

HOUSE ARMED SERVICES COMMITTEE

**TESTIMONY OF
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U.S. DEPARTMENT OF STATE AND
BROADCASTING BOARD OF GOVERNORS**

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Chairman Skelton, Ranking Member Hunter, and Members of the Committee:

Thank you for the opportunity to discuss the Department of State Office of Inspector General's view of audit and oversight activities related to Iraq. Since my office did not become aware of your invitation until Tuesday morning, less than 48 hours before this hearing, we were unable to meet the 48 hour advance requirement for a written statement. I would like to make a brief introductory statement and then I will be pleased to respond to questions at the appropriate time. With your permission, I will hereafter submit a written statement for the record.

OIG's approach to oversight in Iraq has been through audits, inspections, investigations, assessments, and surveys to identify and recommend ways in which State Department programs can operate more efficiently and economically. These are programs affecting the various operations of Embassy Baghdad, including the construction of the New Embassy Compound, as well as Iraq reconstruction, governance, and security, all of which are critical elements to ensuring stability in Iraq.

With resources limited due to statutorily mandated audit and inspection requirements and flat budgets in an increased cost environment, OIG has nevertheless conducted high-value projects that have included, in fiscal years 2005 and 2006 and thus far into 2007, 10 program and management assessments, 15 audits with 4 more in progress, and supervision of 4 Defense

Contract Audit Agency audits. Significant program assessments included an Assessment of Iraq Police Training, an Inspection of Rule-of-Law Programs in Iraq, and a Survey of Anticorruption Programs in Iraq. Significant audit work has included a survey of the Bureau of International Narcotics and Law Enforcement funding for Iraq and, currently in progress, a Review of a large Contract for Iraqi Police Training Support.

I should note that I have been a strong proponent of interagency Inspector General undertakings as a way of leveraging my limited resources and of enhancing cooperation among the three IG offices before you today, as well as others. In that vein, the Assessment of Iraq Police Training was done jointly with DOD/OIG, the Survey of Anticorruption Programs and the audits of INL Funding and of the Iraq Police Training Support Contract were all done in conjunction with SIGIR. Parenthetically, an Assessment of the Police Training Program in Afghanistan and an Assessment of Afghanistan Counternarcotics Programs were done jointly with DOD/OIG.

In addition to the foregoing reports, I have personally traveled to Iraq to accomplish specific objectives. For example, during my visit this past September, I met with all 29 Iraqi Inspectors General. I said to them, among other things:

“Each of your Prime Minister and Deputy Prime Minister have recently identified corruption as one of the two greatest threats – along with

violence – to the stability and long term success of Iraq as a free and democratic country. Indeed, violence and corruption go together: corruption feeds and funds the insurgency, and contributes to an environment where both can thrive. You are in the very front line of this great battle against corruption, and I look forward to seeing how we can assist and support you in this crucial fight for your country.”

To assist them, for example, I undertook to identify someone experienced in the U.S. Inspector General community to become a Senior Advisor to Iraqi IG’s in Embassy Baghdad. I subsequently identified such an individual, who is now being processed and should be in Baghdad shortly.

In my meeting with the leader of Iraq’s Board of Supreme Audit, I undertook to identify someone experienced in audit standard setting to become a Senior Advisor to the Board of Supreme Audit. Because it was more in his area, I turned to Comptroller General Walker for his assistance. The Comptroller General has identified a candidate who is presently being considered.

I believe the foregoing is responsive to your question as to what is working with respect to oversight in Iraq. With respect to what is not working, I would point first to the limited resources available to my office. The work in Iraq I have described to you was funded by an allocation of \$1.3 million from the FY 2005 Supplemental and \$1.7 million from the FY 2006 Supplemental.

That \$3 million over two years was intended to provide for our work in both Iraq and Afghanistan. As for 2007, we have received no Supplemental funds for Iraq or Afghanistan. By way of contrast, I believe SIGIR's initial and supplemental fundings have approximated \$100 million. So, at a time when the costs and risks attributable to State Department programs in Iraq continue to increase, OIG's resources have remained flat and perhaps have decreased after considering mandatory wage increases, higher travel costs, and lower dollar exchange rates.

A second problem is the heightened security issues in Iraq which detract from the efficiency and productivity of all oversight activities and can occasionally call into question the value of proceeding with an activity at all. Additionally, OIG, like other U.S. Government entities operating in Iraq, shares the same problems of recruiting and retaining qualified staff willing to work in Iraq. Unlike some other entities, however, OIG does not have the legal authority to hire 3161 term employees or personal service contractors, who are used by others to fill staffing requirements in Iraq.

To ameliorate the foregoing difficulties, OIG has wanted to establish a Middle East regional office, perhaps in Qatar where we could share costs with DOD/OIG's office already there, specifically to provide oversight for crisis and post-conflict State Department programs in Iraq and elsewhere in the region. However, the funding for this office has not been made available.

In closing, Mr. Chairman, I would like to recognize the brave and dedicated military and civilian personnel in Iraq who are making enormous efforts to bring about a safe, secure and democratic environment where rights and liberties of individuals are protected. This is a difficult challenge, and we in OIG want to do our part in assuring that U.S. resources are used to the optimum possible efficiency and effectiveness in such trying circumstances.

Thank you.