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ONE HUNDRED EIGHTH CONGRESS

# Congress of the United States

## House of Representatives

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April 28, 2003

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The Honorable Andrew S. Natsios  
Administrator  
U.S. Agency for International Development  
1300 Pennsylvania Avenue, NW  
Washington, DC 20523

Dear Mr. Natsios:

I am writing to ask for information about the contracts that USAID has awarded or is in the process of awarding for work in Iraq.

As you are doubtless aware, there remains much confusion and concern among members of Congress and the public about the process by which these contracts were or are being awarded. The size of the contracts — well over a billion dollars — and the process by which USAID secretly invited a few hand-picked companies to bid on them have raised serious questions. I hope you will take this opportunity to provide a full explanation of USAID's decision to forgo the normal process of full and open competition.

Your staff recently briefed committee staff on the Iraq contracts. While the briefing was helpful, it left some questions unanswered and raised some new concerns.

For example, your staff explained that USAID limited the eligible companies to those with a security clearance. However, they did not explain what kind of clearance was required. They also said that it turned out that some of the companies that were allowed to bid did not, in fact, have security clearances.

Questions also remain about your decision to allow only U.S. companies to bid on the contracts. You have explained that "Federal law requires us to use U.S. companies." However, since USAID waived that requirement for subcontractors on the Iraq contracts, it could presumably have done the same for the prime contractors. I would like to know why you chose not to do so.

In addition, I would like to know more about USAID's apparent decision to indemnify Bechtel for work it will perform under a construction contract valued up to \$680 million. Bechtel's links to the Administration have already been widely reported on and may lead some to question whether it was necessary and appropriate to place taxpayer resources at risk in this manner, and whether other companies were offered the same option.

Your staff has also indicated that the contracts themselves and the identities of the companies asked to bid on them are not publicly available. There is simply no reason for USAID to keep this information secret. Government contracts are and should be public documents. Unless the contracts are classified, they should be available for public review to ensure that taxpayer dollars are being spent appropriately. Nor is there any reason for USAID to continue to shroud the bidders' identities in secrecy, particularly when questions remain about why certain companies were invited to bid.

### **Requests for Information**

I would appreciate your providing me with the following information:

1. Please provide me with copies of all of the contracts and grants that USAID has awarded this year for work in Iraq, along with any supporting documentation. In addition, I would appreciate receiving the same information on a rolling basis as further Iraq contracts and grants are awarded.
2. For each contract and grant identified in (1), please identify the companies or organizations that were invited to bid, the dates those companies were solicited for bids, and the reasons why those companies were selected. In addition, please provide me with any information — including, but not limited to, memoranda, notes, letters, e-mails, and phone messages — produced or received by USAID regarding the process by which these companies were selected and solicited.
3. Please answer the following questions:
  - (a) For each contract and grant identified in (1), why did USAID decide it was necessary that the recipient of the contract or grant possess a security clearance? How did USAID determine what kind of security clearance was necessary and which companies possessed such a clearance?
  - (b) What were the reasons for USAID not allowing non-U.S. firms to bid on these contracts? If the reasons were legal, please cite the relevant statute(s) or regulation(s).

The Honorable Andrew S. Natsios

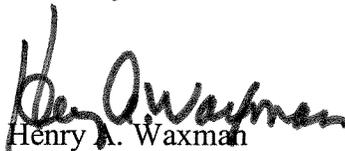
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- (c) Why did USAID decide to indemnify Bechtel? Did it make its decision before or after the contract was awarded, and were any other bidders offered the same option? What risks does the indemnification pose for U.S. taxpayers?

I look forward to receiving a response by May 5, 2003. Thank you in advance for your cooperation.

Sincerely,

A handwritten signature in black ink, appearing to read "Henry A. Waxman". The signature is written in a cursive style with a large initial "H".

Henry A. Waxman  
Ranking Minority Member

cc: The Honorable Tom Davis