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Summary Guide to Overseas Contingency Operations Oversight Lessons Learned

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EXECUTIVE SUMMARY

The Department of State (Department) has been involved in and affected by contingency operations for many years. We've prepared this guide because we foresee many more years of such operations and the challenges they create for Department managers. Much of the information and many of the suggestions in this guide are straightforward and reflect what seem to be common sense observations. However, we have seen these same issues come up repeatedly in our own work and the work of other inspectors general and oversight entities.

ABOUT THIS GUIDE

This guide summarizes lessons learned from prior reviews and analyses of U.S. Government activities supporting or affected by "overseas contingency operations" (OCOs), primarily in Iraq and Afghanistan since 2001. We offer this guide as a resource for Department managers who may be called upon to work in an area affected by an OCO or in a similar, challenging environment. Appendix A provides a list of reports the Office of Inspector General (OIG) consulted in preparing this summary (although it is not an exhaustive list of relevant reports). Those reports include the work of several inspectors general (IGs) and other oversight entities, and they provide additional, more detailed information on the lessons learned and underlying problems summarized in this guide.¹ In compiling these lessons learned, OIG hopes to help enhance the effectiveness, efficiency and security of Department operations in OCO and similar environments. Department policy already incorporates some of these lessons learned, such as in the 14 Foreign Affairs Manual (FAM) 240 requirements for OCO and "critical environments" contracting, the implementation of which is the subject of an ongoing OIG audit. OIG will continue to conduct such oversight projects on specific OCO-related issues, but this guide is intended to contribute more broadly to Department effectiveness by providing managers a brief reminder of some lessons learned and practical observations relevant to Department operations in OCO and similar environments.

¹ This report relies in part on the work of two temporary agencies created by Congress to serve as Special IGs for U.S. reconstruction efforts associated with contingency operations in two countries: the Special Inspector General for Iraq Reconstruction (SIGIR) and the Special Inspector General for Afghanistan Reconstruction (SIGAR). SIGIR closed in 2013; SIGAR is still in operation as of mid-2016.

IG OVERSIGHT OF OVERSEAS CONTINGENCY OPERATIONS

Since 2013, when a contingency operation² overseas lasts more than 60 days, Section 8L of the Inspector General Act (IG Act) requires the IGs of the Department of Defense (DoD), the U.S. Agency for International Development (USAID), and the Department to conduct oversight of the OCO under a concept now referred to as the “Lead IG” (LIG-OCO).³ For each new OCO, the chair of the Council of Inspectors General on Integrity and Efficiency must designate a Lead IG from among these three IGs, and these IGs together must plan and conduct joint oversight of the military operation itself, and all programs and operations of the Federal government in support of that OCO.⁴ Each IG also retains its individual oversight authority under the IG Act and so can conduct oversight of OCO-related programs under its individual authority or jointly under LIG-OCO authority. Section 8L also requires the three IGs to issue quarterly reports to Congress and the public on the conduct of the OCO and semi-annual reports on their oversight activities.⁵

COMMON FEATURES OF AN OCO ENVIRONMENT

As a practical definition, in this guide, the term “OCO environment” refers to the geographical area where an OCO is occurring or has recently occurred.⁶ The United States involvement in Iraq from 2003–2011 may be seen as a rough guide. However, as mentioned above, the Department operates in many similar, challenging or “critical” environments to which these lessons learned may also apply.

² Under Federal law, a military operation is a “contingency operation” when (1) designated by the Secretary of Defense as an operation in which members of the armed forces are or may become involved against an enemy or opposing military force, or (2) it results in the call to or retention on active duty of members of the uniformed military. Section 101(13) of title 10, United States Code.

³ Although SIGAR remains in operation, Section 8L of the Inspector General Act (Section 8L) established the Lead IG concept for future OCOs, including Operation Freedom’s Sentinel in Afghanistan, which replaced Operation Enduring Freedom as of January 1, 2015. “Special Provisions Concerning Overseas Contingency Operations,” Inspector General Act of 1978, Pub. L. 95-452, Oct. 12, 1978, 92 Stat 1101, 5 U.S.C. App., as added by the National Defense Authorization Act for Fiscal Year 2013, Pub. L. 112-239, div. A, title V**, § 848(2), Jan. 2, 2013, 126 Stat 1851.

⁴ Subsection (d) of section 8L. Section 8L also requires the LIG-OCO to “review and ascertain the accuracy of information provided by Federal agencies relating to obligations and expenditures, costs of programs and projects, accountability of funds, and the award and execution of major contracts, grants, and agreements in support of the contingency operation.” Section 8L, subparagraph (d)(2)(C).

⁵ Section 8L, subparagraph (d)(2)(F) & (G).

⁶ The term “OCO” as used in this guide is distinct from the budgetary use of the term “OCO” to denote “non-base” funding, which has different “caps” than non-OCO spending for purposes of the Balanced Budget and Emergency Deficit Control Act of 1985. Budget Control Act of 2011, Pub. L. 112-25, 125 Stat. 240, 241, section 101, Aug. 11, 2011, amending the Balanced Budget and Emergency Deficit Control Act of 1985, Pub. L. 99-177, 99 Stat. 1037, section 251(b)(2)(A), Dec. 12, 1985, to provide for an adjustment of discretionary spending caps in the case of appropriations designated by Congress in statute and by the President for “Overseas Contingency Operations/Global War on Terrorism.”

This guide applies to the programs and operations of a Federal agency—in this case, the Department of State—implemented in or intended to have effect within an OCO environment. These environments share certain features that inherently make agency operations more difficult. Common features of an OCO as identified by past oversight work are described below.

Security Issues:

Security concerns may dominate the OCO environment. By definition, in an OCO environment, the United States will be, or will recently have been, conducting or supporting military operations. The security environment will often be unstable and fluid, and may remain so for a considerable time. Security constraints will affect every aspect of U.S. programs and activities, requiring close analysis by program managers at every step. The prospect of violent disruptions and impediments to oversight, as well as associated costs, should be factored into all phases of projects, including whether the projects should be undertaken at all and how they should be prioritized.

Constant Change:

The OCO environment can feature rapid and continuous changes, calling for maximum adaptability and flexibility. When an OCO commences in a country or region, the Department and USAID will likely already be there, conducting regular diplomatic activities or implementing development and humanitarian programs. The OCO environment will change the context of these programs. Potential changes, including damaged essential infrastructure and stressed local and refugee populations, will contribute to a rapidly evolving situation on the ground and correspondingly rapid changes in needs and priorities. The Department must continually assess how to prioritize and adapt its ongoing work to the OCO environment, adjusting its current programs in light of the changing security, political, and economic situation.

The geographic boundaries of an OCO are also subject to constant adjustment. OCO areas can be in constant flux, and these environments may well expand or contract in response to military operations. For example, Operation Inherent Resolve (OIR), the OCO to counter the Islamic State of Iraq and the Levant (ISIL), was initially focused on Iraq and Syria, but expanded to Libya in 2016. OIR activities focusing on a post-conflict Syria also take place in Turkey.

Budget and Funding Impacts:

The pressures of an OCO environment can also create particular funding challenges. Budget planning from prior years may not reflect the costs of the OCO for the military or for civilian agencies. The OCO military operation may also be accompanied by a sudden and relatively large infusion of funds, at least to the military. An influx of funds intended for a country or areas in which multiple Federal agencies are implementing programs requires careful and deliberate planning and coordination in order to avoid fraud, waste, and abuse in the execution of U.S.-funded programs and activities. Similarly, high-tempo OCO environments can create pressure to

execute or “get things done” as rapidly as possible, to the detriment of planning and standard processes that help protect government interests and maintain fiscal discipline.

Widespread Reliance on Contractors:

The Department and all Federal agencies rely heavily on contractors to perform many mission-critical functions in the OCO environment, including many logistics and security functions, because the agencies lack the organic capacity to perform those functions. The Commission on Wartime Contracting in Iraq and Afghanistan reported that the number of DoD, USAID, and Department contractor employees in Iraq and Afghanistan in 2010 exceeded 260,000, and that spending on contracts and grants performed in Iraq and Afghanistan in support of operations in those countries was expected to exceed \$206 billion through the end of FY 2011.⁷

Embassy Capacity:

The rapidly changing OCO environment can stress existing embassy capacity. An OCO may feature a large influx of military and other personnel into embassy or consular facilities where security concerns may have already limited the capacity of the life support, travel, and business infrastructure of the post. While close proximity of personnel may foster coordination, excessive demand on limited capacity can also complicate execution of ongoing and OCO-related programs and activities.

Specific Context:

While the above aspects are common to most, if not all, potential OCOs, it is also true that no two contingency environments are identical. U.S. personnel should always consider the immediate social, historical, economic, and security context in which they are operating.

PLANNING AND IMPLEMENTING PROGRAMS IN AN OCO ENVIRONMENT

The government’s experiences in Iraq and Afghanistan teach that the challenges of an OCO environment call for heightened planning and management strategies by U.S. agencies. Past oversight has identified aspects of program implementation that are especially important in the context of a contingency environment. Although the practices described below would be appropriate for almost any project or program, they are especially important in a contingency environment.

⁷ Commission on Wartime Contracting in Iraq and Afghanistan, *Transforming Wartime Contracting: Controlling costs, Reducing risks* (August 2011).

Early and Ongoing Coordination is Crucial

Advance and ongoing coordination among U.S. agencies at the leadership, program management, and implementation levels should integrate all programs into an overall consistent framework. In past OCOs, interagency coordination has been a critical shortfall in U.S. programs and activities. In its final report, *Learning from Iraq*, SIGIR described the 9-year reconstruction effort in Iraq as “nation (re)building by adhococracy,” where billions of dollars were spent by multiple agencies from multiple funds administered by DoD, the Department, and USAID, without adequate coordination and integration.⁸ Inter- and intra-agency coordination should seek to achieve the following:

Establish Clear Goals:

Planning for activities supporting an OCO should start with a clear, shared understanding of the U.S. Government’s overall goals, and the proposed activities should indeed support those goals.

Establish Clear Lines of Responsibility:

Agencies should clearly delineate responsibilities for every aspect of an OCO at every level, with as little overlap as possible. Where overlap is unavoidable, program implementers should set up dedicated coordination functions to avoid redundancy or gaps in coverage. During previous operations in Iraq, DoD, the Department, and USAID simultaneously funded and conducted anticorruption, economic development, and ministerial capacity building efforts, with no single entity or individual below the President having effective authority to oversee and coordinate those efforts. Auditors in Iraq found that such dispersion of responsibility led to inefficiency, confusion, and waste.⁹

Similarly, goals and responsibilities should be clearly delineated and assigned within the Department. In September 2014, President Obama announced a comprehensive strategy to defeat ISIL that contained nine strategic lines of effort. Line of Effort 6 was primarily a public diplomacy mission: “Exposing ISIL’s True Nature.” A 2016 OIG inspection of Embassy Baghdad’s implementation of Line of Effort 6 found that the post’s public diplomacy activities were not fully integrated with the Government-wide effort and also operated without formal post-level strategic planning or goals.¹⁰

⁸ SIGIR, *Learning from Iraq*, March 2013, pp. 37-54.

⁹ SIGIR, *Iraq Reconstruction: Lessons from Auditing U.S.-funded Stabilization and Reconstruction Activities*, October 2012, pp. 8-9.

¹⁰ Department of State OIG, *Evaluation of Embassy Baghdad’s Implementation of Line of Effort 6 in the President’s Strategy to Counter ISIL: Exposing ISIL’s True Nature*, March 2016.

Avoid Mission Overlap:

Gaps and overlaps have resulted in poor interagency coordination, weak management oversight, and inefficient program implementation. Mission overlap between military and civilian authorities has been a particular concern to oversight agencies in areas such as governance, economic development, reconstruction, and relief activities. For example, a 2011 SIGIR review found that DOD was using the \$3.6 billion Commander's Emergency Response Program (CERP) in Iraq to fund primarily civil capacity-building projects that were the province of the Department and USAID.¹¹ CERP had been established to allow military commanders to respond to urgent humanitarian relief and reconstruction requirements in their areas of responsibility. Overlap can also occur within a single agency, for example, within the Department of Defense. On one occasion in Iraq, the Army Corps of Engineers hired a contractor to renovate a building that a military maneuver unit was already renovating.¹²

Civilian agencies have on many occasions deferred to military leaders in an OCO environment because the military has more funds and personnel, and can typically operate with greater safety in contested or unstable areas. However, the military may lack expertise in subjects under civilian purview, such as understanding the political terrain or economic aspects of a given contingency environment. Department, USAID, and DoD coordination is important to ensure that U.S. government planners benefit from all available expertise and capabilities.

Base Decisions on Timely and Accurate Information:

Accurate, up-to-date information and a realistic approach to in-country conditions are essential elements of effective planning due to the fluid nature and often insecure environments of OCOs. However, in an OCO environment, information will likely be difficult and costly to obtain and will often be incomplete. Department managers should be aware of and utilize all available sources of reliable information, and must remain cognizant of the shortcomings and limitations of the information available to them.

Regularly Synchronize Activities In-Country:

Once mission goals and priorities are established and articulated at top levels, day-to-day implementation of these goals and priorities calls for close and regular interagency coordination of activities at the program, country and local levels. Co-location of civilian and military leadership in-country fosters synchronization. The chief of mission and senior U.S. military commander in theater should have complementary strategies and demand interagency cooperation from their subordinates. Additionally, an integrated management structure can reduce waste and inefficiency, avoid investing in efforts that pull in opposite directions, and promote accountability. Close coordination also facilitates sharing up-to-date information and real-time feedback, which then allows the most efficient tailoring and adjustments of projects in

¹¹ SIGIR, Commander's Emergency Response Program for 2011 Shows Increased Focus on Capacity Development, SIGIR 11-020, July 29, 2011.

¹² SIGIR, *Iraq Reconstruction: Lessons Learned in Program Management*, March 2007.

an OCO environment. The chief of mission should also consider establishing an interagency group to monitor and report on the interagency coordination process.

Plan Projects Thoroughly and Evaluate Progress Regularly

Project planning must consider all variables of the OCO environment to enhance effectiveness and lessen the chances of an unsustainable or otherwise failed project. Project managers must give careful consideration to the social, political, economic and security context in which a project is to be implemented. Moreover, because the OCO environment is so fluid, project managers should reevaluate projects at regular intervals during execution to assess the need for changes. SIGIR and SIGAR have reported extensively on well-intentioned reconstruction work that was not suited for the environment in which it was implemented. These oversight agencies have identified projects that were over-scaled or not completed or that the host country did not have the capacity to sustain.¹³ For example, a 2013 SIGAR audit of the Afghan Special Mission Wing reported that the DoD purchased nearly \$800 million in aircraft for an Afghan helicopter unit that did not have the pilots to fly the aircraft nor the mechanics or bureaucratic infrastructure to repair and maintain them.¹⁴

In order to avoid such pitfalls, project managers should ask the following questions when planning a potential project or evaluating an ongoing project:

Is the project needed?

Make sure that the project actually addresses an identified need on the ground, and adapt the project as circumstances change. Failure to do so has repeatedly led to wasted expenditures. For example, SIGAR found up to \$36 million in waste for construction of a large new headquarters at Camp Leatherneck, Helmand province, Afghanistan, intended to accommodate the 2010 surge of troops. Despite a request by the surge field commander to cancel the project, the Pentagon completed the project because Congress had already approved the funds for the project. DoD has not used this facility.¹⁵

Is the scale of the project appropriate to the need?

Design realistically for the actual situation. In determining whether the project fits an identified need on the ground, planners should avoid developing works that are unsuited to the

¹³ As a result of these problems, sustainability assessments are now required by law and by Department policy at 14 FAM 243.3 for certain foreign assistance capital projects. See section 1273 of Pub. L. 112-239 (the National Defense Authorization Act for Fiscal Year 2013, 126 Stat 1632, 2023, Jan. 3, 2013 (22 U.S.C. 2421f)), the FAM provisions on Contingency Operations and Critical Environment Contracting, 14 FAM 240, and Presidential Policy Directives on Global Development (no. 6 of FY 2011 and no. 23 of FY 2013).

¹⁴ SIGAR 13-3, *Afghan Special Mission Wing: DOD Moving Forward with \$771.8 Million Purchase of Aircraft that the Afghans Cannot Operate and Maintain*, June 2013.

¹⁵ SIGAR 15-57-SP, *\$36 Million Command and Control Center at Camp Leatherneck, Afghanistan: Unwanted, Unneeded and Unused*, May 2015.

environment or too advanced for local personnel to manage under the circumstances. Past audits and inspections of projects implemented in OCO environments have found that some project designs and standards were unworkable, too technically advanced, or otherwise inappropriate for the environment in which they were implemented. For example, in Afghanistan, the U.S. funded construction of a slaughterhouse that not only lacked connection to clean water and sewage to maintain sanitation, but also was designed to use slaughtering techniques that were incompatible with Islamic law.¹⁶ In Iraq, SIGIR identified a waste water treatment plant project in which host-government officials rejected simpler technologies chosen by competent local experts in favor of complex and expensive, “top of the line” technologies.¹⁷

Does the host government support the project?

Host government buy-in is essential and should be as concrete as possible. Oversight work has identified two important steps to ensure a project will be used and sustained after U.S. participation has ended: (1) host-government involvement in identifying reconstruction needs and priorities, and (2) a requirement for the host country to share project costs. If cost sharing with the host government is not realistic due to the lack of resources on the host government’s part, other means should be devised to assure commitment to a project by those with the means and the interest to sustain it.

Local authorities should be involved in identifying sustainable reconstruction priorities and needs. Support from the host government makes it easier to transfer the project to a local authority that can sustain it when U.S. government involvement ends. Local or national host-country support is critical, in particular, for politically sensitive pro-democracy and security-oriented projects. Before undertaking a project, evaluate and factor in what is needed for its long-term success in terms of local capacity, willingness, and competing financial commitments.

Past oversight work identified numerous instances where U.S. agencies initiated reconstruction projects without local input and support, leading to wasteful expenditures. For example, early in Iraq’s reconstruction process, the Coalition Provisional Authority identified the need for the Iraqi government to have a financial management information system. USAID OIG found that the Coalition Provisional Authority decided to not identify Iraqi user requirements, but instead proceeded based on U.S. reconstruction policy decisions and guidance. The result was an ultimately unused financial management information system that cost the U.S. government \$37.4 million.¹⁸

¹⁶ SIGIR, *Iraq Reconstruction: Lessons in Program and Project Management*, pp. 75-76; SIGIR, Report on the Basrah Modern Slaughterhouse, PA-09-189.

¹⁷ SIGIR, *Project Assessment “Falluja Waste Water Treatment System,”* PA-08-144 to -148, Oct. 27, 2008, pp. 8-13 and passim.

¹⁸ USAID OIG, *Audit of USAID/Iraq’s Implementation of the Iraq Financial Management Information System*, E-267-10-002-P, July 2010.

Is the project sustainable? If not, but it is essential, what additional effort is needed to make it sustainable?

Ensure that the host government agrees and has the human and financial capacity to sustain the project. Project implementers must consider the social and economic development of the host country to determine whether a program is sustainable. If a project is too expensive or technologically complex for the local population, it is unlikely to have a longer-term benefit without continued U.S. support. Does the local government or industry have the financial means to support a project? Does the local population have the appropriate level of education and managerial and technical expertise to take over a project upon its completion?

SIGAR has found, for example, that Afghanistan lacks the financial, technical, and managerial capacity to maintain and use much of what the United States has provided in that country, putting at risk billions of dollars in expenditures. SIGAR indicates that sustaining U.S. investments made in the country will require “massive continued donor support.”¹⁹

If a project is not initially sustainable but is deemed essential to achieving a particular goal, development of local capacity to sustain the project is vital to its ultimate success. As part of the planning for any program, the U.S. government should ensure that it is accompanied by the local capacity development necessary to ensure its long-term sustainability independent of continued U.S. support.²⁰

Does the project have clear objectives and measurable outcomes?

Make sure that each project sets out objectives, linked to the overall mission and goals, with standards to measure effectiveness and progress towards those objectives and goals. Identifying the needs to be addressed, setting goals and objectives, and establishing a path to measure progress are critical steps before any significant expenditure.

Past oversight efforts have found that, on occasion, agencies have implemented expensive programs without conducting such analysis. For example, DoD and the Department were unable to assess the efficacy of the approximately \$8 billion spent to train and equip Iraqi police forces because the program implementers had failed to establish clear goals, objectives, or measures of progress.²¹ The absence of a clear definition of what was to be achieved left these training programs vulnerable to inefficiencies and waste.

¹⁹ SIGAR, High Risk List, 12/14, p. 6; see also SIGAR, Testimony, “Lessons Learned from Oversight of the U.S. Agency for International Development’s Efforts in Afghanistan,” SIGAR 14-46-TY, April 2014.

²⁰ SIGIR, *Iraq Reconstruction: Lessons in Program and Project Management*, March 2007, pp. 120-123.

²¹ SIGIR, *Iraq Police Development Program: Opportunities for Improved Program Accountability and Budget Transparency*, “12-006, October 24, 2011.

Does the project permit proper oversight?

Because of the fluid and often dangerous OCO environment, planners should aim for efficiency and effectiveness but also for oversight capacity both by agency management and outside auditors. Managers should be physically as close as possible to their programs and projects, and they should adjust quality assurance and oversight if security conditions deteriorate. If security constraints preclude proper oversight of a program, planners should seriously consider cancelling the planned project. If effective oversight is not possible, a program will be at significant risk; if oversight is nevertheless attempted, casualties may result.

For a program that is deemed essential to achieving a U.S. objective, program implementers should ensure that alternate methods of effective oversight are available for the contingency environment, potentially including third-party monitoring.

All program implementers, including U.S. government personnel and contractors and implementing partners, have a responsibility to conduct oversight to avoid fraud, waste and abuse. Program managers should review the fraud indicators with contractors, grantees and implementers to raise awareness and discuss possible pitfalls. Contractors and grantees should also understand their obligation to report violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal contract or award. The mandatory disclosure requirement is included in the standard terms and conditions for contracts and grants.²²

How will Security Constraints Affect the Program?

Anticipate Risks

Security risks can affect the construction or implementation of a project, and can undercut the project's effectiveness once it is completed. In Iraq and Afghanistan, security concerns affected hundreds of projects costing billions of dollars because those projects were either cancelled or funds were diverted to security efforts. SIGIR reported that approximately \$560 million was wasted in Iraq from May 2003 to July 2008 because construction efforts were sabotaged and had to be rebuilt (or were delayed).²³ Consequently, managers should generally avoid attempting to construct or operate projects during a period of widespread violence.

Expect Significant Costs

During an OCO, the costs of providing security for project protection may consume a large portion of a contract, project, or program's overall budget. For one significant program, the Department planned to spend almost 88 percent of the program's quarterly budget on

²² OIG, *Management Assistance Report: Mandatory Disclosure Language in Broadcasting Board of Governors Grants and Assistance Agreements*, INV-15-03, December 2015.

²³ SIGIR, *Quarterly Report to Congress*, July 2008.

overhead—security and life and mission support costs, including air transportation.²⁴ Auditors recommended that agencies develop processes for routinely capturing likely security costs and that program managers weigh these costs relative to the expected benefits with respect to their projects.²⁵

Plan for Private Security

Planning and accountability for, and oversight of, private security contractors is vital in contingency operations. The U.S. Government has relied extensively on private security contractors (PSCs) in Iraq and also at times in Afghanistan to perform critical security missions. These may include protecting personnel movements, supply convoys, and facilities. However, serious issues surfaced concerning PSC oversight, control, and costs. Proper planning requires an assessment of PSC-related costs for budgeting purposes and the feasibility of obtaining the necessary host-nation or other licenses and clearances.

Program managers must consider the risks of depending on PSCs, such as the risk of unnecessary conflict with host-nation civilians and the possibility of unintended conflict with host-nation, United States, or allied forces. They must also consider the risks of a relatively abrupt termination of PSC contracts and difficulties in filling positions. Oversight staff concluded that, in OCOs requiring the extensive use of PSCs, DoD and State must establish common standards, policies, and procedures early in the contingency operation. This guidance should address standards of conduct, use of deadly force, common definitions, reporting requirements for serious incidents, and a method for DoD units and the U.S. embassy to share information on PSC operations and incidents.²⁶

Effective Management of Contracts, Grants, and Awards is Paramount

The OCO environment can create incentives and opportunities to deviate from standard practices meant to insure effective control of U.S.-funded contracts, grants and awards. The complications added by the OCO environment and the pressure to “get the job done” can have far-reaching consequences. When U.S. Government employees, contractors, or implementers take management or oversight shortcuts the likelihood of inefficiency and waste increases, as do opportunities for abuse and corruption. Lower-level personnel who perceive an institutional relaxation of rules (or failure to follow the rules) may use this to excuse their own failure to perform or even their corruption.

²⁴ SIGIR, *Iraqi Police Development Program: Opportunities for Improved Program Accountability and Budget Transparency*, Oct. 2013, p. 12; SIGIR *Learning from Iraq: A Final Report from the Special Inspector General for Iraq Reconstruction*, p. 3, July 2013 (referring to the Police Development Program).

²⁵ See, e.g., SIGIR, *Outcome, Cost, and Oversight of the Security and Justice Contract with Parsons Delaware, Inc.*, SIGIR-08-09, p. viii, July 8, 2008.

²⁶ GAO, *Rebuilding Iraq: DOD and State have Improved Oversight and Coordination of Private Security Contractors in Iraq, but Further Actions Are Needed to Sustain Improvement*, GAO-08-966, July 2008.

Best Practices for Awarding Contracts, Grants, and Awards.

Notwithstanding pressures to proceed quickly, managers, program personnel and implementers should follow these best practices when awarding and monitoring contracts, grants, or awards:

- Follow standard practices, and document any deviations.
- Employ strong and consistent procurement and award systems.
- Maximize the use of full and open competition.
- Avoid using large umbrella contracts to fulfill all needs.
- Determine and document the contract, grant or award requirements.
- Build quality control and assurance into the agreement, based on measurable goals and outcomes that will ensure the Government gets what it pays for.
- Promptly report concerns about fraud, waste or abuse.

For Contract, Grant, and Award Oversight, Accountability is Key.

To avoid waste or abuse of U.S. funds, contracts and grants officers must be able to verify the performance of contractors and grantees and should avoid authorizing payments until that verification occurs. Program managers and contracting officials should document poor performance and take appropriate measures to protect the government program. Insufficient oversight in the OCO environment is a longstanding problem that continues to plague U.S. government programs. In Afghanistan, for example, SIGAR found that contractors failed to deliver according to the contract requirements but were still paid the full contract amount.²⁷ In another example, a 2016 OIG audit found inadequate oversight of a task order for revitalization and sustainment of a facility near Embassy Baghdad. Department program and contracting staff did not prepare a comprehensive work statement, did not develop a comprehensive quality assurance plan, did not assign oversight personnel, and did not implement a process to ensure oversight occurred. As a result, the Department increased the potential financial, safety, and mission risk for U.S. operations and personnel.²⁸ Similarly, USAID OIG's 2015–2016 investigations related to U.S. humanitarian assistance efforts in Syria identified fraud schemes that exploited oversight weaknesses in the crisis environment. Investigators identified more than \$1.3 million in losses resulting from collusion between vendors and implementers' procurement and logistics staff, product substitution of food and other items, inflated billing, and false claims.²⁹

To avoid such outcomes program managers should:

- Ensure collection and recording of all relevant data before authorizing payment or disbursement.

²⁷ SIGAR, Final Assessment: What We Have Learned from Our Inspections of Incinerations and Use of Burn Pits, SIGAR 15-33-AL at 5.

²⁸ OIG, *Audit of Task Orders for the Union III Compound Awarded Under the Operations and Maintenance Support Services Contract*. AUD-MERO-16-41, July 2016.

²⁹ Lead Inspector General for Overseas Contingency Operations, *Operation Inherent Resolve, Report to the United States Congress, April 1, 2016 – June 30, 2016*, pp. 77-78.

- Rigorously review invoices and submissions from contractors and grantees before authorizing payment.
- Be knowledgeable of fraud indicators and vulnerabilities in their programs.
- Verify assertions by contractors and grantees about their work and progress.
- Develop alternatives if the security situation precludes on-site verification.
- Not tolerate unethical or otherwise bad behavior and not accept poor results.

Actively Discourage Rule-bending and the Bypassing of Regulations by U.S. Personnel

Department leaders and managers must ensure their subordinates are ready to complete their projects and tasks; have the necessary time, resources and training to do so; and are held accountable for completing them. U.S. program implementers should follow the protocols and regulations put in place to prevent fraud, waste, and abuse of U.S. taxpayer dollars. Reviews of past OCO efforts discovered instances where systems and procedures established to safeguard funds against waste, fraud, abuse, or mismanagement were bypassed by in-country U.S. officials, contractors, and implementing partners. These officials typically justified their actions as necessary to “get the job done” in a challenging environment. Department personnel should be prepared to prevent such foreseeable rule bending by providing implementers with the training and resources required to execute their programs in a responsive and responsible manner, as foregoing basic rules and regulations can result in significant waste. For example, OIG found in 2016 that Embassy Kabul had overpaid at least \$160,000 because its fueling stations did not use the required calibrated flow meters and merely relied on the fuel vendor’s calculations to reconcile invoices.³⁰

Good Recordkeeping is Essential

Institute and Enforce Record-keeping Requirements

Maintaining comprehensive contract, grant, and project records is crucial to efficient operation and effective oversight.

Oversight reports on U.S. activities in Iraq and Afghanistan have repeatedly identified inadequate recordkeeping and the resulting inability to report completely to the U.S. taxpayer and Congress on how U.S. reconstruction funds were spent or what was achieved. For example, a SIGIR report pointed out that information on billions of dollars in projects was missing from the U.S. government’s official Iraq Reconstruction Management System, and information on project completions was inaccurate. SIGIR found that just 71 percent of approximately \$35.3 billion in obligations in Iraq could be accounted for. Ultimately, this prevented a complete accounting of what had been accomplished in Iraq.³¹ Similarly, in 2012, SIGAR reported that U.S.

³⁰ OIG, *Improvements Needed To Strengthen Vehicle-Fueling Controls and Operations and Maintenance Contract at Embassy Kabul, Afghanistan*, AUD-MERO-16-35, April 2016.

³¹ SIGIR, *Government Agencies Cannot Fully Identify Projects Financed With Iraq Relief and Reconstruction Funds*, SIGIR 13-006, March 2013.

and NATO records, covering 4 years and about \$475 million in fuel purchases for the Afghan National Army, may have been shredded.³² As demonstrated by the many Federal prosecutions for fuel theft in Afghanistan, this is an area where accountability and recordkeeping should have been paramount.³³

Establish a Common Database:

The Department, and the U.S. government as a whole, should use a common database to track programs and projects in the OCO environment. The presence of such a system could facilitate interagency program coordination and decision making, and could help mitigate the effects of the constant turnover of U.S. personnel supporting an OCO. Without a good database of progress on projects, it is hard to maintain accountability or to understand what has been accomplished, much less explain what has been accomplished to the local population, U.S. taxpayers, or Congress. Such a common system could be designed in advance of future OCOs.

The presence of multiple information systems has been a persistent source of problems. In Iraq, multiple civilian and military agencies used their own unique information systems to document their activities. When coupled with the lack of agency coordination, the U.S. government frequently was not able to provide the most basic information on projects it had undertaken, including their location and cost. This created significant internal control weaknesses.³⁴ SIGAR found similar issues in Afghanistan. In one example, the Combined Security Transition Command-Afghanistan (CSTC-A) had purchased \$3 million worth of patrol boats for the Afghan National Police that were never delivered to Afghanistan; instead, SIGAR found them sitting in shipping containers in a field at a naval weapons station in Virginia. While anecdotal information from personnel interviews indicated delivery of the boats was cancelled due to an objection from a country neighboring Afghanistan, CSTC-A was unable to find any supporting documentation.³⁵

Control Inventory.

In-country personnel should keep a close watch on deliverables and inventory to ensure compliance with contracts and grants, and to detect and deter loss and theft. As previously discussed, the high volume of fuel inventories and deliveries required to support U.S. operations in an OCO environment have proven particularly vulnerable to fraud and abuse. As another example, a 2015 OIG audit found discrepancies in recorded and actual inventory kept by a contractor providing medical services to the U.S. Mission in Iraq. The report stated that the

³² SIGAR, Afghan National Army: \$201 Million in DOD Fuel Purchases Still Unaccounted for Because Records were Shredded, SIGAR Investigative Report 13-1, December 2012.

³³ See e.g. *United States v. Edmondson, et al.* (E.D.N.C. 2015) (addressing over \$10 million in fuel theft).

³⁴ SIGIR, *Government Agencies Cannot Fully Identify Projects Financed With Iraq Relief and Reconstruction Funds*, SIGIR 13-006, March 2013.

³⁵ SIGAR 14-66-SP – *Inquiry Letter: CSTC-A Response to ANP Patrol Boat Inquiry*, June 6, 2014.

inventory discrepancies could result in unnecessary orders of medication or shortfalls of necessary medication and hence an inability to provide medical care.³⁶

Implement Strict Controls on Cash Transactions:

Cash transactions must have especially strong controls in OCO environments in which cash may be highly vulnerable to theft or misappropriation. In recent OCOs, cash transactions have sometimes dominated because of the host country's lack of a modern banking system.³⁷ For example, in 2015, SIGAR found that 20 percent of Afghan National Police (ANP) personnel were at risk of not receiving their full U.S.-funded salaries because the ANP personnel were paid in cash through an Afghan-government-appointed "trusted agent." SIGAR found that the trusted agent system lacked documentation and accountability and that up to 50 percent of their salary could be lost to corruption.³⁸

Avoid Staffing Shortages and Pitfalls

Experience in Iraq and Afghanistan teaches the importance of deploying sufficient, specialized program and contract and grant administration personnel. This same experience confirms the need to maintain continuity of oversight. Although the most pronounced problems occur when there is no government representative with oversight responsibility, project management also suffers when contractors and grantees can take advantage of the government's representatives' excessive workload, lack of experience, or discontinuity of information. SIGIR found that a \$1.4 billion contract to build several facilities in Iraq lacked proper oversight because of a dearth of qualified government employees, and an audit of one construction project under this contract found that the contractor itself was responsible for managing its own contract for USAID.³⁹ Similarly, a 2016 State OIG inspection found that the Department had improperly designated contractors as grants officer representatives.⁴⁰

Specialized Experience May Be Required

Plan to hire and deploy personnel for contract and grant management with relevant expertise, including expertise in the subject matter of the contract or grant (police training, construction, and so forth). Look for and exploit flexible hiring authorities, for example, the ability to hire re-employed annuitants to quickly fill positions and to supply expertise. As an example, SIGAR

³⁶ OIG, *Audit of U.S. Mission Iraq Medical Services*, AUD-MERO-15-25, May 2015.

³⁷ See, e.g., SIGIR, *Hard Lessons: The Iraq Reconstruction Experience*, February 2009, p. 88 ("Flying Billions to Baghdad") and passim.

³⁸ SIGAR, *Afghan National Police: More than \$300 Million in Annual, U.S.-funded Salary Payments Is Based on Partially Verified or Reconciled Data*, SIGAR 15-26-AR, January 2015.

³⁹ SIGIR Audit 06-026, *Review of the U.S. Agency for International Development's Management of the Basrah Children's Hospital Project*, p. 17, July 31, 2006.

⁴⁰ OIG, *Evaluation of Bureau of Democracy, Human Rights, and Labor Iraq Programs in Support of Line of Effort 1 of the President's Counter-ISIL Strategy*, ISP-16-09, March 2016.

found that the financial management office responsible for overseeing billions of dollars in “on-budget” assistance to the Afghan Ministries of Defense and Interior did not have trained auditors and was staffed mostly by budget and acquisition specialists who lacked the requisite audit skills.⁴¹

Plan for High Turnover

High turnover is a reality in contingency environments. U.S. personnel are usually deployed to OCO environments for less time than in conventional or non-hardship posts. High turnover results in a loss of continuity, which increases administrative time and effort. This, in turn, allows unscrupulous persons to take advantage of the government. It is therefore imperative that program managers mitigate this risk by ensuring that rotating personnel keep comprehensive, accessible records and conduct a “hand over” of their responsibilities to their replacements. Ensure that U.S. personnel arrive in-country with as much awareness of the potential risks and as much training as possible. A 2009 State OIG performance evaluation of a security contractor providing services in Iraq found that high Department personnel turnover due to 12-month rotations and gaps in coverage due to significant amounts of annual rest-and-recuperation and travel time provided to those staff impeded oversight of the contractor.⁴²

Anticipate Possible Corruption

The fluid circumstances, attendant pressures, and often large amounts of money involved in implementing projects in OCO environments may provide extensive opportunities for corruption. In particular, managers should be aware of fraud indicators such as those listed by the OIG and ensure that their subordinates at all levels and their implementers are also aware.⁴³ A Joint Chiefs of Staff report found that the military did not “man, train, or equip for countering corruption,” and did not appreciate the opportunities and culture promoting corruption.⁴⁴

CONCLUSION

This guide discusses some, but not all, of the many challenges and risks associated with work in an overseas contingency operation or similar environment. The lessons learned itemized here apply in varying degrees depending on the circumstances. OIG hopes awareness of these lessons learned helps enhance the effectiveness, efficiency and security of Department

⁴¹ SIGAR, *Comprehensive Risk Assessments of MOD and MOI Financial Management Capacity Could Improve Oversight of Over \$4 Billion in Direct Assistance Funding*, SIGAR 14-12-Special Projects, November 2013.

⁴² OIG, Performance Evaluation of the Triple Canopy Contract for Protective Services in Iraq, MERO-IQO-09-03, April 2009.

⁴³ OIG, “Fraud Indicators,” <https://oig.state.gov/system/files/158192.pdf>; USAID OIG, “Fraud Prevention and Compliance: A Pocket Guide for the Middle East Crisis Humanitarian Response,” https://oig.usaid.gov/sites/default/files/other-reports/oig_fraud_prevention_handbook_062016.pdf; DOD IG, “Fraud Red Flags & Indicators,” <http://www.dodig.mil/resources/fraud/redflags.html>.

⁴⁴ Joint and Coalition Operational Analysis, Operationalizing Counter/Anti-Corruption Study, p. 15, Feb. 28, 2014.

operations in OCO and similar environments. As always, OIG encourages Department managers, employees, and others to contact us as soon as suspicions of malfeasance or waste arise, so that together we can safeguard the Department's programs, funds, and personnel. Our contact information is noted on the last page of this guide.

APPENDIX A: SOURCES CONSULTED AND SUGGESTED FURTHER READING

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