

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

**“Rewarding Failure:  
Contractor Bonuses for Faulty Work in Iraq”**

**Wednesday, May 20, 2009**  
**9:30 a.m. to 11:00 a.m.**  
**628 Dirksen Senate Office Building**

This is the 19th in a series of oversight hearings conducted by the Democratic Policy Committee to examine contracting fraud, waste, and abuse in Iraq.

Today’s hearing is a result of this Committee’s continuing investigation into the deaths of over a dozen U.S. soldiers by electrocution in Iraq.

That investigation has led us to internal Pentagon documents showing that in 2007 and 2008, contractor KBR received bonuses of \$83.4 million for work that, according to the Pentagon’s own investigation, led to the electrocution deaths of U.S. troops.

Let me repeat that: the Pentagon gave bonuses of \$83.4 million to KBR for work that resulted in the electrocution deaths of American soldiers.

This is a picture of Staff Sgt. Ryan Maseth, who was a Green Beret and a Army Ranger. Next to him is his mother, Cheryl Harris, in happier times.

On January 2, 2008, Staff Sgt. Maseth was electrocuted while taking a shower at a U.S. military installation in Baghdad.



In a hearing that we held last July, we obtained testimony that KBR had known of this very electrocution hazard since at least February 10, 2007, 11 months before Ryan Maseth’s death. KBR’s internal inspection records of the facilities where Staff Sgt. Maseth lived showed that, among other things, the building’s main circuit panel, the secondary feeder panel, and the water tank were not grounded.

In fact, the prior occupant of Staff Sgt. Maseth's room was shocked in the same room four to five times between June and October 2007, in the very same shower where Ryan was killed. According to his sworn affidavit, each time this soldier was shocked, he submitted a work order to KBR.

Each time, KBR showed up and supposedly fixed the problem, but the shocks persisted.

The Defense Contract Management Agency had been warning about pervasive problems with KBR's electrical work since February 1, 2007, when a memorandum described, among other things, "problems with KBR's control of subcontractors' safety programs based upon the number of violations noted."

This was particularly problematic because, as we learned in our previous hearing, KBR routinely hired unqualified third-country electricians who spoke little or no English.

Despite this pattern of faulty electrical work, the Pentagon awarded \$83.4 million in bonuses to KBR for its electrical work in Iraq in 2007.

KBR got about \$48.9 million of these bonuses after the Defense Contract Management Agency had sounded its warnings about pervasive problems with KBR's electrical work.

Even more appalling is the fact that the remaining \$34.4 million was paid three full months after Staff Sgt. Maseth was electrocuted.

Late last year, following our Committee's hearing about electrocution deaths in Iraq, the Pentagon finally began a top-to-bottom review of KBR's electrical work in Iraq. In fact, on Sept. 30 of last year, Captain David Graff, the commander of the Defense Contract Management Agency wrote that,

**"Many within the Department of Defense have lost or are losing all remaining confidence in KBR's ability to successfully and repeatedly perform the required electrical support services mission in Iraq"**

**Captain David Graff  
Commander, Defense Contract Management Agency  
September 30, 2008**

This conclusion was, if anything, an understatement, when you consider that the Defense Contract Management Agency had found the following problems with KBR's work in just a three month period, between March and May 2008:

## **Problems with KBR Electrical Work Identified in Three-Month Period**

<b>Incidents of improper wiring</b>	<b>26,205</b>
<b>Errors with fuses and panel boxes</b>	<b>5,225</b>
<b>Conduit and raceway hazards</b>	<b>2,285</b>
<b>Incidents of outlet box hazards</b>	<b>4,571</b>
<b>Hazardous switches and fuses</b>	<b>3,201</b>

**Source: Defense Contract Management Agency Report, 2008**

So how could it be that, given these obviously widespread problems with KBR's electrical work, the Pentagon decided to give KBR bonuses totaling \$83.4 million for such work?

These bonuses are supposed to be awarded for work that is deemed, overall, to range from "very good" to "excellent". Here is the Army's definition of the term excellent":

**"EXCELLENT: Performance is of the highest quality that could be achieved under the contract. There are no areas of deficiencies or problems encountered during the evaluation period."**

**Army's standard for awarding bonuses for LOGCAP Contract August 2006**

How could the Pentagon gauge KBR's performance to be excellent when there were tens of thousands of electrical safety violations and U.S. soldiers were being electrocuted?

The American people have been outraged, and justifiably so, over the issue of wasteful spending.

When our soldiers answered the call to serve our country on the battlefield, they never expected that their lives might be endangered by an electrical contractor that was paid to keep them safe. And they certainly could not have imagined that our government would pay over \$83 million in bonuses to the contractor that put their lives in danger.

Two of our witnesses today will provide a first-hand, up-close view of the situation on the ground in Iraq, because they were in Iraq this year to help solve the problems. They will describe whether the situation has improved since the Department of Defense pledged to address those problems, and whether our troops are still in danger from faulty electrical work.

James Childs is a Master Electrician hired by the Army to review KBR's electrical work in Iraq in 2008, who saw first-hand the manner in which KBR had performed electrical work in Iraq.

Eric Peters is a Master Electrician who worked for KBR at three U.S. military bases in Iraq in 2009. He resigned in response to KBR's disregard for safety and its inability to perform quality electrical work.

Our third witness, Charles Smith, is the former head of the Army's Field Support Contracting Division. In that capacity, he managed the massive LOGCAP contract that the Pentagon awarded to KBR, until he was forced out of his job in 2004 when he refused to approve paying KBR more than \$1 billion in questionable charges.

I should note that Mr. Smith was removed from his job despite the fact that in November 2004; Secretary of Defense Donald Rumsfeld awarded him the Department of Defense's Medal for Distinguished Civilian Service.

I thank the witnesses for appearing today, and look forward to their testimony.

In closing, let me say that I have made a formal request to the Department

of Defense that it seek to recover the \$83.4 million that was paid in bonuses to KBR for the electrical work that resulted in the electrocution death of U.S. troops.

I would add that KBR, in good conscience, should not wait for the Pentagon to ask for the bonuses to be returned. KBR should return the money of its own accord. But given KBR's track record, I do not expect the company to do that. And so I am going to ask the Pentagon to compel KBR to return those bonuses.