

Statement of
Stuart W. Bowen, Jr.
Inspector General
Office of the Special Inspector General for Iraq Reconstruction
Before the
Subcommittee on National Security, Homeland Defense, and Foreign Operations
of the
Committee on Oversight and Government Reform
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Chairman Chaffetz, Ranking Member Tierney, and members of the Subcommittee, thank you for inviting me to appear before you today to present our “Assessment of the Transition from a Military to a Civilian-Led Mission in Iraq.” During both this Congress and the previous one, your Subcommittee has focused consistent and well-deserved attention on this important issue.

I will address five issues regarding the transition:

- (1) the Police Development Program (PDP);
- (2) the security situation;
- (3) the Office of Security Cooperation-Iraq;
- (4) the transfer and sustainment of reconstruction assets, and
- (5) the increase in SIGIR’s criminal investigative activity.

Permit me to say at the outset that, ever since President George W. Bush signed National Security Presidential Directive 36 in 2004, virtually all reconstruction activity in Iraq, other than the training of the Iraqi Security Forces (ISF), has been ostensibly under civilian control—that is, under Chief of Mission authority. As a practical matter, however, that legal duty was vitiated by on-the-ground realities in Iraq. Security conditions, most notably, placed much of the rebuilding responsibilities onto the shoulders of the Department of Defense (DoD). But limitations on civilian decision-making power were also created by the way funding was provided for the reconstruction program (for example, through DoD-awarded contracts managed by the DoD Project and Contracting Office). For most of the past nine years, much reconstruction activity in Iraq was driven by DoD direction.

Three other factors permitted the military to trump the ostensible civilian authority provided by the President in 2004:

- the extensive logistical assets available to the military
- the vast resources that were devoted to training and equipping the Iraqi Security Forces
- the military's inherent institutional capacities

Perhaps the most salient effect of the transition at the end of last December was the loss of the security and logistical services backdrop that the military had provided in Iraq since 2003.

(a) The Police Development Program

I testified before this subcommittee in November 2011 about our concerns regarding the Department of State's planned multiyear, multibillion-dollar Police Development Program (PDP). I raised two overarching issues that threatened the PDP's success. First, the Defense Department had not adequately assessed the impact of its own six-year police training efforts, and thus a key benchmark for future planning was missing. And second, State had not sufficiently planned for the program, either on the policy or logistical fronts. It is now beyond dispute that the PDP planning process was insufficient. It should have produced specific program goals, a timeframe for accomplishing those goals, the anticipated total cost for the program, the expected scope of required resources, and a method for measuring progress. The process fell short in each of these areas. Further, to succeed, the PDP required close collaboration and support from the Government of Iraq (GOI). But the GOI's support has been weak, at best.

My auditors are in the process of completing further work on the PDP, which will be captured in a report that we plan to issue at the end of July. This new audit will focus on the effect of the significant loss of Iraqi support for the PDP program and the challenges inherent in implementing the program in a dangerous environment.

The failure to establish crucial planning criteria and the lack of a strong endorsement from the GOI were serious roadblocks to progress and therefore have limited the PDP's success. The Iraqis displayed their weak embrace of the program last fall when the acting Minister of Interior stated, in a meeting with SIGIR, that he did not believe the program to be essential to the mission of the Iraqi police force. This tepid response had been manifested financially in the Iraqi government's failure to provide meaningful matching resources for the program.

Our October 2011 audit recommended that either the Department of Defense or Department of State complete the required assessment of the Iraqi police forces. State carried out a modest functional assessment, but it was too little too late. Had State accomplished the assessment as called for two years ago, it would have been in a stronger position to plan for and execute the PDP.

The chief lesson to draw from our PDP reviews—and our previous police training audits—is that, in future stabilization operations, a single agency should be given responsibility for police training from inception of the contingency to transition to regular order. Moreover, when a host government has sufficient resources, it should be required to make a major contribution to program costs as a way of ensuring its commitment to and sustainment of the program.

To aggravate matters, State failed to secure the land-use rights (beyond a one-year agreement) for the Baghdad Police College Annex facility, formerly known as “Forward Operating Base Shield.” After an investment of more than \$100 million in improvements to the site—to include construction of an office building, living quarters, a dining facility, a new gymnasium, and the improvement of a helicopter landing zone—it appears that the facility will not be used for the PDP. Instead, the entire facility is being turned over to the Iraqis.

Given the reductions in the PDP’s scope, we believe that funds already appropriated should be sufficient to operate the PDP through the end of FY 2012 and that, before making additional funds available in the FY2013 budget, the Congress should closely scrutinize further requests for additional monies.

(b) The Security Situation

State has long stated its goal that the Iraq Mission should operate as a “normal embassy.” Returning to “regular order” is the common descriptor. But all is not yet “normal” in Iraq, and “regular order” cannot be immediately reached. Because of the dangerous security situation and the continued specific targeting of U.S. diplomats, the Embassy has had to assume extraordinary security responsibilities without the large-scale military support it previously enjoyed. State also has had to assume large life support contracts previously managed by the military. State knew these changes were coming at the end of 2011 and implemented many complex measures to prepare for them, including the employment of thousands of contractors, most of whom provide security.

The Iraq Mission now maintains a large contingent—far too large, by most accounts—of contractor staff in country. Changing circumstances, including the descoping of the PDP, led State to reduce the number of contractors during the first three months of this calendar year. According to the Synchronized Predeployment and Operational Tracker (SPOT) database maintained by DoD, 16,973 contractors—U.S. citizens, Iraqis, and third-country nationals—were supporting all U.S. agencies in Iraq as of early April 2012. Defense separately reported that 3,577 of these contractors were providing security-related services. Virtually all must be fed, housed, and protected at the direct or indirect expense of the government. This total contractor force was in addition to the 1,369 U.S. government employees operating under Chief of Mission authority, which includes about 150 uniformed military personnel.

The security situation in Iraq remains uncertain, limiting ongoing reconstruction and stabilization efforts as well as SIGIR’s ability to execute its mission. Although March 2012 marked the lowest

monthly death toll reported by the GOI (since 2003), there has since been an upward swing in security incidents. According to data compiled by the United Nations, the number of attacks and deaths increased in both April and May, and June has been still deadlier.

It is a current and painful reality that Iraqis have not yet fully reconciled their sectarian differences nor established a well-grounded rule-of-law system. These factors are the chief causes of the recent uptick in violence. Until Sunni and Shia achieve improved acceptance of one another in Iraq and until the GOI strengthens its rule-of-law system, the United States will have to invest heavily in protecting its personnel in country.

(c) The Office of Security Cooperation-Iraq

The Office of Security Cooperation-Iraq (OSC-I) is the Defense Department's in-country security assistance organization. It operates under the authority of and takes policy direction from the Chief of Mission. OSC-I executes the Foreign Military Sales (FMS) and Foreign Military Financing (FMF) programs, the International Military Education and Training program, and the remnants of Iraq Security Forces Fund (ISFF) programs.

We have little to report on the FMF program. Although you, Chairman Chaffetz, along with Chairmen Issa, Ros-Lehtinen, and Rohrabacher, wrote Secretary of State Hillary Rodham Clinton on March 31, 2011, that "SIGIR's mandate applies to ... the reconstitution of Iraq's armed forces under the Foreign Military Financing Program," neither State nor OSC-I responded to our requests for information on their FMF plans for Iraq. About \$850 million was allocated to FMF for fiscal year 2012.

On April 26, SIGIR published an audit of the Spend Plans for fiscal year 2011–2012 ISFF, noting that \$1.5 billion had been made available for use by the OSC-I. We found that the Pentagon took steps to meet the statutory requirements that Iraq share the costs of purchases made and show commitment to building the institutional capacity to maintain and sustain U.S.-purchased equipment. On the cost-share question, as of March 20, 2012, Iraq's contribution had exceeded the required 20%. State and USAID are by statute required to obtain a 50% match for many of their programs, but seem to take a broader approach to obtaining contributions from the Iraqis. Often the contributions accepted are "in kind," whereas the Iraqi Defense Ministry contributes cash.

On the question of Iraq's commitment to building the institutional capacity to maintain and sustain U.S.-purchased equipment, the inability of DoD, as of October 2011, to provide matching assurances played a role in DoD's decision to reduce planned spending to \$1 billion from the \$1.5 billion appropriated. Also playing a role in that decision was the pending availability of FMF funding, for which no matching assurances are necessary. The U.S. Forces-Iraq (USF-I) Commanding General determined in October 2011 that the \$500 million decrement would not notably degrade the continued development of the ISF.

We expressed concern in our April 2012 interim audit that ISFF obligations (for FMS cases) by the OSC-I remain low. We noted that the cause for this apparent shortfall might have stemmed from the gap in authority to obligate that existed between the time that USF-I ceased operations and departed Iraq on December 19, 2011, and the time that OSC-I was designated as executor of ISFF on February 16, 2012. In addition, extensive paperwork and critical decisions are required from the GOI, and this has slowed the process. Despite these hindrances, we reported in April that “OSC-I officials are confident that they will be able to obligate most of the remaining 2011/2012 ISFF” before it expires. During my recent visit in Iraq with LTG Caslen, I received additional reassurances on this subject. We will issue an audit in July 2012 that will provide concrete answers on this point.

(d) The Transfer and Sustainment of Reconstruction Projects

As reconstruction efforts wind down, there remains a vulnerability that the thousand of projects completed by the United States and transferred to the Government of Iraq will not be sustained and thus will fail to meet their intended purposes. This breakdown in sustainment may unfold, in part, because, as we previously reported in our asset transfer work, each U.S. agency developed its own procedures for turning over completed projects to the Iraqis. There was no uniform system. As a result, the GOI received an inconsistent inventory of ostensibly completed reconstruction projects.

The asset-transfer problem stems from a database problem. To track projects, State has relied on two databases—the Iraq Reconstruction Management System (IRMS) and the Iraq Status of Construction (ISOC) database—that SIGIR previously has found to be incomplete. Indeed, we concluded that the IRMS and ISOC are missing almost \$20 billion in projects obligated from the major U.S. funding streams. Consequently, the Iraqi government has woefully insufficient information on what the U.S. government actually constructed and provided. We recommended that the Embassy develop criteria for selecting and reporting projects to the Iraqi government that better reflected the large volume of projects completed by the U.S. government. The Embassy did not concur with our recommendation.

The United States and Iraq entered into a memorandum of understanding (MOU) in 2009 under which Iraq undertook to provide budgetary support for projects about which it was provided notice through a mechanism established in the MOU. Iraq also agreed to help the United States visit projects and evaluate their implementation.

Pursuant to this MOU, if the Iraqi government is not properly notified about a project, the Iraqis may not have an obligation to provide for its upkeep. Among projects not included in the list of projects provided to the GOI (pursuant to the MOU-established mechanism) are schools, police stations, and health clinics. In addition, projects such as the large-scale \$35.5 million initiative funded by the Commander’s Emergency Response Program (CERP) at the Baghdad

International Airport went largely unreported to the Iraqi government. Given the foregoing, the record of what the U.S. built in Iraq and what we transferred to Iraqi control is full of holes.

As the remaining reconstruction-related organizations in the Embassy dissolve, it is unclear whether the Embassy will engage in any further follow-up on the sustainment of the many billions of U.S. taxpayer dollars invested in Iraq. Part of the reason for poor follow-up is that the departure of the military from Iraq has made site visits much more expensive and problematic.

(e) The Increase in SIGIR's Criminal Investigative Activity

Over the past year, SIGIR has experienced a significant increase in the number of subjects charged criminally by the Department of Justice, as well as an increase in the number of targets we are investigating. Advanced techniques to detect money-laundering, along with our innovative "SIGIR prosecutors" program, have contributed significantly to our ability to detect and successfully prosecute crime.

Crimes uncovered commonly involve military officials or private contractors selling U.S. government property on the black market. This property was originally brought to Iraq for the use of the military. With the military's withdrawal, some property "disappeared;" fair processes to dispose of it may have been subverted. As the U.S. civilian presence downsizes, we may see similar activities in relation to the disposition of property brought to Iraq for the use of civilian agencies. The forthcoming transition in Afghanistan will present similar challenges.

SIGIR has a conscientious and extremely productive investigative staff. The Committee on Appropriations of the Senate has recommended transferring our investigative staff together with SIGIR's prosecutors—whom we have hired and detailed to Justice—to the Special Inspector General for Afghanistan Reconstruction (SIGAR), when the rest of our agency terminates, as currently planned, next March. The investigative unit would possess SIGIR's investigative powers and would remain in place through March 2014. We support the Committee's recommendation.

Conclusion

The transitions in the Iraq reconstruction program catalyzed by the complete withdrawal of U.S. troops last December produced a plethora of difficult challenges. The laws of unintended and unanticipated consequences forced a variety of quandaries upon the Department of State, the upshot of which is that the Embassy is still far from achieving regular order.

The Police Development Program, the largest continuing program that transitioned from DoD to State control, suffered from weak planning and execution; it has been curtailed. The security situation this year in Iraq has vacillated from chaos to quiet, but the burden to ensure the complete and effective protection of U.S. personnel in country continues to be costly, though necessary. After some logistical challenges at the outset, OSC-I has appears to be ready to

obligate all remaining ISFF by the end of this fiscal year. Sustainment of U.S.-provided assets continues to be a question mark because of previous breakdowns in project tracking databases and asset-transfer systems. And SIGIR's activity in pursuing criminals who took advantage of the chaos in Iraq saw an increase in recent months, leading to the recommendation that SIGIR's Investigations directorate be extended under the auspices of SIGAR.

The lessons learned from the transition in Iraq fit well with those learned from the overall reconstruction experience. The lessons amount to a call for action: the Congress should reform the U.S. approach to stabilization and reconstruction operations.

One crucial remedy could be achieved through the passage of H.R. 3660, which would coalesce the disparate management of stabilization and reconstruction operations (SROs) within one entity called the U.S. Office for Contingency Operations (USOCO). This reform would reduce costs and increase efficiencies by permanently bolstering the U.S. capacity to respond to and execute stabilization operations. Most notably, creating USOCO would resolve the still burdensome interagency management problems inherent in the current stove-piped approach, problems still well in evidence in Afghanistan. The Congress could also act to improve oversight of SROs by creating the Special Inspector General for Overseas Contingency Operations. This would capture the capacities developed at SIGIR and SIGAR, securing the oversight of future stabilization operations from ad hoc approaches.

Mr. Chairman, Mr. Tierney, and members of the subcommittee, thank you again for asking me to testify, and for your continuing support for SIGIR's oversight work. I would be happy to respond to your questions.

Stuart W. Bowen, Jr., Special Inspector General for Iraq Reconstruction

Stuart W. Bowen, Jr. was appointed Inspector General for the Coalition Provisional Authority in January 2004, and, since October 2004, he has served as the Special Inspector General for Iraq Reconstruction (SIGIR). As the “taxpayer’s watchdog” in Iraq, Mr. Bowen oversees more than \$63 billion in U.S. funds, including the Iraq Relief and Reconstruction Fund, the Iraq Security Forces Fund, the Economic Support Fund, the International Narcotics Control and Law Enforcement funding, and the Commander’s Emergency Response Program.

Over the past 8 years, Mr. Bowen has made 32 trips to Iraq, managed the production of more than 380 audits, inspections, and evaluations, issued 7 comprehensive lessons learned and special reports, and provided 33 quarterly reports on Iraq reconstruction to the Congress. His oversight work has produced financial benefits to the U.S. Government in excess of \$1.7 billion and has yielded 66 convictions for fraud and other crimes. In 2006, the President’s Council on Integrity and Efficiency awarded Inspector General Bowen the Gaston L. Gianni, Jr. Better Government Award for “demonstrating integrity, determination, and courage” in providing independent oversight and unbiased review of U. S. reconstruction efforts in Iraq. And in May 2010, the National Intergovernmental Audit Forum presented him with its David M. Walker Excellence in Federal Government Performance and Accountability Award for outstanding oversight work.

Inspector General Bowen’s public service career includes service to President George W. Bush as Deputy Assistant to the President, Deputy Staff Secretary, Special Assistant to the President, and Associate Counsel. From 1994 to 2000, he held a variety of positions on Governor Bush's staff in Texas, including Deputy General Counsel. Prior to that, Mr. Bowen served as an Assistant Attorney General of Texas and as Briefing Attorney to Texas Supreme Court Justice Raul Gonzalez. Mr. Bowen is a military veteran, having served four years on active duty as an intelligence officer in the U.S. Air Force, earning the rank of Captain and the Air Force Commendation Medal.

Licensed by the Texas State Bar, Mr. Bowen is Board Certified in Administrative Law by the Texas Board of Legal Specialization and admitted to practice before the United States Supreme Court, lower federal courts, and all Texas state courts. He holds a B.A. from the University of the South and a J.D. from St. Mary's Law School, where he served on the Law Journal’s Editorial Board.