

**Questions for the Record Submitted to
Inspector General Howard J. Krongard by
Chairwoman Nita M. Lowey
House Committee on Appropriations
Subcommittee on State, Foreign Operations and Related Programs
February 8, 2007**

Question:

To what extent have you found waste, fraud and abuse in our operations in Iraq?

Answer:

For a number of reasons, including limited amounts of funding available for work in Iraq and the absence of authority to hire 3161 term employees or personal services contractors, as well as the presence of the Special Inspector General for Iraq Reconstruction, OIG's work in Iraq over the past three years has been more in the nature of inspections and management reviews—designed to improve efficiency, assess performance, and provide information for policy-makers—than in audits or investigations designed to find waste, fraud, and abuse. Having said that, during 2006, OIG and SIGIR jointly reviewed a \$188 million contract task order that was designed to provide civilian police (CIVPOL) training support in Iraq (*Review of DynCorp International, LLC, Contract Number S-LMAQM-04-C-0030, Task Order 0338, for the Iraqi Police Training Program Support*, Report No. SIGIR-06-029 and AUD/IQO-07-20). However, poor contract administration resulted in millions of dollars put at unnecessary risk, and property that could not be accounted for. For example, \$36.4 million for weapons and equipment, including armored vehicles, body armor, and communications equipment, could not be accounted for because invoices were vague and there was no backup documentation. Also, the contractor did not maintain a complete list of items procured or properly establish property management policies and accountability procedures. One of the report's most significant findings was that the Department spent \$43.8 million for the mid-2004 manufacture and immediate storage of a 1,000-unit residential camp that has never been used. Also, storage costs of over \$2 million have been incurred while awaiting a viable plan to best utilize the residential units or dispose of them. Within these manufacturing costs was \$4.2 million to construct VIP quarters and a swimming pool that OIG identified to be unauthorized under the contract.

In another CIVPOL review during 2005 (*Review of Agreed-Upon Procedures for the Verification of Excessive Fuel Charges in Support of the Jordan International Police Training Center*, Report No. AUD/IQO-05-16), OIG visited the Jordan International Police Training Center to review and verify a diesel fuel reimbursement from a contractor due to a subcontractor theft of about 2.7 million liters of diesel fuel, valued at \$600,824. OIG concluded that the contractor's reimbursement of that amount was reasonable; however, the fuel tanks were not adequately secured to prevent further theft. As a result of our work, the Department agreed to improve camp physical security and strengthen property controls.

Question:

Are there controls in place to ensure that funding is spent in accordance with USG laws and regulations? Have you been able to test the controls? What is your opinion on the adequacy of the controls? What steps have been taken to address any weaknesses and strengthen controls?

Answer:

Some controls are in place to ensure that funding is spent in accordance with USG laws and regulations. A principal control is the oversight provided by the Inspectors General of the Departments of Defense and State and of USAID, the Special Inspector General for Iraq Reconstruction, and numerous other IGs who participate in the Iraq Inspectors General Council. Over the past 3 years, OIG has reviewed and reported on vital support operations in Iraq such as embassy cashiering and procurement of armored vehicles, protective services of embassy personnel, and police training programs. In all cases, after testing related controls, weaknesses were identified that led to recommendations for corrective actions. For example, between July and August 2004 OIG was on the ground in Iraq reviewing internal controls over cashiering operations at the newly opened U.S. embassy in Baghdad. Because of the high volume of cash expected to be disbursed at the embassy, about \$1 million per month, the risks generally associated with cash payments were very high. While OIG did not identify any significant internal control weaknesses with cashiering services provided by the U.S. Army, it made recommendations concerning the continuity of operations as the embassy assumed greater roles and responsibilities from the Army and it recommended specific policies and procedures for embassy cashiering operations.

OIG also reviewed contracts supporting the Iraq mission to verify spending in accordance with contract provisions and federal procurement regulations. For example, OIG reviewed the procurement process for armoring services, specialized armored vehicles, and ballistic glass. To ensure that future requirements would be met for this necessary resource, OIG recommended that the Department institute advanced acquisition planning. In addition, OIG reviewed labor, equipment, and indirect expense rates proposed under a contract that provided protective security services to American diplomatic personnel in Iraq and found that the contractor's timekeeping and accounting systems were not adequate. The contracting officer has implemented OIG's recommendations for the contractor to correct accounting system deficiencies. OIG also reviewed contract competition at JIPTC that supported Iraqi police training programs. OIG questioned why a \$1.5-billion worldwide CIVPOL contract, including significant programs in Iraq, was sole sourced and not competed. OIG acknowledged in its report that while the contract allowed for non-competitive task order awards in case of compelling reasons, the competition may have resulted in significant cost savings.

OIG reported on the Bureau of International Narcotics and Law Enforcement Affairs' (INL) accounting for about \$1.5 billion it received, as of December 31, 2005, to support Iraq programs. While INL was able to track Iraqi-related funds received and allotted to major programs and procurement actions, it had difficulty extracting financial information from its

accounting system. OIG concluded that some funding recipients, primarily the Department of Justice (DOJ) and its independent agencies, did not adequately provide financial information on the status of the approximately \$170 million of funds it received from INL. As a result of this work, INL strengthened financial accountability and internal controls for all funds under its control.

Question:

What is your opinion, on how the funds that we are providing to the administration to achieve our objectives in Iraq are being spent? Is the administration achieving the goals it set out to achieve? Why not?

Answer:

OIG's inspections, surveys, and assessments reflect that programs receiving funds through the State Department have had varying degrees of success. For example, OIG's *Interagency Assessment of Iraq Police Training*, performed in conjunction with the Office of Inspector General of the Department of Defense, judged that, as of April 2005, although the Iraqi Police Service was not yet capable of single-handedly meeting the security challenges, relevant Coalition training efforts had resulted in a qualified success. The assessment also noted that recruitment and vetting procedures were faulty, the training programs had insufficient input from Iraqi leaders, and that unless and until the Iraqi Ministry of Interior took full responsibility for the management and administration of the police training program, the Coalition was destined to fall short in helping to create an effective police force.

OIG's October 2005 report on its *Inspection of Rule-of-Law Programs, Embassy Baghdad*, judged that the U.S. government had spent approximately \$400 million on rule-of-law programs other than police training and that most of the money appeared to be well spent. As the reconstruction program then funded through September 30, 2006, was being reviewed to ensure that the remaining reconstruction resources were deployed to maximum effect, OIG believed the defining characteristic of this new phase must be that it would enhance the transition from a U.S.-directed program to a sustainable Iraqi-directed program. Security issues were found to detract from the efficiency and productivity of all project activity, and occasionally called into question the value of proceeding with an activity at all. This was particularly vexing in the implementation of rule-of-law projects which placed U.S. civilian personnel outside of Baghdad, where security risks and costs were higher. OIG judged that basic to the success of all U.S. hopes for democracy and good governance in Iraq was an effective anticorruption regime. At the time, the institutional framework for anticorruption activities was in place, but it was found to be fragile and untested.

About a year later, OIG performed a *Survey of Anticorruption Programs, Embassy Baghdad, Iraq*. OIG judged again, as it had the previous year, that basic to the success of all U.S. hopes for democracy and good governance in Iraq was an effective anticorruption regime. Corruption continued to be widespread in Iraq, and implanting integrity throughout its public institutions was considered a generational challenge. Engaging Iraqis to design an anticorruption regime is essential for success but was far from fully achieved. OIG

determined that U.S. funding directed specifically toward anticorruption programs had been modest, amounting to under \$65 million, which represented less than .003 percent of total IRRF funding. Non-U.S. donor funding was scant.

Question:

Do you think that the additional funds being sought by the administration for Iraq relief and reconstruction through the FY07 supplemental and the FY08 budget request should also be under the jurisdiction of the SIGIR?

Answer:

The issue of whether additional funds being sought by the administration for Iraq relief and reconstruction through the FY07 supplemental and the FY08 budget request should also be under the jurisdiction of SIGIR is, in the first instance, one of resource appropriation for oversight. For example, should Congress determine that the \$35 million in the supplemental request should be appropriated to SIGIR, I believe SIGIR would continue to provide oversight, and the additional funding should be under SIGIR's jurisdiction. On the other hand, if Congress should determine that funding for oversight in Iraq should be provided to the existing statutory Inspectors General under the Inspector General Act of 1978 (and members of the President's Council on Integrity and Efficiency), such as those at USAID and the Departments of Defense and State, then it would not be necessary to place the additional funding under the jurisdiction of SIGIR. If that were to be the case, I am confident State OIG would provide effective oversight and the OIGs of USAID, Defense, State, and other members of the Iraqi Inspectors General Council would coordinate and deconflict their activities in an efficient manner.

Question:

In the Department of State OIG report on Anticorruption programs conducted in August 2006 it recommended that the USG engage the Iraqis to design an anticorruption regime. Can you provide an update on your recommendations?

- Has Embassy Baghdad worked with the Iraqi government on strengthening the mechanism for prosecuting corrupt officials?
- Averting the politicization of anticorruption efforts?
- Fostering the role of civil society organizations in anticorruption advocacy?
- Supporting the establishment of an anticorruption training institute?
- Encouraging the creation of a U.S.-based support network of inspectors general under the auspices of the President's Council on Integrity and Efficiency (PCIE)?

Answer:

The actions described in the bullets above were included in the program of Embassy Baghdad's anticorruption working group, which was noted in OIG's *Survey of Anticorruption*

Programs, Embassy Baghdad, Iraq (Report No. ISP-IQO-06-50). They did not constitute recommendations of OIG.

OIG's report contained nine recommendations. As a result of the normal compliance review process, eight of the nine have been closed, based on actions taken by the Embassy. Recommendation 7 is resolved, but remains open pending confirmation that Embassy Baghdad has completed action on a review of proposed assistance programs to ensure coordination with its priorities.

The first recommendation called for the anticorruption working group to establish a process and schedule for regular reviews of each of the anticorruption programs to assess how each relates to and helps achieve the U.S. government's strategic goals for anticorruption. The embassy concurred, and reported that the recommended process was underway.

The second recommendation called for the assignment of an officer in the embassy to give full-time attention to overseeing the interagency anticorruption portfolio in cooperation with the economic counselor. The embassy reported that it has implemented this recommendation and that the Department assigned a senior FS-01 officer as the Anticorruption officer.

A third recommendation was to hire a full-time locally employed person to assist the officer and the members of the anticorruption working group. Embassy Baghdad reported in November that it was in the process of complying with the recommendation.

The fourth recommendation was that the embassy seek the official commitment of the new Iraqi government to anticorruption and identify officials to oversee its campaign. The embassy reported that the Iraqi Prime Minister's office had agreed with a charter for a new Joint Anticorruption Council and had listed the proposed high Iraqi officials as well as representatives of the U.S. and British embassies. The embassy proposed four dates before the end of December 2006, for the formal first meeting of the Council. On March 28, 2007, Embassy Baghdad reported that the goal of having a JACC meeting prior to the end of 2006 was not accomplished, primarily due problems on the Iraqi side with coordinating the different entities and disagreement on buy in. The embassy reported that there had been progress and expressed hope that the first meeting of the JACC would take place in April 2007.

The fifth recommendation was to establish, as part of the anticorruption working group's agenda, the opportunity for group members and associated contractors to share what they learn of Iraqi views on the anticorruption campaign. The embassy reported that this was undertaken at weekly meetings, and that the anticorruption officer was identifying specific issues and lead speakers on each issue, and reaching out to agencies for their contributions.

A sixth recommendation called for a strategy for the teams of U.S. advisors and trainers to the Iraqi Commission on Public Integrity and the Central Criminal Court of Iraq to work together to bridge the gap between their investigative functions. Embassy Baghdad concurred and stated that anticorruption efforts in support of the Commission on Public Integrity (CPI), Board of Supreme Audit (BSA), and agency Inspectors General would include a focus on helping investigators improve their capacity to develop investigations with a view toward

criminal prosecution in the Iraqi courts. To the extent possible, the embassy will seek to integrate the judicial sector in anti-corruption training programs.

Recommendation 7 was that Embassy Baghdad's anticorruption working group should ensure members understand the training function of the International Organization of Supreme Audit Institutions and develop and implement a strategy to assist the Board of Supreme Audit and other anticorruption institutions to participate in the International Organization of Supreme Audit Institutions' training opportunities. The embassy reported that its anticorruption working group was conducting an agency-by-agency review of proposed technical assistance and capacity-building programs related to anticorruption to ensure optimum coordination with the priorities developed by JACC. OIG requested an update in January 2007 and is awaiting a response on embassy progress.

The eighth recommendation was for the embassy to encourage the new Iraqi government to support the role of the Iraqi Inspectors General in anticorruption activities and to seek the ideas and opinions of the Iraqi Inspectors General and others in the Iraqi anticorruption structure on ways in which the Inspectors General would benefit from mentoring and technical and other assistance from U.S. Inspectors General with a view to providing guidance for a working group of the President's Council on Integrity and Efficiency on setting up such assistance. Embassy Baghdad concurred and reported that the Prime Minister had designated the Inspector General of the Ministry of Health as the Chair of the Inspectors General Council, a coordinating body. [Note that during a visit to Iraq, I addressed the Iraqi Inspectors General and, among other things, offered to find from the U.S. IG community a senior advisor to the Iraqi Inspectors General. The Iraqi IGs welcomed the offer, the Iraq Reconstruction Management Office (IRMO) approved the position, I located a senior advisor who was hired by IRMO, and that person is now serving in Iraq.]

The ninth recommendation called for support and guidance for Iraqi efforts to design and establish a training facility for anticorruption personnel from, and with the support of, all three institutions of the Iraqi anticorruption structure. The embassy reported that the Iraqi Government had allocated \$10 million to establish such a facility, and that the Department's Bureau of International Narcotics and Law Enforcement (INL) has obligated FY 2006 funds, and was seeking FY 2007 funds, to support this effort.