC, underneath the floor.

Ms. NORTON. What is the specific problem that you see?

Mr. DEMMING. OK. If you look at the cabling there, the wire nuts which show the connections where the wires may have been spliced together, we call them wire nuts, the little red things. Typically are installed in a box with a cover.

Ms. NORTON. And it is not with a cover, what is the problem? What is the problem?

What is the danger? What is the problem?

Mr. DEMMING. These splices are not done correctly according to any standard or code. There is no supporting on the wire as well as some of the construction. The holes going through the 2 by 4 typically require about an inch and a quarter from the edge. You can see the holes are drilled right at the edge which would allow for a nail to puncture the cable.

Ms. NORTON. Did KBR do this? Was it done prior to KBR?

Did First Kuwaiti do it? Who did this?

Mr. DEMMING. This is the BESF camp. KBR did not perform the construction on this camp.

Ms. NORTON. Can we go to the next picture? Would you describe, looking at this picture, if there is a problem, what is the specific problem?

Mr. DEMMING. I believe what the photographer was trying to depict here is there is no ground bar in this panel. This would be the submain panel that is fed directly from the main panel from the generators.

Ms. NORTON. When you say ground bar, make layman dummies like me understand what you mean.

Mr. DEMMING. I am sorry. Excuse me, Ms. Congresswoman.

Ms. NORTON. And what the specific problem is from the point of view of not having the ground bar.

Mr. DEMMING. There is always the availability of being shocked, and there is no protection for the over-current device, the breakers there, to operate properly.

Ms. NORTON. Thank you.

Let us go to the next picture. Would you describe the problem there, the specific problem in layman's terms?

What are we looking at? What is the problem in layman's terms? What is the danger?

Mr. DEMMING. As you can see, the feet and this receptacle is on the floor, improperly installed.

Ms. NORTON. So the feet, that is where you plug?

Mr. DEMMING. Correct. That is a receptacle.

Ms. NORTON. What is the problem with that?

Mr. DEMMING. It is on the floor, installed improperly. It would be subject to water and moisture every time they clean the DFAC.

Ms. NORTON. Who did this? Did KBR do it? Was it done prior to KBR arriving on the scene?

Mr. DEMMING. This was done during the construction of the BESF camp, not by KBR.

Ms. NORTON. Let us go to the next picture. Next picture, please. Describe what this picture is. If there is a problem, what is the problem?

Mr. DEMMING. OK. These are 100 amp panels installed inside the dining facility. Again, you have to look really close at these pictures. The grounding where the green wires are, the main ground going back to the main panel, is not correctly or non-existent.

Ms. NORTON. So what is the problem from the point of view of somebody in the building, for example?

Mr. DEMMING. This again, there is a prelude to electric shock and a safety hazard, and the over-current devices won't work properly.

Ms. NORTON. Next picture, please. Would you describe any problem, if you see a problem?

First, tell us what this is a picture of and if you see a problem, would you tell us what the problem is?

Mr. DEMMING. During one of the technical inspections we had after the event where people opened up some of the commercial cooking equipment installed by others in this DFAC, on the right side where the brown, blue and yellow cables are connected to that terminal strip, are incorrectly terminated there and the phasing is incorrect.

Ms. NORTON. With what result, perhaps?

Mr. DEMMING. That would cause. We have a hot wire on the neutral as well as on the line, so that would cause a short or 400 volts instead of 230 volts for operation. That may cause a fire.

Ms. NORTON. Did KBR install these cables or were they installed before KBR arrived on the scene?

Mr. DEMMING. This was again, Ms. Congresswoman, installed by others.

Mr. TIERNEY. Thank you very much, Ms. Norton.

Ms. NORTON. Thank you, Mr. Chairman.

Mr. TIERNEY. Ms. McCollum, you are recognized for 5 minutes.

Ms. MCCOLLUM. Thank you, Mr. Chair.

When I am in a kitchen, whether it is here or if I am visiting someone, and I do travel. I am in a lot of developing countries. I have confidence that when I plug something in, I am not going to receive an electrical shock because there is, as you described, an international code, correct?

Mr. DEMMING. I am sorry, Congresswoman. Can you speak a little louder?

Ms. MCCOLLUM. When I travel somewhere and I travel internationally, and I am in developing countries quite often. I am in U.S. embassies. I am in USAID hospital facilities or a small type, the equivalent of a Motel 6, not even a four star hotel but just staying some place. I have confidence that when I go to plug something in, when I go to flip a switch, that I won't be electrocuted because there is an international standard, correct?

Mr. DEMMING. Not necessarily, Congresswoman.

Ms. MCCOLLUM. Well, I am certainly seeing that, based on what you are showing me here, I should have very little confidence of anything that has been paid for by U.S. taxpayers' money, that there has been any kind of international standard followed based on these pictures that you showed me.

You would have no confidence without inspecting something yourself before you plug something in, in this compound, based on what you have shared with us today, correct?

Mr. DEMMING. Let me see if I understand your question, Congresswoman. The countries you have been in, developing countries, the environment is atypical.

Ms. MCCOLLUM. I am saying U.S. buildings that I have been in where U.S. employees are staying or where the USAID has built a hospital or a clinic or embassies, that I should feel fairly confident that if I flip the light switch, I am not going to be electrocuted.

Mr. DEMMING. Correct.

Ms. MCCOLLUM. But from what I am seeing here and from you have shown me, especially in a kitchen area where there is water and grease and a lot of electrical appliances being plugged in, that I would be a fool to have any confidence that if I plug something in or flipped a switch if I was a worker there, that I might not be severely shocked or even electrocuted.

Mr. DEMMING. Hopefully, the entity that would release the building or facility prior to it opening to the public would have made these inspections and corrected all those faults, and that is kind of the position that we are playing here right now, Congresswoman.

Ms. MCCOLLUM. So that when you have your employees go in there and they plug something in or turn on a switch, that you don't have a worker that is severely injured or possibly even killed by this poor workmanship.

Mr. DEMMING. That is correct.

Ms. MCCOLLUM. I found it interesting, one of the questions. You had spoken about counterfeit wiring earlier, and someone said well, if you follow the specifications, there isn't a problem. Specifications don't ever call for counterfeit wiring, do they?

Mr. DEMMING. No, Congresswoman.

Ms. MCCOLLUM. No, I wouldn't think so.

Specifications wouldn't call for, as you described in here, an outlet on the floor of a dining area where there is going to be water because people mop it up.

To have a non-waterproof, flush-mounted plug-in as one of the pictures showed, that wouldn't be a specification that a U.S. contractor would expect going into a dining facility, would they?

Mr. DEMMING. There are codes that regulate that type of installation, Congresswoman.

Ms. MCCOLLUM. In your opinion, before KBR comes into take over running the facility and using it to prepare the meals, would you have assumed, because U.S. taxpayers' dollars were being used to construct this, even if it is temporary, this dining facility, there would have been some oversight, some inspection to make sure that when you walked in that day, you could have plugged in the equipment, flipped a switch and started operating as you had planned?

Mr. DEMMING. We do perform those inspections prior to operating or taking over a facility, Congresswoman.

Ms. MCCOLLUM. What was your reaction when you sent the cable saying that there were problems, when you went up the chain of command, saying that there are problems with this?

What was the Government's reaction, who had contracted out and paid for this service? Shocked? Surprised? Had they inspected it?

Mr. DEMMING. They showed concern, Congresswoman.

Mr. TIERNEY. Thank you, Ms. McCollum.

Ms. MCCOLLUM. Thank you.

Mr. TIERNEY. Mr. Sarbanes, do you have any questions?

Mr. SARBANES. Just a couple, Mr. Chairman.

Mr. TIERNEY. You are recognized for 5 minutes.

Mr. SARBANES. Thank you.

Mr. Demming, KBR's connection to all this, I am trying to understand. This is a basic factual question. In terms of First Kuwaiti, was the prime contractor for this base camp or guard camp that was put together, and KBR was coming in behind for what purpose? Can you just tell me that again?

Mr. DEMMING. We were asked to care for the facilities under an operations and maintenance agreement with the Department of State Facilities Management and our client, the U.S. Army. When we performed the technical inspection prior to accepting the operations and maintenance agreement is when we started noticing.

Mr. SARBANES. So First Kuwaiti was not a subcontractor to KBR in this instance.

Mr. DEMMING. No, Congressman.

Mr. SARBANES. But has First Kuwaiti been a subcontractor for KBR in other situations?

Mr. DEMMING. Yes, sir, Mr. Congressman. We have used First Kuwaiti for other services as a subcontractor.

Mr. SARBANES. In connection with this Embassy project or with other things separate from the project?

Mr. DEMMING. With other smaller projects.

Mr. SARBANES. The problems that you discovered or found when you got there, for the moment, all your knowledge is that related to this guard camp. You don't have any knowledge yet that there are similar problems in the other parts of the project, the larger Embassy project. Is that what you said?

Mr. DEMMING. That is correct, Congressman.

Mr. SARBANES. Are the teams of people that were deployed on this guard camp, whether electrical teams or others, are they completely separate from teams that might be deployed to other parts of the project, as far as you know, even though they are all First Kuwaiti employees?

Do you understand what I am asking you?

Mr. DEMMING. No, Mr. Congressman. Could you repeat that?

Mr. SARBANES. The First Kuwaiti employees who would have worked on the guard camp, would any of those employees either have worked on the other parts of the Embassy project or is there a possibility they will work on the Embassy project going forward?

Mr. DEMMING. I can't answer that, Mr. Congressman.

Mr. SARBANES. But that is certainly possible, wouldn't you say?

Mr. DEMMING. I would imagine so. It is not a very big place.

The extent of some of the other contracts we use First Kuwaiti for is mainly concrete, providing concrete, not any, no projects to this extent.

Mr. SARBANES. I was looking through the submitted testimony of First Kuwaiti, and they said here with respect to the guard camp that although constructed by First Kuwaiti, it is a project separate from that of the Embassy with separate budgets, different First Kuwaiti management teams and different State Department supervisors.

I guess the implication of that being that whatever problems there may be associated with the guard camp are things that could be kind of confined to that because there are these separate management teams and separate budgets.

But you have indicated it is certainly possible that the actual employees that would be deployed to work on an electrical component of the larger project could be some of the same employees that worked on this guard camp, right? I mean that is very possible.

Mr. DEMMING. To my recollection, Congressman, I don't know anything about that. Our involvement over there is very limited as far as the correlation between.

Mr. SARBANES. Would you agree, though, that would certainly be something we would want to know, that you would want to know?

You would want to know whether the folks that were responsible for this shoddy workmanship, where they are going next, what is their next project, what is the next footprint they are going to make on the larger Embassy project. I mean you would agree that would be something reasonable to know.

Mr. DEMMING. I would like to defer that question, Mr. Congressman.

Mr. SARBANES. Thank you. I have no further questions.

Mr. TIERNEY. Thank you, Mr. Sarbanes.

Mr. Cannon, you are recognized for 5 minutes.

Mr. CANNON. Thank you, Mr. Chairman. I appreciate your holding the hearing and would like to yield to the ranking member, Mr. Davis.

Mr. DAVIS OF VIRGINIA. Thank you.

Let me just give a perspective. This is a punch list item we are talking about. You plugged it in. The wiring didn't work.

This is a firm fixed-price contract. First Kuwaiti hasn't been paid a penny yet, to my knowledge. Do you have any knowledge that they have been paid anything, Mr. Demming?

Mr. DEMMING. No, Mr. Congressman.

Mr. DAVIS OF VIRGINIA. The way this works is they haven't been paid a penny. They have to fix it. They have to deliver it. We pay for it. We don't pay for it until it is perfect.

It is not uncommon in construction whether they are complex construction projects or a temporary project like this, that things in the punch list go wrong. Sometimes there is painting speckled, something gets damaged and the like. Isn't that your experience, that there are usually numerous punch list items on inspections?

Mr. DEMMING. Yes, there is, Mr. Congressman.

Mr. DAVIS OF VIRGINIA. Thank you.

So let us put this in perspective. My understanding is the cost that it would take for these repairs, wiring and so on, if they need to be done—again we don't know what the specs were but we know what the expectation was—is $4,000 to $6,000.

It costs more to hold this hearing than it would to fix this, and this is under a firm fixed-price contract.

Let me just ask this. KBR does do business with First Kuwaiti, right?

Mr. DEMMING. Yes, Mr. Congressman.

Mr. DAVIS OF VIRGINIA. You have not found them an irresponsible contractor?

Mr. DEMMING. Mr. Congressman, I don't deal with the contracts, only with the projects.

Mr. DAVIS OF VIRGINIA. But you deal with them on the projects. Have they been a bad contractor?

Mr. DEMMING. They usually work for us in the capacity of providing something.

Mr. DAVIS OF VIRGINIA. Do they do a good job or a bad job?

Mr. DEMMING. They do OK.

Mr. DAVIS OF VIRGINIA. All of your knowledge that you have testified on today is about the temporary trailer area, not the Embassy, is that correct?

Mr. DEMMING. That is correct.

Mr. DAVIS OF VIRGINIA. You have really no knowledge about the Embassy contract, per se, which was hyped in the headline for this hearing today.

Mr. DEMMING. That is correct.

Mr. DAVIS OF VIRGINIA. I just wanted to clarify that. I think that is all I have. I would yield.

Mr. CANNON. I would be happy to yield to Mr. Issa.

Mr. ISSA. Thank you.

You are familiar in Iraq with the other temporary structures that are military, aren't you? You have seen the thousands of tents that our troops are in?

Mr. DEMMING. Yes, Mr. Congressman.

Mr. ISSA. Have you looked at the electrical on any of those?

Mr. DEMMING. We have in the past, Mr. Congressman.

Mr. ISSA. Just quickly, they have been there more than 90 days, right?

Mr. DEMMING. Yes, sir, Mr. Congressman.

Mr. ISSA. In some cases, we have had to replace canvas because it sort of eroded over the time of this war, isn't that your understanding?

Mr. DEMMING. Yes, Mr. Congressman.

Mr. ISSA. In fact, what we have is laid on top of the ground, black double-insulated, multi-conductor running to those tents from my experience. Is that roughly your experience?

Mr. DEMMING. Typically, on the unit that I run with the USMI, Mr. Congressman, all our cabling if it is going to ground, even a tent, is buried. It is put under ground a minimum of 2 feet of 750 millimeters. This is for safety purposes. In case there is an event or an IDF attack, we have to run.

Mr. ISSA. I understand they have been going back and retrofitting. Perhaps I should have said on my first of many trips to Iraq this is how they did it and they have been going back and retrofitting.

Have you been involved with other combat engineer type operations, though, over the years in support or past experience? Have you seen how they typically go?

Mr. DEMMING. No, Congressman.

Mr. ISSA. Well, let me just run you through my limited experience. Typically, you come in. You roll a trailer in. You roll out some black multi-conductor of the correct amperage. You hook it up. You put the other end on a generator. You crank it up. You got a light bulb going and a couple of plugs.

Then as you have resources, you come back and do updates and modifications as you need to be. By the way, no excuse for any safety violations, no excuse for bare wires or absence of grounds.

But isn't that sort of the normal way you do it in a combat environment when you bring in temporary structures is you get the things up and operational and get people out of the elements and then you do continuous refinements and improvements? Has that been your experience?

Mr. DEMMING. Mr. Congressman, I believe the standards for that would 281–1.

Mr. ISSA. But isn't it true that the Corps of Engineers in a combat environment operates under what is necessary to accomplish the mission? Isn't that your understanding in a combat environment?

Mr. DEMMING. I was not a combat engineer, Mr. Congressman.

Mr. ISSA. OK, maybe that was a luxury you didn't have.

Isn't it true that these trailers were made in another country and brought in and that many of these flaws which needed to be corrected—the State Department says $6,000 worth—would normally happen if you had a one time subcontractor and you are trying to get things done in a combat environment on a temporary basis in order to accomplish a mission?

Isn't that reasonable that you take the trailer and make the retrofit because you can't afford to wait another 4 months to get structures?

Mr. DEMMING. Yes, Mr. Congressman.

Mr. ISSA. Thank you.

Thank you, Mr. Chairman.

Mr. TIERNEY. Thank you.

I just have one question before I let you go, Mr. Demming, and I thank you for your patience.

Given your experience and given your observations out there, knowing that the same company has done the camp area as well as the Embassy, would you advise that we ought to have any concern about the electrical wiring in other parts of the Embassy?

Mr. DEMMING. I am sorry, Congressman. Can you repeat the last part of that.

Mr. TIERNEY. Given your experience, given your observations and understanding that the same company that is the contractor for the work that you have been talking about is the same contractor for the Embassy, ought there be some concern about the wiring in other parts of the Embassy?

Mr. DEMMING. I would really rather not make that determination here.

Mr. TIERNEY. I am asking for an opinion, so you don't need to make a determination. I am asking for an opinion based on your background and your observations.

Mr. DEMMING. I would like to defer that opinion, Mr. Congressman.

Mr. TIERNEY. I know you would, sir, but I am asking for your opinion.

Mr. DEMMING. My opinion, there may be concern here.

Mr. TIERNEY. Thank you, Mr. Demming.

I want to thank you very much for your testimony today and thank the members of the panel as well. You may be happy to leave that table if you would, and the other witnesses will come on.

Mr. DAVIS OF VIRGINIA. Mr. Chairman, point of order, I thought we were doing a second round.

Mr. TIERNEY. No, sir, we are not.

Mr. DAVIS OF VIRGINIA. Oh, OK.

Mr. TIERNEY. Thank you, Mr. Demming.

Mr. DEMMING. Thank you, Mr. Chairman.

Mr. TIERNEY. We will take about a 1-minute break here while the second panel gets up here.

[Recess.]

Mr. TIERNEY. The committee and the subcommittee will now receive testimony from our second panel.

I would like to introduce the members of our panel, the witnesses that are here to offer information about First Kuwaiti labor practices from their perspective. Mr. John Owens is the former First Kuwaiti construction foreman on the Embassy project and Mr. Rory Mayberry is the former First Kuwaiti subcontractor medic on the Embassy project.

Thank you both for being here today and for sharing your testimony and experiences. I know it took courage to come here and to participate.

As for your full statements, they are going to be entered onto the record and transcript.

You may give a brief account of that if you like. You have 5 minutes to talk. You might want to summarize your testimony so you try to get it in the 5-minutes. I will try not to cut you off but may remind you if you are going over.

It is the policy of the committee and of the subcommittee to swear you in before you testify, so I ask you to raise your right hands and stand if you would.

[Witnesses sworn.]

Mr. TIERNEY. The record will please reflect that both witnesses have answered in the affirmative.

Again, I ask you to proceed and remember the 5-minute rule if you could.

Mr. Owens, I ask you to go first.

STATEMENTS OF JOHN OWENS, FORMER EMPLOYEE, FIRST KUWAITI TRADING AND CONTRACTING CO.; AND RORY MAYBERRY, FORMER EMPLOYEE, FIRST KUWAITI TRADING AND CONTRACTING CO.

STATEMENT OF JOHN OWENS

Mr. OWENS. Thank you to Chairman Waxman and Chairman Tierney and the members of the full committee for inviting me to testify here today.

My statement will address labor abuse, human trafficking and other concerning issues that I personally witnessed on the constructionsite at the U.S. Embassy in Baghdad.

My name is John Owens. I have worked on construction projects for many years, and since 2002 I have worked on U.S. Embassy projects. My specialty is architectural finishing.

After I finished working with the U.S. Government on the construction of the Embassy in Cambodia, I went looking for a new project and I signed on with First Kuwaiti to work on the U.S. Embassy in Baghdad. They signed me on as a general foreman on the constructionsite. In all, I was employed by First Kuwaiti for approximately 8 months from November through June, from November 2005 to June 2006.

When I arrived at the site of the U.S. Embassy, the biggest thing that hit me right off the bat was I wanted to know where all the Americans were. Based on my experience working on other embassies, I was used to seeing more Americans onsite to manage the construction and direct the workers. It turns out there were two other Americans onsite. However, they were not employed by First Kuwaiti. They were employed by subcontractors.

I would like to take a moment to describe conditions on the site in a little more detail.

This was a man camp and by nature not the most pleasant of places to be, yet the conditions were deplorable beyond even what a working man should tolerate. Foreign workers were packed into trailers very tight.

There was insufficient equipment and basic needs like shoes and gloves. If a construction worker needed a new pair of shoes, he was told, no, do with what you have, by First Kuwaiti managers.

The contract for these workers said they had to work 12 hours a day, 7 days a week, with some time off on Friday for prayers.

A few people from India told me they were making $240 a month. A guy from Sierra Leone told me got paid $300 a month. A Pakistani worker told me he made $900 a month, but he had to pay additional costs for his own work permits and visas, and afterwards he told me he probably averaged about $300 a month.

Many of the workers were verbally and physically abused, intimidated and had their salaries docked for as much as 3 days pay for reasons such as being 5 minutes late, sitting down on the job and other stuff.

Because I was the only American onsite working for First Kuwaiti, many of the workers thought I had some kind of power that I could help them with their problems. Many workers often came to me and told me that they hadn't been paid overtime, that their salaries were short, and they also came to me with their health problems, often asking me if I could go offsite to get some medication for them.

It is not uncommon for a construction company to use native workers or even foreign workers to build an Embassy. I have witnessed this at other Embassy constructionsites that I have worked on. However, I do believe that if more Americans were onsite at the U.S. Embassy in Baghdad, the abuses I witnessed would not have been taking place. No American company would ever treat people the way I saw people being treated on that job.

As I think of it, given the size of this job, my experience tells me that the State Department would usually have far more American staff members on hand to oversee the construction project.

I would like to touch briefly on the issues of human trafficking, human trafficking that I believe I witnessed there. When flying from Kuwait to Baghdad, I saw a bunch of workers in the boarding area with boarding passes for Dubai. I was the only one in the group that had a boarding pass that said Iraq on it. When I asked a First Kuwaiti manager, he told me to be quiet and don't say anything. If Kuwaiti customs knew they were going to Iraq, they wouldn't let them on the plane.

When we landed, these workers were taken away on buses. There was nobody manning the customs stations, and I just walked through without checking. Nobody asked for my passport.

Mr. Chairman and members of the committee, I believe that I had more experience in building embassies than anybody else on the site. The Embassy was not far enough along for me to use my specific skills, so First Kuwaiti put me to work as a security liaison among other tasks.

I think the American people might understand what was going through my head over there as I watched this abusive and unprofessional practice taking place. I kept thinking it would get better. I kept telling myself it would get better. But after more time had passed and things didn't get better, I felt bad all the time and I realized it was time to resign and maybe speak up for those that don't have a voice.

This ends my statement. I would be pleased to take your questions.

[The prepared statement of Mr. Owens follows:]

John Owens
Statement to Committee on Oversight and Government Reform
Subcommittee on National Security and Foreign Affairs
July 26, 2007

Thank you to Chairman Waxman, Chairman Tierney, and Members of the full committee for inviting me to testify today. My statement will address labor abuse, human trafficking, and other concerning issues that I personally witnessed at the construction site of the U.S. Embassy in Baghdad.

My name is John Owens. I have worked on construction projects for many years and since 2002 I have worked on U.S. embassy projects. My specialty is architectural finishing. After I helped the U.S. government finish the construction of the embassy in Cambodia I was looking for a new project, so I agreed to work on the embassy in Baghdad. I signed up with First Kuwaiti—the primary contractor the construction of the embassy—as a general foreman on the construction site. In all, I was employed by First Kuwaiti for 8 months, from November 2005 to June 2006.

When I first arrived on the site of the U.S. embassy, the biggest thing that hit me right off the bat was, I wanted to know where all the Americans were. Based on my experience working on other embassies, I was used to seeing a large number of Americans on-site to manage the construction and direct workers. It turns out that two other Americans on site, however, they were not employed by First Kuwaiti. They were employed by subcontractors.

I would like to now take a moment and describe conditions on the site in more detail.

This was a "'man camp"—by nature not the most pleasant of places to be—and yet conditions there were deplorable, beyond what even a working man should tolerate. Foreign workers were packed in the trailers tight. There was insufficient equipment and basic needs—stuff like shoes and gloves. If a construction worker needed a new pair of shoes, he was told "No, do with what you have" by First Kuwaiti managers.

The contract for these workers said they had to work 12 hours a day 7 days a week, with some time off on Friday for prayers. A few people from India told me they were making $240 a month. A guy from Sierra Leone got paid $300 a month. A Pakistani worker told me he got $900 a month, but that he had to pay additional costs for their work permits and visas, and that all told he was making about $300 a month after those costs.

Many of the workers were verbally and physically abused, intimidated, and had their salary docked for as much as three days pay for reasons such as being five minutes late, sitting down on the job, and other crazy stuff. Because I was the only American on-site working for First Kuwaiti, many of the workers thought I had the power to help them with their problems. Workers often came to me and told me they hadn't been paid overtime or that their salary had been shorted. They also came to me with their health problems, asking me if I could go off site and get them some medication.

It is not uncommon for a construction company to use native workers or even foreign workers to build an embassy. I

witnessed this at the other embassy construction sites I have worked on. However, I believe that if more Americans had been on-site at this embassy, the abuses I witnessed would not have been taking place. No American company would treat people the way I saw those people being treated. As I think about it, given the size of this job, my experience tells me that State Department would usually have far more American staff members on-hand to oversee the construction project.

I also want to touch briefly on the issue of human trafficking. I believe I witnessed it. When flying from Kuwait to Baghdad, I saw a bunch of workers with tickets to Dubai. Mine was the only one that said Baghdad. When I asked the First Kuwaiti manager, he said—"Shhh, don't say anything. If Kuwaiti customs knows they're going to Iraq, they won't let them on the plane." When we landed, these workers were taken away in busses. There was nobody manning the customs station at the airport in Baghdad—I just walked through on my way back to the Green Zone.

Mr. Chairmen and Members of the Committee, I believe I had more experience with building embassies than anybody else on that site. The embassy was not far enough along to use my specific architectural skills and so First Kuwaiti put me to work as a security liaison, among other tasks.

I think the American people might understand what was going through my head over there as I watched this abusive and unprofessional practice taking place. I kept thinking it would get better. I kept telling myself that it would get better, and after more time had passed and things didn't get any better, I felt so bad all the time and I realized it was time to resign and speak up for those who do not have a voice.

This ends my statement. I will be pleased to take your questions.

Mr. TIERNEY. Thank you, Mr. Owens.

Mr. Mayberry, you may proceed with your opening statement if you wish.

STATEMENT OF RORY MAYBERRY

Mr. MAYBERRY. I would like to thank Chairman Waxman and Chairman Tierney and other members of the full committee for allowing me to come testify today.

I believe I am one of only a few Americans that have recently worked on the site of the new Embassy in Baghdad. My impressions about how the construction was being managed left me incredibly disturbed.

My name is Rory Mayberry. I am an emergency medical technician. Based on my professional experience and the fact that I have spent 4 years as a medical technician in Iraq, I was contacted by MSDS Consulting, LLC, March 2006.

MSDS had seen my resume and wanted to contact me and contract me out to First Kuwaiti, the company that was constructing the U.S. Embassy in Baghdad. Under the contract, I was to provide emergency medical services on the site of the Embassy.

I went into this contract with the same good faith as I did with all my other contracts. I wanted to use my medical skills to stop people from dying in a dangerous place.

According to my contract, I reported to First Kuwaiti managers in Kuwait City where I signed my paperwork and received photo identification. Nothing led me to be concerned at this point.

A few days later, I was given my flight information to Baghdad. At this point, First Kuwaiti managers asked me to escort 51 Filipino nationals and to make sure that they got on the same flight as I was headed to Baghdad.

Many of these Filipinos did not speak any English. I wanted to help them to make sure that they got on the flight OK, just as my managers had asked me. We were all employees of the same company was my feeling.

But when we got to the Kuwait Airport, I noticed that all their tickets said that we were going to Dubai. I asked why.

A First Kuwaiti manager told me that Filipino passports do not allow Filipinos to fly to Iraq. They must be marked going to Dubai. The First Kuwaiti manager added that I should not tell any of the Filipinos that they were being taken to Baghdad.

As I found later, these men thought that they had signed up for jobs to work in Dubai hotels. One fellow I met told me in broken English that he was excited to start a new job as a telephone repairman. They had no idea that they were being sent to do construction work at the Embassy.

Well, Mr. Chairman, when the airplane took off and the captain announced that we were headed to Baghdad, all you know what broke out on the airplane. The men started shouting. It wasn't until the security guy working for First Kuwaiti waved an MP–5 in the air that the men settled down. They realized that they had no other choice but to go to Baghdad.

Let me spell it out clearly. I believe these men were kidnapped by First Kuwaiti to work on the U.S. Embassy. They had no passports because they were confiscated at the Kuwait Airport. When

the airplane touched down in Baghdad, they were loaded onto buses and taken away.

Later, I found out that they were smuggled into the Green Zone. They had no i.d., no passports and were being smuggled past U.S. security forces.

I had a trailer all to myself in the Green Zone, but they were packed 25 to 30 a trailer, and every day they went out to work on the construction of the Embassy without proper safety equipment.

I went out on the constructionsite to watch. There were a lot of injuries out there because of the conditions these men were forced to work in. It was absurd.

I had been hired based on my experience with OSHA guidelines and compliance, and I saw guys without shoes, without gloves, no safety harnesses and on scaffolding 30 feet off the ground, their toes wrapped around the rebar like a bunch of birds. One guy was up there intoxicated on painkillers, and I had to yell and scream for 10 minutes until they got him down.

I was afraid of blowing the whistle on this because I didn't want to end up outside the walls of the Green Zone and left to fend for myself. I stayed in Baghdad at the site of the U.S. Embassy a total of 5 days before I was sent home.

Once I got home, I contacted the military about what I had witnessed. After much delay and e-mail traffic, the military told me in fact the State Department is in charge of the Embassy construction.

I have read the State Department Inspector General's report on the construction of the Embassy. Mr. Chairman, it is not worth the paper it is printed on. This is a coverup, and I am glad that I have had the opportunity to set the record straight. I look forward to your questions.

[The prepared statement of Mr. Mayberry follows:]

Rory J. Mayberry
Statement to Committee on Oversight and Government Reform
Subcommittee on National Security and Foreign Affairs
July 26, 2007

I would like to thank Chairman Waxman, Chairman Tierney, and other Members of the full committee for allowing me to come testify today. I believe I am one of only a few Americans to have recently worked on the site of the new U.S. Embassy in Baghdad, and my impressions about how the construction is being managed have left me incredibly disturbed.

My name is Rory Mayberry. I am an Emergency Medical Technician by training. Based on my professional experience, and the fact that I have spent 4 years as a medical technician in Iraq, I was contacted by MSDS Consultant Services, LLC. MSDS had seen my resume and wanted to contract me out to First Kuwaiti , the company that is constructing the U.S.

Embassy in Baghdad. Under the contract, I was to provide emergency medical services on the site of the U.S. embassy. I went into this contract with the same good faith as my other contracts—I wanted to use my medical skills to stop people from dying in a dangerous place.

According to my contract, I reported to First Kuwaiti managers in Kuwait City, where I signed my paperwork and received photo identification. Nothing led me to be concerned at this point. A few days later I was given my flight information to Baghdad. At this time, First Kuwaiti managers asked me to escort 51 Filipino nationals to the Kuwaiti Airport and make sure they got on the same flight I was taking to Baghdad. Many of these Filipinos did not speak any English. I wanted to help them make sure they got on their flight O.K., just as my

managers had asked. We were all employees of the same company after all.

But when we got to the Kuwaiti Airport, I noticed that all of our tickets said we were going to Dubai. I asked why. A First Kuwaiti manager told me that because Filipino passports do not allow Filipinos to fly to Iraq, they must be marked as going to Dubai. The First Kuwaiti manager added that I should not tell any of the Filipino they were being taken to Baghdad.

As I found out later, these men thought they had signed up to work in Dubai hotels. One fellow I met told me in broken English that he was excited to start his new job as a telephone repair man. They had no idea they were being sent to do construction work on the U.S. Embassy.

Well, Mr. Chairman, when the airplane took off and the captain announced that we were headed for Baghdad, all you-know-what broke lose on that airplane. People started shouting. It wasn't until a security guy working for First Kuwaiti waved an MP-5 in the air that people settled down. They realized they had no other choice but to go to Baghdad.

Let me spell it out clearly. I believe these men were kidnapped by First Kuwaiti to work on the U.S. Embassy. They had no passports because they were confiscated at the Kuwait airport. When the airplane touched down at Baghdad airport, they where loaded into buses and taken away. Later, I found that they were being smuggled into the Green Zone. They had no IDs, no passports, nothing. They were being smuggled in passed U.S. security forces. I had a trailer all to myself in the Green Zone. But they were packed 25 to 30 in a trailer, and every day they

went out to work on the construction of the embassy without the proper safety equipment.

I went out to the construction site to watch. There were a lot of injuries out there because of the conditions these people were forced to work in. It was absurd—I had been hired based on my experience with OSHA guidelines and compliance, and I saw guys without shoes, without gloves, no safety harnesses, on scaffolding 30 feet off the ground, their toes wrapped around the rebar like a bunch of birds. One guy, he was up there intoxicated on pain killers, and I had to yell and scream for 10 minutes until they got him down.

I was afraid of blowing the whistle on this because I didn't want to end up outside the walls of the Green Zone and left to fend for myself. I stayed in Baghdad at the site of the U.S. Embassy for

a total of 5 days before I was sent home. Once I got home, I contacted the military about what I witnessed. After much delay and e-mail traffic, the military told me that in fact, the State Department is in charge of the embassy construction.

I've read the State Department Inspector General report on the construction of the embassy, Mr. Chairman. It's not worth the paper it's printed on. This is a cover-up. I'm glad that I have this opportunity to set the record straight, and I look forward to your questions.

Mr. TIERNEY. I want to thank you both for your testimony. Your testimony in written form has been put on the record already by unanimous consent as I noted earlier.

Let me start the questioning by asking Mr. Owens. Did you observe any physical abuse of workers on the site?

Mr. OWENS. Yes, sir.

Mr. TIERNEY. What is it that you saw?

Mr. OWENS. Guys getting shoved to the ground.

Mr. TIERNEY. By who?

Mr. OWENS. First Kuwaiti managers and just generally being pushed around, shoved to the ground, yelled at, screamed at, that kind of stuff.

Mr. TIERNEY. Did you report those incidents to First Kuwaiti or to the OBO?

Mr. OWENS. No.

Mr. TIERNEY. Did you ever witness any First Kuwaiti officials carrying firearms or weapons on the compound site?

Mr. OWENS. Yes, sir.

Mr. TIERNEY. Are you aware that according to the contract that First Kuwaiti had with the State Department you needed permission to carry a weapon on the site?

Mr. OWENS. Yes, sir.

Mr. TIERNEY. Did either of you witness First Kuwaiti officials, managers or foremen verbally abusing third party national workers?

Mr. OWENS. Yes.

Mr. TIERNEY. You indicated you had, Mr. Owens.

Mr. Mayberry, did you?

Mr. MAYBERRY. I didn't hear the question.

Mr. TIERNEY. Did you witness any verbal abuse by foremen of the nationals?

Mr. MAYBERRY. Yes, sir.

Mr. TIERNEY. To the best of your knowledge, any third country nationals, how did they take that abuse and what reactions resulted?

Mr. MAYBERRY. What I had seen, they would cower down to them. They would stop talking. Anything that they had to say, they would literally cower down to the management team.

Mr. TIERNEY. Mr. Owens, what was your experience?

Mr. OWENS. Yes, that is correct. They would back down.

Mr. TIERNEY. Mr. Owens, are you aware of any instance where a laborer was held or detained against his or her will?

Mr. OWENS. Yes, sir.

Mr. TIERNEY. What would happen if a laborer wanted to leave the work site?

Mr. OWENS. They wouldn't be. The triple canopy guards would stop them. They wouldn't be allowed unless they could sneak over the wall.

Mr. TIERNEY. Did you witness any opportunity where that occurred?

Mr. OWENS. Yes.

Mr. TIERNEY. Would you tell us about it, please?

Mr. OWENS. One night, 17 Filipino workers went over the wall to find another job in the Green Zone.

Mr. TIERNEY. How were you aware of that?

Mr. OWENS. They told me.

Mr. TIERNEY. Did you see what happened as a result of their attempt to go over the wall?

Mr. OWENS. Well, when they went over the wall, First Kuwaiti sent somebody out to look for them and they brought them back.

I guess they told the ones that got a job with another company. They were told. The company was told they would get sued if they kept that worker, that First Kuwaiti had paid to bring them to Iraq. So, you know, they were supposed to work for First Kuwaiti.

Mr. TIERNEY. Were you aware, Mr. Owens, of any worker safety protection programs or training that was in place at the work sites?

Mr. OWENS. None whatsoever.

Mr. TIERNEY. How did that compare to other workplace safety programs or Embassy construction projects on which you have worked in the past?

Mr. OWENS. The whole time I was on the site, I never saw one safety meeting, not one. But on other, all of the other Embassy jobs that I worked on, there was a safety meeting every week.

Mr. TIERNEY. Did you ever report the lack of safety meetings or incidents of that to any other official?

Mr. OWENS. Yes, I spoke with Mary French, the project director.

Mr. TIERNEY. What reaction did you get from her?

Mr. OWENS. It was a conversation. I noticed that there was a lot of guys on the job that weren't wearing hard hats and they were wearing turbans, you know, where they just take cloth and wrap it around their head, and I asked her. I said, how can they get away with that?

Mary told me that the hats were against their religion. They couldn't wear a hat. They had to wear the turban.

So I said, well, that really won't do much good if a piece of rebar falls, you know, falls on them.

She told me that they believe in inshala which means God willing if they are going to get hurt or not going to get hurt.

Mr. TIERNEY. Did the workers have access to safety equipment: hard hats, protective eyewear, appropriate footwear? Was there access to those things?

Mr. OWENS. Yes, I believe they pretty much did, but we were running out a lot. You know. A lot of guys would have to wait. It would be ordered.

Mr. TIERNEY. Did you observe any injuries on the workplace?

Mr. OWENS. Yes.

Mr. TIERNEY. Would you tell me about that?

Mr. OWENS. I just seen guys falling through stacked rebar before concrete pours, guys falling through it. There was one pretty bad accident where a guy fell off of a building because he wasn't roped off properly, but he was already on the ground by the time I got there.

Mr. TIERNEY. Mr. Owens, were you ever contacted by the State Department Inspector General, Howard Krongard, regarding the allegations that you have made on abusive labor practices by First Kuwaiti?

Mr. OWENS. No.

Mr. TIERNEY. Were you ever contacted by Deputy Inspector General William Todd?

Mr. OWENS. No.

Mr. TIERNEY. Were you ever contacted by anyone who identified himself or herself as a staff member of the State Department Inspector General?

Mr. OWENS. No.

Mr. TIERNEY. Mr. Mayberry, were you ever contacted by the State Department Inspector General, Howard Krongard, regarding allegations that you have made about abusive labor practices by First Kuwaiti?

Mr. MAYBERRY. No, sir.

Mr. TIERNEY. By Deputy Inspector General William Todd?

Mr. MAYBERRY. No, sir.

Mr. TIERNEY. By anyone identifying himself or herself as a staff member of the State Department Inspector General?

Mr. MAYBERRY. No, sir.

Mr. TIERNEY. Have either of you been questioned by the Department of Justice with respect to their investigations?

Mr. MAYBERRY. Yes, sir.

Mr. TIERNEY. Mr. Owens.

Mr. OWENS. Yes. The Justice Department, yes.

Mr. TIERNEY. I notice that my time is expired.

Mr. Davis, you are recognized for 5 minutes.

Mr. DAVIS OF VIRGINIA. Well, thank you very much.

I want to thank both of you for your testimony.

Let me just ask you for the record. Did each of you write your statement that you submitted this morning?

Mr. Owens.

Mr. OWENS. Yes, sir, I wrote it, but somebody spell checked it for me.

Mr. DAVIS OF VIRGINIA. Mr. Mayberry.

Mr. MAYBERRY. I wrote my own, sir, and somebody spell-checked.

Mr. DAVIS OF VIRGINIA. Who was somebody? GAO?

Mr. MAYBERRY. Yes, sir.

Mr. DAVIS OF VIRGINIA. Because we have a document here saying that a document came from GAO that was put in there.

That is all they did is spell check it?

Mr. MAYBERRY. Yes, sir.

Mr. DAVIS OF VIRGINIA. Let me ask you, Mr. Owens. Several press articles report that you have a False Claims Act lawsuit pending against First Kuwaiti, is this true?

Mr. OWENS. I am here today voluntarily to speak only about human rights violations that I observed.

Mr. DAVIS OF VIRGINIA. And do you have a claim pending against First Kuwaiti?

Mr. OWENS. I am sorry.

Mr. DAVIS OF VIRGINIA. You told the committee yesterday you didn't.

Mr. OWENS. I am sorry.

Mr. DAVIS OF VIRGINIA. You told the committee yesterday—let me just finish. You told the staff yesterday that you did not. That could be a false claim if, in fact, you have, but there have been press reports that you do.

I am asking you now under oath to clarify that if you would like to. Otherwise, we will proceed accordingly.

Mr. OWENS. I am not legally permitted. No. I am.

Mr. DAVIS OF VIRGINIA. You are under oath.

Mr. OWENS. I am under oath, and I am legally prevented from answering that question.

Mr. DAVIS OF VIRGINIA. Not before a congressional committee.

Mr. TIERNEY. The Chair acknowledges, Mr. Davis, that I believe if there were such a suit, it would be a sealed suit. He probably would not be able to talk about it.

Mr. DAVIS OF VIRGINIA. It wasn't sealed in the Wall Street Journal when they reported it. I guess what is more disturbing is yesterday he told the committee he did not have anything pending. So that could be a false claim, and we will explore that later.

How long were you in Iraq working for First Kuwaiti?

Mr. OWENS. Approximately 8 months, November 2005 through June 2006.

Mr. DAVIS OF VIRGINIA. In your written statement, you said "I felt so bad that I just realized I had to speak up."

If, in fact, you have a lawsuit coming against First Kuwaiti—which I think we can assume we have because if it is a sealed order obviously you do—wouldn't you say that publicly smearing the defendant is also to your monetary advantage? Wouldn't it be?

Mr. OWENS. I am legally prevented from answering that question.

Mr. DAVIS OF VIRGINIA. I think we get the picture.

How many flights did you take over to Baghdad?

Mr. OWENS. How many flights?

Mr. DAVIS OF VIRGINIA. Yes.

Mr. OWENS. I believe four.

Mr. DAVIS OF VIRGINIA. How many of those flights did you notice the problem with the boarding passes saying Dubai?

Mr. OWENS. One.

Mr. DAVIS OF VIRGINIA. The State IG's limited review of the conditions at the Baghdad Embassy did not have the same assessment that you did. The Inspector General, the independent Inspector General, did not have the same assessment regarding human trafficking that you did.

Have you read the State IG's report?

Mr. OWENS. Yes, I looked at it.

Mr. DAVIS OF VIRGINIA. What is your reaction to it?

Mr. OWENS. As far as the trafficking?

Mr. DAVIS OF VIRGINIA. Yes, also in terms of people living in the trailers and being cramped and everything else.

Mr. OWENS. OK. As far as the trafficking, I only can tell you that I just told you what I saw on that particular flight.

As far as the work, the conditions of the people working, I can only tell you what I saw while I was there. He came later. I don't know. I wasn't.

Mr. DAVIS OF VIRGINIA. So it might have been cleared up, OK.

Now if I understand correctly, you are currently residing in Cambodia.

Mr. OWENS. That is correct.

Mr. DAVIS OF VIRGINIA. And that you were there at the start of the week.

Mr. OWENS. Yes, sir.

Mr. DAVIS OF VIRGINIA. Who paid for your travel here today? The taxpayers?

Mr. OWENS. Yes.

Mr. DAVIS OF VIRGINIA. Have you had any problems relating to your security clearance with the U.S. Government?

Mr. OWENS. Not to my knowledge.

Mr. DAVIS OF VIRGINIA. Was your security clearance valid when you signed a contract to work at First Kuwaiti?

Mr. OWENS. As far as I know, yes.

Mr. DAVIS OF VIRGINIA. Who was sponsoring your clearance?

Mr. OWENS. Hardline Installation.

Mr. DAVIS OF VIRGINIA. When you signed a contract with First Kuwaiti, were you also under contract to work for another company?

Mr. OWENS. When I finished the Embassy in Cambodia, I signed a contingent offer to go to Nicaragua and work on the Embassy there. That job got construction delays. So I e-mailed Nicaragua and told them I can't wait until you are ready for me, and then I went to Iraq.

Mr. DAVIS OF VIRGINIA. Did First Kuwaiti ever complain to you about your job performance such as drinking on the job or being late for work?

Mr. OWENS. No.

Mr. DAVIS OF VIRGINIA. You never had any complaints? Did you know that you were being destined for Iraq on that plane?

Mr. OWENS. Yes, I did.

Mr. DAVIS OF VIRGINIA. OK.

Do you know whether those other employees signed documents indicating that Iraq was their destination or not? Do you have any knowledge of that?

Mr. OWENS. I just saw their boarding passes were for Dubai.

Mr. DAVIS OF VIRGINIA. Let me just say I see my time is up.

I just want to note one thing on Mr. Mayberry, that he is a previous whistleblower on another case against KBR who testified here earlier today. So he is an experienced whistleblower, and I know that he will look forward to our questions.

Thank you.

Mr. TIERNEY. That would be to drive home the point that he doesn't want to tolerate bad things that are happening, I guess.

Ms. Watson, you are recognized for 5 minutes.

Mr. DAVIS OF VIRGINIA. No, just that he is experienced, and the record speaks for itself. That is what it is about.

Mr. TIERNEY. Ms. Watson is recognized for 5 minutes.

Mr. ISSA. Mr. Chairman, could we have regular order, please?

Ms. WATSON. If I may, please, I believe this is my time. Thank you.

I want to thank these two gentlemen for coming here. There is no intent on our part to abuse you or to give you leading statements. I would hope that you would be straightforward when we raise these questions and not feel intimidated. That is not our intent.

The way I do it, I try to get to the truth. If something that I ask you is misleading or you don't understand it, ask me to clarify it. I don't intend to have you make statements that you wouldn't make under other circumstances. I just want to set the ground rules.

I am going to direct this to Mr. Mayberry. I have been reading through some background information, and it seems like the safety conditions and standards where you were working within the Green Zone were not what we would require on other jobs. True or not true?

Mr. MAYBERRY. True.

Ms. WATSON. Was there an incident of a gentleman that was just described up on a high bar without safety equipment, he fell and broke his back?

Mr. MAYBERRY. No, ma'am, he didn't. This gentleman didn't break his back.

When I had seen him up on the scaffolding, he had no harnesses on at all, and I had noticed that he was kind of dancing around and having fun, and that is when I had started yelling and screaming to get him off of the site and off of the scaffolding because he had no harness. It is not a place to play.

It took about 10 minutes. Once they got him on the ground is when I found out he was intoxicated. The intoxication that he had, he had a pocket of some sort of painkiller that he got from the clinic, and that is what he was taking. I couldn't find a translator to get the full story of why he was taking it or what the pain was being treated for.

I talked to First Kuwaiti management in regards to this gentleman, and they said, put him back on the site and tell his foreman to work him somewhere else.

Ms. WATSON. Now let me just ask you, the project was being managed by First Kuwaiti?

Mr. MAYBERRY. Yes, ma'am.

Ms. WATSON. Mary Francis was the overseer?

Mr. MAYBERRY. It was my understanding that Mary French was the Embassy project manager over the whole facility.

Ms. WATSON. I see.

Who was she employed by? The U.S. Embassy?

Mr. MAYBERRY. The State Department.

Ms. WATSON. So she was to oversee. The employer was First Kuwaiti?

Mr. MAYBERRY. Yes, ma'am.

Ms. WATSON. All right. Who was directly responsible for the health and the safety of the employees on the project?

Mr. MAYBERRY. First Kuwaiti.

Ms. WATSON. I see.

First Kuwaiti has personnel there on the project?

Mr. MAYBERRY. Yes, ma'am.

Ms. WATSON. That would be Mary French.

Mr. MAYBERRY. I don't know the relationship with Mary French and First Kuwaiti. All I know is I was introduced to Mary French of the State Department. She wanted me to work for her. Once I got on to meet with the First Kuwaiti people, they informed me I was to work for him.

So I, in turn, sent e-mail stateside to find out exactly what the contract stated as and which company I was actually working for.

Ms. WATSON. Who would you say was responsible for the health and the safety of those employees?

Mr. MAYBERRY. That would be First Kuwaiti.

Ms. WATSON. I see. Now were their employees Kuwaitis?

Mr. OWENS. No, ma'am.

Ms. WATSON. Who were their supervisors, their overseers?

Mr. OWENS. The management staff of First Kuwaiti. All of the ones that I worked with were Lebanese.

Ms. WATSON. I see.

Mr. Owens, Mr. Mayberry, is it true that the workers on the project were denied access to the PX or the BX?

Mr. OWENS. That is correct.

Ms. WATSON. I see. Is it true that they could not go in there and get medications for whatever was ailing them? Whichever one.

Mr. OWENS. That is correct.

Ms. WATSON. Was this issue ever taken to Mary French?

Mr. OWENS. Yes.

Ms. WATSON. What did Mary French do about it when there were injuries, scratches, cuts and so on? What did she do about that, not allowing them to go into the PX?

Mr. OWENS. She didn't do anything.

Mr. TIERNEY. Thank you, Ms. Watson. Your time is expired.

Ms. WATSON. Thank you.

Mr. Issa, you are recognized for 5 minutes.

Mr. ISSA. Mr. Mayberry, apparently, this isn't the first time you have been in front of us. On June 13, 2005, you were in front of the Senate's all-Democrat Policy Committee, is that true?

Mr. MAYBERRY. Yes, sir.

Mr. ISSA. At that time, oddly enough, you were, I would say vilifying, but I will use the term, speaking about failures of KBR, a division of Halliburton, is that right?

Mr. MAYBERRY. Correct.

Mr. ISSA. In this previous employment, when you were hired by a division of Halliburton, KBR who testified immediately before you as skilled contractors which they are, you went on for a very long time talking about many of the same things that are going on here today, isn't that true?

Mr. MAYBERRY. No, it is not.

Mr. ISSA. So when you talked about they were supposed to feed Turkish and Filipino meals but they didn't, they were supposed to pay something but they didn't, isn't that somewhat similar to what we are talking about today?

Mr. MAYBERRY. No, sir, not at all.

Mr. ISSA. When you were talking about KBR in 2004, you were talking about a really good company that was doing their job and respecting the taxpayers' money, right?

Mr. MAYBERRY. Sir, I did not hear the beginning of that through the noise.

Mr. ISSA. What I am understanding is you are a professional whistleblower. This is not the first time that you have taken a job for a relatively short period of time and then come talked to Congress about what you have seen.

If this is such a bad place and there are so many abuses, is there a particular reason you keep coming back to these employers?

Mr. MAYBERRY. Well, first let me address your—

Mr. ISSA. No, no. Answer my question. My time is very limited here.

Mr. MAYBERRY. No, sir.

Mr. TIERNEY. Mr. Issa, if you can't ask the witness a question, then kindly give him the courtesy of letting him answer.

Mr. ISSA. Mr. Chairman, this is my time in regular order.

Mr. TIERNEY. Try to use questions and answers then, please.

Mr. ISSA. Mr. Chairman, if he would answer my question.

I asked if this was the first time. You said it wasn't.

I asked if you are a professional whistleblower. You started answering another question.

Because you weren't responsive, I asked why do you keep taking jobs in Iraq if in fact all you seem to observe is a very dangerous place.

Would you answer just that question, why you keep taking jobs in Iraq if it is such a bad place in which contractors do terrible things? Is that for the purpose of whistleblowing or is that for the purpose of receiving a payroll and doing a good job, which is it?

Mr. MAYBERRY. It is in regards to supporting the United States and my armed forces is why I take contracts into Iraq.

Mr. ISSA. OK. Thank you very much. I appreciate the answer that you go back to Iraq out of patriotism to work for contractors.

How much were you paid when you worked for KBR? What was your annual salary?

Mr. MAYBERRY. I am legally prevented from answering that question.

Mr. ISSA. Mr. Chairman, could you instruct that telling what your salary was there is not a legal restriction as far as I know?

Mr. TIERNEY. The witness will make that determination.

Mr. ISSA. OK. The witness is refusing to answer.

Mr. TIERNEY. I think we recorded the witness—

Mr. ISSA. Mr. Chairman, this is my time. Thank you.

Mr. Owens, I am a little concerned. I am going to ask you a question that I think you were asked, but I am going to give you one more chance to answer.

Yesterday, did you tell the staff, bipartisan staff, when they asked the question of were you in fact in litigation, you said no. Is that true, yesterday?

I am not asking about today or whether it is true, but did you say that yesterday?

Mr. OWENS. Here, under oath, I am legally prevented from answering that question.

Mr. ISSA. So, Mr. Owens, are you saying that you are legally prevented from answering the question about what you said yesterday to congressional staff?

Mr. OWENS. Here, under oath, I am legally prevented from answering that question.

Mr. ISSA. Mr. Owens, are you taking your rights under the fifth amendment? Are you asserting your rights to protect yourself from incrimination here today?

Mr. OWENS. As far as the fifth amendment, no.

Mr. ISSA. You are not? You are not.

So you are not refusing to answer to protect yourself from any false statement you may have made yesterday?

Mr. OWENS. I have made no false statements under oath.

Mr. ISSA. Mr. Chairman, I would like to ask that the witness be subpoenaed to be compelled to answer the question as to what he said to our staff yesterday relative to what he is refusing to answer today. I think that is a reasonable request, and I would ask the Chair to entertain that.

Chairman WAXMAN [presiding]. As I understand it, the witness is under an order because of a sealed court case not to talk about the litigation, is that the understanding?

Mr. OWENS. I am legally prevented from answering that question.

Mr. ISSA. Mr. Chairman, my request for the subpoena is as to what he said to our staff on a bipartisan basis yesterday, not what he is prevented from saying but what he may have said yesterday because otherwise I think we have to bring our staff in front of us to determine whether or not there is a truthful answer or not. That is all I am asking for.

We do have an obligation to find out whether the witnesses' other testimony is likely to be truthful based on whether they said truthful things to our own staff on a bipartisan basis.

Chairman WAXMAN. Well, I will take it under submission. I am not prepared to accept your recommendation.

Mr. ISSA. I appreciate that. If I could just reclaim the time I would have had, I will be very brief.

Mr. Owens, you and Mr. Mayberry both said that you only had your testimony here today, to the ranking member, you said that it was only for spell check, is that correct?

Mr. OWENS. Yes. I wrote it out, and they checked it for me.

Mr. ISSA. When GAO reports to us that they worked with the witnesses, it implies to me that you had conversations or correspondence or discussed what was going to be in your statement in preparation for making it. Is that true?

In other words, you had conversations about what would be in your statement or some other communication before you wrote it, before they spell-checked it. Is that the correct order?

Mr. OWENS. I answered questions that they asked me.

Mr. ISSA. But we are talking about your opening statement for both of you. Did you write your opening statement without ever talking to GAO or did you operate in an environment in which you had discussions with Government officials, wrote your statements and then they spell-checked them?

Mr. MAYBERRY. Could I address this?

Mr. ISSA. Yes, Mr. Mayberry.

Mr. MAYBERRY. Thank you.

We were instructed that we needed statements wrote. We wrote those statements once we left the meetings yesterday. We started on those statements.

Mine was completed and forwarded to an e-mail address that I was provided which was Andrew Wright and David Turk. They both had my statement prior to being contacted again by the gentleman, David Turk, that he had somebody that could be a third

party and look at my statement and spell check it and punctuate the statement.

Mr. ISSA. I appreciate that.

Thank you, Mr. Chairman. I believe that it has been clear that there was a meeting, then a statement, then a spell check.

I yield back.

Chairman WAXMAN. The gentleman's time has expired.

The Chair now recognizes Ms. McCollum.

Ms. MCCOLLUM. Thank you, Mr. Chair.

Mr. Owens, where were you born?

Mr. OWENS. Long Island, NY.

Ms. MCCOLLUM. You were a product of the school system there. You are a proud American. I am assuming that you, like Mr. Mayberry, as a U.S. citizen, went forward to do this job and work on other embassies. Why? It is dangerous work, and it is work that takes you away from those you love.

Mr. OWENS. I like working on U.S. embassies. It is interesting the way they are built, and I enjoy construction work.

Ms. MCCOLLUM. I appreciate your doing that.

Mr. Mayberry, you said that you felt that this was a way in which as a U.S. citizen—I am paraphrasing so please correct me if I am wrong—that you were giving back to our country by doing the job that you were doing.

Mr. MAYBERRY. Yes, ma'am.

Ms. MCCOLLUM. As American citizens, as people who are proud of this country and knowing that this is a U.S. Embassy facility that is being built, it appears to me, Mr. Owens, that you were quite alarmed when you found out that there were individuals on the plane, coming to work on a U.S. Embassy, something that you were very proud of doing, that had no idea what their destination was going to be. In fact, they thought it was a very different destination.

How did that make you feel as an American?

Mr. OWENS. On that plane ride, hardly nobody spoke any English. I don't know what those guys were thinking. Like I said, they had boarding passes for Dubai. I don't even know if they could have read those boarding passes.

I don't know, but all I can say is they looked very confused the whole time I saw them, and it bothered me a little bit. It just kind of made me feel bad because I think some of those guys were really scared once they found out where they were.

Ms. MCCOLLUM. Mr. Owens, did you see any of them after you were on the ground on the site, the individuals you were on the plane with?

Mr. OWENS. Yes. I made friends. There were two boys from Sierra Leone on the plane, and I had worked in West Africa before. So we had a lot in common to talk about, and I made friends with them, and I saw them onsite after.

Ms. MCCOLLUM. Did they know that they were coming to Baghdad?

Mr. OWENS. The two Sierra Leoneans didn't know they were going to Baghdad, but they had boarding passes for Dubai.

Ms. MCCOLLUM. But they had boarding passes for Dubai.

Mr. OWENS. That is correct.

Ms. MCCOLLUM. In your encounters with any of the other individuals that were there, even though there were great language barriers, were any expressing confusion that they were there in the wrong place and that they needed to be some other place?

Mr. OWENS. I had heard that from a lot of people over there. Whether it was the exact people on the plane, I don't know.

It is not a nice thing to say when I say that they kind of look alike, but they all dressed alike and their facial features. It would have been hard for me to remember one from the plane ride and see him in a crowd of 200 people and know that it was him.

Ms. MCCOLLUM. Mr. Owens, I really appreciate your honesty in answering my questions.

Mr. Mayberry, what was your impression as an American, as a citizen, for not only the way that you saw the workers being treated but for stories that you heard or things that you can tell us that you witnessed about individuals feeling that they were all of a sudden in the wrong place at the wrong time?

Mr. MAYBERRY. I had seen the reaction on the airplane when the captain came on board the PA system and stated that the plane was headed to Baghdad. I witnessed the reaction in that airplane.

At that point, I was in fear for my own safety. No. 1, I was the only American on that whole airplane. The captain and the crew were not American, and the men on that airplane with me were not American.

Once the men started getting upset and a weapon was pulled out of that back closet in the tail of the airplane by First Kuwaiti's manager, that is when I got a little more jumpy and kind of stayed to myself.

The fear in the faces that I seen was remarkable. I never want to see it again.

Ms. MCCOLLUM. Thank you, Mr. Mayberry. I want to thank you both as American citizens, people who are proud of the work that you do for your country and when you see something that you think is wrong, feel that in this country with freedom of speech and freedom to speak your mind openly to your own Government, that you felt like you were able to do that today.

I want to once again thank you very much for coming forward.

Mr. OWENS. Thank you.

Chairman WAXMAN. Thank you, Ms. McCollum.

The Chair wants to recognize himself for his 5 minutes and yield to Mr. Tierney to ask some questions.

Mr. TIERNEY. Thank you, Mr. Chairman.

Mr. Chairman, I would just like to start by bringing you up. I know you had to go to another hearing on a very important matter.

In your absence, because you came back in the middle of Mr. Issa's question, there was some discussion or inference from Mr. Issa about one of the witnesses' failures to comment on whether or not there was a particular lawsuit or whether he said there was a lawsuit.

If, in fact, there is what is commonly known as qui tam lawsuit pending, if there is such a thing, it would be a sealed lawsuit as I mentioned before and Mr. Issa well knew. I think in that case of a sealed document, any party to that case would not be allowed to talk about it in public.

I suggest that perhaps that we consult with the Department of Justice just to make sure that is firm and then let all the members of the panel know that so there won't be any disagreement on that, if that is acceptable to the chairman.

Mr. Mayberry, let me ask you when you were first hired.

Chairman WAXMAN. Will the gentleman yield?

Mr. TIERNEY. Sure, I yield

Chairman WAXMAN. Are you saying, in effect, that Mr. Issa was aware of the fact that they couldn't talk about this issue and then he was trying to impeach them, knowing they couldn't talk about that issue?

Mr. TIERNEY. Well, I believe he was in the room when I clarified that the first time. I would have to check with people on that. Assuming he was, then he would have known at least my comments. Whether he agreed with it or accepted them or not is another thing.

Chairman WAXMAN. The gentleman will proceed.

Mr. TIERNEY. Thank you.

Mr. Mayberry, you were hired by First Kuwaiti as a medic. Will you tell us what you know or let us know a bit about the medical facilities that were available to workers when you arrived at the Embassy site?

Mr. MAYBERRY. When I arrived at the Embassy site, the medical clinics, they looked more like a break area. They were filthy inside. There were beds in there and gentlemen laying on them and sleeping on them.

On the reception counter, coming into the clinic, were all these little blister packs with different colors of medication in them, and I asked what they were. One of the Indian medics that spoke a little bit of English stated that it was the medication that they use.

I went over to the second medical facility which was on the constructionsite and found the same there.

So at that time, I had a meeting that afternoon with Mary French of the State Department. She had asked me what my first look around the camp was, and that is when I had started talking to her about the lack of supplies, band-aids. The day I got on camp, they were using paper towels and toilet paper and duct tape as bandages.

So I talked to her about the supplies, and she had stated that it was First Kuwaiti's responsibility. I went to First Kuwaiti and asked for supplies, and they said they don't have any.

I, in turn, turned to the military for assistance, and at the time the military provided me with eight jump packs which are very close to emergency room quality. Two of them were supplied to the State Department, two of them for each clinic and one per ambulance, counted for all eight bags.

Now when I got into Kuwait, the medical equipment and supplies would have been a whole different story if I had gotten my luggage. My luggage was happily camped out in Dubai with the airplane that I was supposed to be on.

Mr. TIERNEY. Did you make a report to the Department of Defense and the Human Trafficking Office in the State Department about the condition of the medical facilities?

Mr. MAYBERRY. Sir, my report was filed with the State Department, Mary French. It was filed with First Kuwaiti management. It was also filed through the medical facility in Baghdad. The medical facility in Baghdad sent it up a chain of several offers to a State Department doctor.

Mr. TIERNEY. When was it that you were making these observations, what month and what year?

Mr. MAYBERRY. March 2006.

Mr. TIERNEY. Now in September, September 18, 2006, a contract modification was added to the First Kuwaiti contract dealing with medical services. It added $1.375 million to the contract. The provision noted that these extra funds were to pay for "a medical trailer, all medical instruments, doctor, dentist, eight nurses, two ambulance teams, cleaning services for the medical facilities and consumables."

I guess we can infer from the existing medical facilities and staff prior to that contract modification, that there may have been a difference.

Did what I just describe in that contract modification comport with what you saw in March 2006? Was that the condition of the facilities?

Eight nurses, two ambulances, a doctor, medical instruments, medical trailer, cleaning services, consumables, were all those things in good condition when you were there in March 2006?

Mr. MAYBERRY. To be honest with you, sir, the only thing that was in good condition at those clinics was the Indian nurses.

Mr. TIERNEY. Thank you. I yield back.

Chairman WAXMAN. The gentleman's time is expired.

Ms. Watson.

Ms. WATSON. I don't understand the use of the term, professional whistleblower, and to accuse our witnesses of being professional whistleblowers is an inference to doing this for professional gain.

Let me ask Mr. Owens and Mr. Mayberry. Was your motivation professional monetary gain when you reported what you saw were misdeeds, what you saw were violations of codes, what you saw was maltreatment, Mr. Owens?

Mr. OWENS. I have never done anything like this before, you know, testify against anybody for anything.

Mr. TIERNEY [presiding]. Ms. Watson, I am going to take the liberty of interrupting you only because we are not doing multiple rounds.

Ms. WATSON. Why was I called on?

Mr. TIERNEY. It is not your fault. With Mr. Waxman coming back and forth, we prefer that you would not.

Ms. WATSON. Well, can they answer my question, please? Thank you.

Mr. TIERNEY. I think he just did.

Ms. WATSON. Well, Mr. Mayberry.

Mr. TIERNEY. I am sorry. You were distracted. He said he has never done anything like that before.

So thank you.

I want to thank both of our witnesses for being here and testifying today. I know it was not an easy thing to do. I appreciate the

distances that you have traveled and the sacrifices that you have made.

We will take about a minute break here in recess, we will the next panel come on directly afterwards. Thank you.

Mr. OWENS. Thank you, sir.

Mr. ISSA. Mr. Chairman, I just want to be recognized to ask that our staff be provided with the original documents in addition to the printed statements so that we can compare the original documents submitted to the Democrats with those that were in fact the final copies. That would be normally within our rules. Could I ask that those be granted as soon as they are available?

Mr. TIERNEY. We will certainly take a look at that request.

Mr. ISSA. Thank you very much, Mr. Chairman.

[Recess.]

Mr. TIERNEY. The committee and subcommittee will now hear testimony from our final panel.

I want to thank you all for your patience in waiting.

Mr. Kennedy, I keep seeing you with different hats on.

Mr. KENNEDY. It is always a pleasure to see you, Mr. Chairman.

Mr. TIERNEY. I take it you have moved?

Mr. KENNEDY. Yes, sir. I departed the Director of National Intelligence. I am now Director of Management Policy at the State Department.

Mr. TIERNEY. I just thought there were like 8,000 Patrick Kennedys out there. I wasn't sure.

I want to introduce our next panel of witnesses here to offer information about First Kuwaiti's labor practices.

They are: Major General, retired, Charles E. Williams, who is the Director, Office of Overseas Building Operations, U.S. State Department; Ambassador Patrick Kennedy, Director, Office of Management Policy, U.S. State Department; Mr. William Moser, Deputy Assistant Secretary for Acquisitions, U.S. Department of State; and Mr. Howard J. Krongard, Inspector General, U.S. Department of State.

I want to thank you all for your service to our country.

I want to also indicate that your full witness statements will be entered onto the record and the transcript of this briefing. We ask that you try to summarize that as best you can within the 5-minutes. We will try to be a little lenient but appreciate that you will try to stay as close within that limit as you can.

It is the policy of the committee and the subcommittee to swear witnesses before they testify.

[Witnesses sworn.]

Mr. TIERNEY. The record will please indicate that the witnesses have answered in the affirmative.

Again, I am going to ask that you please keep your opening statement as close as you can to the 5-minutes on that.

General Williams, perhaps you would care to start us.

Mr. Moser, I think we put the name plates out different, But General Williams, if you want to start, then we will go from there.

STATEMENTS OF MAJOR GENERAL, RETIRED, CHARLES E. WILLIAMS, DIRECTOR, OFFICE OF OVERSEAS BUILDING OPERATIONS, U.S. DEPARTMENT OF STATE; WILLIAM MOSER, DEPUTY ASSISTANT SECRETARY FOR ACQUISITIONS, U.S. DEPARTMENT OF STATE; PATRICK KENNEDY, DIRECTOR, OFFICE OF MANAGEMENT POLICY, U.S. DEPARTMENT OF STATE; AND HOWARD J. KRONGARD, INSPECTOR GENERAL, U.S. DEPARTMENT OF STATE

STATEMENT OF MAJOR GENERAL, RETIRED, CHARLES E. WILLIAMS

General WILLIAMS. Mr. Chairman, thank you and committee members. I am honored to be here to discuss the State Department's diplomatic construction project in Baghdad.

I have a prepared written testimony, and I have asked the committee and it has agreed that it be entered into the record.

I would like to begin today by putting the Baghdad project into the context of our larger Overseas Building Operations program. It has been my privilege to come out of retirement and serve as the OBO, Director of the Overseas Building Operations for the past 6½ years.

Before coming to OBO, I worked in the private sector and served 29 years in the U.S. Army and the Army Corps of Engineers. My career spans in the construction field over 40 years.

In 2001, when I became the Director of OBO, the Department was building on an average of one Embassy per year. In 2006, OBO opened 14 new facilities. Our goal this year is to open 16.

Our new Embassy compounds are multi buildings, state-of-the-art facilities, meeting the highest security standards for environmental energy and efficiency.

My written testimony states that since 2001, with strong support from the Congress, OBO has completed 47 facilities. We have moved 12,566 U.S. Government employees out of harm's way by providing safe, secure and functional facilities, many located in the most dangerous parts of the world.

In fact, since my written statement was submitted, updated numbers show that we have as of today completed 50 of these new facilities. We have had three more reach completion since we started this process.

We currently have 31 additional facilities under management. OBO's construction portfolio today is valued at over $5 billion.

OBO has revolutionized its management approach with an emphasis on discipline, accountability, results, transparency and credibility. In order to replace the 190 aging and unsecured Embassy facilities, OBO reorganized and streamlined the planning, design and construction processes.

We engage often with the construction industry through our award-winning industry advisor panel and our contractor partners. We have a true alliance with the GAO and, in 2006, GAO found that OBO had reduced the time to construct new facilities by 2 years and 9 months from the 1980's and 1990's.

We have also achieved a high degree of worker safety. In fiscal year 2006, the OBO accident rate was only 6 percent of the OSHA rate.

Mr. Chairman, now I turn to the new Embassy in Iraq which is among the most challenging projects that we have undertaken.

In 2005, Congress appropriated $592 million for this project. We plan to finish the project in 24 months, a timeframe consistent with the commitments we made to the host government. OBO established an office with the sole responsibility for executing the Baghdad project and briefed the concept to the Congress.

The compound contains 24 buildings and occupies 65 acres of the 104 acre site. The Baghdad NEC, new Embassy compound—that is NEC—is not luxurious. Its offices and housing are equivalent to other new construction around the world.

The project is on schedule. It is at budget with completion slated for this September.

As to quality, OBO is proud of its employees' and contractors' work on this project. We have received numerous accolades from our tenants as to the extremely high quality of construction. It is among the best that OBO has managed.

The Baghdad NEC, as with all of our new Embassy compounds, will undergo a standard accreditation process to ensure that the facility meets all applicable safety and security standards prior to occupancy.

A punch list will most likely be generated consisting of items needing small corrections and modifications. A punch list is a routine feature of every building project whether you are dealing with a small remodeling project to your home or constructing a major building. For each new Embassy compound project, OBO aligns with the contractor to address these punch list items in an orderly manner.

Mr. Chairman, I would like to turn next to the temporary local guard camp. The camp consists of—

Mr. TIERNEY. Major General, since your comments are already on the record, I would add that you go proceed but try to wrap it up as best you can in the summary.

General WILLIAMS. I will do that.

Mr. TIERNEY. Thank you, sir.

General WILLIAMS. OK. The camp consists of prefabricated trailers where the local employees who supply guard service will reside.

The issue of installing a temporary camp on some of the remaining 104 acres came up about 12 months after we were under construction for the new Embassy compound. We had a very ambitious period of 4 months to do this.

We encountered 70 days of road closures. Obviously, trailers having to be brought one on a truck at a time, we had 2 months delay. So this is what has caused the project not to be delivered when it was promised.

Let me conclude with the emphasis that the responsibility of OBO is to build facilities that are required to our diplomatic standards and requirements overseas. We follow the direction of the Department on staffing numbers and requirements and build accordingly.

I want to re-emphasize that the Baghdad new Embassy compound will meet standards, will be completed on schedule and within budget.

I would be pleased now to respond to your questions.

Thank you very much, Mr. Chair

[The prepared statement of General Williams follows:]

Testimony of Charles E. Williams
Director and Chief Operating Officer
Bureau of Overseas Buildings Operations
United States Department of State

Before the Committee on Oversight and Government Reform
of the United States House of Representatives
on July 26, 2007

Chairman Waxman, Ranking Member Davis, and Members of the Committee, I am honored to have the opportunity to appear before you today to discuss the Department of State's diplomatic construction project in Baghdad. As you are aware, this issue has received some media attention recently, and I would like to take this opportunity to put a few matters into context. To begin, I would like to outline the recent accomplishments of the Department of State's Overseas Buildings Operations Bureau – known as OBO – and the contributions we have made in protecting U.S. Government employees abroad, with Congress's robust support.

It has been my privilege to come out of retirement and serve as the Director and Chief Operating Officer for OBO over the last six and one-half years. I assumed this position after working eight years in the private sector as the Chief Operating Officer of the Toll Road Investors Partnership II, which constructed the Private Toll Road from Dulles Airport to Leesburg (Greenway), and President and CEO of the New York City School Construction Authority, a $4.3 billion public school building program. Prior to my private sector experience, I had a 29-year career in the Army Corps of Engineers where I had the opportunity to manage the rebuilding of Ft. Drum and the NATO tank ranges in Europe. In sum, I have had a career in the field of construction that spans over 40 years.

Due to the numerous challenges the Department of State faced in building and maintaining its embassies, former Secretary of State Colin Powell asked that I return to government service to serve as Director of OBO, which I was honored to do for my country.

At the outset of my tenure in 2001, the Department was building on average, approximately one new embassy building per year. In the calendar year 2006, OBO opened an unprecedented 14 new facilities. Our goal this

year is to open 16 new facilities. As the committee may be aware, these facilities are not single buildings, rather they are multi-buildings campuses located, on average, on a ten-acre site. Our New Embassy Compounds (NECs) are state-of-the-art facilities meeting the highest security, chem-bio, environmental, energy efficiency, and sustainability standards.

Since 2001, OBO has completed 47 new facilities, budgeted at $ 2.7 billion, and we are currently working on either designing or constructing 34 additional new facilities. This equates to 81 projects that OBO has either completed, or has in construction or design. OBO manages a construction portfolio valued at over $5.1 billion.

And without question, OBO's most significant achievement is having moved, as of today, 12,566 U.S. Government employees out of harm's way by providing safe, secure, and functional facilities from which to carry out their overseas missions. Many of these facilities are located in the most dangerous parts of the world. Furthermore, OBO has carried out security upgrades and rehabilitation programs to existing facilities that Congress has funded. Finally, OBO is the overseas property manager for over 17,000 properties, an inventory valued at over $14 billion.

OBO has revolutionized its approach to the management of its program. Our approach emphasizes discipline, accountability, results, transparency, and credibility. We have a preamble and operate around these core values and – with strong support of Congress – have achieved what the taxpayers have asked of us – accomplishments of which we can all be proud.

Facing an unprecedented challenge of having to replace approximately 190 embassy facilities as a result of security concerns growing out of the East Africa bombings in 1998, OBO had no choice but to look at how we do business. We have sought to create a Results-Based Organization framed largely from Six-Sigma and "lean management" concepts. To that end, we have put in place a Long Range Overseas Buildings Plan (LROBP); instituted monthly accountability performance reviews for the entire bureau, and weekly progress reviews of on-going projects. Our design program is now centered on a concept called the "Standard Embassy Design," which has significantly streamlined this facet of the construction process.

We have not done any of this in a vacuum. Indeed, we are regularly engaged with the construction industry through our innovative and award winning Industry Advisory Panel (IAP), which brings government and private sector together in a mutually beneficial information exchange. We are currently working with the Associated General Contractors of America (AGC) to develop protocols for our construction program that would promote our mutual objectives.

OBO has its own internal set of fundamental operating tenets – which I have dubbed the "Williams 20" – that state unequivocally how the organization is to operate. As noted earlier, discipline, accountability, results, credibility, and transparency are the guiding principles.

I would like to add that we are pleased to cooperate with the oversight provided by the Government Accountability Office (GAO) and the State Department Office of the Inspector General (OIG). We have a true partnership with these organizations as stewards of the taxpayers' interest. They have a seat at the table during all our performance reviews, and stakeholder meetings, including the monthly Baghdad and China project review sessions.

We have frequent exchanges with these offices and incorporate their suggestions into our operations. GAO has recognized OBO's accomplishments in a report which notes – and I quote – "Despite the increased size and complexity of the modern facilities it constructs, State has significantly reduced the time it takes to complete construction of New Embassy Compounds over past programs. State has reduced the average project cycle time by approximately two years and nine months, compared with embassies built during the 1980's and 1990's."[1]

And we have done this with an impressive degree of worker safety. While the number of contract construction worker hours has increased dramatically in the last six years – from about 6 ½ million to over 35 million hours -- the program has experienced an actual decrease in the construction accident rate. Each year since 2001, OBO's record has been better than that of the U.S. construction industry accident rate. In fiscal year 2006, the OBO

[1] GAO Report - Embassy Construction: State Has Made Progress Constructing New Embassies, but Better Planning Is Needed for Operations and Maintenance Requirements; GAO-06-641, June 2006

rate was only six percent of the OSHA accident rate. We are especially proud of this achievement.

Not only has GAO recognized OBO's efforts; OMB has used its Program Assessment Rating Tool – PART – on three of OBO's largest programs and found them all to be "effective " or "green," a rating received by only a very small percentage of U.S. Government programs. The Capital Security Construction Program achieved a 97% score – one of the highest in the U.S. Government.

Mr. Chairman, I would now like to address the issue relating to the Embassy in Iraq, which is among the most challenging in our inventory. In support of the U.S. Government's overall effort in Iraq, Congress appropriated $592 million in the FY 2005 supplemental to support the construction of a new Embassy.[2] While less than the original request, we adjusted the scope of the project to ensure that we finished it within 24 months, a time frame consistent with overall U.S. Government plans in Iraq and commitments made to the host government.

In support of this effort, OBO located experts in the private sector and integrated them with a selected core staff to manage the project. Following a successful model used to address projects in Moscow and China, OBO established an office with the sole responsibility of executing the Baghdad project and briefed this management concept to the Congress. Our efforts on the NEC in Baghdad have been regularly and consistently briefed to the Congress with an emphasis on OBO oversight of the project execution.

Let me just take a moment to outline the scope of the New Embassy Compound (NEC). The compound will occupy 65 of the 104-acre site which was acquired at no cost to the U.S. Government. The 24 buildings on the compound will have an additional 50 feet of setback beyond the standard because of the security environment. The number and size of the buildings were determined by applying the Bureau of Near Eastern Affairs' "rightsizing" requirements to a Space Requirements Plan – one of OBO's tools in designing compounds. The space requirements were dictated by the

[2] The DOD appropriations act, P.L. 108-287, provided $20 million for ESCM for interim diplomatic facilities in Iraq. The FY2005 Consolidated Appropriations Act, P.L. 108-447, Div. B, provided that the $20 million could be used on non-interim facilities.

projected staffing of the embassy, a determination made by other bureaus of the State Department, in consultation with OMB and Congress.

I am pleased to report, Mr. Chairman, that the project is on schedule and on budget. We are slated to complete the project in September of this year and personnel can begin to move into offices and residences shortly thereafter. As to project quality, OBO is proud of its employees and contractors work on this project. We have received numerous accolades as to the extremely high quality of construction. It is among the best that OBO has managed.

The Baghdad NEC will not be luxurious. It is a compound comprised of offices and housing that will provide a level of life support roughly equivalent with diplomatic facilities at other hardship posts. The Baghdad NEC project may seem unique because of its size and features; however, many of these features can be found at the Department of State's other NEC projects. The difference with Baghdad is that it incorporates all of these elements (on-site housing, primary utility plants, etc.) in one compound, and that security features are enhanced due to the security environment in Iraq. Again, I would like to reiterate, the Baghdad NEC will be completed on schedule and within the $592 million budget appropriated by Congress.

Additionally, the NEC in Baghdad, as with all NECs, will undergo a standard accreditation process as dictated by the law. This process will ensure that the facility meets all applicable construction safety and security standards prior to occupancy. Furthermore, a "punch list" is a routine feature of every building project, whether a small remodeling project, the construction of a major building, or an NEC. The punch list includes items that need to be corrected and/or modified from the original design. It is very common during the inspection of complex construction projects to identify items needing correction or modification. In each and every case, OBO aligns with the contractor to address these punch list items.

Mr. Chairman, I would like to turn next to the Temporary Local Guard Camp. The camp consists of trailers that will provide housing and dining facilities for the contract employees who will supply local guard services to the US mission in Iraq. This temporary guard camp is a completely separate project from the construction of the NEC. The project was requested by the Bureau of Diplomatic Security (DS) and the Post approximately one year after OBO had begun construction on the NEC.

I flew helicopters and logged over 2,000 hours in Vietnam on two separate tours during the war. I lived in a temporary camp and understand what a temporary camp is, and what it is not. In turn, I would like to point out some key facts about this project. I believe it is important for the Committee to understand several key components about this project.

Camps of this nature are problematic, in large part because requirements continuously shift as you install the components and attempt to improve the camp. When the discussion of installing a temporary camp on some of the remaining 104-acre property was brought to my attention, there were extensive internal discussions over whether this was a good idea or if an alternative solution was available. Eventually, we agreed to move forward with using First Kuwaiti for the construction, understanding they had a long-standing working and contractual relationship with KBR, who would be providing the logistical services to the camp. In addition, First Kuwaiti had experience in the region, having installed over 5,000 units throughout the country. Furthermore, I insisted that no resources from the NEC project would be utilized to install the temporary camp, as the scope and budget for the NEC project had been the subject of vigorous debate within Congress before coming to agreement with the Department on a consensus path forward. New funds were required for the guard camp from the Bureau of Diplomatic Security under the Diplomatic and Consular account.

I am aware that this Committee recently held a hearing [July 19, 2007] on the issues that FEMA faced with its trailers in the Hurricane Katrina region. The specific issue was the presence of formaldehyde in the FEMA trailers. An issue arose at the guard camp because of the presence of odors in the trailers. The Certified Industrial Hygienists of OBO's Safety, Health and Environmental Management Division provided guidance on how to reduce formaldehyde levels and odors in the trailers at the guard camp and reports are that these measures were successful in eliminating the odor. We will continue to monitor.

Although the requirements were different from a standard camp due to the need to construct a perimeter wall, a Compound Access Control (CAC), and dog kennel, the design drawings were reviewed and approved by Post and other Department offices prior to the ordering of the trailers.

The schedule for the camp installation was a very ambitious four month period and the Department and First Kuwaiti knew this was the best-case scenario with many contingencies. We experienced seventy days of road closings which extended the delivery of the trailers by over two months.

Mr. Chairman, let me conclude with, and emphasize that, the responsibility of OBO is to build the facilities that are required for our diplomatic efforts overseas.

I would be pleased to respond to the Committee's questions. Thank you very much.

Mr. TIERNEY. Thank you, General.

Ambassador Kennedy, would you care to give your remarks?

STATEMENT OF PATRICK KENNEDY

Mr. KENNEDY. Thank you very much, Mr. Chairman, members of the committee. Thank you for giving me the opportunity to testify before you today.

I first want to offer you a brief perspective of someone who has served in Baghdad, and I also want to emphasize the importance of the new Embassy compound for the safety of our employees there.

I recently became Director of the Office of Management Policy in the State Department. As one of my key duties, I have been charged by the Secretary, the Deputy Secretary and the Under Secretary for Management with ensuring that Ambassador Ryan Crocker has everything he needs within reason in terms of support of management.

Now let me turn briefly to the subject of this hearing.

I want to underline the distinction made by General Williams between the guard camp project in Baghdad and the new Embassy project. They are completely separate, both physically and contractually. The camp is temporary and largely a trailer park while the NEC is a group of permanent structures.

I have been recently in Baghdad and also communicate regularly with Ambassador Crocker. I have been meeting regularly also with Chuck Williams. There is a quality assurance process in place, and there will be a vigorous inspection procedure prior to our acceptance of the NEC as there is for all our new Embassy compounds.

On the guard camp, I view the exchange of cables between the Embassy and OBO as part of the creative tension that exists in getting any project right. There have been problems, but they are problems that First Kuwaiti is fixing as part of their acceptance of the guard camp, our acceptance of the guard camp. This is a standard punch list procedure that occurs on any construction project.

Mr. Chairman, that concludes my statement. I am at your disposal for questions.

[The prepared statement of Mr. Kennedy follows:]

Testimony of Patrick F. Kennedy
Director, Office of Management Policy
United States Department of State

Before the Committee on Oversight and Government Reform
United States House of Representatives
July 26, 2007

Chairman Waxman, Ranking Member Davis, members of the Committee, thank you for giving me the opportunity to testify today.

I first want to offer you the perspective of someone who has served at the Embassy in Baghdad. I want to emphasize the importance of the New Embassy Compound for the safety of our employees in Baghdad.

I recently became the Director of the Office of Management Policy in the State Department. As one of my key duties, I have been charged by Secretary Rice, Deputy Secretary Negroponte, and Under Secretary for Management Fore with ensuring that Ambassador Ryan Crocker has everything he needs within reason in terms of management support.

Now let me turn directly to the subject of this hearing. I want to underline the distinction made by General Williams between the guard camp project in Baghdad and the New Embassy Compound (NEC) project. They are completely separate both physically and contractually. The camp is temporary and largely a trailer park while the NEC is a group of permanent buildings.

I have recently been in Baghdad and also communicate regularly with Ambassador Crocker. I have also been meeting regularly with Chuck Williams. There is a quality assurance process in place, and there will be a vigorous inspection procedure prior to our acceptance of the NEC as there is for all our New Embassy Compounds.

On the guard camp, I view the exchange of cables between the Embassy and OBO as part of the creative tension in getting a project right. There were problems, but they are problems that First Kuwaiti is fixing as part of the process of accepting the guard camp. This is a standard punch list procedure that occurs on any of our construction projects.

I would happy to answer any questions.

Mr. TIERNEY. Thank you, Ambassador.
Mr. Moser.
Mr. MOSER. I do not have a statement, Mr. Chairman.
Mr. TIERNEY. Mr. Krongard.

STATEMENT OF HOWARD J. KRONGARD

Mr. KRONGARD. Thank you, Mr. Chairman, ranking member and thanks to all of you for inviting me to discuss the Department of State Office of Inspector General's memorandum on its review of the construction workers camp at the new Embassy compound in Baghdad which I will refer to as the NEC, the new Embassy compound.

I personally have made two visits to the NEC constructionsite. The first visit was in November 2005. That visit to the NEC was a routine part of my trip to Baghdad and was not prompted by any specific allegations of wrongdoing.

I walked and rode through most of the site including the camp which housed the construction workers, and I spoke randomly with members of the work force which consisted of many different nationalities. Nothing came to my attention during that visit, evidencing any trafficking in persons violations or human rights abuses.

In the months following my visit, various allegations came to my attention regarding abuses and misconduct at the NEC including ones having to do with food, passports, entry into Iraq, pay, physical abuse, living facilities and medical facilities. Therefore, in June 2006, I contacted the Multi-National Force-Iraq Inspector General who had previously done inspections of conditions in camps in Iraq, and I proposed that we conduct a joint review of the construction workers camp at the NEC.

At that time, we agreed to conduct the review together onsite in August 2006. Because MNF-I IG had experience in inspecting life support areas across Iraq and was planning to conduct a large number of such inspections, we agreed to use the work plan suggested by them. In mid-July, however, MNF-I IG was required to postpone the review indefinitely due to other higher priority matters.

I, however, believed the allegations warranted an early review in spite of this delay. So the Deputy Inspector General and I traveled to Iraq in early September and carried out a review according to the work plan suggested by MNF-I IG for a review focused on trafficking in persons and the fair and ethical treatment of a foreign work force.

It is important to note that the review was conducted in a necessarily limited scope. It did not constitute an audit. It consisted essentially of agreed upon procedures or limited procedures and was designed to provide negative assurance rather than attestation.

The review included interviews with senior State Department officials and contracting authorities in both the United States and Baghdad, private interviews with workers of at least four nationalities, physical review of the entire NEC site including kitchen and dining facilities, medical clinic, recreational facilities, computer

cafe, telephone access areas, commissary, management offices and other areas.

It included inspection of the private living quarters of each interviewee and numerous other workers randomly selected, inspection of the various group facilities such as shower and lavatory, barbecue, religious, recreation and sport areas, and questions asked of workers we randomly encountered during the physical inspection.

A summary of the responses received from the workers interviewed and the results of the physical inspection are set forth in the memorandum which is attached to my statement which has been publicly available for several months.

Because my review was limited, I continued to seek additional inspection from MNF–1 IG.

While that inspection was being scheduled, the management counselor and at least four other senior officials from the Embassy, including the regional medical officer and I believe the assistant regional security officer, visited the workers camp, provided observations that are included in the memorandum and reported that in general the camp was adequate for its purposes and the basic needs of food, housing and sanitation were being met.

On two separate occasions in December 2006, an MNF-I IG team also inspected the camp. MNF-I IG's procedures and experience were significantly more extensive than my own. MNF-I IG found no evidence indicating the presence of severe forms of trafficking.

After setting forth their inspections results, MNF-I IG concluded that except for recruitment fees illegal in some workers' country of origin, there was no evidence of trafficking in persons violations and of the 58 areas inspected by MNF-I IG across Iraq, the NEC camp was rated in the top third with above average quality of life conditions. A copy of MNF-I IG's report to me was appended to the memorandum as well.

Based on all of the foregoing—including my November 2005 visit, our September 2006 review, management's visit in November 2006 and MNF-I IG's two inspections in December 2006—nothing came to our attention that caused us to believe that trafficking in persons violations or violations of the type I mentioned at the outset here today and in the memorandum occurred at the construction workers camp at the new Embassy compound.

At the appropriate time, I will be pleased to answer your questions. Thank you.

[The prepared statement of Mr. Krongard follows:]

HOUSE OF REPRESENTATIVES

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

AND

SUBCOMMITEE ON NATIONAL SECURITY AND FOREIGN AFFAIRS

TESTIMONY OF HOWARD J. KRONGARD

INSPECTOR GENERAL

U.S. DEPARTMENT OF STATE AND BROADCASTING BOARD OF GOVERNORS

JULY 26, 2007

Chairman Waxman, Ranking Member Davis, Subcommittee Chairman Tierney, Subcommittee Ranking Member Shays, and other members of the Full Committee and the Subcommittee on National Security and Foreign Affairs.

Thank you for inviting me to discuss the Department of State Office of Inspector General's memorandum (Memorandum) on its review of the Construction Workers Camp at the New Embassy Compound (NEC), Baghdad. I have attached a copy of the Memorandum to this testimony.

I personally have made two visits to the NEC construction site. The first visit was in November 2005. That visit to the NEC was a routine part of my trip to Baghdad and was not prompted by any specific allegations of wrongdoing. I walked and rode through most of the site, including the camp which housed the construction workers, and I spoke randomly with members of the work force, which consisted of many different nationalities. Nothing came to my attention during that visit evidencing any Trafficking in Persons (TIP) violations or human rights abuses.

In the months following my visit, various allegations came to my attention regarding abuses and misconduct at the NEC, including ones having to do with food, passports, entry into Iraq, pay, physical abuse, living facilities and medical facilities. Therefore, in June 2006, I contacted the Multi-National Force – Iraq Inspector General (MNF-I IG), who had previously done inspections of conditions in camps in

Iraq, and proposed we conduct a joint review of the Construction Workers Camp at the NEC. At that time, we agreed to conduct the review together on-site in August 2006. Because MNF-I IG had experience in inspecting life support areas across Iraq and was planning to conduct a large number of such inspections, we agreed to use the work plan suggested by them. In mid-July, however, MNF-I IG was required to postpone the review indefinitely due to other higher priority matters.

I believed the allegations warranted an early review in spite of this delay, so the Deputy Inspector General and I traveled to Iraq in early September and carried out a review according to the work plan suggested by MNF-I IG for a review focused on TIP and the fair and ethical treatment of a foreign work force.

It is important to note that the review we conducted was necessarily limited in scope. It did not constitute an audit. It consisted essentially of agreed-upon or limited procedures and was designed to provide negative assurance rather than attestation.

The review included interviews with senior State Department officials and contracting authorities in both the U.S. and Baghdad; private interviews with workers of at least four nationalities; physical review of the entire NEC site, including kitchen and dining facilities, medical clinic, recreational facilities, computer café, telephone access areas, commissary, management offices and other areas; inspection of the private living quarters of each interviewee and numerous other

workers randomly selected; inspection of the various group facilities, such as shower and lavatory, barbecue, religious, recreation and sport areas; and questions asked of workers we randomly encountered during the physical inspection. A summary of the responses received from the workers interviewed and the results of the physical inspection are set forth in the Memorandum.

Because my review was limited, I continued to seek additional inspection from MNF-I IG. While that inspection was being scheduled, the Management Counselor and at least four other senior officials from the Embassy, including the Regional Medical Officer, visited the workers camp, provided observations that are included in the Memorandum, and reported that in general, the camp was adequate for its purposes and the basic needs of food, housing and sanitation were being met.

On two separate occasions in December 2006, an MNF-I IG team also inspected the camp. MNF-I IG's procedures and experience were significantly more extensive than my own. MNF-I IG found no evidence indicating the presence of severe forms of trafficking. After setting forth their inspection results, MNF-I IG concluded that, except for recruitment fees illegal in some workers' country of origin, there was no evidence of TIP violations, and of the 58 areas inspected by MNF-I IG, the NEC camp was rated in the top third with above average quality of life conditions. A copy of MNF-I IG's report to me was appended to the Memorandum.

Based on all of the foregoing – including my November 2005 visit, my September 2006 review, Management's visit in November 2006, and MNF-I IG's two inspections in December 2006 – nothing came to our attention that caused us to believe that TIP violations or violations of the type I mentioned at the outset and in the Memorandum occurred at the Construction Workers Camp at the NEC.

At the appropriate time, I will be pleased to answer your questions. Thank you.

MEMORANDUM

Construction Workers Camp at the New Embassy Compound, Baghdad

Background.

During my visit to Baghdad in November, 2005, I spent a day observing the New Embassy Compound (NEC) construction site. I walked and rode through most of the site, including the camp which housed the construction workers, spoke with many members of the management group from the Department of State (Department) and from the general contractor First Kuwaiti Trading and Contracting Company (FK), and spoke randomly with workers. The visit to the NEC was a routine part of my visit to Baghdad and was not prompted by any specific allegations of wrongdoing. I remember being impressed by the recreational and support facilities and the apparent high morale of the work force which consisted of many different nationalities. Nothing came to my attention evidencing any Trafficking in Persons (TIP) violations or human rights abuses.

Allegations.

In the months following my visit, various allegations came to my attention regarding abuses and misconduct at the NEC. Some of these allegations included the following:

- Most of the Third County Nationals (TCNs) working at the NEC were malnourished. TCNs were forced to eat leftovers from American personnel off of the dirt floor of their tent or on cardboard boxes. Food, when available, was put in a trough similar to pig farms.

- All workers had their passports taken away to prevent them from leaving.

- All workers were deceived about their job location. Many signed contracts in their home countries to work in the hotel industry in Dubai. They were given plane tickets for Dubai but once in the air were told they were going to Iraq instead.

- Workers were snuck onto the NEC in convoys to avoid detection since they were not supposed to be there due to home country bans.

- Most of the workers were not paid.

- Construction managers routinely beat their workers.

- Living facilities were characterized by poor sanitation and squalid living conditions.

- Clinics lacked hot water and disinfectant, and had dirty beds and poorly trained staff. Drugs were disorganized and unintelligibly labeled.

Work Plan.

In June 2006, I contacted the Multi-National Force – Iraq Inspector General (MNF-I IG) to propose a joint review of the FK camp at the NEC. At that time, we agreed to do a review on site between 15-20 August, 2006. Since MNF-I IG had already done a TIP inspection, much could be gained by each of us from a joint initiative.

MNF-I IG provided me with their program for a review focused on TIP and the fair and ethical treatment of a foreign work force. It consisted principally of an initial in-brief with senior leaders and contracting officers followed by private confidential sensing sessions with workers and inspection of life support areas. A suggested list of typical questions to be asked of workers was provided.

I therefore agreed in June that I personally, along with my Deputy Inspector General, would travel to Iraq to participate in the joint review in August. However, in mid-July, I was informed that other higher priority matters required MNF-I IG to postpone the NEC review indefinitely.

Nevertheless, my Deputy Inspector General and I went to Iraq in mid-September, and on September 15, 2006, we carried out a review according to the work plan suggested by MNF-I IG.

Our Review.

Our review was necessarily limited in scope. It did not constitute an audit. It consisted essentially of agreed-upon or limited procedures and was designed to provide negative assurance rather than attestation. It consisted of the following procedures:

1) Interviews with senior Department leaders and contracting authorities in the U.S. prior to departure;

2) Interviews with senior Department leaders and contracting authorities in Baghdad;

3) Physical review of the entire NEC site, including walkthroughs of kitchen and dining room facilities, medical clinic, recreational facilities, computer café, telephone access areas, commissary, management offices, and other areas;

4) Private interviews, outside the presence of any Bureau of Overseas Buildings Operations or FK representatives, with workers of Filipino, Indian, Nepalese, and Pakistani nationality;

5) Physical inspection of the living quarters of each interviewee, together with observation of living quarters of other workers randomly selected as we walked around;

6) Physical inspection of group facilities such as shower and lavatory, barbecue, religious, recreation and sports areas; and

7) Questions randomly asked of workers encountered in the areas we observed.

Responses from Interviewees.

We received the following responses on the following subjects from those workers interviewed:

1) Passports:

One half of the interviewees carried their passports on their person and one half requested FK to maintain them for security and convenience. Each of the latter believed they had free access to his passport and each had signed a form documenting he had requested that FK keep his passport for safekeeping and had voluntarily submitted it.

2) Employment Contract:

Each interviewee confirmed that he had a signed copy of his employment contract, which appeared in both English and his native language. Among other provisions, the contract set forth salary allowances, overtime, and annual leave entitlements for periods worked in both Iraq and Kuwait.

3) Fees for Job:

Most of the interviewees had paid some intermediary or agency a fee for obtaining his job. The fees ranged from one month of salary for Indian and Filipino to $1,200 for a Nepalese with a 26-month contract and a basic salary of $900/month.

4) FK Performance of Contract:

Aside from one Civil Foreman who had an issue regarding his job classification that was being worked out, each interviewee agreed that FK was abiding by the terms of the contract.

5) Overtime:

Each interviewee willingly sought and obtained overtime work. It was considered a benefit.

6) Pay:

Each interviewee acknowledged being paid on a regular monthly basis, with one having the money sent directly to his family at his request.

7) Resignation:

Each interviewee believed that, subject to certain early resignation provisions which he understood in his contract (a standard provision of which was a $2,500 fee in the event of resignation before completion of one year of service to cover medical test, travel from his country of origin, residency fees, and other expenses), he had the right to quit and return home at any time, as well as to quit and move to another company at the conclusion of his contract.

8) Mistreatment:

No interviewee was aware of any worker who had been mistreated, abused or subjected to pressure to engage in sexual activities.

9) Insurance Coverage:

Each interviewee was aware that he had medical and dental coverage at the medical clinic and that death benefits and applicable workmen's compensation were provided for in his contract.

10) Food:

Each interviewee ate his meals at the dining facilities and rated the food "good" or higher.

11) Recreation:

All interviewees, to the differing extent of their interests, were aware of privileges they had to commissary, religious, sports and other MWR facilities.

In our random approaches to individual workers other than the interviewees, we generally made inquiries regarding the matters in 5, 6, 8, 10 and 11 above. We did not receive any responses that differed from the interviewees.

Physical Inspection.

Following the interviews, each interviewee was requested to show us his living quarters. They were each in different sections of the camp. The living quarters were dry trailers, generally separated into three equal-size separate entry rooms, with overhead cover superior to that of the trailer area I stayed in at the Embassy. Each room accommodated three or four workers, was neat and clean, and was air conditioned. While in the various camp sections, we randomly asked other workers to show us their quarters, which they did. All were of the same general size and condition, and about half contained a TV and/or a small refrigerator. Shower and lavatory facilities were close by, plentiful, clean and functional.

We saw six different dining facilities serving Egyptian, Philippine, African, Lebanese, Pakistani and Indian cuisines to meet the different tastes of most of the workers. The facilities were uniformly clean and efficient, and the food appetizing. At least one of the facilities had a large TV for workers to watch both during and after serving hours.

In addition to recreational areas, which included makeshift basketball, soccer and volleyball, we visited a small commissary with snacks and personal items for sale and an internet café where workers could sign up for internet access.

An important facility was the medical unit we visited. It was equipped with a pharmacy, emergency room, x-ray machine and dental suite. The unit was clean, well-organized and had several medical staff members. The medications were neatly arranged and appeared to be labeled in both English and Arabic. Medical staff members we interviewed said they were not aware of any medical unit visits by workers for injuries related to beatings or abuse.

Management Visit.

Because my review was limited, I continued to seek additional inspection from MNF-I IG. While that inspection was being scheduled, it is my understanding that the Management Counselor and at least four other senior officials from the Embassy, including the Regional Medical Officer, visited the FK camp at the NEC to get a general idea of the conditions there. They did not conduct any worker interviews because they were aware that I had previously done some and that MNF-I IG intended to do more. Among the views expressed by the group,

- a hard cover dining facility they visited was impressively clean, well-lit and with a TV for workers to watch both during and after food service hours;
- a tented dining facility they visited was clean, air-conditioned, and equipped with all basics;
- a makeshift basketball court, internet café, and small commissary were all functional;
- the medical unit was new and appeared well-equipped and well-staffed;
- the Regional Medical Officer saw nothing that substantiated allegations of worker abuse or gross medical mismanagement such as dispensing of drugs labeled only in Arabic by non-Arabic speaking personnel; and
- in general, the FK camp was adequate for its purposes and the basic needs of food, housing and sanitation were being met.

MNF-I IG Inspection.

An MNF-I IG team spent 4 December 2006 inspecting the FK camp at the NEC. In view of some specific additional allegations of possible abuses, MNF-I IG returned for a second visit in December. MNF-I IG's procedures and experience were significantly more extensive than my own. MNF-I IG found no evidence whatsoever at either visit of any abuses against TCNs at the NEC.

Based on MNF-I IG's inspection and its experience in inspecting life support areas across Iraq -- during this time the NEC was 1 of 58 areas inspected by MNF-I IG in Iraq – MNF-I IG advised me, among other things, of the following inspection results:

- the FK camp at the NEC was clean and well kept;
- the living areas were at least the 50 sq. ft. per person required by MNF-I IG standards;
- the food was quite good;
- latrine and shower facilities were clean and well kept;
- the medical facility was very extensive, with several doctors and a full dental clinic;
- the medical and dental care provided to the workers was exceptional;
- no worker had circumvented Iraqi entry procedures or bypassed Iraq's immigration process;
- most of the workers had their passports voluntarily held by management to protect against loss or being stolen, and all those stated they requested management to do so and were aware their passports were their private property; and
- no evidence was found to indicate the presence of severe forms of trafficking, such as for sexual exploration, abduction, slavery, or removal of organs.

On balance, MNF-I IG concluded that (except for recruitment fees illegal in some workers' country of origin) there was no evidence of TIP violations, and of the 58 living support areas inspected by MNF-I IG, the FK camp at the NEC "rated in the top third with above average quality of life conditions". A copy of MNF-I IG's report to me is appended hereto as Appendix A.

Result:

Based on the foregoing, nothing came to our attention as a result of the foregoing procedures that caused us to believe that TIP violations or violations of the type referred to under "Allegations" above occurred at the FK camp at the NEC.

Howard J. Krongard
Inspector General
U.S. Department of State

Along with

William E. Todd
Deputy Inspector General
U.S. Department of State

Dated April 30, 2007

UNCLASSIFIED / ~~FOUO~~
HEADQUARTERS
MULTI-NATIONAL FORCE - IRAQ
BAGHDAD, IRAQ
APO AE 09342-1400

APPENDIX A

20 March 2007

MNF-IG

MEMORANDUM FOR Office of the Inspector General at the US State Department

SUBJECT: Multi-National Force-Iraq (MNF-I) Trafficking in Persons (TIP) Re-Inspection

1. This memorandum replies to your request for information on the results from our TIP inspection at the New Embassy Compound (NEC).

2. In December 2006, MNF-I Inspector General inspected the NEC on two separate occasions. This office had been requested by Howard Krongard IG at the US State Department to look at the NEC. The NEC was only 1 of 58 life support areas (LSA) inspected across Iraq. Our inspection was to look into the recruiting/employment practices, and worker LSAs of the contractors/subcontractors supporting Department of Defense (DoD) in Iraq. During the inspection at the NEC, 36 workers from 7 different nations participated in the sensing sessions.

3. The inspection results:

a. Most of the workers had their passports voluntarily held by management to protect against loss or being stolen. Of the workers that had management holding their passports, all stated they requested management to do so. All Third Country Nationals (TCN) were aware that their passports were their private property.

b. The workers stated that they can give notice of resignation at any time and be processed to return home within several days or weeks.

c. Several NEC TCNs reported that fraudulent hiring practices were used during their recruitment. They stated the promises made and the terms of the original contracts presented to them in their country of origin were inconsistent with the actual conditions (lower pay, longer hours, no days off) of their employment in Iraq. In all cases where deceptive hiring practices were evident, the workers originated from the Indian Subcontinent countries of Nepal, India, Pakistan, Bangladesh, and Sri Lanka. The deception was from recruiting agencies that were being paid by these workers, if they accepted these jobs and traveled to Iraq. Additionally, some workers were told to sign

contracts in their home countries in English, even though they could not read or understand the text of the contract.

d. A large majority of workers from the Indian Subcontinent incurred recruiting fees of up to 1 year's salary, which far exceeded the legal limits of the countries where the recruitment took place. Workers from the Philippines paid an amount within the legal limits of their country. Recruiting fees from approximately $2,000 to $3,000 are normal for workers from the Indian Subcontinent; TCN workers typically make only $240 to $400 per month. These workers reported they usually raise money to pay their recruiting fees by selling or mortgaging their land/house to a bank at 18-24% interest per year. Other workers borrow money from family, friends, and their villages to pay these illegal fees to recruiters. In several extreme cases, TCN workers relinquished all pay for between 9 to 12 months of labor, in order to repay their recruiting fee and interest. Some nations have established laws to limit the maximum recruitment fee that can be charged, and require recruiting agents to be licensed to operate within the country.

e. The NEC TCN camps I inspected were all clean and well kept. The living areas provided to the workers were at least the 50 sq ft per person required by MNF-I standards. The dining facilities were set up to accommodate the various TCNs by serving their cultural foods. We had lunch in one of the dining facilities and thought the food to be quite good. Latrine and shower facilities were clean and well kept. The medical facility was very extensive with several Indian doctors and a full dental clinic.

f. Workers had flown into Baghdad International Airport and had their passports stamped as proof of legal entry. No workers had circumvented Iraqi entry procedures by being routed on military and corporate flights directly to U.S. military installations in Iraq, completely bypassing Iraq's immigration process.

g. No evidence was found to indicate the presence of severe forms of trafficking, such as trafficking for sexual exploitation, abduction, slavery, or removal of organs.

4. I saw no evidence of Trafficking in Persons violations, other than the illegal recruitment fees, occurring at the NEC. The workers were being paid and had the ability to quit at anytime and, with some advance notice, return to their home country. TCNs worked 7 days a week with 14 days vacation per year. Salaries ranged from $240 per month for unskilled labor to $1400 per month for skilled. Of the 58 LSAs inspected, the NEC TCN camp rated in the top third with above average quality of life conditions.

5. Please direct any questions you may have pertaining to our TIP program to the MNF-I Inspector General, at DSN (318) 822-2597.

William M. McGowan
Lt Col, USMC
Deputy MNF-I IG

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Mr. TIERNEY. Thank you very much, Mr. Krongard.

Mr. Platts, you are recognized for 5 minutes for questioning.

Mr. PLATTS. Thank you, Mr. Chairman. I appreciate your hosting this hearing.

I appreciate all of our witnesses for your testimony, and I apologize coming in midway through.

General Williams, you may have addressed this as I came in, but just to reiterate if you did or to clarify. The current project, as far as being on time and on budget, where do we stand on the time and budgeting?

General WILLIAMS. Thank you, Mr. Platts, for that question.

We are at 96 percent complete. We are in the pre-accreditation phase. We are on schedule to deliver in September as planned at the budget.

Mr. PLATTS. What was the last part? At the budget?

General WILLIAMS. At budget which is $592 million from a supplemental appropriation.

Mr. PLATTS. I understand there is a number of contracts that relate to this complete project. Any of those are the cost type contracts?

General WILLIAMS. We have no cost-plus contracts, Congressman, because we have experienced that we have done 50 of these around the world over these last 6 years. We cannot control the costs in these very difficult places, particularly in a war zone, unless we use a firm fixed-price. This is a firm fixed-price contract.

Mr. PLATTS. That has become the norm now.

General WILLIAMS. That has become the norm, and our appropriators who support us here in the Congress concur in that and desire that.

Mr. PLATTS. Of the contracts, there is one or more that are sole source contracts?

Mr. MOSER. There are actually two contracts that are sole source. The chancery compound for the construction of the unclassified areas of the chancery were sole source. That was done only after a competition produced no viable bidders. In other words, it was subsequent to the competition.

The guard man camp that we discussed earlier today was also sole source, but that was done for the reasons in order to get a camp stood up as soon as possible so that guards could occupy a suitable facility and provide security to the facilities on the ground in Baghdad.

Mr. PLATTS. Part of that basis for doing a sole source is if there is an urgent need.

Mr. MOSER. This one was done. The guard camp was done on the basis of urgent and compelling reasons.

Mr. PLATTS. Who reviewed and approved those being sole source.

Mr. MOSER. The actual sole source justification was signed by Gregory Starr who is the head of the diplomatic security services. I think at that time he was one of the deputy assistant secretaries, deputy assistant secretaries in diplomatic security. It was reviewed by our attorney, our Acquisitions Attorney, Dennis Gallagher, and it was further reviewed by the head of the contracting authority who was part of my staff and that is Cathy Reed.

Mr. PLATTS. OK.

Mr. Chairman, I am going to yield the balance of my time to Mr. Issa. Thank you.

General WILLIAMS. Thank you.

Mr. ISSA. I thank the gentleman.

General Williams, this is the first time we have gotten to be together in this role, and I just want to commend you for your 6 years, certainly all your years of service but 6 years in which I have watched you turn around what was a national disgrace.

The fact that we couldn't build safe embassies, have them delivered on time and certainly not on budget, you have changed all that. Whether it is the new center in Lebanon, I am not talking about the new Embassy but the visa center that you stood up there on time and when no one else had been able to do it in a decade. So you have made a great deal of progress.

I just want to—Mr. Platts, actually finishing our question—having you take reference to the oversight and reform where it says allegations of waste, fraud and abuse in the U.S. Embassy in Iraq. Now as a matter of just pure fairness, is there any waste, fraud or abuse in the construction of the U.S. Embassy in Iraq when it is coming in on time and on budget?

General WILLIAMS. Congressman, in my opinion, no. I travel all over the country, all over this world, 174 trips. I am in and out of Iraq.

This project is going to be good quality. It is going to be accredited, and it is going to function. It is going to come in at or below the $592 million, and we are going to be on schedule.

Mr. ISSA. I thank you, and I just want to point out that $592 million is about what we are spending to be 2 or 3, actually 4 years late putting in something here at the House of Representatives. It is amazing that we can't find a way to build something right here in the shadow of the Capitol and come in on time and under budget.

Just the opposite, we are double the time and double the budget and, by the way, although Washington is not the safest city, no one is going to call it Baghdad.

Thank you. I yield back.

Mr. TIERNEY. The gentleman yields back.

Ms. Watson, you are recognized for 5 minutes.

Ms. WATSON. Thank you so much, and I want to thank our witnesses.

Just yesterday, we passed a bill off the House floor that would prohibit permanent bases in Iraq. When this issue of building the largest Embassy in the world came to us, I thought it was very curious because we intend to leave sometime soon, I would hope, and we are investing all of this money in the Baghdad Embassy, about $600 million.

I am wondering with the number of people—I think the population is somewhere around 68 million—we are building the largest Embassy in the world. That looks like we plan to stay there for a long time.

Now what I understand is that the man in charge of the project for the State Department, James Golden, has not laid eyes on the constructionsite for the past 2 months and will not do so during the remainder of the project. Through interviews of Mr. Golden and his

subordinate, Mary French, we have learned that the Ambassador ordered Mr. Golden to leave Iraq in May 2007 and that he has not been allowed to return since then. In fact, Mr. Golden was escorted off the premises by armed guards.

So, Ambassador Kennedy, this seems like an extraordinary step. Why did the Ambassador, Ambassador Crocker, expel Mr. Golden from the Embassy constructionsite he was supposed to oversee?

I am compelled by what Major General Williams said, that this site is going to come in on time, come in on budget and come in with the kind of standards that will protect Americans and other people there.

Ambassador Kennedy.

Mr. KENNEDY. Ms. Watson, the actual onsite project supervisor for the construction in Baghdad, who is delivering the project on time and on budget as General Williams said, is Mary French.

Ms. WATSON. Is she responsible for overseeing the project?

General WILLIAMS. Yes. Yes, Congresswoman.

Mr. KENNEDY. Yes, ma'am.

Ms. WATSON. Well, why was Mr. Golden in that position and ordered out of Iraq?

General WILLIAMS. Mr. Golden was never in the position as senior project director. Mary French was.

Ms. WATSON. Oh, so we have incorrect information in front of us?

General WILLIAMS. Mr. Golden's function is managing director of our emergency project coordinating office under which the Baghdad project is one of the few. We have Harare. We have several projects under that.

Ms. WATSON. Is he still there?

General WILLIAMS. He is not in Iraq. He is back doing.

Ms. WATSON. No, he is not in Iraq. That was the question.

General WILLIAMS. He was never intended to be in Iraq permanently.

Ms. WATSON. Well, was he in Iraq?

General WILLIAMS. No, he was never in Iraq permanently, Congresswoman. He made visits as I do and others do.

Ms. WATSON. Can you clarify something for me? I understand that Mr. Golden under his statement of work was to make site visits to Iraq, correct?

General WILLIAMS. That is correct.

Ms. WATSON. OK. Did he ever make a site visit to Iraq?

General WILLIAMS. Oh, yes, many times.

Ms. WATSON. That was my question earlier.

General WILLIAMS. Yes, but he is not permanently stationed there.

Ms. WATSON. Hold on. Hold on. Yes is the answer.

Now was he ordered out of Iraq?

Mr. KENNEDY. The Ambassador indicated that he felt comfortable that Mary French who was the onsite project supervisor would——

Ms. WATSON. Would you answer my question? Was Mr. Golden ordered out of Iraq? Am I making myself clear?

Was Mr. Golden ordered out of Iraq?

Mr. KENNEDY. The Ambassador indicated that he did not wish Mr. Golden to come to Iraq on any further times.

Ms. WATSON. Very good. Can you tell me what led to that decision?

Mr. KENNEDY. There was a discussion about following procedures at Post, and the Ambassador indicated that he wished Ms. French, who was the onsite project supervisor, to finish the project as she had done so well all along.

Ms. WATSON. So Mr. Golden was there and got into a discussion with the Ambassador about the procedures, the oversight procedures, is that correct?

Mr. KENNEDY. No, it was not a discussion with the Ambassador. It was a discussion of operating procedures and Mr. Golden, as the General indicated, has other responsibilities, significant responsibilities such as our Embassy in Harare as part of his functions.

Ms. WATSON. Well, tell me this. If Ms. French was going to do the job that Mr. Golden thought he was to do and was told by the Ambassador to leave Iraq, then why did it take armed guards to remove him from the Embassy grounds?

Mr. KENNEDY. I can't since I wasn't there when Mr. Golden was interviewed.

Ms. WATSON. Can anyone at the table answer that?

Chairman WAXMAN [presiding]. The gentlelady's time is expired.

Mr. Issa.

Mr. ISSA. Thank you, Mr. Chairman.

General Williams, again, thanks for your many years since 1960 of service to our country, service that I note you have done at very, very small compensation by comparison to private contractors. You have chosen to do that, I think, out of a sense of patriotism, and I very much appreciate it.

Were you in the room for the previous panel?

General WILLIAMS. I was in the side room, Congressman.

Mr. ISSA. OK, I appreciate that. I am going to followup on a little of that because you are the expert. You are the person with three decades in the Corps of Engineers and another two decades in construction.

The estimate of the State Department, which would be you, was that these trailers had, at least in the specific allocation, $6,000 or $8,000 or less to make right some punch points of mistakes, some of them grievous but mistakes, bad wiring, absence of a junction box and so on. Is that your understanding?

General WILLIAMS. Yes, Congressman, and let me just amplify here. For someone who served 2 years in Vietnam, I lived in a trailer park. I know what a trailer park is. I know the difference between a prefabricated trailer park and permanent construction. It is temporary.

In my professional opinion after 40 years, you never get something that is temporary, correct. You are constantly improving it, and it is all a function of who follows who and etc.

So none of this is alarming to the extent that it is putting us in a situation where we can't correct it. We have not paid the contractor. We have all protection there. These are punch list items. They happen on every single job. I just frankly don't see the issue here.

It is temporary, defined to be anywhere from 1 to 2 years or less, and it is for an element that will not reside on the new Embassy compound.

Mr. ISSA. Thank you, General. You know I have characterized this as a hearing in search of a villain, so I don't see it either.

The other day we did have some serious concerns about FEMA-delivered trailers. Out of 100,000, 120,000, some of them just flat were bad.

General WILLIAMS. Right.

Mr. ISSA. Now that was here in the United States where you make a phone call, and the things roll in pulled behind somebody's pickup truck or they drive themselves in or they come in on flatbed.

Can you characterize what it takes in a combat zone to bring in modular housing, trailers—heck—water, anything, what people went through and why you would accept something that came in that wasn't quite up to snuff and make it right later rather than wait 4 months to get somebody inside housing?

General WILLIAMS. Thank you for that question, Congressman, because these trailers were manufactured in a plant somewhere in the Middle East. They had to be transported one trailer, one truck at a time. There were 380 trailers that had to be transferred from as close as Kuwait but even further than Kuwait.

It was a monumental task. We had 70 days of road closures, and the trailers arrived. They were as we specked them out.

Yes, they had the odor of formaldehyde because it is my understanding that this is used for other preventive measures. To make certain that there were no issues with our trailers, we followed the protocol that was laid out by the manufacturer and that was to air them out for a period of time. Our industrial hygienists that are part of my staff concurred with that protocol.

I have learned from Post recently that there is no odor left. We are going to go one step further and continue to monitor those trailers to make certain that everything is fine.

I think, Congressman, we have done everything that we could do, can do under the conditions that we have had to work.

Mr. ISSA. One final question because I think it is a cultural one in nature, and I am very concerned that we respect cultures of people we bring into countries. If somebody is Sikh or some other religion where they must wear a turban and they will not wear a hard hat, what has been your experience when you have to deal with that?

What is construction done like in India and so on?

Is there essentially a reasonable allowance that has to be made when you have that situation that is not consistent culturally with our norms? Because that was in the earlier testimony.

General WILLIAMS. Thank you, Congressman.

As I mentioned, I have been all over the world, every corner, every country, 170 different hosts and locations. We are working in about half of those.

Culture is an issue. I am very sensitive, and I make certain that our staff is very sensitive to culture. We have to be.

I meet and greet workers. I don't spend much time in the embassies. Everyone knows that. I shake hands with them. I take pictures with them. I talk with them, and I am very sensitive about their religious cultures.

Mary French handled this as delicately as anyone could handle it. Mary is not new at this. She has 32 years of experience, a registered architect. She knows what she is doing. Twenty years with Marriott, she has built buildings before. She is very sensible and reasonable and careful.

Mr. ISSA. Thank you, General. Thanks again for your service.

I yield back, Mr. Chairman.

Chairman WAXMAN. Thank you, Mr. Issa.

Mr. Tierney.

Mr. TIERNEY. Thank you, Mr. Chairman.

Mr. Krongard, if I might ask you a few questions on that, I guess it was three to four individuals that you interviewed when you went on your inspection.

Mr. KRONGARD. The formal interview process was about a half a dozen, roughly give or take, and then randomly I would say I spoke to probably several dozen others.

Mr. TIERNEY. So six?

Mr. KRONGARD. Six of the formal.

Mr. TIERNEY. That you formally interviewed.

Mr. KRONGARD. And about some 50 or more others.

Mr. TIERNEY. You took notes and put that into a report?

Mr. KRONGARD. The notes were hard to take, and they were on the backs of things because I didn't want people to think I was, I didn't want to make them uncomfortable and think that they were being transcribed or anything. But I took notes, and they found their way into my report.

Mr. TIERNEY. Now First Kuwaiti is the one that selected the individuals whom you would interview. Is that a typical way to operate?

Mr. KRONGARD. Well, in this particular circumstance, I had no other way of doing that, but that is why I particularly wandered around and spoke, as I say, to several dozen others selected randomly.

Mr. TIERNEY. Why was there no other way for you to do that in this instance?

Mr. KRONGARD. I don't know how, who I would have selected. I didn't have a roster of the hundreds or even thousands of employees that they had, and it is correct.

I mean people have thrown out this conspiracy theory that somehow First Kuwaiti stacked the deck. I can only tell you that my sense of the demeanor of the people that I spoke to was that they were being open and honest with me. The people that I randomly selected, I have every confidence were being open with me.

But most important, sir, I was not there in Iraq. MNF-I IG was there. They do this all the time. They are the experts at this. They inspected 58 camps. So I asked them to do even more, and their formal interview was, I think, 37 people, and they were confident that they had open and candid responses.

Mr. TIERNEY. On your interviews with about 10 to 15 percent of the people that fluently spoke English, why didn't you take a translator with you?

Mr. KRONGARD. I did have a translator with me when I went randomly. I don't know where your 10 or 15 percent comes from.

Mr. TIERNEY. Ms. French.

Mr. KRONGARD. Pardon?

Mr. TIERNEY. Ms. French.

Mr. KRONGARD. I mean I just don't know that, but there were certainly a large number of people that did speak English. But during my wandering around, I did have a translator with me.

Mr. TIERNEY. You mentioned a series of allegations that led you to undertake your investigation. Did you followup with the specific individuals who made those allegations?

Mr. KRONGARD. Sir, I have, I was provided with the transcript of the interview that was given to Mr. Mayberry by the Trafficking in Persons Bureau. So I had Mr. Mayberry's testimony.

Mr. TIERNEY. Did you followup and speak to him directly?

Mr. KRONGARD. I had no reason to speak to him directly, and I, sitting here today, have no reason to. I had everything that he said. David Finney has published everything that he has said. Some of the things that he said I saw with my own eyes.

Mr. TIERNEY. Well, let me point to what he said. He saw things in March. You went there in September. So you thought there was no reason for you to question him at all about any disparities or differences that might have arisen in that point in time?

You didn't want to inquire deeper into his observations or serious allegations?

Mr. KRONGARD. No. I had everything he said. By the way, sir, I had been there the year before. I was there before he was.

Mr. TIERNEY. But you did a more intensive investigation the second time, if I am correct, is that right?

Mr. KRONGARD. Sir, when I look right now at the transcript of his interview with the Trafficking in Persons Bureau and I see some of the allegations that were made, they were contrary to what I saw and experienced in every post around the world, and I have oversight responsibility for some 265 posts and missions around the world.

The vast number of those have some disgruntled employee and they make all kinds of allegations and they may be true. I am not saying that they are not, but I can't possibly start out by saying that anybody who makes an allegation, I should personally interview.

I was given this transcript of Mr. Mayberry, and I had all the things that he said in the newspapers and on 60 Minutes.

Mr. TIERNEY. Other than the two site visits that you made, who else did you talk to in order to investigate the allegations?

Mr. KRONGARD. I am sorry, sir.

Mr. TIERNEY. Other than the individuals that you talked to on your two sites, who else did you talk to during the course of your investigation?

Mr. KRONGARD. First of all, I didn't do an investigation. I have tried to point that out. This was not an audit. It was not an investigation.

This was an agreed upon procedures and a limited review which I also did in conjunction with visits by the management committee or the management counselor. I did it in conjunction with two visits by the MNF-I IG who are really the experts at this.

Mr. TIERNEY. They didn't go there until some time after you went. In fact, you tried to go there with them, and they weren't

able to make it, and so you went on your own with the deputy, is that correct?

Mr. KRONGARD. Yes, but not very long after. I was there in September. They were there in December.

Mr. TIERNEY. But you are telling me that you took no responsibility in your position as Inspector General to do an inspection or to do an audit on your own on these serious allegations?

Mr. KRONGARD. I believe that I did that, sir.

Mr. TIERNEY. I mistook that because I thought you just said you didn't do a thorough audit or investigation.

Mr. KRONGARD. I did what I thought was appropriate. I tested the credibility of the allegations. I looked at what was said, and I thought that I did an appropriate job, and I think today that I did an appropriate job.

Mr. TIERNEY. My time is expired. Thank you.

Chairman WAXMAN. Thank you, Mr. Tierney.

I want to recognize myself.

We have heard allegations about concerns raised by Embassy staff and KBR about the quality of First Kuwaiti's work on the Embassy complex guard camp. Given that this is the same company that is going to be responsible for the construction of the permanent buildings at the Embassy complex, I am also concerned about the quality of work on those buildings.

We have learned that the State Department officials have had concerns about the design and construction of key systems at the new Embassy. John Archensky, the deputy director for the Iraq Project Construction Office, has told committee staff that in reviewing designs prepared by First Kuwaiti his staff identified concerns about the fire protection system, the HVAC system, the power plant that could have affected the operation of the Embassy facility. This office is the part of the OBO dedicated to the Embassy project.

For example, there were concerns that under First Kuwaiti's design, there were not enough ductwork fans to evacuate smoke from a fire so that people could exit the building safely. Under First Kuwaiti's design, the wrong electrical materials for the fire alarm system would be used. Under First Kuwaiti's design, the electrical power system might not operate correctly when the building is fully up and running which could lead to blackouts.

According to Mr. Archensky, the Iraq Project Construction Office sent back the fire alarm system designs to First Kuwaiti three times and each time got back designs that did not address their concerns.

General Williams, is there any reason that First Kuwaiti ignored proposed corrections to design flaws identified by your staff?

General WILLIAMS. Well, I don't think they ignored them, Chairman Waxman. Let me just explain this process.

There is always on these Embassy compounds and of course in all the other construction that I have done, it is always give and take around designs and submittals and so on.

We have an ongoing process where we invite the particular discipline that we might have concern about. In this case, it would be fire engineers. At my request, they made the normal visit out, and we want them to dig and look and turn over every rock. I expect

a report to come back identical to the way it came back so that we can be more vigilant about it.

We take that report. We use it as a quality assurance to make certain that things are done correct.

Chairman WAXMAN. I appreciate that.

General WILLIAMS. But the real, if I could.

Chairman WAXMAN. Sure.

General WILLIAMS. The real rights of passage, if you will, for everything that we build on an Embassy is an accreditation process which occurs, about to occur now on the new Embassy. It will judge how the Embassy was built because prior to building—I think you know this, Mr. Chairman—we have to certify to the Congress that around a design, this is what we are going to build.

So the accreditation team comes back at about the 98, 99 percent level and accredits that. That process will take place. There is no way to have or to put in place a new Embassy compound that does not meet our specifications. There is a lot of give and take.

Chairman WAXMAN. General, I appreciate that.

But when the installation work began, the construction office conducted an inspection of the fire safety system and identified the following problems. The inspection determined that First Kuwaiti had installed the wrong size conduits in the alarm system that had to be fixed. The inspection determined that the pipe for the sprinkler system were not connected properly and could break apart under pressure.

Are you concerned about these problems that your staff identified or do you just hope that when you do the accreditation it is going to be corrected?

One of the documents we asked to see before this hearing was the fire safety report that documented the problems we have been talking about. Mr. Archensky talked about this report in his interview with the committee staff. This is being withheld from the committee.

I don't understand why it is being withheld. Hiding bad news will not make bad news go away. It usually compounds the problem.

I want your response to this. Are you concerned about these problems that your staff has identified?

General WILLIAMS. I would be happy to, Mr. Chairman. I am concerned about every single problem, and I think anyone who has been in an earshot of me for the last 6 years knows this. I turn over most of these myself when I go. I am looking for them.

Any time a report comes in to me, I ordered the fire people to go out as I do on all of these. Go out and take a look. I send electrical people out. I send mechanical people out, etc.

I want to be absolutely certain because there will be an accreditation process, and I want these things corrected.

I have found with this contractor that there has never been any shyness on correcting what we bring to their attention. They want to get it right. They have tried very hard to get it right. They are not perfect.

I have never seen a perfect project. There is always when you are installing something of this magnitude, there are things that are not exactly the way they should be, and that is the reason we have

these checkpoints in the process. We have a good process. If you look at the 50 embassies that we have built, they will meet the test and the standard.

Chairman WAXMAN. The guard camp went through the same process.

General WILLIAMS. No. Guard camp is a temporary facility. It is not subject to the rigor of a permanent facility.

Chairman WAXMAN. I see. So the fact that was all messed up with all sorts of problems shouldn't be taken as evidence that, one, you didn't have a process that worked and, two, the company that didn't work shouldn't be held accountable for it or thought maybe would be doing poor work on the Embassy.

General WILLIAMS. No, Chairman Waxman. The company that built it should be held responsible for doing everything that they set out to do. As I mentioned earlier, we have not paid them, so the Government has no issue here.

Any of these issues that we feel that clearly are on First Kuwaiti's plate, they have been or will be taken care of.

But, as I said earlier, for someone who spent 2 years in Vietnam and lived in a camp, you never get a camp right. You constantly are doing things to it and it is sort of in the eyes of who comes after you. But we do the best we can with it to make it work.

Chairman WAXMAN. My time is expired, but I just want to say that KBR complained that this wasn't being done properly. It still wasn't fixed. Then your own people went out and came back with the same problems. It still wasn't fixed.

I just think that is an indication of a system that is not working the way it should, and that is why I am asking all these questions.

It is Mr. Shays' time.

General WILLIAMS. Is it possible for me to respond to that?

Chairman WAXMAN. Certainly, go ahead.

General WILLIAMS. Our people, my people did not go back to the man camp and come back and say that things were not done. What I recall is I have 80 union workers on this project, all Americans, and to make certain that this camp's electrical part was right.

Chairman WAXMAN. Let me just say that I have a document that I am sure you have seen, and it says: "Within this document are the results of the commissioning of the DS man camp on the west side of the new Embassy complex in Baghdad, Iraq. As noted within the enclosed documentation, the camp meets and exceeds the requirements of Section C of contract."

Then it goes through within the camp are the following structures, and it is certified.

Well, I don't know what that is supposed to mean if it turns out they certify it and then it is not meeting those expectations.

General WILLIAMS. Well, there is a punch list on every single piece of work that I think anyone has ever touched. This was KBR coming in, and they looked at things. We had, as my friend here said, some discussions about them, and we will correct those.

Chairman WAXMAN. KBR came in after the punch list.

General WILLIAMS. Yes.

Chairman WAXMAN. So they came in after the punch list and said these things are not the way they are supposed to be.

Mr. Shays.

Mr. SHAYS. Thank you. Thank you, Mr. Chairman, and thank you to the witnesses.

As I have listened to today's hearing, I came in with an open mind, concerned particularly about, one, the cost of the facility that costs $592 million. That is a lot of money considering this is a rather big facility but recognizing that you are basically going to look to house everyone within the compound which makes it much more expensive.

I am struck by the fact that there is really no contention that you aren't on time and that you haven't stayed within cost. So that is a significant fact to point out.

There is no project that is not going to have issues about the quality of work in certain places. The issue is how have you dealt with it. I am struck by your testimony and the witnesses that testified that you have dealt with it pretty well.

But who knows? Maybe there will be some report that finds something later that you haven't done well. The one thing we can be certain of is you have done a heck of a lot better job in building this facility in a war zone than we have done in staying within cost and within time in the visitors center here in the Capitol. That is very clear to me.

What is disconcerting to me is the continual confusion of a workers compounds in temporary trailers, now temporary more than 90 days but not permanent. They are going to be taken down and mixing that up with the facility.

Then when we look at the KBR's first witness, we are basically looking at something under $6,000 worth of mistakes, not tens of thousands, not hundreds of thousands, not millions, certainly not billions. So I am struck with that.

What concerns me is the issue that it relates to employees. One, I would have liked these to be Iraqis. First, tell me why they couldn't be Iraqis and then I want to go from there.

General WILLIAMS. Congressman Shays, we tried very hard to vett and get Iraqis to work. This was our first choice, at least the contractor's first choice.

I will let my colleague, Ambassador Kennedy, speak to the difficulties of getting that process through.

Mr. SHAYS. Give me the short version, not the long version.

Mr. KENNEDY. Mr. Shays, there are two issues here. One is that because of the security situation in Baghdad, the Iraqi employees are truly afraid to transit in and out of the Green Zone.

Second, we have not been able to find an easy way to vett, run police checks, run security checks on Iraqis because of the problems that are currently present in the country. Therefore, we did not want to inject an element of bringing employees onto the site who might do not what we wanted them to do, to do something nefarious.

So, first choice, hire local but if we cannot hire local for a variety of reasons, then we must go to alternate means of employment.

Mr. SHAYS. Mr. Inspector General, I am looking at a document, and it says basically several NEC TCNs reported that fraudulent hiring practices were used during their recruitment. They stated the promises made and the terms of the original contracts presented to them in their country of origin were inconsistent with the

actual conditions—low pay, longer hours, no days off—of their employment in Iraq.

In all cases where deceptive hiring practices were evident, the workers originated from the Indian Subcontinent, countries of Nepal, India, Pakistan, Bangladesh and Sri Lanka. The deception was from recruiting agencies that were being paid by these workers if they accepted these jobs and traveled to Iraq.

Additionally, some workers were told to sign contracts in their home countries in English even though they could not read or understand the text of the contract.

That seems to be to be a pretty serious problem. While we can't necessarily call it slave labor, doesn't it suggest that the people who were contracting these people may have made out like bandits while the people who ended up working in Iraq were clearly being abused, given they didn't get everything they expected in terms of pay and given that their hours may have been longer, etc.?

Put in context that. It seems to me that is a pretty strong indictment.

Mr. KRONGARD. Yes, sir, it may well be. The question is who is it an indictment of, and it is mainly an indictment of recruiting practices in the Indian Subcontinent countries. I don't really have the jurisdiction.

Mr. SHAYS. I know you don't have the jurisdiction, but maybe I could ask all of you to address it.

This is what I think this hearing should focus on. We can't wash our hands of the fact that we asked someone else to do the recruiting and, in the end, we end up with people who have been in fact brought in, getting less pay, and not getting the employment they thought while the people who did it seem to have made out quite well.

I guess what I want is what is the difference?

Mr. KRONGARD. If I may, and I don't want to be in the position of defending these recruiters because I am most certainly not. I want it on the record that I very much disapprove of that. We have recruiters in this country who do things that I disapprove of.

But I did go back to First Kuwaiti because I wanted to know whether they had any relationships with these recruiters or were sharing in the making out like a bandit as you say.

What I was told and based on my discussions, limited though they were, it was supported that First Kuwaiti itself was not using recruiting agencies, that they did not have any direct relationships, that they did not share in any of the profits, that for the most part the people that they came in touch with who became employees on the new Embassy compound site had been hired by other construction companies on other sites and then had switched over to First Kuwaiti.

Mr. SHAYS. Let me interrupt, though. It was our money that was paying these folks, wasn't it, ultimately?

Mr. KRONGARD. No.

Mr. SHAYS. I don't know how you can say no. Aren't we paying for the Embassy?

Mr. KRONGARD. We are paying a fixed price for the Embassy. That is correct.

Mr. SHAYS. Right, and so it may not be our taking and writing out a check to them, but it is basically our dollars going to be used in this Embassy, hiring contractors and others to do the job. Don't we have some moral responsibility to make sure that the employees who are working there aren't being taken advantage of?

I would ask the indulgence of the Chair just to pursue it with the others.

So do you have a comment on that?

Mr. KRONGARD. I am sorry. I don't believe that I have any authority to enforce the laws of Nepal or Sri Lanka. I really don't.

Mr. SHAYS. I am really not asking whether you enforce it. You were clear as to what you were saying. You were saying these people were taken advantage of.

Mr. KRONGARD. Yes.

Mr. SHAYS. But it seems to me that it rests on our shoulders because we are the ones who are ultimately paying the people to build this.

Mr. KRONGARD. And, sir, I have advised the Department of Justice of that.

Mr. SHAYS. OK. Let me ask the State, and then we will go from there.

Thank you, Mr. Chairman.

General WILLIAMS. Yes, just a quick note, Congressman Shays, before I pass to my procurement colleague.

Every matter that relates to the human element in the area that I supervise is important as part of the preconstruction conferences with any contractor, American contractors, because you know they get their work done with foreign workers. So it is not just an isolated matter here for First Kuwaiti.

We say to them, we expect you to be very, very much in line with our rules and regulations as much as they can.

Mr. SHAYS. But they weren't.

General WILLIAMS. Pardon me?

Mr. SHAYS. It appears that they were not.

General WILLIAMS. Well, no. We say this every time that we hear one of these allegations.

Mr. SHAYS. General, I just have to say, saying it and somehow enforcing it with how we reimburse and so on, there should be some mechanism that holds us accountable.

I realize I am a little over time, but I would like to just have Mr. Moser respond.

Mr. TIERNEY [presiding]. Before you do, if you would just yield to me 1 second.

Mr. SHAYS. Sure.

Mr. TIERNEY. I think you are onto the nub of this part of the hearing. The subcommittee's part of the hearing is on this, and that is what we thought was important.

We all know what we are dealing with here, and I don't think anybody is comfortable. I wouldn't suggest that any of you gentlemen are comfortable with what is going on.

So the question is why don't we have it in the contracts to people like First Kuwaiti and for somebody like that, Mr. Moser? Why isn't it a contractual matter that they make sure that even if they try to outsource the hiring or if they accept the work?

I mean I don't really buy that everybody just showed up. Three thousand people showed up, and they were actually hired by somebody else and just hopped over the fence to First Kuwaiti or whatever. But why aren't they responsible for the recruiters and the recruiters' bad practices and then that company is responsible to us so that this kind of thing doesn't happen?

Mr. MOSER. Well, Mr. Shays, I think to be honest with you, we do the contract according to the Federal acquisition regulations.

Mr. SHAYS. I don't think your mic is on.

Mr. MOSER. Excuse me. I am sorry. The mic wasn't on.

But to be honest with you, Mr. Chairman, we construct the contracts on the basis of the Federal acquisition regulations. In June 2006, we added to all of our contracts unilaterally the Trafficking in Persons clause in conformance with legislation by Congress.

We take these very seriously, but at this time our reach does not extend to third country hiring practices. It is not within the terms of the contract. Even though we can have a discussion about whether that is a good idea or not, it is currently not within the legislative scope of the Federal acquisition regulations.

Mr. SHAYS. Well, as the chairman said to me, we should make sure that we have impact there.

I would just conclude, and I think all my colleagues would agree so I am not just taking a position that is unique to my own view. We are complicitous, and we have to make sure this does not happen. We have to make sure that in the process of trying to find people who can work at a facility, given it can't be Iraqis, that we are in essence becoming part of the problem of human trafficking.

That is what I am concerned about at least as it relates to this hearing, and I know, Mr. chairman, that was your concern when we started this.

Mr. TIERNEY. This is the reason for this hearing. I understand that the modification was made to the First Kuwaiti contract last year amongst a lot of other contracts because of legislation this Congress passed, sharing everyone's concern on that. They added the human trafficking clause. The President has made it very clear that he declared that there be zero tolerance for it when it came to human trafficking.

But even under General Casey's tenure in Iraq, the Department of Defense confirmed that there were deceptive hiring practices going on at the time, excessive fees charged by overseas job brokers who lured workers into Iraq, substandard living conditions once laborers arrived, violations of Iraqi immigration laws, lack of mandatory awareness training on the U.S. bases concerning human trafficking.

The General ordered in April 2006, that harsh actions be taken against firms that failed to return passports or other abuse practices. Contracts would be terminated. Contractors would be blacklisted from future work, and commanders could physically bar firms from bases.

We have put that modification there. Are you telling us now that is not enough, that in order to hold the Kuwaiti company responsible for their subcontractors who are out there bringing people in under these bad conditions?

It seems to me we need, one, a more intensive authority for Mr. Krongard to go in and inspect and audit and, two, we need to put some teeth into these things so it doesn't happen. I will just take the liberty of getting a response on that.

General WILLIAMS. Mr. Chairman, we will clearly look into it. We take your counsel very seriously. This is a matter that if we can have more authority and provisions, I am sure that our procurement arm would be delighted to deal with that.

Mr. TIERNEY. I thank you.

As I think the testimony here today indicates—Mr. Shays, I think you will agree—inspections on a regular basis to see whether or not this is happening, contractual provisions to hold people responsible, not just to kick it down the road and say, gee, it happened in Asia or Southeast Asia, and then some accountability on that.

Mr. KRONGARD. Sir, if I could respond to you as well because I agree with you.

Mr. TIERNEY. Yes, Mr. Krongard, please.

Mr. KRONGARD. I wish I did have more authority, and that is why I went to the Justice Department. I have had lengthy discussions with them about what their jurisdiction is.

But I do want to say you mentioned their subcontractors. We still do not have any evidence that First Kuwaiti is in privity with or has relationships with these contractors, these recruiters.

Mr. TIERNEY. I understand, but maybe we should find out whether that is the case.

Mr. KRONGARD. I did the best I could.

Mr. TIERNEY. Because it stretches the credibility of all of us here to think that every single worker for First Kuwaiti just happened to be in Iraq at the time, whether they are from Nepal or India or some place else and they took them from somebody else's handiwork of getting them into Iraq.

Mr. KRONGARD. No. What happens is that the workers in these countries are recruited. They pay money to the recruiters, and the recruiters assist them just like college recruiters or something would do here and assist them in getting the jobs with First Kuwaiti or with somebody else.

Mr. TIERNEY. People can't be turning a blind eye to that. People know how this process works, and it shows up on their doorstep. People have to take responsibility for it one way or the other. It starts with us, goes down to the contractor, goes right down to what is happening to those people.

When you have to take $2,500 from somebody in order to get them for a job that pays $7 a day and then tell them they can't leave unless they pay $3,000 which is some of the testimony that we have in reports—it was before today—there is a problem here. I don't think any of you disagree.

We need to do something about that, and that is the purpose of this hearing and this portion of this hearing.

General WILLIAMS. We take your counsel, Mr. Chairman.

Mr. TIERNEY. Thank you.

Ms. McCollum, you are recognized for 5 minutes. Thank you for your patience.

Ms. MCCOLLUM. Thank you, Mr. Chair. I want to read a little more here.

These workers reported that they usually raised money to pay for the recruiting fees by selling or mortgaging their land or house to a bank at 18 to 24 percent interest per year. Other workers borrowed money from family or friends in their village to pay these legal fees to recruiters, and in several extreme cases it went on that workers relinquished all pay between 9 and 12 months of labor in order to repay their recruiting fees and interest.

On page 2, No. 4, I believe these are your words: "I saw no evidence of trafficking in persons violations other than illegal recruitment fees occurring. The workers were being paid. They had the ability to quit any time and, with some advance notice, return to their home country."

Are those your words?

Mr. KRONGARD. No. What you read from first were the words of the Inspector General of MNF-I which is appended to my report.

Ms. MCCOLLUM. This is attached to your report.

Mr. KRONGARD. But I don't think I disagree with their conclusion that those things which were——

Ms. MCCOLLUM. Excuse me, though. People who mortgage their homes at 18 to 20 percent interest per year, borrowed money from family and friends, basically said that they relinquished all pay for 9 to 12 months, you would agree then with the statement at the bottom that workers were being paid and they had the ability to quit any time at some advance notice and return to their home country?

Mr. KRONGARD. Yes, they did have the right to do that.

Ms. MCCOLLUM. They had the right to do that probably if they came up with their own airfare to get back home and could find their passports.

I have a question, sir. Mr. Owens and Mr. Mayberry described people who had been brought into work, in their opinion, under false pretenses. Do you think that there is some validity to their statements based on what I just read and based on what you said about how this was subcontracted to somebody to somebody to somebody so nobody really knew what was going on when these people were recruited or what they had been told?

Mr. KRONGARD. No, I don't think that is what we were. That is not what I was told, and that is not what I am saying.

First of all, the people that I spoke to, and I didn't speak to.

Ms. MCCOLLUM. I asked you if you thought Mr. Owens and Mr. Mayberry, based on what they testified, based on the proximity, the amount of time that they spent with these individuals, being in an airplane when destination Baghdad came over the speaker. I think most people around the world know where Baghdad is and what Baghdad translates in English.

They seemed pretty shocked and seemed like they didn't think this was what they signed up for.

Based on what I had just read and what has just been discussed by you gentlemen here for, in my opinion, horrific job recruiting practices that this in fact, what Mr. Owens and what Mr. Mayberry said, very well could have been accurate. You don't know that it isn't accurate, do you?

Mr. KRONGARD. Neither I nor the MNF-I IG had found any reason to believe that the stories regarding the aircraft and people not knowing where they were going. We found nothing to support that.

Ms. MCCOLLUM. But you don't know whether it is accurate or inaccurate, do you?

Mr. KRONGARD. I have a lot of indication that it is not accurate. All the information that I have, other than from those two gentlemen, is that it is inaccurate.

Ms. MCCOLLUM. Maybe General Williams, you were talking about security earlier. Is the site of the U.S. Embassy construction area, a secure area?

General WILLIAMS. Yes, it is.

Ms. MCCOLLUM. Does access to the Green Zone and the Embassy constructionsite require a security clearance?

General WILLIAMS. That is set by the Green Zone. I defer to my colleague.

Ms. MCCOLLUM. The Embassy constructionsite then, does that require a security clearance?

Mr. KENNEDY. The access to the Green Zone is not, does not require a U.S. security clearance. Access to the constructionsite, as General Williams can explain better than I, there are multiple layers within the constructionsite.

Ms. MCCOLLUM. I have limited time. I understand that. It is already yellow.

Have security background checks been done on all the individuals permitted inside of the Embassy construction zone?

General WILLIAMS. When they were required, I have not received any information to suggest they are not.

Ms. MCCOLLUM. All the employees of First Kuwaiti working on the site, do they all have security background checks?

General WILLIAMS. They have been vetted through the system that is required for all workers on our sites.

Ms. MCCOLLUM. So these recruiters when they were getting them in the villages and they were signing up their 18 and 20 percent mortgages on their homes so that they could pay these exorbitant recruiting fees, they were vetted by these recruiters?

General WILLIAMS. Congresswoman, I believe this was occurring in the countries where the individuals were.

Ms. MCCOLLUM. Whose responsibility should it be for the security background checks? Should it be the U.S. Government's responsibility?

General WILLIAMS. I will defer.

Mr. KENNEDY. Ms. McCollum, there is a distinction between a U.S. security clearance which is required and can only be granted to an American citizen to work in certain areas and to have either access to classified information.

Ms. MCCOLLUM. I made it very clear I was talking about constructionsites, gentlemen. I wasn't talking about looking at how the alarm system is going to operate but the basic construction system.

You said you couldn't hire Iraqis because they couldn't be vetted. So I am asking, who vetted these people?

Mr. KENNEDY. Name checks are run on workers, but there is a difference between a vetting name check and a security clearance,

and that is what I am trying to explain is that there are, in effect, gradations and levels depending on the work involved, ma'am.

Ms. MCCOLLUM. Well, Mr. Chair, my time is up.

But I would be very anxious in finding out why we weren't able to really find out how these people were selected for this job. They came from countries—Pakistan, Egypt, Bangladesh, and India—where there are terrorism concerns, and the fact that they are in-country, working in a U.S. area, building a U.S. Embassy is a concern to me.

Mr. TIERNEY. Mr. Kennedy.

Mr. KENNEDY. If I might, Ms. McCollum, I know your time is limited today, but I would be happy to come and see you, accompanied by a senior representative from our diplomatic security service, to explain the intricate process that we do go through, ma'am.

Ms. MCCOLLUM. Mr. Kennedy, I think just providing that information to the committee would be fine. Thank you very much for your offer.

Mr. TIERNEY. Thank you, Ms. McCollum.

Ambassador, let me just pry a second on that because I am curious. There were two aspects to your issue with the people. One was that Iraqis were finding it difficult to go into the Green Zone and back out. They had their own security they were concerned about, and I understand that.

That may, in fact, be a stopper on that because my first question coming in here was why aren't we just hiring all the Iraqis. If we can hire Pakistanis, we should be able to do the same background check on all of them.

Is that pretty much it, that we could do the same background check on everybody and hire, but it is really the second point that is a stopper?

Mr. KENNEDY. It is both, sir. I mean there are a number of Iraqis that are afraid to enter the Green Zone and, second, we are able to do the limited vetting that we do in some locations easier than we can do it in Iraq because of the lack of records and the ongoing strife there.

Mr. TIERNEY. So it may be easier in Nepal and Pakistan and places like that than it is in Iraq?

Mr. KENNEDY. To do vetting.

Mr. KRONGARD. Sir, could I make a point on that as well?

Mr. TIERNEY. Sure.

Mr. KRONGARD. Some 2 years ago, that was before some of you, and in conjunction with the Inspector General of the Department of Defense, my office issued an interagency assessment at an Iraqi police training program. One of the things we pointed out then, and I think it was well received, was that the recruits to the police forces were not vetted well.

There has always been difficulty for us as Americans in vetting Iraqis particularly because you might find some terrorists in some of these countries, but in Iraq every one has a side. They have a religion. They have an ethnicity. They have a tribe. They are living in that war zone area.

We were critical at that time of the vetting process, and I personally continue to be concerned about anything that would bring large numbers of Iraqis who are not well vetted into secure areas.

Mr. TIERNEY. Thank you for that.

General, I have a point that I want to raise. Michael Michener from the Bureau of Democracy, Human Rights and Labor, DRL I guess we call it, I am informed that he sought access to the Embassy site in order to investigate allegations of labor abuse and reportedly he was denied access by Mr. Golden, by James Golden. Can you enlighten us on that?

General WILLIAMS. No, I cannot. I heard the same thing. I checked with Mary French who is the keeper of the key to whoever comes on the guard site. She is very tight. She is very sensitive about what goes on, on that site.

Congressman, just understand that our people are under tremendous pressure, and I know you have appreciation of what a war zone is, but it is wound up as tight as it can get every day. There is so much that Mary has to look at. One is security. We were concerned about this from day one.

Mr. TIERNEY. Can I just interrupt you for a second because I want to make sure we get your answer right. I am not told that she refused anybody admission. I am told that Mr. Golden, without comment, refused Mr. Michener the access. Now Mr. Golden himself isn't even on the site.

General WILLIAMS. Right, so I don't know that.

Mr. TIERNEY. Would you inquire into that for us?

General WILLIAMS. I will inquire, and I will get back to you on that, sir.

Mr. TIERNEY. And get back to the committee on what is going on with that because I think that is important to know.

General WILLIAMS. Yes, sir.

Mr. TIERNEY. I assume, and you can tell me otherwise, that you have never resisted the initiation of an investigation by the Inspector General, by the Department of Justice or any other investigative body, even the DRL. Is that correct?

General WILLIAMS. No, but when issues come to me in that regard, I report them to the Inspector General and the department in the State Department that is responsible for them.

Mr. TIERNEY. I will tell you one more reason why that concerns me. I have a series of e-mails here that went from the DRL back and forth to Baghdad on that. The last one is from Mr. Golden, and it basically is to Mary French. It refers to an e-mail about this trafficking question and whether or not we can inquire of those matters or not. Mr. Golden responds to Mary French, do not respond to these folks, the DRL.

I would be concerned about that. I hope you will look into that.

General WILLIAMS. Well, I will look into it.

Mr. TIERNEY. Because I think it is their job to inquire.

General WILLIAMS. Sure.

Mr. TIERNEY. We want them to do that, and I suspect you want them to do it.

General WILLIAMS. That is right.

Mr. TIERNEY. Last point for me before Mr. Shays adds his last one and we will let you go, and I don't know if Mr. Kennedy wants to answer this.

I understand we are building or plan to build an Embassy in Lebanon, and there has been controversy reported recently that it is right smack in the area where Hezbollah are said to control. I am told recently that might now be on hold. Is it on hold or is it going forward?

If it is on hold, exactly when was that decision made and communicated to you?

Mr. KENNEDY. As part of our ongoing process, the General working with the entire Department prepares a list, and we will build this Embassy next and then that Embassy. We had plans to build an Embassy in Beirut.

In light of the recent events in Lebanon, there was a discussion within the Department and on July 6th, the Under Secretary for Management determined that the conditions on the ground in Beirut did not permit us now to proceed with the construction effort. That was communicated the following day to the General, to the Near East Bureau and to our Ambassador in Lebanon.

Mr. TIERNEY. We are all aware that it was the Embassy in Lebanon, that going back and forth there seemed to be some discussion, at least on the wire, that the Ambassador and people in Lebanon were anxious that it not happen.

There was pushback from the General. I guess from you or maybe Mr. Golden or others. This went back and forth until there was a decision made. Is that not accurate?

Mr. KENNEDY. There was a discussion about what is best to do. We sought the advice of the Ambassador, and the Ambassador made his recommendation, and the Under Secretary determined that conditions on the ground did not permit us to build that Embassy at this time. That was then communicated to all within the Department and to our Ambassador in Beirut.

General WILLIAMS. And it was a very orderly process, Mr. Chairman, of give and take. So we arrived at a decision, and it is fine.

Mr. TIERNEY. And so, as of July 6th, it is on hold.

Mr. KENNEDY. Yes, sir.

Mr. TIERNEY. You will inform Congress as you move forward if there is any change in that.

Mr. KENNEDY. That is correct, sir.

Mr. TIERNEY. Last question from me, I would like your reaction to a statement that the Embassy in Iraq is bigger than it should be if you really expect Iraq to stabilize and not as big as it needs to be the nerve center of an ongoing war effort.

General WILLIAMS. Well, let me speak to that, Mr. Chairman, because we took great care before the appropriations committees and the authorizers before we moved forward. All of the plans for the execution of this project was presented to them.

One of the issues that was on the table was availability. What happens if we go down? What happens if we expand?

If you look at our site, you know it is sort of rectangular in shape. So we spread it out over the 65 acres to allow us the opportunity to jettison, cutoff, sell off, give away, whatever we were

going to do with any one of the facilities, and we left the nerve center in the center of this footprint.

Mr. TIERNEY. Hence, they call it the nerve center.

General WILLIAMS. So we could get as small as needed to get and we could jettison off the rest. Our appropriators thought this was a good way to do it, so we can expand or we can shrink.

Mr. TIERNEY. Good. Thank you for that.

Mr. Shays, you indicated you had a further question.

Mr. SHAYS. Just, Mr. Chairman, I want to thank our witnesses. I want to thank them for their work. I want to thank them for their dedication and to suggest that I also appreciate your candor in the area that we do need to address and that is the hiring practices of third parties.

That is something that, one, we need to empower the Inspector General to have a little bit more oversight, and we need to make sure that we are not washing our hands of it because it is a third party. I think you all agree.

That is the element of this hearing that I thought had merit. I will say the other aspects of it, I think, didn't. But this is the area that did in my judgment.

Mr. TIERNEY. Thank you.

Mr. SHAYS. I thank you, Mr. Chairman, because I know that is what you intended.

Mr. TIERNEY. Mr. Shays, that is exactly what this is.

Mr. SHAYS. Let me make this point. I know this was the intent of this subcommittee's hearing.

Mr. TIERNEY. It exactly was, and I thank you for that.

Gentlemen, I think that there are only two things outstanding. One is there is a document request and another is a subpoena, and I would just like to get a date.

I think Mr. Williams, Ambassador Kennedy and Mr. Krongard are the ones who want to be responding to that, if you can just give me a date as to when we can expect that material.

Mr. KENNEDY. We did get a number of materials to you today. There is a cover letter, Mr. Chairman. Our legislative people are in contact with you.

There are a couple of documents that you have requested that we simply have not been able to identify a document that directly equates to your request, but we have no intention of hiding anything from you.

Mr. TIERNEY. No claims of executive privilege or anything else.

Mr. KENNEDY. Not that I am aware, sir.

Mr. TIERNEY. Mr. Krongard.

Mr. KRONGARD. Sir, if I may, we did. I still to this moment haven't seen the subpoena. But when it was told to me yesterday, I spoke to people who responded to you and there were two things that were put in a letter, I think that came to you this morning. One is that I can tell you that I have nothing of any significance that hasn't been incorporated or referred to in my report.

But there are things which do exist, and I am very concerned that to give up investigative materials like this to requests such as this at this time would be very, have a very chilling effect on my ability to carry out my statutory responsibilities.

Mr. TIERNEY. Well, I am going to do you a favor then. I am going to have our committee work with you to see if you get beyond that before we do anything formal on that.

If that proves to be the case, then certainly we will respect that. If it doesn't, we will talk to the minority and we will come back and discuss with you how we might get what we need without jeopardizing your responsibilities.

Mr. KRONGARD. You understand, sir, that there is a distinction between the Department responding and the Departmental IG responding.

Mr. TIERNEY. I certainly do. I certainly do.

Mr. Davis.

Mr. DAVIS OF VIRGINIA. Mr. Chairman, let me thank you.

This panel gets to the nub of the issue on the third country nationals, an issue that I don't think has been a priority ever. It has been a unique problem, and I appreciate your candor on this, and I appreciate the chairman's calling our attention to it.

As far as the other elements of the hearing, I think we could have gotten right to this and gotten right to the nub of it, and I thought the other was kind of, frankly, a little wasteful.

But, Mr. Chairman, I appreciate your bringing this to our attention, and I appreciate the job you are doing. Thank you.

Mr. TIERNEY. Thank you very much.

I thank all of you again.

[Whereupon, at 1:50 p.m., the committee and subcommittee were adjourned.]

[Additional information submitted for the hearing record follows:]

FIRST
KUWAITI
Trading & Contracting W.L.L.
Paid Up Capital K.D. 15,000,000/-

FIRST

الشركة الكويتية الأولى
للتجارة العامة والمقاولات ذ.م.م
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STATEMENT OF
FIRST KUWAITI GENERAL TRADING & CONTRACTING COMPANY

BEFORE THE
UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

"Hearing on Allegations of Waste, Fraud, and Abuse
at the New U.S Embassy in Iraq"

Thursday, July 26, 2007

Washington, D.C.

First Kuwaiti General Trading & Contracting Company appreciates the opportunity to provide written testimony to the United States House of Representatives Committee on Oversight and Government Reform describing our efforts in support of the United States Government's mission in Iraq and responding to the false allegations regarding our workmanship and labor practices. We are working to complete the State Department's largest single project in the next 45 days.

Since 2003, First Kuwaiti has performed over 200 contracts in support of the U.S. Government's mission in Iraq. Our work has ranged from providing support services, such as housing and laundry for U.S. military personnel, to undertaking major construction projects. We have employed over one thousand pieces of our own equipment and nearly 8,500 workers from around the world in fulfilling these efforts.

First Kuwaiti is not performing this work in the suburbs of California or Virginia; rather, we are providing services in a violent and dangerous war zone in Iraq. For those of you who have visited Iraq, you know first-hand that the impacts of this hostile environment are difficult to overstate. For each of the projects that First Kuwaiti has undertaken, the vast majority of our equipment, our supplies and our workforce have to be brought into Iraq with U.S. military escorts and convoys. Constant insurgent activities and bombings make movement within Iraq limited and perilous. In addition, frequent military signals and operations, as well as the shutdown of borders by the Iraqi government, disrupt our work and interrupt our momentum. The fulfillment of our contractual obligations under these circumstances is extremely challenging.

The Embassy Contract Was Awarded Based On Best Value

In 2005, the U.S. Government solicited competitive bids for the construction of the New Embassy Complex ("NEC") in Baghdad – the State Department's largest single project. First Kuwaiti competed for the contracts, was pre-qualified, and won the awards on the basis of best value. Contrary to some media reports, the value of all the NEC contracts awarded to First Kuwaiti was just over $469 million. The contracts called for the construction of 27 facilities on about 65 acres of land, including the Embassy office

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buildings, residential buildings, water and waste water treatment facilities, recreation facilities, support facilities, and Diplomatic Security-approved perimeter ram walls. At the Committee's request, we have provided a copy of the NEC contract documents.

Today, just over two years later, we are very proud to report that the project is on time and within budget. The independent accreditation team that forms part of the handing-over process is scheduled to arrive within weeks and the project is currently scheduled for completion by September of this year. This will allow the Embassy staff to move from Saddam Hussein's former palaces into a permanent home that is safer and more secure.

The increasing hostilities in Iraq have made our work extremely difficult and more costly than anticipated. First Kuwaiti work sites and convoys have been attacked on countless occasions. While the U.S. Government has done its best to protect us, First Kuwaiti employees have been injured and killed, and equipment has been stolen and destroyed. In response to the constant and severe disruption of our performance at the Embassy site by the increase in attacks and hostilities, First Kuwaiti opted to deploy additional manpower, supplies and equipment to meet the original schedule. First Kuwaiti absorbed these unforeseen costs and burdens.

U.S. Government Personnel Observe And Commend Our Work

First Kuwaiti is not constructing the Embassy in isolation. To the contrary, we are working in close coordination with U.S. Government employees on the site. The State Department's Bureau of Overseas Building Operations ("OBO") has approximately 150 engineers, supervisors, construction personnel, and project managers at the site observing, inspecting, and certifying our work. The OBO officials live on the site with us and interact with our employees and managers on a daily basis. In addition to OBO personnel, the site has security guards from Triple Canopy controlling the perimeters of the site, and the International Zone police are present throughout the Green Zone and are immediately available in the event they are needed. All of these people are on the site everyday, walking around, and are accessible to any First Kuwaiti employee wanting to talk with them.

First Kuwaiti has repeatedly received praise for its work on behalf of the U.S. Government. The U.S. Army, the Marine Corps, and the State Department, as well as other prime contractors, such as KBR, have commended in writing the work and performance of both First Kuwaiti and individual First Kuwaiti employees.

First Kuwaiti Has Been Falsely Accused By Business Competitors And A Few Disgruntled Former Workers

Regrettably, First Kuwaiti has been attacked by our business competitors and a few former workers with allegations that First Kuwaiti has provided poor construction quality and has poorly treated its employees. These allegations, which were reported on July 5, 2007 in a Washington Post article entitled "Construction Woes Add to Fears at Embassy in Iraq," are untrue. Despite this attention-grabbing title, the article was in fact

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referring to a guard camp that, although constructed by First Kuwaiti, was a project separate from that of the Embassy with separate budgets, different First Kuwaiti management teams and different State Department supervisors. Upon completion of that project, and contrary to the allegations about the poor quality of construction at the guard camp, the State Department certified that First Kuwaiti work "meets or exceeds" all of the contract requirements. We have provided the Committee with a copy of the State Department's signed certification.

Subsequent to the completion of our guard camp effort, State Department cables stated that KBR alleged that there were deficiencies in First Kuwaiti's work: formaldehyde fumes in the new, prefabricated trailers installed at the site, inadequate wiring, and leaky fuel tanks for generators. The prefabricated trailers at the guard camp are the same trailers used across Iraq. First Kuwaiti does not manufacture the trailers: we buy them commercially. In fact, just last week, First Kuwaiti delivered the same type of trailers to KBR, which found them to be satisfactory. We believe the wiring problems occurred because of improper operation placing more demands on the electrical systems than the specifications allowed.

To our knowledge, there have been no specific allegations of poor construction quality regarding the Embassy project. OBO personnel have been at the Embassy site every day observing, inspecting, and approving every aspect of our work, from materials that we utilize to the construction services we provide. This is documented in volumes of quality reports, submittal approvals, lab reports, and certifications. Furthermore, prior to handing over the Embassy project by September of this year, an accreditation team alongside the State Department will certify compliance with the contract specifications before formally accepting the hand-over of the project.

When First Kuwaiti was awarded the Embassy contract in 2005, we immediately deployed our equipment and personnel to the site. We started with the debris removal and grading of the land allocated for the Embassy in preparation for the construction of essentially a small city. Over the course of 26 months, this effort has involved the services of approximately 4,000 First Kuwaiti employees.

Unlike a deployed army, First Kuwaiti personnel do not sleep on the ground and eat MREs. From the outset, we brought in trailers and port-a-johns, and utilized the same food catering services used by KBR and the military in the Green Zone. Over the course of the first three months, we progressively added more trailers, running water, medical services, sewage systems and dining facilities. Eventually we provided our multinational workforce with 5 different dining facilities serving diverse ethnic dishes chosen by the employees themselves — a highly unusual luxury in Iraq. Above and beyond the requirements of our contracts, First Kuwaiti provided all the laborer trailers with site hardening using concrete T-walls and overhead protection. Furthermore, we provided our workforce with a barber shop, telephone booths, laundry and housekeeping services, a mini-market similar to a military PX where our laborers buy goods at cost (i.e. with no profit to First Kuwaiti), and an internet café. Finally, First Kuwaiti provided sites designated for worship of diverse religions, and provided supplies required for that worship.

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Despite all of the efforts that First Kuwaiti has exerted beyond its contractual requirements, there have been allegations by former employees that First Kuwaiti engages in human trafficking and mistreats its work force – unsubstantiated claims that have ended up in salacious articles in the media.

In one article dated June 7, 2007, the Wall Street Journal identified the source of these allegations as John Owens and Rory Mayberry. Both men formerly worked for First Kuwaiti in Iraq. Mr. Mayberry was "on the job" for less than a week. He was recruited by a U.S. company to serve as a paramedic. However, when Mr. Mayberry arrived for work he could not, despite repeated requests, verify his qualifications. First Kuwaiti was forced to immediately terminate his employment. Mr. Owens worked for First Kuwaiti for approximately seven months. According to the Wall Street Journal article, Mr. Owens now has filed a qui tam lawsuit under the False Claims Act by which, if the suit were successful, he would receive a portion of any damages and penalties. Both Mr. Mayberry and Mr. Owens have a personal interest in making these allegations.

According to the Wall Street Journal article, the specific allegations are that First Kuwaiti engaged in "fraudulent hiring practices" by recruiting employees without telling them they would be working in Iraq. The article also suggests that First Kuwaiti employees were holding boarding passes to Dubai, only to end up in Iraq, and that the Company confiscated the employees' passports to keep them from leaving Baghdad. These allegations are false.

The implication that First Kuwaiti laborers are brought into Iraq against their will and are kept there to work against their will is absolutely ludicrous. The majority of First Kuwaiti's employees come through recruiting agencies. Both the contracts with the recruiting agencies and the contracts with our laborers have "State of Iraq" clearly written on them. About 170 of our laborers that have come to Iraq and that have gotten homesick, had family emergencies, or for whatever other reasons have wanted to leave before their one-year contracts expired have returned to their homes. Several of those have later emailed First Kuwaiti asking for the opportunity to rejoin our workforce. Over 1,100 of our employees in Iraq have gone on their annual leave and then returned to extend their contracts, including 600 First Kuwaiti employees on the Embassy project. Additionally, over 150 employees have ended their employment, returned to their home countries, and later contacted First Kuwaiti to return to work again in Iraq.

Furthermore, OBO issues all Embassy employees a badge that allows them full access to the entire Green Zone. Employees are required to have their badge on them at all times. The badge gives them complete freedom to move around within the Green Zone, and by so doing allows employees access to OBO personnel, International Zone police, and Triple Canopy security guards. Moreover, early in the project, First Kuwaiti worked with OBO to obtain approval for the OBO badge to also allow our workforce access to the main military PX. First Kuwaiti employees live, work and eat on the same site as over 150 U.S. Government employees. If that were not enough, all First Kuwaiti employees have access to telephones and the internet, and most have their own cell phones.

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It is true that First Kuwaiti safeguards our employees' passports in a fireproof safe at the Embassy site. This is a common practice in Iraq and is designed to ensure that employees do not lose their passports. Without a passport, an employee in Iraq would run the risk of the Company not being able to evacuate him for medical or safety purposes. In one instance where an employee lost his passport, it took him, with the help of the Company, several months to have it replaced. There are no active embassies in Iraq for some of the nationalities of our workforce, making it more difficult and more time-consuming to obtain a new passport. For those nationalities whose embassies are present in Iraq, their embassies are located in the Red Zone, making it life-threatening to obtain a new passport.

Even beyond the Embassy project, all of the employees sent by First Kuwaiti to Iraq work on U.S. Government sites. Many of them have served as laborers at three Army camps under a subcontract with KBR and under the direct supervision of KBR employees. KBR awarded this subcontract to First Kuwaiti in December 2003 and about two weeks ago requested that First Kuwaiti extend this labor supply contract to 2008. Over 70 of the laborers that First Kuwaiti provided under this subcontract have received certificates of appreciation and recommendations from KBR for their performance. First Kuwaiti also provided construction crews to the U.S. Army Corps of Engineers ("USACE") at a camp in the Tikrit area. Those laborers worked under the direct supervision of USACE personnel. First Kuwaiti received a certificate of appreciation and a recommendation from the USACE for its "exceptional performance" and its "professionalism" for the Company's support of the people on the ground and for the "great lengths to which this Company goes to care for the welfare and safety of their employees." The allegations of human trafficking initially reported in the press reference conduct at these same camps. If there were signs of human trafficking, the Army, the USACE, or KBR surely would have reported it or notified First Kuwaiti.

The Inspector General of the Department of State, the management office of the Embassy in Baghdad, and the Department of Defense Multi-National Force Iraq have each investigated the allegations made by Messrs. Mayberry and Owens and have found no evidence of human trafficking. The MNF-I report found that the Embassy camp "rated in the top third with above average quality of life conditions."

First Kuwaiti is proud of all of its achievements in Iraq. We have done our best to support the U.S. forces and troops in their missions. We sincerely hope that the Committee members will recognize First Kuwaiti's efforts as a success.

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STATEMENT OF COLONEL JACOB B. HANSEN, USA

DIRECTOR, COMBAT SUPPORT CENTER

DEFENSE CONTRACT MANAGEMENT AGENCY (DCMA)

BEFORE THE

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

U.S. HOUSE OF REPRESENTATIVES

JULY 26, 2007

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to appear before this Committee today to outline the role of the Defense Contract Management Agency (DCMA) in connection with the construction and inspection of the guard building on the grounds of the U.S. Baghdad Embassy compound.

I am Army Colonel Jake Hansen, Director of the Defense Contract Management Agency's Combat Support Center. My office is located at DCMA Headquarters, in Alexandria, Virginia. From June 2005 to June 2006, I served as the Commander of DCMA Iraq. In that capacity, I was responsible for the contract administration of the Logistics Civil Augmentation Program (LOGCAP) for Iraq. As LOGCAP's contract administrator, DCMA is responsible for ensuring that the contractor complies with the terms and conditions of the contract.

The LOGCAP contract provides troop and facilities support in Iraq and Afghanistan. Such support includes life-support services such as food preparation, laundry services, utilities, and waste disposal. The LOGCAP contract also augments the Corps Logistics and Theater Transporation Services. The primary LOGCAP contractor has been Kellogg Brown and Root, which continues to provide a vast array of support functions in-theater for U.S. military units and coalition forces.

The contract for the construction of the guard building on the Baghdad Embassy compound is not a Department of Defense contract, and as such, is not within DCMA's normal oversight purview. Rather, it is a Department of State contract, awarded by the Department of State's Overseas Building Office to the First Kuwaiti General Trading and Contracting Company. The contract is the sole responsibility of the Department of State and is neither affiliated with nor subsumed under the Department of Defense LOGCAP contract.

With respect to the electrical wiring and power-generation system in the guard building, DCMA accommodated a Department of State request, one that was forwarded to DCMA by the Army Sustainment Command—the DoD contracting proponent for LOGCAP—for a KBR-conducted Technical Inspection of the construction work at the guard camp. In accommodating this request for assistance, DCMA, on May 21, 2007, issued a work order to KBR authorizing the company to perform such an inspection of the electrical

utility systems at the guard camp and relieving KBR of all liabilities and damages that might occur in the course of the inspection and equipment tests.

The KBR-conducted Technical Inspection revealed defective wiring and related problems at the guard camp. Responsibility for correcting these problems rests with the Department of State's Overseas Building Office, which must work with its contractor to implement appropriate remedial actions. On July 15, 2007, the Senior Facility Manager at the U.S. Embassy in Baghdad informed DCMA that the guard camp construction project was and remains "completely outside the jurisdiction of DCMA and is in no way related to the LOGCAP contract." In the wake of that determination and the resultant rescission of the State Department's January 18, 2007, letter of delegation, DCMA has ceased affiliation with and terminated all quality-assurance support for the State Department's contract with the First Kuwaiti General Trading and Contracting Company.

That concludes my prepared remarks. I will be happy to answer any questions you may have.

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