

**Chairman Peters Opening Statement As Prepared for Delivery Full Committee Hearing:
Safeguarding the Homeland: Examining Conflicts of Interest in Federal Contracting to
Protect America's Future
September 24, 2024**

Federal contractors are a key part of our government's operations. The services and products they provide play a critical role in delivering services to the American people, as well as keeping our nation safe.

From advanced defense systems to cutting edge cybersecurity, contractors are entrusted with information and responsibilities that can impact the national and economic security of our nation.

From modernizing and enhancing the safety of our infrastructure and power grid, to providing critical intelligence that safeguards our nation from foreign and domestic threats, the scope of government contractors' support is immeasurable.

To ensure that government contractors are working in the best interests of Americans, we must ensure they are meeting the highest standards of integrity, impartiality and transparency, by removing conflicts of interest from their work.

Conflicts of interest are not minor infractions. They pose threats that undermine our national security and economic competitiveness and can dangerously erode the American people's trust in government.

Over the past decade, there have been alarming reports of federal contractors who are simultaneously promoting competing interests, including those of our foreign adversaries. Interests that directly contradict our national security needs and hurt our economic competitiveness.

For example, in the summer of 2023, in one of the largest intrusions of U.S. government cloud services, Chinese state-backed hackers gained access to the emails of high-level officials compromising the information security of U.S. officials who work on national and economic security matters.

This attack has raised serious concerns that China-backed hackers were able to steal this information because of the service provider's partnership with a Chinese entity while they were providing services to the U.S. government at the same time.

In 2015, a consulting firm responsible for advising the U.S. government on national security strategy, cybersecurity, and cutting edge-technology, was simultaneously advising Chinese state-run enterprises.

This consulting work for Chinese enterprises involved China's naval fleet and the Chinese government's efforts to raise its profile and strengthen its power globally, a goal in direct competition with American interests.

In another example, the same firm's research and recommendations allegedly assisted in the creation of the Chinese government's *Made in China 2025* industrial plan in opposition to U.S. foreign policy objectives, and our national and economic security.

These examples demonstrate the need to strengthen our laws, specifically around disclosure of foreign ties, particularly where federal contractors are providing services to authoritarian governments who seek to bolster their economic and geographic assets in competition with our nation.

In sectors like defense and cybersecurity, the stakes are incredibly high. Just last week, FBI Director Wray announced the FBI had successfully disrupted a malware attack targeting over 200,000 devices in the U.S. and worldwide by a Chinese-backed hacking group called the Flax Typhoon.

The Chinese cyber actor exploited known vulnerabilities, including in a major U.S. cloud service provider that receives billions in U.S. taxpayer dollars each year, to support the federal government's I-T services.

It goes without saying that major U.S.-based technology service providers working for foreign adversaries while performing multibillion dollar contracts for the U.S. government risk exposing vulnerabilities that can be exploited by adversaries.

We can and must stop this.

In 2022, my bipartisan bill, the *Preventing Organizational Conflicts of Interest in Federal Acquisition Act*, was signed into law. The bill seeks to end conflicts of interest from federal contracts that provide critical services to the American people.

It directed the Federal Acquisition Regulatory Council, or FAR Council, to provide clear guidance to agencies and federal contractors on ways to identify, mitigate and even avoid conflicts of interest.

Despite being signed into law nearly two years ago, the FAR Council is late on issuing guidance required by my law, which is why yesterday I led the cosponsors of this legislation in a letter pressing for quick action to issue this desperately needed guidance.

I continue to call on the FAR Council, which includes the General Services Administration, NASA, the Department of Defense, and the Office of Federal Procurement Policy to provide better guidance to agencies on how to handle conflicts of interest.

Earlier this year, I also worked with Senator Hawley on his bill, the *Time to Choose Act of 2024*, which would add guardrails to prevent consulting firms that contract with foreign adversaries from simultaneously providing services to the Department of Defense and other federal agencies.

I joined the bill along with Senators Rick Scott and Marco Rubio to ensure contracting firms are using taxpayer funds responsibly and to help prevent foreign adversaries from exploiting business relationships with contractors to interfere with American interests.

I am confident that we can all agree – Americans deserve full assurance that federal contractors are providing transparency and avoiding any potential conflicts before they are awarded taxpayer dollars.

And that is why we still have work to do.

Today's hearing will help us better identify and mitigate conflicts of interest in an ever-evolving global landscape.

Our witnesses will examine inadequacies within existing federal contracting rules as well as explore steps that can be taken to mitigate future risks.

I thank them for being here today and look forward to a productive discussion.