



How did the Commission derive its \$31 billion to \$60 billion estimate of waste?

The figure on waste and fraud in the Commission's final report is the first published, comprehensive estimate for U.S. operations in Iraq and Afghanistan.

We defined waste broadly because time and money misspent are lost for other purposes ("opportunity cost"). Our definition of waste includes, but is not necessarily limited to: requirements that were excessive when established and/or not adjusted in a timely fashion; poor performance by contractors that required costly rework; ill-conceived projects that did not fit the cultural, political, and economic mores of the society they were meant to serve; security and other costs that were not anticipated due to lack of proper planning; questionable and unsupported payments to contractors that take years to reconcile; ineffective government oversight; and losses through lack of competition.

The Commission's assessment does not include additional waste that will be revealed as existing projects and programs that will not be sustained, fall into disrepair and/or disuse through lack of host nation support. Such unsustainable efforts will result in vast new levels of waste.

The assessment is a compilation of broadly consistent estimates from three sources. It is comprised of (1) a subset of public and non-public evaluations of individual projects and programs (including direct, in-theatre observations), (2) an extrapolation of the percentage of dollars wasted from assessments by the accountability community applied to the total \$206 billion in contract spending expected through the end of fiscal year 2011 (notably, SIGIR, SIGAR, and DCAA testimony at Commission hearings), and (3) the widely accepted benchmark established by the Association of Certified Fraud Examiners (ACFE).

The Commission developed a range to assess waste and fraud because each of the foregoing methods individually present challenges in arriving at an exact figure.

--A forensic compilation of wasted dollars derived from individual projects and programs is not possible because it would need to be recreated over the last 10 years and, in far too many cases, the necessary documentation does not exist.

--A top-down extrapolation, although based on well-established principles of parametric cost estimating, does not fully capture the waste on individual projects and programs, although our report identifies numerous examples of waste.

--Fraud estimates for the general population (like the ACFE benchmark) do not capture the blatant corruption in the Iraq and Afghanistan theatres, including payoffs to insurgents.

Regardless of whether the level of waste and fraud is \$31 billion or \$60 billion, the amount is unacceptable and demands immediate reform.