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United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

WASHINGTON, DC 20510-6250

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July 2, 2012

Colin H. Kahl
Senior Fellow
Center for New American Security
1301 Pennsylvania Avenue, NW, Suite 403
Washington, DC 20004

Dear Mr. Kahl:

I am writing to you to request your assistance with the Subcommittee's ongoing oversight of the impact of Iran sanctions on government contractors.

Since 2010, prospective government contractors have been required to certify that neither they nor their affiliates are engaged in sanctioned activity in Iran.¹ If a contractor submits a false certification, agencies may terminate the contract or propose the contractor for suspension or debarment.² U.S.-based companies, including government contractors, are also prohibited from doing business with all individuals, groups, and companies owned, controlled by or acting for or on behalf of Iran.³

These requirements do not prohibit non-U.S. based government contractors from engaging in business activity with groups or companies owned, controlled by, or acting for or on behalf of Iran. In 2011, the Subcommittee learned of an alleged business relationship between the Kuwait-based contractor KGL and companies owned or controlled by the government of Iran. In meetings with government agencies and experts, the Subcommittee was assured that these alleged relationships did not constitute a barrier to KGL's receipt of government contracts.

In 2011, the U.S. government awarded more than \$21 billion in government contracts to non-U.S. based contractors. That amounts to nearly 4% of all government contract dollars being

¹ The Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010, Pub. L. 111-195, 124 Stat. 1312. The Federal Acquisition Regulation was amended to implement the relevant provisions of CISADA on September 29, 2010. *See* 48 C.F.R. 52.225-25.

² *Id.*

³ Treasury Department, Office of Foreign Assets Control, Resource Center (online at www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx).

awarded to companies who have no impediment to doing business with companies acting on behalf of the Iranian government.⁴

I invite you to provide official comments on these issues, including the applicability of U.S. laws and policies relating to Iran to government contracts. I would also appreciate your input regarding the following questions:

- (1) What changes (if any) should be made to the Iran Sanctions Act and Comprehensive Iran Sanctions, Accountability, and Divestment Act to ensure that sanctioned companies cannot obtain government contracts?
- (2) What changes (if any) should be made to the Treasury Department's Specially Designated Nationals List to ensure that current or prospective government contractors are not doing business with named individuals or companies?
- (3) What other legislative or regulatory changes may be necessary to ensure that government contracts are not awarded to individuals or companies who are engaged in business activities which may counteract U.S. policies towards Iran?

I would also welcome your input on any other matter that would inform the Subcommittee's oversight. Please provide your response by August 10, 2012.

The jurisdiction of the Subcommittee on Contracting Oversight is set forth in Senate Rule XXV clause 1(k); Senate Resolution 445 section 101 (108th Congress); and Senate Resolution 73 (111th Congress).

Please contact Sarah Garcia at (202) 224-1014 with any questions. Please send any official correspondence relating to this request to [Kelsey Stroud@hsgac.senate.gov](mailto:Kelsey_Stroud@hsgac.senate.gov).

Sincerely,



Claire McCaskill
Chairman
Subcommittee on Contracting Oversight

cc: Rob Portman
Ranking Member
Subcommittee on Contracting Oversight

⁴ Information is based on data from the Federal Procurement Data System.