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U.S. DEPARTMENT OF STATE AND
THE BROADCASTING BOARD OF GOVERNORS

BEFORE THE

UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
SUBCOMMITTEE ON NATIONAL SECURITY, HOMELAND DEFENSE AND
FOREIGN OPERATIONS

ON
OVERSIGHT IN IRAQ AND AFGHANISTAN:
CHALLENGES AND SOLUTIONS

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Thank you, Chairman Chaffetz, Ranking Member Tierney, and members of the subcommittee, for the opportunity to testify today about the mechanisms we have in place to oversee Department programs in Iraq and Afghanistan.

OIG Oversight in Iraq and Afghanistan

Since standing up its overseas offices in 2008, the Office of Inspector General (OIG) has:

- Conducted 31 investigations and produced 27 audits, inspections, and reviews of programs and operations in Iraq, including two reviews—one in 2009 and one issued this past May—of the State Department’s planning for and transition to a civilian-led mission in Iraq.
- Conducted 14 investigations and produced 22 audits, inspections, and reviews of programs and operations in Afghanistan, many of which relate to the Department’s eventual transition from military to civilian control in Afghanistan.
- Issued 11 audits, inspections, and reviews of programs that have a direct bearing on the Department’s program success and transition issues in Iraq and Afghanistan. These programs include security contracts, refugees, migration, trafficking in persons, and counterterrorism.
- Conducted inspections of 15 U.S. missions in countries surrounding Iraq and Afghanistan, which are under the support and guidance of the Bureaus of South and Central Asian Affairs and Near Eastern Affairs. Recent inspections of those bureaus, as well as of the offices of the Special Envoy for Middle East Peace and the Special Representative for Afghanistan and Pakistan resulted in recommendations to improve program and operational management by those organizations.

All told, our efforts in Iraq and Afghanistan during FY 2011 have resulted in more than \$200 million in questioned costs and funds put to better use, \$16.6 million in investigative recoveries, and 20 contractor suspensions. Two recent investigative cases are worthy of particular note:

On July 6, 2011, as the result of a civil settlement filed in the U.S. District Court for the District of Columbia, a security contractor in Afghanistan agreed to pay more than \$7.5 million in fines and recoveries. An OIG investigation into allegations that the contractor was involved in

a variety of misconduct determined that the company had avoided implementing required policies concerning trafficking in persons, misrepresented the work history of its employees, and failed to comply with foreign ownership, control, and influence mitigation requirements.

On March 22, 2011, a contractor and subcontractor entered into separate civil settlements with the Department of Justice and agreed to repay the government a total of more than \$8.7 million in damages, as the result of an OIG investigation into allegations that the contractor and subcontractor grossly overcharged for work performed. The original contract, valued at more than \$1.7 billion, was awarded to recruit U.S. police officers, provide them with developmental training, and equip them to participate in international peacekeeping operations, including operations in Iraq. The investigation determined that the contractor had submitted inflated claims for the construction of container camps at various locations in Iraq. The subcontractor was determined to have sought reimbursement for danger pay that it falsely claimed to have paid its U.S. expatriate employees working in Iraq.

These examples demonstrate the impact that OIG has been able to achieve since establishing an on-the-ground presence in Baghdad and Kabul. As a result of congressional funding and support, OIG has fulfilled its commitment to vigorously oversee the Department's transition efforts in Iraq and Afghanistan, while maintaining our core program oversight in these countries.

Moving toward the post-transition period, State OIG will be one of the few remaining oversight entities in Iraq. We will need to maintain or increase our oversight presence in Iraq and Afghanistan, as well as our supporting presence in Islamabad, Cairo, and Amman, to effectively carry out our oversight mission, undertake investigative cases, and meet expected increases in workload during the post-transition period.

Transition Planning and Preparations

The challenges the Department faces in the transition to a civilian-led presence in Iraq are significant. DOD's planned withdrawal of its troops by the end of 2011 requires that the Department of State provide security, life support, transportation, and other logistical support that DOD presently provides in Baghdad and other operational sites throughout Iraq.

Since 2009, OIG has conducted two reviews of the Department's transition planning and preparations—the first issued in August 2009 and the second in May 2011. Both of these reviews

found that the transition was taking place in an operating environment that was, and still is, violent and unpredictable. During the same period, our Office of Inspections issued two inspection reports—a July 2009 inspection of Embassy Baghdad and an October 2010 compliance follow-up review of that inspection—which included discussions and recommendations related to the embassy’s transition planning efforts, among other areas.

OIG’s August 2009 report on the Department’s transition planning efforts found that Embassy Baghdad did not have a unified transition plan in anticipation of DOD’s drawdown and had not appointed a senior-level coordinator for those activities; that the departure and relocation of military personnel would affect the timely completion of large infrastructure projects being managed by the Embassy; and that the Department’s planned reliance on the U.S. Army’s Logistics Civil Augmentation Program (LOGCAP) contract for operational support may be substantially different in terms of costs and services once the new LOGCAP contract is awarded.

The report recommended that the Embassy develop a unified transition plan and assign a senior-level official to coordinate transition activities in Iraq; develop a workforce plan to provide effective management and oversight of contractors and ensure timely completion of projects; develop plans to determine what LOGCAP services would be required and ensure adequate contract management personnel would be available to manage and oversee the LOGCAP contract; and verify resource needs to meet the increase in logistical and program support requirements stemming from the downsizing and departure of DOD. The Department complied with OIG’s recommendations, all of which have been closed on the basis of satisfactory implementation.

In February 2011, in response to our October 2010 compliance follow-up review of the Embassy Baghdad inspection, the Department appointed a Washington-based Ambassador to manage the Iraq transition process. There had been continuous discussions in the Department since 2009 to develop detailed budget figures for completing the transition and sustaining post-transition operations. These discussions continue today, however, and funding uncertainties continue to impede the Department’s overall efforts to fully transition from a military to a diplomatic U.S. presence in Iraq.

Our May 2011 transition report noted that Embassy Baghdad and the Department had established planning and management mechanisms to effectively transition to a civilian-led

presence in Iraq. It also mentioned that the Department had made progress since the 2009 transition report was issued; however, at that time, several key decisions were pending, some transition planning could not be finalized, and progress was slipping in some areas.

Specifically, we remain concerned that, although progress was being made on completing the remaining reconstruction projects and transferring them to the Government of Iraq, some projects were still experiencing delays and were not expected to be completed until the summer of 2012; and that establishing a viable diplomatic mission in Iraq without DOD support and funding would require considerable resources, making it difficult to develop firm or detailed budget estimates.

The May 2011 transition report also found that:

- The training of police in Iraq was critical to long-term stability and was generally on schedule, but the inability to finalize land-use agreements had prevented the start of construction at some training sites.
- The Office of Security Cooperation (OSC) was expected to manage defense relationships between the U.S. Government and the Government of Iraq; however, the establishment of the OSC was behind schedule, and full mission capability was unlikely by October 2011.
- Four planned provincial posts (including the Erbil consulate) were required to sustain the civilian presence; however, those posts were unlikely to be fully established by the end of 2011, resulting in the embassy having to develop temporary facilities for those provincial posts until land-use and lease agreements with the Government of Iraq could be finalized and permanent facilities constructed.
- The Department planned to expand and sustain air operations, including air transportation for chief of mission personnel; however, they were behind schedule because additional aircraft needed to be procured and maintained, agreements on flight plans and land use needed to be obtained, and air facilities needed to be constructed or renovated.
- The protective security capability for U.S. Government personnel caused by the military's withdrawal would need to be mitigated through closer working relationships with the Government of Iraq and its security forces, as well as access to

DOD security-related information and equipment, and those relationships continued to be a work in progress.

- Finally, the potential existed that a mass casualty incident could occur, and the embassy had not adequately planned for such an incident.

OIG's recommendations in the May 2011 report specified that:

- program and operational plans be finalized to develop detailed cost estimates for completing the transition to a civilian-led mission and ensure that future funding requirements to sustain programs and operations are included in those estimates;
- an evaluation be performed for determining the optimum location to temporarily locate the Erbil consulate; and
- a mass casualty response plan be developed.

The Department generally agreed with and was responsive to the intent of these recommendations.

Other progress has been made. Since last summer, the embassy has procured a number of aircraft and established "Embassy Air," and all flight plans and agreements have been finalized with the Government of Iraq and other foreign authorities. The Department also has requested, and received from DOD, mine-resistant ambush-protected vehicles (MRAPs), counter-rocket artillery and mortar (CRAM) early warning systems, and other equipment for the protection of U.S. Government personnel. Finally, since our report was issued, the embassy has been planning and conducting exercises to prepare for a mass-casualty incident.

2012 Oversight Plans

Looking forward, the Office of Investigations currently has 26 active investigations in the Near East and South Asia regions, 15 of which relate to Iraq, and 9 of which relate to Afghanistan. In addition, OIG investigations have contributed to the recent increase in suspensions and debarments.

Our Iraq and Afghanistan oversight plans include six audits, plus a planned joint audit with DOD, of programs to be undertaken in Baghdad and Kabul in 2012.

In Baghdad, we will be looking at the Worldwide Protective Services (WPS) contract for Embassy Baghdad, the resources supporting medical operations in Iraq, and the Department's

oversight of the WPS task order for Kirkuk and Mosul. We also plan to ask DOD IG to undertake a joint audit of transition execution in Iraq, including implementation of the Baghdad Master Plan.

In Kabul, we plan to audit the WPS task order for the Kabul Embassy Security Force, the administration and oversight of Bureau of International Narcotics and Law Enforcement Affairs contracts to build prisons in Afghanistan, and the administration and the oversight and management of the WPS task order for Herat and Mazar-E-Sharif.

We also are working on or have planned six additional audits of programs that directly affect programs in Iraq and Afghanistan; specifically:

- secure embassy construction and adherence to standards;
- counterterrorism security requirements;
- Department oversight of mine action programs;
- the Kabul WPS task order procurement process;
- \$700 million in grants for Overseas Refugee Assistance Programs in the South Asia and Middle East; and
- Bureau of Diplomatic Security study and assessment of the WPS security requirement for the South Asia and Near East regions.

In 2012, our Office of Inspections plans inspections of the Office of the Coordinator for Counterterrorism, the 2010 inspection of Embassy Islamabad and the Office to Monitor and Combat Trafficking in Persons. The Office of Audits is conducting follow-up work in the region involving oversight of employee treatment by contractors hiring third-country nationals, and our Office of Investigations also is actively engaged on this issue.

We will continue to provide the Department and the Congress with a comprehensive spectrum of audits, inspections, and investigations during the first year of post-transition activity in Iraq and preparations for transition planning and operations in Afghanistan.

Contingency IG

Finally, as I testified before a Senate committee a year ago, the novel concept of creating a permanent Inspector General to oversee contingency operations merits serious discussion. The Special Inspector General for Iraq Reconstruction (SIGIR), performed a valuable oversight role

in Iraq, supported by hiring authorities and funding not available to permanent Inspectors General.

Until 2008, the Department of State OIG had operated for 14 years with flat-lined budgets and insufficient staffing to conduct effective oversight in contingency areas. Since 2008, we have worked with Congress to successfully address the resource issues that previously hampered effective oversight of high-cost, high-risk Department of State programs in critical crisis and post-conflict areas.

Congress subsequently provided us with significant additional funding, beginning with the FY 2008 supplemental bill and continuing with increased base appropriations through FY 2010. Once the proper resources were available, we successfully delivered effective oversight of these Department programs and considerably increased our oversight and investigative capacity in the region. For example, from FY 2004 through 2008 when OIG's budget was flat-lined, OIG produced 11 audits or inspections and conducted one investigation related to Afghanistan. Thanks to strong Congressional support for increasing OIG's resource base, OIG has produced 19 audits or inspections and conducted 14 investigations in Afghanistan in the past two years alone.

Established departmental OIGs have proven their ability to work together and with the special IGs over the past two years to provide well-planned, effective, coordinated oversight in contingency operations. The departmental IGs have existing processes, organizational structures, and institutional knowledge of the programs within their departments that facilitate efficient oversight of those programs and eliminate the learning curve that would be required of a contingency IG. Current organizations already in existence, such as the Southwest Asia Joint Planning Group and the International Contract Corruption Task Force, can be leveraged to provide support for new contingencies around the world.

Moreover, in an era of fiscal restraint, creating a permanent new bureaucracy to oversee contingency operations may not be prudent. Millions of start-up dollars alone would be required to establish and sustain the bureaucracy, even before it expanded staffing and operations in response to specific contingencies. In addition, the creation of a new investigative unit includes the significant challenges inherent in establishing policies, procedures, technical and logistical support, and the legal framework necessary to provide the required law enforcement authorities for such a unit to be effective. Finally, the current pool of qualified auditors, inspectors, and

investigators who are willing to deploy to contingency areas is limited, and the creation of a new IG for contingency operations would create more competition for these sparse personnel resources. In short, in the early years of Iraq operations, a special IG may have been needed, given State OIG's inadequate resources to provide effective oversight in these areas. Today, we are structurally a different, more responsive organization with the increased resources and experience necessary to carry out this mission.

Mr. Chairman, Mr. Tierney, and members of the subcommittee, thank you once again for the opportunity to appear today, and I am ready to answer your questions.