

Statement of  
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Before the  
Subcommittee on National Security, Homeland Defense, and Foreign Operations  
of the  
Committee on Oversight and Government Reform  
United States House of Representatives  
March 2, 2011

Chairman Chaffetz, Ranking Member Tierney, and members of the Subcommittee, thank you for inviting me to appear before you today to present our views on “U.S. Military Leaving Iraq: Is the State Department Ready?”

Today’s hearing title raises the question of whether the State Department (State) is ready to manage the programs that the Defense Department (Defense) will transition to State this year. It also broaches an important second issue: whether State is ready to operate in the face of the loss of both the protective support and the broader logistical capacity that Defense has provided to everyone working in Iraq for the past eight years.

The largest single program that Defense will be moving to State is police training, which State will call “Police Development.” At least a billion dollars has been requested to support this effort across Iraq next year. For the past seven years, Defense spent many billions (more than seven) of taxpayer dollars on this mission through the Multi-National Security Transition Command-Iraq and the Iraq Transition Assistance Mission. That effort was “ground-level,” chiefly entailing the equipping and training of operational police forces.

State’s program will be more targeted and at a higher level, with fewer trainers in fewer locations and a focus on force and structural management. From a policy perspective, State can do this mission. The question is whether the changing environment in Iraq – post-troop withdrawal – will allow effective and fiscally responsible engagement. The evolving security situation that will follow troop withdrawal will require, at the very least, an increased vigilance over the use of taxpayer dollars in Iraq. Our previous reporting indicates that devolving security can lead to high levels of waste.

## **Transition and the Need for Vigilant Oversight**

State and Defense are now intensely engaged in the crucially important tasks of planning and executing mission transition in Iraq. The impending departure of U.S. forces by December 31, 2011, is the shaping force of this dynamic. To succeed, the ongoing transition must quickly move significant reconstruction and relief activities from Defense to State in an efficient and effective manner – the departments must complete this process in less than ten months. Achieving this challenging goal will ensure that the U.S. government continues to support the Government of Iraq in a worthwhile way.

Our previous oversight work, which exposed some weaknesses in State’s management of large contracts in Iraq (in fact, the largest contracts it has ever let), provides the basis for some concern about whether State’s current structure and resources provide a sufficient basis for managing very large continuing contracts and programs. To accomplish its program goals and avoid unacceptable waste, State must apply the hard lessons learned from previous Iraq experiences to its current program management approach, correcting in particular the limited in-country oversight that SIGIR previously identified.

Relevant to this point, a little under a year ago, Under Secretary of State for Management Patrick Kennedy (in an April 7, 2010, letter to his counterpart at the Department of Defense) noted that State “does not have within its Foreign Service cadre sufficient experience and expertise to perform necessary contract oversight” with respect to logistical and life-support contracts in Iraq.” This reality led to the Department of Defense agreeing to provide such logistical and life support to State through the Logistics Civil Augmentation Program (LOGCAP) until at least June 2012. But Under Secretary Kennedy’s words echo a concern raised by previous SIGIR audits of State over the past seven years – namely, the need for State to bolster its contract oversight capacities.

Previous institutional transitions in Iraq have been difficult and fraught with vulnerabilities to waste, fraud, and abuse, which have cut into and thus limited the achievement of important national security goals. Applying those painful lessons to the present moment demands an increased vigilance over program implementation. This means taking specific and extensive steps toward ensuring effective oversight of the significant taxpayer dollars still being spent in Iraq.

To meet this standard of vigilance, State must deploy sufficient numbers of experienced management personnel to oversee the use of taxpayer dollars in country so as to minimize fraud, waste, and abuse and maximize successful program outcomes. It is also critical that State and Defense be transparent throughout the transition process – this will help ensure adequate accountability. Finally, the overall capabilities of the U.S. government must be leveraged in the most efficient and logical fashion, regardless of institutional stovepipes.

Quickly deploying a sufficiently scoped team to oversee transitioning programs will be difficult. Doing so is crucial to protecting U.S. taxpayer interests and to meeting continuing Iraqi expectations. Providing additional resources to the State Department at this critical juncture so that it can buttress oversight could potentially make a material difference in the prospects for achieving post-transition programmatic success in an efficient manner.

### **Toward Improving State's Oversight of Programs and Contracts**

State recognizes the importance of having an adequate number of well-trained, experienced, and effective managers with appropriate skills to plan, implement, and oversee its post-transition programs. This recognition is the fruit of a tough seven years in the ostensible lead of the reconstruction program, a position the Department has held since the Coalition Provisional Authority transferred rebuilding management authority to it in 2004. But that transition was highly imperfect, leaving Defense in charge of the actual reconstruction money provided through the Iraq Relief and Reconstruction Fund (IRRF) but assigning policy responsibility for the overall program to State. This structural defect led to oversight and management problems that SIGIR has documented.

The current transition does not suffer from the kind of structural problems that burdened the 2004 process. But it is essential that State deploy the necessary oversight personnel in country in sufficient numbers to ensure effective contract management. The most significant challenges of this transition year, though not structural in the institutional sense, arise from the reality that the troops – and the effective security blanket they have provided in Iraq since 2003 – will be gone on December 31, 2011. Thus, though contract and policy responsibilities are quite clear in this transition, the central questions stem from departmental capacities or the lack thereof – specifically, capacities to execute program elements in a post-DOD setting, to ensure adequate oversight, and simply to function in the unpredictable security situation that will exist after troop withdrawal.

SIGIR's prior work in Iraq uncovered an insufficient focus by program managers (in both State and Defense) on program outcomes and effects. For example, regarding police training, SIGIR found that success was measured by the number of Iraqi police trainees run through a classroom, and not by whether they had become effective police officers.

In a salutary development on this point, Under Secretary Kennedy recently approved a new program evaluation policy for the Department of State, making such evaluations a “core element” of Iraq program management. We concur that the State Department should evaluate its activities and programs in Iraq to ensure good management, effective implementation, and assessment of results; and thus, we applaud this decision.

## Identified Problems

Asset Transfer and Sustainment: Although not strictly speaking a single “program,” the U.S. military planned and implemented thousands of projects funded by the IRRF, the Iraq Security Forces Fund (ISFF), and the Commander’s Emergency Response Program (CERP). Defense and State have each struggled to ensure that the U.S. investments in these many projects are not lost, seeking to remedy the problem by pushing the Iraqis to use and sustain these projects after transfer.

As a preliminary matter, State will have difficulty determining the full number of projects Defense has completed and turned over to Iraq. The process of transferring ownership to the GOI has not gone well, as documented in eight SIGIR audit reports.<sup>1</sup> SIGIR found that Defense sometimes “unilaterally” turned over a facility to any available Iraqi official because the Government of Iraq was refusing to accept the project. For example, SIGIR found that, in 2007, a Defense component “unilaterally” transferred more than 350 projects valued at more than \$1 billion.<sup>2</sup>

Unilateral transfers put the U.S. investment at a great risk. They can lead to a waste of resources and effort, and, potentially, to a total loss of the intended benefit to Iraq. Although responsibility for this aspect of the asset-transfer problem rests chiefly with Defense, State must act to protect the U.S. reconstruction investment by engaging with senior Iraqis and urging the sustainment (through Iraqi funding) of the billions in transferred projects.

Logistics Support: The U.S. Embassy in Iraq has been relying on the LOGCAP contract to provide necessary life support. Under LOGCAP, contractor support is available to U.S. military commanders on a cost-plus-award-fee basis. In Iraq, State reimburses Defense for a negotiated portion of the costs Defense incurs to support its activities. Through a recently concluded special agreement, Defense will allow LOGCAP to continue to support State for about another 18 months. When security conditions in Iraq allow, State should transition from LOGCAP to a State-managed life-support contract. This change will allow for more competitive contracting in the longer term and thus should be more cost effective.

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<sup>1</sup> *Asset-transfer Process for Iraq Reconstruction Projects Lacks Unity and Accountability*, SIGIR 09-016, April 26, 2009; *Comprehensive Plan Needed to Guide the Future of the Iraq Reconstruction Management System*, SIGIR 08-021, July 2008; *Transferring Reconstruction Projects to the Government of Iraq: Some Progress Made but Further Improvements Needed to Avoid Waste*, SIGIR 08-017, April 2008; *Transferring Iraq Relief and Reconstruction Fund Capital Projects to the Government of Iraq*, SIGIR 07-004, July 2007; *Transition of Iraq Relief and Reconstruction Fund Projects to the Iraqi Government*, SIGIR 06-017, July 2006; *Audit Report on U.S. Agency for International Development Management of the Transfer of Iraq Government*, SIGIR 06-007, April 2006; *Audit Report on Multi-National Security Transition Command-Iraq Management of the Transfer of Iraq Relief and Reconstruction Fund Projects to the Iraqi Government*, SIGIR 06-006, April 2006; and *GRD-PCO Management of the Transfer of IRRF-funded Assets to the Iraqi Government*, SIGIR 05-028, January 2006.

<sup>2</sup> *Transferring Reconstruction Projects to the Government of Iraq: Some Progress Made but Further Improvements Needed to Avoid Waste*, SIGIR 08-017, April 28, 2008.

Whether or not a replacement for LOGCAP is found in the short term, State will need to perform much improved contract oversight compared with what we previously observed in Iraq. Although Defense has agreed to continue to administer the LOGCAP contract, State will assume program management responsibilities. When SIGIR was asked to look at State's management of a portion of the LOGCAP program between 2006 and 2008<sup>3</sup>, we found a number of weaknesses in State's oversight of claimed contractor costs for food, fuel, and billeting. Program managers, not contract administrators, have ultimate responsibility for ensuring program success. Under Secretary Kennedy, as mentioned, has recognized the Department's lack of experience and expertise in this field. Thus, the Department should move quickly to secure such expertise.

Police Development Program: Beginning in October, State expects to reach operational capability of the billion-dollar-plus Police Development Program.<sup>4</sup> State's early management history in Iraq overseeing a contract in support of this large-scale program gives cause for concern and presumptively posits the need for increased in-country oversight.

State is inheriting a program managed by Defense that suffered from inconsistent oversight. SIGIR reported, in October 2010, that Defense's \$7.3 billion police training program had developed a sizeable force for Iraq but with unknown capabilities.<sup>5</sup> We reported on numerous weaknesses in program management including (1) poor program planning and assessments, (2) weak communications and coordination between organizations performing the training, and (3) inadequate oversight of contractor police advisors.

SIGIR found no comprehensive plan for the police training program, and SIGIR believes the absence of such a plan was a key factor that led to weaknesses in program management and oversight. SIGIR concluded that such a plan should have clearly articulated specific goals for the program, a timeframe for accomplishing the goals, how the goals would be met, how much it would cost, what resources would be required, and how progress would be measured. Furthermore, any such plan had to be created in close collaboration with the Government of Iraq.

State's planning for the Police Development Program has been evolving over the past year, shaped by the scope of available resources and the realization that costs related to security will rise after troop withdrawal. I cannot comment with authority on this issue because our information is incomplete. SIGIR previously requested – but has not been given access to – certain data related to the Police Development Program, including information on the status of

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<sup>3</sup> *Logistics Civil Augmentation Program Task Orders 130 and 151: Program Management, Reimbursement, and Transition*, SIGIR 08-002, October 30, 2007.

<sup>4</sup> Fiscal Year 2012 Budget Appendix, p. 336, requests \$1 billion for “the Police Development and Criminal Justice program, which seeks to develop professional and capable Ministry of Interior and civilian police institutions in Iraq.” In prior fiscal years, approximately \$650 million was allocated for construction of temporary facilities for the program and for start-up operations, and \$295 million was requested for FY 2011 to begin the program. Only about \$60 million of the FY 2010 and FY 2011 funds have been obligated.

<sup>5</sup> *Iraq Security Forces: Police Training Program Developed Sizeable Force, but Capabilities Are Unknown*, SIGIR 11-003, October 25, 2010.

the life-support contracts that will be used to support Embassy elements implementing the program and the vehicle and equipment request to support the program. We hope to obtain full information on the program from State for our next Quarterly Report.

### **Fixing Oversight Shortfalls**

In its FY 2011 and FY 2012 budgets, State has requested allocations to strengthen its acquisition workforce capacity and capabilities, including for related information technology. That initiative, if funded – and I believe it should be – will consume \$3 million per year, or about four one-hundredths of one percent of State’s \$7.6 billion appropriation request for Diplomatic and Consular Programs. Regardless of the resources appropriated, State must remedy its weaknesses in managing contracts and grants. Our recent oversight work in Iraq provides some examples.

Contract Management: State’s experience with managing the DynCorp contract, which supports the police training program, illustrates its past weak management of large contracts in Iraq. In January 2010, SIGIR reported that State’s Bureau of International Narcotics and Law Enforcement Affairs (INL) lacked sufficient resources and controls to adequately manage task orders with DynCorp, thus exposing \$2.5 billion in U.S. funds to waste and fraud.<sup>6</sup> Regarding this contract, State’s in-country contracting officer representatives failed to ensure that (1) DynCorp costs submitted on invoices were allowable, supported by appropriate documentation, and correct; (2) government property managed by DynCorp was adequately controlled; (3) lease agreements negotiated for the government protected its interests; and (4) the government received services at the specified standard.

These were not new problems. In 2005, the Department of State Office of Inspector General (OIG) told INL that its contract oversight was under strength. And in 2007, SIGIR and the State OIG told INL that it had put millions of dollars at risk.<sup>7</sup>

In response to our recommendations, the Assistant Secretary of State for INL testified, on April 25, 2007, before the House Committee on Armed Services, Subcommittee on Oversight and Investigations, that State had taken actions to increase the number of personnel overseeing the contract. However, we reported, in January 2010, that INL had not taken all of the actions it previously claimed. For example, State had not improved its processes for reviewing invoices and checking contract equipment inventories, and it still did not maintain appropriate contract documentation. We have not since audited State’s actions to improve oversight of this contract, but we have an audit underway to assess actions taken by State to address all of our recommendations and will be requesting information on actions taken to improve oversight of this contract.

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<sup>6</sup> *Long-Standing Weaknesses in Department of State’s Oversight of DynCorp Contract for Support of the Iraqi Police Training Program*, SIGIR 10-008, January 25, 2010.

<sup>7</sup> Review of DynCorp International, LLC, Contract Number S-LMAQM-04-C-0030, Task Order 0338, for the Iraqi Police Training Program Support, SIGIR 06-029 and DoS-OIG-AUD/IQO-07-20, 1/30/2007.

Grants Management: State has experienced similar problems in its management of grant programs in Iraq. Of note, federal oversight requirements for grants are less stringent than those for contracts. In several audits completed in 2010, SIGIR looked at State's efforts to manage grants awarded by the Bureau of Democracy, Human Rights and Labor (DRL) to the International Republican Institute and the National Democratic Institute. We found that State did not provide the level of oversight necessary to ensure that it was not paying for excessive charges and to know exactly what was being achieved. SIGIR questioned some of the costs incurred by these organizations. We can attribute some of these problems to an insufficient number of skilled personnel to oversee the grants. DRL relies on State's Office of Acquisitions Management to award, amend, and manage its grants. The grants officer in charge of the DRL grants also managed up to 250 other grants.<sup>8</sup>

Other matters: SIGIR has previously reported on program problems in the Quick Response Fund, which is an Economic Support Fund program managed by State and executed by State and the U.S. Agency for International Development (USAID). We reported initially on this program in January 2009 and expect to have a new audit on the issue out very soon.<sup>9</sup>

State will have significant responsibility for a continuing ISFF program in the short term and for a new, large, Foreign Military Financing (FMF) grant program, in addition to a continuing and growing Foreign Military Sales (FMS) program. The FMF and FMS activities will be executed by Defense personnel in the Office of Security Cooperation-Iraq (OSC-I), under the Embassy's direction. We understand that OSC-I's operating costs may be borne substantially by Defense.

A division of responsibility between an Embassy political-military section and a Defense-staffed security cooperation office is commonplace, but OSC-I will be an uncommonly large office, the largest such office in the world. It will also be one that is relatively "operational" and that may revert to the relative independence seen in USF-I's assistance units. OSC-I will operate in a dangerous security environment that will limit the Embassy's day-to-day oversight. So will the fact that Defense is paying for much of the operating expenses; in our experience, we have found that Defense officials are loath to surrender control over "their" money to other agencies. Given the inevitable problems of separating responsibility for program resources and management from responsibility for program execution, we believe there is a significant risk of waste and mismanagement here as well. Furthermore, SIGIR has been approached by representatives of

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<sup>8</sup> *Department of State Grant Management: Limited Oversight of Costs and Impact of International Republican Institute and National Democratic Institute Democracy Grants*, SIGIR 10-012, January 26, 2010; *Improved Oversight Needed for State Department Grant to the International Republican Institute*, SIGIR 10-022, July 29, 2010; and *National Democratic Institute Grant's Security Costs and Impact Generally Supported, but Department of State Oversight Limited*, SIGIR 11-001, October 13, 2010.

<sup>9</sup> *Opportunities to Improve Management of the Quick Response Fund*, SIGIR 09-011, January 29, 2009.

the Ministry of Interior (MOI) Inspector General, the MOI Director of Contracting, and the Iraq Board of Supreme Audit with concerns about the functioning of the FMS program to date.<sup>10</sup>

### **Consider Increasing Funding To Strengthen State Oversight**

As noted, State has asked for \$3 million to strengthen its acquisition capabilities, which could well improve its contract oversight. But this is probably just a start. The Congress may wish to provide more support to State to bolster its overall contract management capacity. Such funding would, in all likelihood, pay for itself within a short time.

### **Conditions-based Contracting Authority**

The Congress, as it makes funds available to be used by State for large-scale contracts and grants, could consider allowing State to obligate the funds only after (1) State submits a plan describing how it will manage large-scale programs and contracts going forward, and (2) State provides a certification that it has the resources and personnel in place to manage the activities in question.

In any event, given the increase in scope of State's management responsibilities – an increase, by the way, that is here to stay, given recent developments in Afghanistan – increasing attention to its contract and oversight management capacities and performance is in order.

### **Matters Pertinent to SIGIR's Continuing Oversight**

SIGIR has the statutory duty to conduct audits and criminal investigations of all funds appropriated for Iraq's reconstruction. We are also required to report to the Congress every quarter on "all" obligations, expenditures, and revenues "associated with reconstruction and rehabilitation activities in Iraq." Prompt and unfettered access to relevant individuals and data has been crucial to the success of our audit and investigatory responsibilities, as well as to our quarterly reporting.

As discussed in our January 2011 Quarterly Report to the Congress, State adopted last year an overly restrictive definition of the word "reconstruction" and used it to deny SIGIR information related to the activities of the Provincial Reconstruction Teams, the in-country representatives of INL, and other matters we believe fall within our jurisdiction. The Congress expects SIGIR to report on and conduct audits and investigations of all Iraq programs under our jurisdiction, including PRT and INL activity in Iraq. One of SIGIR's hallmarks has been timely and accurate reporting on all Iraq reconstruction information. We hope that State will provide the transition

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<sup>10</sup> At a meeting with Deputy Inspector General held on January 29, 2011 various concerns about the FMS program were discussed including the results of a BSA audit of \$1.2 billion transferred to the program between 2007-2008 which indicated that turnover of equipment to the Iraqi government was not proceeding according to the terms of agreements between the U.S. and the Government of Iraq.



data for which we have asked. If not, a clarification from the Congress would help us continue to meet our high standards.

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## **Conclusion**

Mr. Chairman and members of the Subcommittee, let me conclude by thanking you for visiting Iraq last month and conducting oversight there with your own eyes. My staff in Baghdad were honored that you took the time to meet with them. Moreover, we at SIGIR appreciate the support we have received from both sides of the aisle in the Congress and on this Committee for the past seven years that we have overseen the Iraq reconstruction endeavor. I am pleased to answer any questions you may have.