

TESTIMONY OF HAROLD W. GEISEL
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U.S. DEPARTMENT OF STATE AND THE BROADCASTING
BOARD OF GOVERNORS
BEFORE THE
COMMISSION ON WARTIME CONTRACTING
IN IRAQ AND AFGHANISTAN
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Mr. Chairman and Members of the Commission on Wartime Contracting in Iraq and Afghanistan:

I am honored to appear here today representing the Office of Inspector General (OIG) of the U. S. Department of State and the Broadcasting Board of Governors (BBG).

OIG is pleased to work closely with the Commission on Wartime Contracting (CWC) and your staff to help carry out your important mission.

In our recent work, OIG sees some of the same problems with contracting as we did 14 years ago, when I served my first term as Acting Inspector General. A major difference, of course, is that the Department of State is using many more contractors much more frequently in Iraq and Afghanistan than it has done in the past.

Our mission is to identify instances of waste, fraud, abuse, and mismanagement wherever found, in war zones or elsewhere. In the past year, this OIG has worked very hard to build its deployable oversight capacity in conflict and post-conflict environments and today is much better positioned to monitor the work of contractors than it was when the Iraq war started in 2003.

Your challenge is similar and equally daunting – to, among other things, assess a number of factors related to wartime contracting, including

the extent of waste, fraud, abuse, and mismanagement of wartime contracts. The CWC's findings will be very instructive to all Inspectors General.

Significant Contracting Audits and Reviews

OIG consistently found a serious lack of resources to provide both adequate day-to-day contract management and contractor oversight in Iraq and Afghanistan. This observation is underscored by a number of important OIG reviews.

OIG's Middle East Regional Office (MERO) is in the process comprehensively reviewing Worldwide Personal Protective Services (WPPS) contracts with Blackwater, DynCorp International, and Triple Canopy in Iraq, with Blackwater in Afghanistan, and with Triple Canopy in Jerusalem. Thus far, two reports have been issued.

In December 2008, OIG issued its first WPPS report on the "Status of the Secretary of State's Panel on Personal Protective Services in Iraq Report Recommendations." This OIG report is an overview of actions taken by the Department based on recommendations from the Secretary of State's Panel on Personal Protective Services in Iraq (Kennedy Report).

This OIG review found that the Department of State and Embassy Baghdad had improved the protection practices of the Department's security contractors, enhanced communication and coordination with coalition military forces and the Government of Iraq, and increased contractor accountability. The Department and Embassy Baghdad had successfully completed 11 of the Panel's recommendations, were in the process of implementing four, and were awaiting actions by third parties to complete an additional three. OIG reported that changes in security practices resulted in a more professional security operation and the curtailment of overly aggressive actions toward Iraqi civilians by movement security teams.

Despite these improvements, OIG found that the Department faced numerous challenges, including:

- Insufficient numbers of special agents to accompany all security movements or meet the Ambassador's instructions for increased engagement with Iraqi officials
- The unresolved status of private security contractors in light of the Status of Forces Agreement (SOFA) governing the relationship between Iraq and the U.S. military and contractors in Iraq
- An Iraqi public opposed to the use of these contractors

- The possibility that a primary security contractor would not receive a license to continue operating in Iraq
- Curtailment and increased costs for private security contractors if immunity from Iraqi prosecution were to be lifted

The OIG report recommended that the Bureau of Diplomatic Security (DS) develop a workforce plan to meet the current high operational tempo and expected increase in requirements for Personal Protective Services (PPS) resulting from the anticipated drawdown of the U.S. military in Iraq. OIG further recommended that DS expeditiously acquire dedicated tactical communication expertise to assist Embassy Baghdad in evaluating and fielding a tactical radio communication system.

The second report in the WPPS review, a “Review of Diplomatic Security’s Management of Personal Protective Services in Iraq,” was issued in January 2009. This review looked at the studies and needs assessments conducted by DS to determine PPS requirements, the factors that led to three separate PPS contractors in Iraq, and the mechanisms in place to ensure that PPS assets were used effectively and efficiently.

OIG found that DS was highly effective in ensuring the safety of chief of mission personnel in Iraq. However, OIG also found that DS did not have a strong control environment to ensure the WPPS contract was effectively

managed, assets were safeguarded, and laws and regulations were in compliance. This problem was due to:

- Frequent changes in management personnel and staff turnover
- Rapid expansion of activities
- Understaffing and drastic increase in workload, as well as staff difficulties in handling operational workload
- Lack of operating policies and procedures
- Staff frustrated by information requests, and an inability to provide requested information

OIG's analysis of personnel rosters (muster sheets) revealed the three WPPS contractors had recurring difficulties maintaining required staffing for critical labor categories. There was no attempt to ensure the accuracy of muster sheets at their origin in the field and, therefore, no means to verify personnel labor costs. Embassy Baghdad's use of contractors to manage and control government-furnished equipment may have violated Federal Acquisition Regulation policy that contractors shall not be used for the performance of "inherently governmental" functions. The security footprint of the three WPPS contractors in Iraq is a legacy of the Coalition Provisional Authority (CPA) period. There were no post-CPA assessments or analysis to determine the PPS requirements in Iraq. OIG

noted several instances that raised concerns over the efficient deployment of contractor security assets.

The January 2009 report on DS management of WPPS made the following recommendations:

- DS should develop a workforce plan for the High Threat Protection Division to fill staff vacancies and encourage retention of staff responsible for administering the WPPS contract.
- The Bureau of Administration should develop a workforce plan for the Office of Acquisition Management to ensure sufficient staff to oversee the WPPS contract, including assigning a dedicated contracting officer to Embassy Baghdad to provide proper oversight of WPPS contractor activities.
- DS should assign dedicated contracting officer representatives to Embassy Baghdad and Regional Embassy Offices to provide proper oversight of WPPS contractor activities.
- DS should develop and publish standards, policies, and procedures for managing private security contractors in the Foreign Affairs Handbook, similar to those created for Local Guard and Residential Security programs.

- Embassy Baghdad should assign a U.S. Government direct-hire employee to supervise and approve the work completed by the Regional Security Officer's Logistics Office.
- DS should assess PPS requirements in Iraq to determine the number of security personnel to employ, where they should be deployed, and the level and manner of protection given the threat in particular locations.

It should be noted that, following this review, DS replaced the Regional Security Office logistics officer, who was a contractor, with a full-time government employee.

Other Significant Reviews

OIG issued reports on two other reviews of contract management, both of which underscore the importance of issues related to contractors. These reports were the "Inspection of the Bureau of International Narcotics and Law Enforcement Affairs (INL)" (ISP-I-05-14, July 2005) and a review of the Office of the Procurement Executive found in "Inspection of the Bureau of Administration's Office of the Procurement Executive, Office of Acquisitions Management, and Office of Small and Disadvantaged Business Utilization" (ISP-I-07-12, December 2006).

Although the latter was not focused on wartime contracting, it is relevant for a number of reasons.

The 2005 INL review found that, because of the growth of INL programs predominantly in Iraq and South Asia, the Bureau was at that time, “an embattled entity, facing the need to address the bureau's overtaxed resources and organizational weaknesses, while drastically reordering its priorities to deal with burgeoning high priority Iraq and Afghanistan programs.”

From FY 2003 to FY 2004, overall INL program funding nearly doubled to \$2.2 billion. The report recommended that INL move promptly to restructure in order to deal effectively with its policy-sensitive Iraq and Afghanistan programs. As an interim step, OIG recommended that INL immediately establish individual working groups for the management of INL programs in Iraq and Afghanistan. OIG also recommended that INL proceed with a long-delayed bureau reorganization and needed personnel increases to relieve the evident strains within the bureau caused by long term inadequate staffing and the bureau's pressing new demands.

In addition, in 2007, OIG's Office of Audits completed an audit (AUD/FM-07-41) of the Jordan International Police Training Center that

concluded INL could not effectively review and approve DynCorp International's invoices. This issue hampered INL's ability to assure that work was completed satisfactorily. In May 2007, INL supplied OIG with information that improvements had been made to its invoicing and approval process.

In its 2005 review of the Office of the Procurement Executive (OPE), OIG found that total contract spending had grown dramatically in recent years—from \$1.87 billion in FY 2000 to \$5.85 billion in FY 2005, an increase of 213 percent. During the same five-year period, the Department's professional contract staffing increased by only 16 percent—going from 130 to 150 full-time government employees. As a result, the procurement function in the Department was approaching a crisis situation.

Given the need for prompt action to deal with conflict and post-conflict programs, OIG found there was great pressure placed on the Office of Acquisitions Management (AQM) to award contracts expeditiously. For example, among other pressures, AQM had to award contracts despite late receipt of requirements from the Bureau of Overseas Buildings Operations (OBO). The amount of money involved—\$2.4 billion in FY 2005—called for care and prudence in the contracting process.

Lastly, the Department's management of contracting officer representatives (CORs) was persistently weak, despite a number of improvements made by OPE and AQM in response to previous OIG recommendations.

OIG reported that changes were underway to further enhance the tracking, training, and supervision of CORs, but the cooperation of senior managers throughout the Department would be necessary for full implementation of these improvements. This Department-wide condition had the highest potential to harm the post-conflict contract management process.

In 2007, OIG's Office of Audits also issued an audit report, "Accounting for Government-Owned Personal Property Held by Selected Contractors in Afghanistan" (AUD/IQO-07-48), which concluded that 21 percent of \$133 million in charges reviewed had inadequate documentation on property furnished to or purchased by contractors in Afghanistan. The Department agreed with all of the recommendations, which focused on civilian police training, poppy elimination, personal protective services, and humanitarian demining. The equipment included vehicles, weapons, generators, information technology, and communications equipment.

Oversight Priorities

The current areas of concern and priorities for future reviews in Iraq and Afghanistan are:

- WPPS contract performance, management, and administration by DS
- OBO contracts for construction of housing and office space and for transition of Regional Embassy Offices to consulates
- Transition planning mechanisms and key issues—security, logistical support (Logistics Civil Augmentation Program or LOGCAP), transportation, and costs associated with increased Department roles and responsibilities following a military drawdown in Iraq
- Iraq reconstruction
- Assistance for Iraq in developing oil resources
- Reconstruction Opportunity Zones in Afghanistan

The ability of OIG to conduct these reviews will be based on staffing levels and funding priorities from Congress. Currently, Congress and the Department are strongly interested in the WPPS program, but OIG will remain flexible in response to changing conditions and future priorities established by the new Administration.

Ongoing OIG Reviews

- 2009 performance audits of WPPS in Iraq and Jerusalem
- OIG Office of Audits performance audit of the New Embassy Compound in Baghdad (to be published in Summer 2009)
- State OIG/Special Inspector General for Iraq Reconstruction (SIGIR) audit of Blackwater operations in Iraq (to be issued in Summer 2009)

Planned OIG Reviews

- Diplomacy, consular, provincial, and security programs in Iraq (Embassy Baghdad inspection begins February 2009)
- 2009 performance audit of WPPS (Blackwater) in Afghanistan
- 2009 WPPS capping report, which will summarize findings and conclusions of the Department's management of private security contractor program
- Audits of logistics support, cost, and effectiveness, including reviews of LOGCAP and logistical support to the Provincial Reconstruction Teams

- Reviews of logistical support related to the Transition Plan and the Regional Embassy Offices

In its review of WPPS in Afghanistan, OIG will look closely at how the lessons learned in Iraq have been, and will be, applied in Afghanistan. A primary objective of the performance audit of Blackwater in Afghanistan is to determine whether best practices learned from the Department's Kennedy Report recommendations regarding Iraq are applicable to the private security program in Afghanistan.

Status of Forces Agreement

OIG found two provisions of the new Status of Forces Agreement could potentially have a significant impact on WPPS: the lack of immunity for U.S. Government WPPS contractors from Iraqi law, and the Iraqi Government licenses required to permit these private security contractors to operate in Iraq. These two provisions could result in an inability to attract and retain sufficient personnel, and may also lead to some prime WPPS contractors not being licensed to operate in Iraq. As a timely example of the latter concern, on January 23, 2009, the Department of State confirmed that Iraq's Ministry of Interior notified Embassy Baghdad that the Iraqi

Government would not grant a private security contractor operating license to Blackwater.

2007 Memorandum of Agreement (MOA)

The Department of State and the Department of Defense entered into an MOA on December 5, 2007, regarding U.S. Government private security contractors. The MOA established clearly defined authority and responsibility for the accountability and operations of private security contractors in Iraq, including revised “Rules of Force” provisions. The Department of State updated the Iraq Mission Firearms Policy incorporating these revised rules regarding the use of force, and this policy went into effect on February 2, 2008. GAO’s report to Congress in July 2008 on “Rebuilding Iraq” concluded that the revised rules sufficiently tightened the rules for the use of deadly force by private security contractors. However, challenges remain. The Department of State is currently responsible for the safety and security of U.S. Government civilians, and as the drawdown of military forces begins, the number of civilian U.S. Government personnel in Iraq most likely will increase. Additional resources will be needed for added security operations, as well as to adequately monitor and oversee

the potentially expanded Department of State use of private security contractors in Iraq.

OIG Compliance Process

The compliance process begins when OIG enters a recommendation into its Compliance Analysis Tracking System, which tracks Department actions to comply with the recommendations. Periodic status reminders and non-compliance notices are issued to the responsible bureau or office until final action is completed and the recommendations can be closed.

Compliance verification is one area of OIG operations that has suffered from a lack of resources. Currently, much of OIG's compliance effort is conducted with rehired annuitant staff, or by full-time staff on an "as time permits" basis. Although we are unable to provide the degree of follow-up we would like to, overall I am reasonably satisfied with the Department's responsiveness in dealing with our recommendations.

OIG's two WPPS reports were released over the last two months, so there has not been sufficient time to formally assess whether actions have been taken or not taken by the Department. However, we know that some recommendations have been already implemented. OIG will begin its review of the implementation of both sets of recommendations in February

2009 and is optimistic that these recommendations will be promptly addressed.

A House committee recently released a report noting that State OIG, over an 8-year period, produced the largest number of recommendations in the government. Since 2001, 89.1 percent of these recommendations have been closed in our compliance system.

Coordination and Cooperation

OIG is satisfied with the level of communication and coordination among the Department of State, the Department of Defense, and USAID. All three agencies hold regular discussions, and so far as we are aware, the agencies' coordination appears to have been successful in avoiding duplication of effort. OIG has also consistently extended offers to coordinate and deconflict oversight projects to the Special Inspector General for Iraq Reconstruction (SIGIR) and the Special Inspector General for Afghanistan Reconstruction (SIGAR).

The Audit Plan signed by SIGIR, the Department of State, the Department of Defense, and USAID in June 2008 has generally worked well. However, even though Congress has supplied clarification, the boundaries of audit responsibilities are not entirely clear, and there have

been instances of overlapping jurisdiction between the temporary special Inspectors General (SIGIR and SIGAR) and the permanent Inspectors General.

The Assistant Inspector General for the Middle East Region has reported to me on numerous occasions that the Southwest Asia Planning Group meets regularly and, by and large, the group members are working well together.

Future Resources

The CWC asked whether OIG has enough funding to audit wartime contracting. For FY 2009, the answer is yes, due to supplemental funding OIG received in 2008. If the Department and Congress continue to provide the necessary base-year funding, we can continue to increase our ability to provide sufficient oversight in conflict and post-conflict regions. We have been informed that in 2009 we may receive \$40 million in annual base-year funding. If this information is correct, the funding would be a significant and positive change, considering that State OIG's budget has averaged around \$30 million between 1994 and 2007.

Today, OIG has built new confidence among key leaders in the Department, the BBG, and Congress – confidence in the value of oversight

and in OIG's ability to deliver more useful oversight into high-cost, high-risk programs by basing its Middle East Regional Office (MERO) regionally overseas so that personnel can flow more easily to conflict areas. OIG opened its MERO headquarters in Amman, Jordan, in January 2008, and opened a satellite office in Baghdad in November 2008. OIG will open additional satellite offices in Cairo and Kabul this spring. With these strategically placed platforms, OIG is sending oversight personnel -- auditors, analysts, and investigators -- to troubled areas in the region to monitor these high-cost, high-risk Department programs.

In June 2008, OIG's MERO in Amman issued two very important reviews on the Iraqi Special Immigrant Visa Program and the Iraqi Refugee Admission Program, both of which garnered strong interest by lawmakers crafting new legislation on these important programs. MERO now provides real-time information on matters affecting Department programs in critical crisis and post-conflict areas, such as Iraq, Afghanistan, Pakistan, and 27 other countries in the region.

I have been highly encouraged by the involvement and coordination of our Office of Investigations with MERO, and the by staff increases in OIG's Office of Investigations. In October 2007, this office was barely functioning and today it has new staff, new leadership, and new plans for

investigations overseas into a myriad of alleged crimes, including fraud, financial crimes, control of sensitive technologies, and contractor-related wrongdoing.

With Congress' continued support we are optimistic that State OIG will be able to provide effective oversight of Department programs and contracting in Iraq and Afghanistan. In addition, three other permanent U.S. Government Inspectors General, as well as SIGIR and SIGAR, also have statutorily-assigned responsibilities in both the Middle East and South Asia.

Recommendations

OIG recommends that the CWC:

1) Establish a standard mechanism to provide sufficient funding for both contract management and contract oversight when certain wartime conditions exist.

2) Follow the lead established in the FY 2009 Department of Defense Authorization Act, which calls for government-wide standards to help managers determine inherently governmental and non-governmental functions. This information could then be used to determine the size of the U.S. Government employee work force and the need for contractors.

Finally, while these are good beginnings, OIG notes that reconstruction funding made up only 10 -15% of the overall U.S. investment in Iraq since 2002. Compare this figure to the oversight investment in Iraq of SIGIR, which in 2008 alone had a budget of \$34 million to oversee a portion of the U.S. investment in Iraq. At the same time, State OIG's budget of \$34 million covered all Department programs worldwide, including Iraq and Afghanistan. Clearly, the investment in oversight can fall out of balance for the long term, if the permanent U.S. Government Inspectors General are not adequately resourced to meet the challenges of conflict and post-conflict scenarios.

Thank you for the opportunity to appear before you today. I would be pleased to respond to any of your questions.