

ASSESSMENT OF THE TRANSITION FROM A MILITARY TO A CIVILIAN-LED MISSION IN IRAQ

HEARING

BEFORE THE
SUBCOMMITTEE ON NATIONAL SECURITY,
HOMELAND DEFENSE AND FOREIGN OPERATIONS
OF THE

COMMITTEE ON OVERSIGHT
AND GOVERNMENT REFORM
HOUSE OF REPRESENTATIVES

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ASSESSMENT OF THE TRANSITION FROM A MILITARY TO A CIVILIAN-LED MISSION IN IRAQ

Thursday, June 28, 2012,

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON NATIONAL SECURITY, HOMELAND
DEFENSE, AND FOREIGN OPERATIONS,
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,
Washington, D.C.

The subcommittee met, pursuant to call, at 9:29 a.m., in Room 2154, Rayburn House Office Building, Hon. Jason Chaffetz [chairman of the subcommittee] Presiding.

Present: Representatives Chaffetz, Farenthold, Tierney, and Lynch.

Staff Present: Ali Ahmad, Majority Communications Advisor; Thomas A. Alexander, Majority Senior Counsel; Sharon Casey, Majority Senior Assistant Clerk; Mitchell S. Kominsky, Majority Counsel; Scott Schmidt, Majority Deputy; Jaron Bourke, Minority Director of Administration; Devon Hill, Minority Staff Assistant; Carla Hultberg, Minority Chief Clerk; Carlos Uriarte, Minority Counsel; and Ellen Zeng, Minority Counsel.

Mr. CHAFFETZ. The Committee will come to order. I would like to begin this hearing by stating the Oversight Committee mission statement.

We exist to secure two fundamental principles: First, Americans have the right to know that the money Washington takes from them is well spent and, second, Americans deserve an efficient, effective government that works for them. Our duty on the Oversight and Government Reform Committee is to protect these rights. Our solemn responsibility is to hold government accountable to taxpayers, because taxpayers have a right to know what they get from their government. We will work tirelessly in partnership with citizen watchdogs to deliver the facts to the American people and bring genuine reform to the federal bureaucracy. This is the mission of the Oversight and Government Reform Committee.

Let me start at the outset here. I appreciate you all being here. The Country has invested a lot of time, money, blood, and resources to the mission in Iraq. This is an interesting day on Capitol Hill given everything that has happened at the Supreme Court and their decisions, what is happening on the Floor with the contempt vote that directly involves this Committee.

You will see a limited number of members participating today. We do believe it is vital, though, to get all of the testimony that

will be shared here today. The questions today will be probably somewhat limited, with the understanding of everything that is happening on Capitol Hill. We were faced with the decision as to whether or not to delay this hearing. We were concerned that that would push us back to the latter part of July, perhaps even August. We would like to be fairly close to a quarterly type of update and hearing given this, so we do appreciate all your testimony and hope you have an understanding of the complexity that is this day.

Today's hearing is entitled Assessment of the Transition from the Military to a Civilian-Led Mission in Iraq, and I want to again thank you all for participating.

We are going to focus today on our efforts in Iraq since the military withdrew on December 31st, 2011. We assess the Administration's progress, its prospects for success, and whether this strategy should be used as a model for Afghanistan in 2014. And I cannot emphasize this enough: We need to learn from the experiences that we have so that, as we go through this in another situation, we can make the most of it.

On November 17, 2008, the Bush Administration and the Government of Iraq agreed that the United States would withdraw its troops by December 31, 2011. Keeping with that agreement, the Defense Department has removed all but approximately 275 uniformed personnel. The remaining troops work under the Chief of Mission authority of the Office of Security Cooperation.

The State Department has greatly expanded its footprint in Iraq. There are approximately 2,000 direct-hire personnel and 14,000 support contractors, roughly a 7 to 1 ratio. This includes 7,000 private security contractors to guard our facilities and move personnel throughout Iraq.

Leading up to the withdrawal, the State Department's mission seemed clear. Ambassador Patrick Kennedy testified the diplomatic mission was "designed to maximize influence in key locations" and later said "State will continue the Police Development Programs, moving beyond basic policing skills to provide police forces with the capabilities to uphold the rule of law. The Office of Security Cooperation will help close gaps in Iraq Security Force's capabilities through security assistance and cooperation."

This is an unprecedented mission for the State Department. Nonetheless, our diplomatic corps has functioned without the protections of a typical host nation. It has also carried on without troop support that many believed that it would have. As a result, the embassy spends roughly 93 percent of its budget on security alone.

Without a doubt, this is an enormously complex and difficult mission. Six months into the transition, the Congress must assess whether the Administration is accomplishing its mission. While the State Department has made progress, it appears to be facing difficult challenges in a number of areas. The Oversight Committee has offered some criticism based on their testimony today, including the Government Accountability Office noting that the State and Defense Departments' security capabilities are not finalized. The Special Inspector General for Iraq Reconstruction states that "thousands 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.”

The Defense Department Inspector General’s Office explains that the lack of status of forces agreement has impacted land use agreements, force protection, passport visa requirements, air and ground movement, and our foreign military sales program. And the USAID Inspector General’s Office testifies that “According to the USAID mission, the security situation has hampered its ability to monitor programs. Mission personnel are only occasionally able to travel to the field for site visits.”

Embassy personnel have also told Committee staff that the United States Government has difficulty registering its vehicles with the Iraqi government and Iraqis have stood up checkpoints along supply lines. According to one official, the embassy must dispatch a liaison “to have tea and figure out how we are going to get our trucks through.”

These are just some of the challenges the State Department is facing in Iraq today. Perhaps as a result of these conditions Mission Iraq appears to be evolving. In an effort to be more efficient, the State Department is evaluating its footprint, reducing personnel, and identifying possible reductions. This rapid change in strategy, however, raises a number of questions. Are we on the right track? Are we redefining the mission? What should we expect in the coming months? And, in hindsight, was this a well managed withdrawal?

The purpose of this hearing, therefore, is to gain some clarity about our efforts in Iraq. Moreover, we need to examine whether such transition is possible in how we execute in Afghanistan. Our Nation’s down-draw is only two years away and will likely present a greater challenge than Iraq. We need to have answers before we commit billions in taxpayers dollars.

We continue to look at these issues over the coming months and we look forward to hearing the testimony from the panel, as I said before.

I would like to now recognize the distinguished Ranking Member, the gentleman from Massachusetts, Mr. Tierney, for his opening statement.

Mr. TIERNEY. Thank you, Mr. Chairman. You were talking about whether or not this is a well managed withdrawal. It basically was an ill-conceived venture in the beginning and flawed implementation for much of the time that we were there, so I think the withdrawal concept is particularly difficult to do, and we have to keep that in mind.

I am going to ask unanimous consent that my prepared remarks be placed on the record so that we can sort of expedite the hearing and move forward and hear from the witnesses.

Mr. CHAFFETZ. So ordered.

[Prepared statement of Mr. Tierney follows:]

Mr. CHAFFETZ. Thank you. I really do appreciate it.

Members may have seven days to submit opening statements for the record.

We will now recognize our first panel.

Ambassador Patrick Kennedy is the Under Secretary for Management at the United States Department of State; Mr. Peter

Verga is the Chief of Staff of the Under Secretary for Policy at the United States Department of Defense; and the Honorable Mara Rudman is the Assistant Administrator for the Middle East Bureau at the U.S. Agency for International Development.

Pursuant to Committee rules, all witnesses will be sworn before they testify. Please rise and raise your right hand.

Do you solemnly swear or affirm that the testimony you are about to give will be the truth, the whole truth, and nothing but the truth?

[Witnesses respond in the affirmative.]

Mr. CHAFFETZ. Thank you. You may be seated.

Let the record reflect that the witnesses all answered in the affirmative.

In order to allow time for discussion, please limit your verbal testimony to five minutes. Your entire written statement will be part of the record.

We would now like to recognize Ambassador Kennedy for five minutes.

WITNESSES STATEMENTS

STATEMENT OF THE HONORABLE PATRICK F. KENNEDY

Mr. KENNEDY. Chairman Chaffetz, Ranking Member Tierney, distinguished members, thank you for inviting me to discuss the State Department's operations in Iraq after the military to civilian-led transition.

U.S. Forces completed their withdrawal from Iraq in December 2011, marking a significant milestone in our bilateral relationship. Our strategic goal continues to be a united, unified, democratic, and stable Iraq.

While security has improved overall, the situation on the ground remains challenging. Nonetheless, our diplomatic engagements are robust. Our embassy meets regularly with President Talabani, Prime Minister Maliki, cabinet members, parliamentarians, and civil society leaders.

The State Department has always planned to align our presence in Iraq with other comparable U.S. Missions, but transition planning called for a robust structure that could handle multiple situations. Now that we have successfully transitioned, we are methodically streamlining our operations in a phased approach which we call the glide path. This recognizes that security did not deteriorate when U.S. Forces departed and that the Government of Iraq also recognizes the value of a streamlined U.S. Mission.

We have been evaluating our presence and reducing personnel, sites, and agency programs under Chief of Mission authority. We expect to reduce direct hire staffing 25 to 30 percent by the end of 2013. This is not arbitrary. Rather, we examined our operations and determined how they could be made more efficient. We have hired more Iraqis, with 240 of the 400 planned direct hires now on board. We have also emphasized to our contractors the need to hire Iraqis as well.

Over the next 18 months we will consolidate onto the embassy compound and relinquish three facilities in Baghdad: The Baghdad Police College Annex, OSC-I Headquarters, and the Prosperity

Support Annex. We will continue to make adjustments to support a robust and secure, yet appropriately sized platform.

I would like to provide an update touching on a few key elements of our support platform.

Our Iraqi planning began in late 2009 and involved an interdisciplinary team from within the Department working closely with our DOD and AID colleagues. Since the follow-on negotiations to the 2008 U.S.-Iraq Security Agreement were not completed, our predicate was that we had to be self-sufficient.

On October 1st of 2011, the embassy and our consulates were fully operational and mission capable, as we had long planned. While the term mission capable comes from DOD lexicon and has not been previously applied to State operations, we were fully engaged in all diplomatic, consulate, and support activities, even though some of our facilities were not fully complete. We have continued to complete our facilities and, despite the challenging environment, we have been and will continue to carry out our diplomatic mission.

Task orders for static and movement security were awarded under the Worldwide Protective Services contract for all State Department sites. The Bureau of Diplomatic Security is performing its increased oversight to ensure the professionalism of security contractor personnel.

State Department requested that DOD continue to provide life support services through 2013 under the competitively awarded LOGCAP and via the Defense Logistics Agency. Our partnership with the Department of Defense remains highly effective. A post-transition working group meets twice a month to discuss life support. We are working on local sourcing of more food and fuel. Looking forward, State plans to award a life support contract to replace LOGCAP by the end of 2013.

Under an existing competitively awarded contract, our aviation operations support all U.S. Government elements in Iraq, using five dedicated fixed-wing and 31 helicopters. Missions include medical evacuation, movement of security support, personnel, transportation of personnel within Iraq, and movement of personnel into and out of Iraq. We plan to downsize that program under the glide path.

In conclusion, the scope of the Department's diplomatic activities in Iraq remains larger than any of our past efforts. As Secretary Clinton said during remarks at the Virginia Military Academy in April, in Iraq, we have completed the largest transition from military to civilian leadership since the Marshall Plan. Civilians are leading our lasting partnership with a free and democratic Iraq.

Mr. Chairman, we are committed to assisting Iraq in securing the gains it made with U.S. Assistance towards becoming a secure, stable, and self-reliant country as efficiently and effectively as possible. Thank you again for inviting me here today and for your ongoing support of the Department of State. I welcome any questions you might have. Thank you, sir.

[Prepared statement of Mr. Kennedy follows:]

STATEMENT OF AMBASSADOR PATRICK KENNEDY
 UNDER SECRETARY FOR MANAGEMENT
 U.S. DEPARTMENT OF STATE
 Before the Subcommittee on
 National Security, Homeland Defense, and Foreign Operations
 House Committee on Oversight and Government Reform
 "Assessment of the Transition from a Military to a Civilian-Led Mission in Iraq"
 June 28, 2012

Chairman Chaffetz, Ranking Member Tierney, distinguished Members of the Subcommittee, thank you for inviting me to testify today on the status of the State Department's operations in Iraq following the military to civilian-led transition.

Since I appeared before you last October, U.S. forces completed their withdrawal from Iraq in December 2011, in accordance with the 2008 U.S.-Iraq Security Agreement. This change from a military to civilian-led mission marked a significant milestone in one of our most important strategic bilateral relationships - the U.S. relationship with Iraq. Embassy Baghdad has increased its engagement with our Iraqi counterparts to bolster Iraq's stability and development, promote U.S. investment, facilitate private sector growth, and deepen relationships with Iraq's diverse populations.

Our strategic goal continues to be a unified, democratic, and stable Iraq that will be a voice of moderation and a successful democracy in a turbulent region. Without hands-on U.S. engagement, and the engagement of other like-minded countries of influence, the possibility remains that Iraq could have a decline in their security environment or slide back toward authoritarian rule. Iraq's development as a democratic nation is ongoing, and while there have been and will continue to be many challenges, a strong democratic Iraq is essential to the security of the region and is a critical component of our engagement in the Middle East.

Engagement after the Withdrawal of U.S. Forces

While the relationship between Iraq and the United States has been based primarily on security interests for close to a decade, throughout this time we have been laying the groundwork for the next phase of our relationship -- one which

goes beyond security and encompasses a broad range of mutual interests guided by the 2008 U.S.- Iraq Strategic Framework Agreement.

Under the Strategic Framework Agreement, the Governments of the United States and Iraq are committed to working together at the most senior levels on a wide range of issues through seven Joint Coordination Committees (JCCs), including defense and security, education and cultural affairs, energy, law enforcement and judicial cooperation, politics and diplomacy, services, and trade and finance.

Our Embassy meets regularly with President Talabani, Prime Minister Maliki, cabinet ministers, parliamentarians, and civil society leaders throughout Iraq. While the overall security environment has improved, the situation on the ground remains challenging. Nevertheless, despite occasional high-profile attacks against Iraqis, our diplomatic engagements with the Iraqis have remained robust since the withdrawal of U.S. forces in December.

We continue to monitor the security situation in Iraq closely, and the Office of Security Cooperation-Iraq (OSC-I) continues to work with the Iraqi Security Forces to boost their capacity to maintain their own public security. OSC-I, which is under Chief of Mission authority, supports Iraq's air, land, and maritime sovereignty missions, sustains our investments in the Iraqi Security Forces to date, and plays a critical role in building our strategic partnership with Iraq.

Glide Path

The Department of State has always planned to align our presence in Iraq with the structures of comparable U.S. missions worldwide; however, prior to the transition, we prudently planned for a robust structure in order to handle uncertainties in the wake of the withdrawal. Now that we have successfully transitioned, we are seeking to streamline and normalize our operations in a methodical, phased fashion, which we refer to as the "glide path."

Two key factors became evident early in 2012: the security environment did not deteriorate with the departure of USF-I; and it became clear that while the Government of Iraq values our bilateral relationship, they also saw the value in a

streamlined mission. We had both an opportunity and an obligation to respond to these developments, and have been in discussions with the Government of Iraq about our civilian presence.

As a result of these developments, we have been evaluating our footprint in Iraq, and we continue to assess our programs and staffing to find ways to rightsize our mission. We are working on reducing personnel, sites and programs for agencies under Chief of Mission authority, reductions that will reflect a whole of government approach as prioritized by the Chief of Mission. As part of this effort, we are identifying possible reductions such as: transitioning from US or third country contractors to local Iraqi staff, and sourcing more goods and services locally, to reduce our overall reliance on contractor support.

We are working to reduce direct-hire staffing by 25-30% by the end of 2013. We have not chosen an arbitrary reduction percentage; rather, we examined embassy operations and determined how they might be made more efficient.

We have continued our concerted efforts to hire more Iraqis to fill direct hire positions in Iraq, and now have 240 of the planned 400 on board.

Since early last fall we have also strongly emphasized that our contractors need to hire Iraqis rather than third country nationals. The country-wide goal is to have 50 percent of our life support contractors be Iraqi. Having started at virtually zero, we are currently at 24% and that number continues to climb each month.

These changes will make us more efficient, allowing us to focus our energy on our most successful programs, and to continue providing the necessary level of security to our people in a dangerous environment. Our efforts are ongoing, and we will continue to make adjustments as required to support a robust but appropriately-sized platform.

Update on Support Platform

Turning to specific elements of the support platform, I would like to provide you with an update since last October. The embassy and our consulates were, as of October 1st, fully operational and “mission capable,” as we had envisioned and

planned for. While the term “mission capable” comes from the DoD lexicon, and has not been applied before to State’s operations, on October 1, we were fully engaged in all diplomatic and support activities, even though some of our facilities were secure but not complete. We have continued to complete our facilities through the transition and beyond. Despite the challenging environment, we have and will continue to carry out our diplomatic mission.

Facilities: Build-out is underway at our primary facilities in Baghdad, Basrah, and Erbil, with completion expected in late FY 2012/early FY 2013. As part of the glide path review, we have determined that we will be able to relinquish three facilities and fold the activities of three separate sites in the Baghdad area onto the Embassy compound:

1. We will be transferring the Baghdad Police College Annex to the Iraqis by the end of this year. We always intended to transfer the property to the Iraqi Government, although this is an accelerated timeline. In the future, Iraqi officials have said that we can continue to use parts of the facility to support our engagements with the Iraqi Ministry of Interior. After the decision was made to accelerate transfer of the facilities, the Department suspended all build-out with the exception of what was required to leave the facilities safe for the Iraqi government.
2. We will move the OSC-I headquarters from the property across the street (FOB Union III) onto the Embassy complex by mid 2013, and intend to turn the site back to the Iraqi Government.
3. The drawdown of some programs will reduce the number of contractors, allowing us to move off the Prosperity support annex. We intend to return this property to the Iraqi Government by the end of 2013.

Security: As I discussed in my previous appearances here, in order to meet the unique security challenges in Iraq and other critical threat locations, the Department competitively awarded a base contract for Worldwide Protective Services to eight companies in September 2010. Task orders for static and movement security were awarded for all Department of State sites in Iraq. One of the challenges we faced in the aftermath of transition was the GOI’s slow issuance

of visas for contractors. While this initially affected our programs, issuance is now on track and our security programs are appropriately staffed. The Bureau of Diplomatic Security is performing its increased contract management and oversight to ensure the professionalism and responsibility of security contractor personnel.

During the transition, the U.S. Army loaned State 60 Mine-Resistant Ambush-Protected (MRAP) vehicles. However, in the post-transition reality of operating in heavily-populated environments such as Baghdad and Basrah, we determined, in consultation with the Iraqi Government, that equipment like the MRAPs and the “little bird” helicopters were not ideally suited to our operations, and we are not using them. Because sustainment for this equipment was to be provided under DoD contracts, ceasing use of this equipment will also reduce American contractor staffing.

Life Support: As the Subcommittee is aware, the Department of State requested DoD continue to provide life support services from two major DoD programs through 2013 – the Logistics Civil Augmentation Program (LOGCAP) – for general facility operation, food service, laundry, and other services, plus the Defense Logistics Agency (DLA) – for the supply of food and fuel. The partnership we established with DoD has been highly effective and is based on strong ongoing communications and coordination. We established a twice monthly Iraq post-transition contracting working group where issues such as the local sourcing of food, equipment transfer, and acquisition strategies are discussed and solutions are solicited in a collaborative forum for alternative options after the DoD contracts expire at the end of 2013.

Medical: To ensure the safety and well-being of our personnel, in June 2011, the Department of State competitively awarded a medical contract to Comprehensive Health Services to provide country-wide medical support in Iraq covering all Chief of Mission personnel, including USG contractors. We established small Health Units and Diplomatic Support Hospitals, staffed and equipped to stabilize trauma cases that would then be moved to nearby, first-world medical facilities in Jordan, Kuwait, or Germany. This partnership has gone extraordinarily well; after maintaining superior medical support over the past year, the Department exercised the first contract option year of the contract, because the

contractor has demonstrated a commitment to establish high quality medical service in a climate where they had to build the confidence of the population served, deploy skilled and experienced western medical personnel, utilize state-of-the-art robotic technology, and achieve a self sustaining reliable supply chain for pharmaceuticals, in a very challenging environment.

Food and Fuel: As the Department of State is working toward establishing a more normalized diplomatic mission; we are in the process of shifting the provisioning of food and fuel from the Defense Logistics Agency (DLA) to local sources under the management of U.S. contractors. Our Office of Acquisitions Management working with Embassy Baghdad deployed a survey team in January to determine the variety and availability of local sources of food within Iraq; this survey supports planned implementation of a Department life support contract we call BLiSS, for Baghdad Life Support Services, which will replace the LOGCAP program by the end of 2013. As an interim step, we have awarded several Blanket Ordering Agreements (BOA) to augment the DLA program by providing locally procured fuel and water to many of our sites in Iraq's north, central and southern regions.

In addition to this expanded local supply strategy for fuel, the Department's procurement office is in the process of awarding a small business contract to assist Embassy Baghdad in managing the purchase, storage, consolidation, and delivery of food and fuel throughout our diplomatic sites in Iraq. The contracting team returned to Iraq the week of June 1, 2012, to meet with embassy personnel to cement the requirement and process to procure fuel and food. The initial focus will be on the supply of fuel; the team collected information on the logistics of locally sourcing and transporting fuel to USG facilities throughout Iraq. State and DoD staff met in-country, and the collected information will also be evaluated by State and DOD officials in Washington.

Operations and Maintenance (O&M): We have released a full and open competitive solicitation to the marketplace that will eventually evolve into a contract to provide O&M support to the Embassy Baghdad compound as well as all USG facilities in Iraq. Proposals were received first week in June; we anticipate initial contract mobilization by October 2012 and full mobilization before December 2013.

Other Support: The U.S. Mission will maintain a few specialized maintenance contracts with DoD, especially those which maintain DoD equipment on loan to the Department of State.

Aviation: The Bureau of International Narcotics and Law Enforcement Affairs (INL) has been involved in aviation operations using fixed- and rotary-wing aircraft since the late 1970's, historically focused on counternarcotics and law enforcement missions in South and Central America. However, since late 2009 other Department bureaus have also used aviation activities to support Embassy Baghdad (and Embassy Kabul) for missions involving movement of personnel and cargo, medical evacuation, and security.

Implementation of aviation support in Iraq is operating smoothly under an existing competitively awarded contract. This program manages and executes aviation operations in support of all U.S. Government elements in Iraq, using five fixed-wing aircraft (Bombardier "Dash 8") and 34 helicopters. Missions performed include medical evacuation support, movement of security support personnel, transportation of personnel by fixed and rotary wing aircraft within Iraq using a "hub and spoke" concept, and fixed wing movement of personnel into and out of Iraq. Aviation operations are funded through a Working Capital Fund, which ensures efficient use of these resources. We are downsizing the program in conjunction with personnel and program reductions. As regional and national aviation services increase in reliability and security in the coming years, we will continue reducing reliance on our own aviation program.

Information Technology (IT): We have implemented a full range of IT support services: terrestrial circuitry and satellite to support our unclassified and classified networks, our telephone and radio programs, and our diplomatic pouch and mail requirements. In many cases we partnered with DoD to improve efficiency and reduce costs. For example, we have partnered with Defense Information Systems Agency (DISA) to provide high speed connectivity to Embassy Baghdad. Since my last update, we completed installation of new telephone systems and high speed connectivity at our consulates in Erbil and Basrah. At the Embassy Annex (also called the Baghdad Diplomatic Support Center) near the Baghdad International Airport, we upgraded and expanded the

telephone system for this location. These installations and upgrades further enhance our ability to sustain diplomatic operations during the transition period.

Mail: The Department of State has successfully transitioned mail service for Chief of Mission personnel in Iraq from Army Post Office (APO), which was provided under the 2008 Security Agreement between the U.S. Government and the Government of Iraq, to Diplomatic Post Office (DPO) mail service managed by the Department of State. The transition required signing a Host Nation Agreement (HNA), new contracts for moving mail into both Baghdad and Erbil, and negotiations at both locations to move mail back to the United States. Additionally, many arrangements were made to get the mail from the “hubs” to the “spokes” in country (and the reverse), including sorting and processing of the mail under LOGCAP IV. The Department managed all of these requirements while simultaneously reducing costs from the previous DoD mail system. The Department’s main challenge remains limited contracted airlift for USPS mail arriving in Baghdad, as currently only two air carriers are providing this service. To reduce the stress on this system, and to “normalize” post, the Unclassified Pouch service is being re-established. Unclassified Pouch will be the primary method for moving official correspondence to and from post.

Property and Equipment: The Department has always coordinated closely with DoD on the accountability, transfer, and support requirements for items that the Department has custody. We re-purposed thousands of containerized housing units (CHUs), as well as generators, water purification units, dining facility equipment, and the like. We are applying our lessons learned and best practices to the transition efforts in Afghanistan. Our primary lesson was that the timing of equipment transfers was critical and presented challenges due to the compressed military withdrawal and transition timeline in Iraq.

Contracting and Contract Oversight: The Department continues to increase our contracting oversight staff; we are using our internal funding mechanisms – a one percent fee charged on all contracting services – and have hired 109 additional contracting staff over the past several years. We have 38 contracting officers, specialists and support service personnel devoted to contracting efforts in Iraq and Afghanistan.

The Department continues to work jointly with the Army Contracting Command, and with State Bureaus including Near Eastern Affairs, Diplomatic Security, and International Narcotics and Law Enforcement, on the training and deployment of Contracting Officers Representatives. To maintain our contract oversight partnership with the Department of Defense which has gone very smoothly, we requested that assistance from the Defense Contract Management Agency and the Defense Contract Audit Agency continue through calendar year 2014 or until the Department develops the capacity to perform similar in-depth duties.

Police Development Program

One of State's main programs in Iraq is the Police Development Program (PDP), established and carried out in consultation with the Government of Iraq, as a follow-on to the police training program led by the DoD. Since the beginning of the State-led program in October 2011, we have focused on helping the leadership of the Ministry of Interior (MOI) and the police services as they work to develop specialized skills, conduct operations, and manage their institutions. The program has also been the subject of audits by the Special Inspector General for Iraq Reconstruction (SIGIR) and GAO. In SIGIR's first audit of the PDP published in October 2011, they recommended that the Department conduct a baseline assessment and develop a comprehensive program plan with performance metrics. Both of these efforts were already in progress at the time of the audit and have since been completed.

In late March, INL conducted the first of its semi-annual reviews to assess program effectiveness and identify the need for any adjustments. This review also facilitated coordination with the mission's overall glide path effort to consolidate operations. Based on this first semi-annual review, I understand that INL and the Embassy are working closely with the MOI on potential program changes to ensure that it is meeting our two governments' expectations. This evaluation is ongoing, and the Department will brief Congress on the further results of this evaluation when it is completed.

Conclusion

In conclusion, the scope of the Department's diplomatic activities in Iraq remains larger than anything we have done in the past. As Secretary Clinton remarked to cadets at the Virginia Military Institute in April, "In Iraq, we have completed the largest transition from military to civilian leadership since the Marshall Plan. Civilians are leading our lasting partnership with a free and democratic Iraq. ... But Iraq has taken charge of its own security and has the chance, if its leaders take it, to stand as an important example of an emerging democracy in a region experiencing historic transformation."

With the military to civilian-led transition behind us, we are focusing on consolidating our diplomatic presence, becoming more reliant on the local economy for support, and employing host country national employees to serve as the administrative foundation of our embassy. We will continue to review our programs and the design of our support structure going forward and to apply all lessons learned in Iraq to future plans in Afghanistan. We are committed to helping Iraq secure the gains it made with U.S. assistance, toward becoming a secure, stable and self-reliant country as efficiently and effectively as possible.

Thank you again for inviting me here today and for your ongoing support for the Department of State. I welcome any questions you have.

Mr. FARENTHOLD. [Presiding.] Thank you very much, Ambassador Kennedy.

We will now recognize Mr. Peter Verga, the Chief of Staff for the Under Secretary for Policy for the U.S. Department of Defense. You are recognized for five minutes, sir.

STATEMENT OF PETER F. VERGA

Mr. VERGA. Thank you, Mr. Chairman. I appreciate that. Member Tierney, distinguished Committee members, I do appreciate the opportunity to appear before you today, along with my Department of State colleagues, to provide you an update on the United States' transition from a military to civilian-led presence in Iraq.

Given Iraq's importance, situated strategically in the Middle East, it remains profoundly in the United States' national interest that Iraq emerge as a strategic partner with the United States, a sovereign, stable, self-reliant nation, and a positive force for moderation and stability in the region. In the time since we last appeared before this Committee, the United States has upheld its commitments in the 2008 U.S.-Iraq Security Agreement by withdrawing all U.S. Forces by the end of December 2011.

The Department of Defense has worked closely with Department of State to help ensure a successful transition to a civilian-led presence in Iraq. Before, during, and after the transition, DOD provided all possible support to posture State for success as U.S. Forces withdrew from Iraq. Today, the Department of Defense continues to work with Department of State to help meet its needs through assignment of DOD personnel, extensions of equipment loans, and contracting assistance.

The focus is now on cementing a normalized presence in Iraq with Department of State in the lead. That means building on years of working with the Iraqis to create a lasting, long-term security relationship, including a robust foreign military sales program. Currently, our FMS program with Iraq is the fourth largest in the region and the ninth largest in the world, with a total value of approximately \$11.6 billion.

Of all the FMS cases with Iraq, the F-16 case stands out as the cornerstone of the long-term U.S.-Iraq strategic relationship. Iraq has requested the sale of 36 F-16s and associated training, at a value of approximately \$6 billion. To date, Iraq has deposited approximately \$2.5 billion towards that sale and deliveries of the first aircraft are scheduled in September of 2014.

We are now at a point where the strategic dividends of our efforts are within reach. DOD has worked closely with Department of State to help ensure a successful transition to the civilian-led presence in Iraq. That successful transition enables us to concentrate on building that long-term strategic partnership based on mutual interests and mutual respect.

Finally, Iraq, through its substantial FMS program, is demonstrating its desire for long-term strategic partnership and its commitment to this program is a testimony to the future of the U.S.-Iraq partnership.

I thank you for your attention and look forward to your questions.

[Prepared statement of Mr. Verga follows:]

**STATEMENT OF THE DEPARTMENT OF DEFENSE
BEFORE THE SUBCOMMITTEE ON NATIONAL SECURITY,
HOMELAND DEFENSE AND FOREIGN OPERATIONS
UNITED STATES HOUSE OF REPRESENTATIVES
June 28, 2012**

Chairman Chaffetz, Ranking Member Tierney, and distinguished Committee members, I appreciate the opportunity to appear before you today along with my Department of State colleagues to provide you with an update on the United States' transition from a military to a civilian-led presence in Iraq.

Given Iraq's importance, situated strategically in the Middle East, it remains profoundly in the U.S. national interest that Iraq emerge as a strategic partner with the United States; a sovereign, stable, self-reliant nation; and a positive force for moderation and stability in the region. In the time since we last appeared before this Committee, the United States has upheld its commitments in the 2008 U.S.-Iraq Security Agreement by withdrawing all U.S. forces by the end of December 2011.

The Department of Defense (DoD) has worked closely with the Department of State to help ensure a successful transition to a civilian-led presence in Iraq. Before, during, and after the transition, DoD provided all possible support to set up the Department of State for success as U.S. forces withdrew from Iraq. Today, DoD continues to work with the Department of State to help meet its needs through the assignment of DoD personnel, extensions of equipment loans, and contracting assistance.

The focus is now on developing a normalized presence in Iraq following the transition to a Department of State lead. Part of normalization means building on years of working with the Iraqis to create a lasting, long-term security relationship.

Developing a long-term security relationship with Iraq is one of our highest priorities and is part of a broader enduring commitment to regional peace and security. To that end, the principal guiding document for cooperation and engagement with Iraq is the 2008 Strategic Framework Agreement (SFA) between the United States and Iraq. The SFA identified

Joint Coordination Committees (JCCs) as the mechanisms for strategic engagement in seven agreed-upon areas of cooperation. A Higher Coordination Committee was established in 2011 to oversee the work of the subordinate JCCs and provide a forum for senior U.S. and Iraqi officials to discuss the work of the JCCs.

Office of Security Cooperation-Iraq (OSC-I)

Since we last appeared before this Committee, DoD established the Office of Security Cooperation-Iraq (OSC-I), under Chief of Mission (COM) authority. The OSC-I is the foundation of our long-term security relationship with Iraq and represents a critical component of the normalization of U.S.-Iraq relations. The OSC-I serves as the main vehicle to expand our security cooperation relationship with the Iraqis. On a daily basis, the OSC-I coordinates security assistance and other security cooperation activities, and engages Iraqi leaders on the development and modernization of the Iraqi Security Forces (ISF).

The size of the Foreign Military Sales (FMS) program that the OSC-I manages and implements is a good indicator of the Iraqi desire for a strong and enduring security relationship with the United States. Currently, our FMS program with Iraq is the fourth largest in the region, and the ninth largest in the world, with a total value of approximately \$11.6 billion.

Of all the FMS cases with Iraq, the F-16 case stands out as the cornerstone of the long-term U.S.-Iraq strategic relationship. The sale of 36 F-16s to Iraq at a value of approximately \$6 billion was notified to Congress. The Iraqis divided the sale into two tranches of 18 aircraft each. To date, Iraq has deposited approximately \$2.5 billion toward this sale. Deliveries of the first aircraft are scheduled for September 2014.

Foreign Military Financing (FMF) assistance for the ISF is another opportunity to strengthen the long-term security relationship between the United States and Iraq. Fiscal Year 2012 is the first year Iraq will receive FMF, which will be used to develop and improve the ISF. To date, Iraq has used funding from the Iraqi Security Forces Fund (ISFF). However, ISFF funding expires at the end of Fiscal Year 2012.

DoD Support for the U.S. Diplomatic Mission in Iraq

In November 2011, the Secretary of Defense approved the Department of State's request to assign DoD personnel to support the U.S. diplomatic mission in Iraq under COM authority. Additionally, the Department of State has requested that DoD extend its equipment loans and contracts to support critical capabilities. This request will satisfy the Department of State's immediate need while it continues to build its own capacity. The Department of State will continue to reimburse DoD for all equipment loans, contracts, and services provided. These requests include, but are not limited to, security, extensions of equipment loans and associated maintenance, base life support and core logistics services, and continued assistance for food and fuel on a reimbursable basis as follows:

- Logistics Civil Augmentation Program (LOGCAP) – U.S. Army LOGCAP IV support will continue through Calendar Year 2013 to provide the Department of State sufficient time to implement its phased approach to build its own capability. The Department of State is evaluating the proposals for a contract to maintain facilities on the Embassy Baghdad compound and other sites being used by the Embassy to reduce dependence on LOGCAP
- Food, Fuel, and Distribution Services – The Defense Logistics Agency will continue to provide support through Calendar Year 2013 while the Department of State incrementally takes over these requirements.
- The Army Sustainment Command will continue to provide support through its Field and Installation Readiness Support Team (FIRST) maintenance contract for those items of equipment not maintained under existing Department of State contracts.
- Contract Oversight – The Defense Contract Management Agency and Defense Contract Audit Agency will continue to provide support while DoD contracts are in place and may, upon request, support Department of State contracts.

- Two DoD IT Systems - the Synchronized Pre-deployment and Operational Tracker (SPOT) and the Total Operational Picture Support System (TOPSS) will continue to be used by the Department of State as its preferred personnel management tools.

Defense and Security Joint Coordination Committee

On May 22-24, 2012, together with the Department of State, DoD co-hosted the inaugural Defense and Security Joint Coordination Committee (DSJCC) meeting in Washington. The DSJCC is the main forum for discussing important aspects of a long-term defense partnership with Iraq. The DSJCC discussions last month marked a new phase in our military-to-military relationship with Iraq and served as an opportunity to further the vital strategic interests of both nations.

The DSJCC was co-chaired by the Under Secretary of Defense for Policy and the Acting Under Secretary of State for Arms Control and International Security. Iraqi Acting Minister of Defense Dulaymi chaired for the Iraqi side. At the DSJCC, we discussed Iraq's national military objectives, FMS, and FMF.

Conclusion

We are now at the point where the strategic dividends of our efforts are within reach. The DoD has worked closely with the Department of State to help ensure a successful transition to a civilian-led presence in Iraq. That successful transition enables us to concentrate on building a long-term strategic partnership with Iraq based on mutual interests and mutual respect. Iraq, through its large FMS program, is demonstrating its desire for a long-term strategic partnership. Iraq's commitment to this program is a testimony to the future of the U.S.-Iraq partnership.

Mr. FARENTHOLD. Thank you very much.

We will now recognize the Honorable Mara Rudman, the Assistant Administrator for the Middle East Bureau at the U.S. Agency for International Development. Ms. Rudman, you are recognized for five minutes.

STATEMENT OF THE HONORABLE MARA RUDMAN

Ms. RUDMAN. Thank you, Mr. Chairman and Ranking Member Tierney. Thank you for the opportunity to discuss USAID's work in the context of the transition from a military-led to a civilian-led mission in Iraq.

Our goal is a stable, self-reliant, unified Iraq. This is critical to U.S. interests in the Middle East. It is a goal made possible through enormous sacrifice by Americans and Iraqis alike.

USAID is adjusting its footprint in Iraq to align with its development strategy and programmatic needs. We are focused on Iraq's sustainable development under the terms of the U.S.-Iraq Strategic Framework Agreement.

Over the past 10 years, USAID's role in Iraq progressed through three distinct stages:

Immediately after the invasion, USAID's emphasis was on restoring essential infrastructure and services, and supporting transitional democratic processes.

Then, as part of the military and civilian counterinsurgency campaign, we concentrated on stabilizing Iraqi communities and strengthening governmental institutions.

Now, with the completion of the transition to civilian leadership of the U.S.'s effort in Iraq, USAID's focus is on helping Iraqis improve how they manage their own resources for development.

Our ability to adapt and work closely with the Iraqi government and people has provided critical continuity to our work. Our current efforts reflect lessons learned over these years, particularly in the need for greater oversight and prioritization of sustainability.

Today, USAID provides technical assistance to Iraqis to improve their abilities to finance and implement their own development projects. We are also working with Iraqis to strengthen civil society and increase civic participation, implement reforms that will encourage private sector-led economic growth, support development of good governments and democratic institutions, support ethnic and religious minorities, and provide durable solutions for the reintegration of internally displaced persons.

All of our efforts are designed with sustainability in mind so that, as an end goal, Iraqis will manage every one of these projects without U.S. assistance.

In addition to the considerable human capital of the Iraqi people themselves, Iraq has great oil wealth. Revenues from the oil industry, which has yet to reach its full potential, supply nearly all of the Iraqi government's budget. Sadly, the country's institutions and ability to deliver services has been degraded by decades of war, misrule, and other factors. Rebuilding the structure, resiliency, and effectiveness of the state, the private sector, and civil society is where Iraq still needs help. Thus, our current programs are focused primarily on improving the capacity of Iraqi government institutions and consist largely of technical assistance that requires the

Iraqis to match USAID contributions on a dollar-for-dollar basis. These efforts stand in stark contrast to the much larger relief, infrastructure, or stabilization projects in which we were earlier engaged.

We work with the Government of Iraq to first establish common objectives for new activities. We then come to an agreement with the GOI on its required matching contributions and plans for transitioning ultimate responsibility for projects to the government. Throughout implementation, we monitor and measure the GOI's progress and require cost-sharing contributions. These steps help ensure long-term Iraqi investment and commitment to the sustainability of USAID activities that specifically benefit their governing institutions.

This focus on sustainability is not simply good development practice; it also reflects congressional guidance. In early 2009, the State Department and USAID, in consultation with Congress, adapted a set of policy guidelines on Iraqi Government matching for U.S. Assistance funds which require financial or in-kind Iraqi Government counterpart contributions for most U.S.-funded foreign assistance programs and projects that directly benefit or involve the Iraqi central government.

Ensuring that the resource provided for American taxpayers are used effectively and that our contributions to Iraq's progress yields sustainable results requires both careful and consistent monitoring on our part and engagement of the Iraqi Government and our other partners. Thus, in addition to standard USAID protections against waste, fraud, and abuse, including checks on terrorist financing, we have designed an extensive and effective oversight system that is tailored for the unique operating environment in Iraq.

USAID also contracts with a third-party monitoring and evaluation implementer that conducts independent evaluations of all of our projects.

There are multiple independent oversight bodies that also review our programs and, collectively, these entities have conducted more than 300 financial and performance audits since 2003.

Finally, our focus on sustainability extends to the very staffing of our effort in Iraq. In fiscal year 2012 and beyond, we will reduce the number of foreign service offices at our mission and we will hire and train more locally employed Iraqis to perform the functions that have previously been handled by third-country nationals.

In summary, our programs in Iraq are designed to help Iraqis use their own resources to foster self-reliance, maintain stability, and increase their well-being. Our continued commitment to Iraq demonstrates the importance we place on the mutual interests and benefits of this long-term partnership.

I too appreciate the opportunity to appear before you today, and I am happy to answer your questions. Thank you.

[Prepared statement of Ms. Rudman follows:]

Testimony of Mara Rudman
Assistant Administrator for the Middle East
U.S. Agency for International Development
House Oversight and Government Reform Subcommittee on
National Security, Homeland Defense, and Foreign Operations

“Assessment of the Transition from a Military to a Civilian-Led Mission in Iraq”

June 28, 2012

Chairman Chaffetz, Ranking Member Tierney, and members of the Subcommittee, thank you for the opportunity to discuss the United States Agency for International Development (USAID)’s work in the context of the transition from a military-led to a civilian-led mission in Iraq.

Our goal is a stable, self-reliant, unified Iraq. This is critical to U.S. interests in the Middle East. It is a goal made possible through enormous sacrifice by Americans and Iraqis alike.

USAID is adjusting its footprint in Iraq in line with its development strategy and programmatic needs. We are focused on Iraq’s sustainable development under the terms of the U.S.- Iraq Strategic Framework Agreement. Over the past ten years, USAID’s role in Iraq progressed through three distinct stages:

- Immediately after the invasion, USAID’s emphasis was on restoring essential infrastructure and services and supporting transitional democratic processes.

- Then, as part of the military and civilian counterinsurgency campaign, we concentrated on stabilizing Iraqi communities, and strengthening government institutions.
- Now, with the completion of the transition to civilian leadership of the U.S. effort in Iraq, USAID's focus is on helping Iraqis improve how they manage their own resources for development.

Our ability to adapt and work closely with the Iraqi government and people has provided critical continuity to our work. Our current efforts reflect lessons learned over these years, particularly in the need for greater oversight and prioritization of sustainability.

Today, USAID provides technical assistance to the Iraqis to improve their abilities to finance and implement their own development projects. We are also working with the Iraqis to strengthen civil society and increase civic participation; implement reforms that will encourage private sector-led economic growth; support the development of good governance and democratic institutions; support ethnic and religious minorities; and provide durable solutions for the reintegration of internally displaced persons.

All of our efforts are designed with sustainability in mind, so that – as an end-goal – Iraqis will manage every one of these projects without U.S. assistance. In addition to the considerable human capital of the Iraqi people themselves, Iraq has great oil wealth. Revenues from the oil industry, which has yet to reach its full potential, supply nearly all of the Iraqi government's budget. Sadly, the country's institutions and ability to deliver services have been degraded by decades of war, misrule, and other factors. Rebuilding the structure, resiliency, and effectiveness

of the state, the private sector, and civil society is where Iraq still needs help. Thus, our current programs are focused primarily on improving the capacity of Iraqi government institutions and consist largely of technical assistance that requires the Iraqis to match USAID contributions on a dollar-for-dollar basis. These efforts stand in stark contrast to the much larger relief, infrastructure, or stabilization projects in which we were engaged earlier.

We work with the Government of Iraq (GOI) to first establish common objectives for new activities. We then come to an agreement with the GOI on its required matching contributions and plans for transitioning ultimate responsibility for the projects to the government. Throughout implementation, USAID monitors and measures the GOI's progress on required cost-sharing contributions. These steps help ensure long-term Iraqi investment and commitment to the sustainability of USAID activities that specifically benefit their governing institutions.

This focus on sustainability is not simply good development practice; it also reflects Congressional guidance. In early 2009, the State Department and USAID, in consultation with Congress, adopted a set of policy guidelines on Iraqi government matching for U.S. assistance funds, which require financial or in-kind Iraqi government counterpart contributions for most U.S.-funded foreign assistance programs and projects that directly benefit or involve the Iraqi central government. Congress subsequently required compliance with those guidelines. Accordingly, USAID has applied this requirement to the budget planning process for Iraq.

For instance, last month I met with the Iraqi Minister of Education, with whom we are currently working on our Education Surveys project on a cost-share basis. We will be working on a new project with his ministry to improve primary education

in Iraq. Iraq's literacy rate is among the lowest in the region and ranks next to Yemen, the poorest country in the Middle East. This USAID project incorporates both the Ministry's and our own development strategies. Through it, the Ministry will match our contributions in cash or in-kind on a dollar-for-dollar basis.

Ensuring that the resources provided by American taxpayers are used effectively, and that our contributions to Iraq's progress yield sustainable results, requires both careful and consistent monitoring on our part and the engagement of the Iraqi government and our other partners. Thus, in addition to standard USAID protections against waste, fraud, and abuse, including checks on terrorist financing, we have designed an extensive and effective oversight system that is tailored for the unique operating environment in Iraq.

For example, although the security situation in Iraq has improved, the security environment nevertheless limits the ability of U.S. direct-hire employees to visit project sites, beneficiaries, and counterparts. To address these challenges, USAID employs Iraqi field monitors who speak Arabic and have greater access to projects and familiarity with local communities and issues. Our projects are inspected and evaluated by these monitors on a regular basis, with findings reported to the USAID mission for review and adaptation as necessary. Using Iraqis for this work – each of whom has been carefully screened, and many of whom previously worked with the U.S. military – has the added benefit of building local oversight capacity, another example of how sustainability is now incorporated into our work.

USAID also contracts with a third-party monitoring and evaluation implementer that conducts independent evaluations of all of our projects.

There are multiple, independent oversight bodies that also review our programs, including the Special Inspector General for Iraq Reconstruction (SIGIR) and the USAID Inspector General, as well as the Government Accountability Office. Collectively these entities have conducted more than 300 financial and performance audits since 2003 – about 33 a year. These reviews complement and reinforce our own efforts to ensure that U.S. tax dollars are used effectively and efficiently. USAID welcomes the oversight and discipline imposed by these assessments, including those initiated at our request.

Finally, our focus on sustainability extends to the very staffing of our effort in Iraq. In FY2012 and beyond, we will reduce the number of foreign service officers at our mission, and will hire and train more locally employed Iraqis to perform the functions that have previously been handled by third country nationals. Furthermore, nearly 90 percent of our more than 1,100 implementing partners' personnel are now locally employed Iraqis. As with the field monitors, employing local Iraqis in the delivery of assistance in Iraq will help build local capacity, so that Iraq will eventually be able to manage these efforts on its own.

In summary, USAID's programs in Iraq are designed to help Iraqis use their own resources to foster their self-reliance, maintain stability and increase their well-being. Our continued commitment to Iraq demonstrates the importance we place on the mutual interests and benefits of this long-term partnership.

I appreciate the opportunity to appear before you today and am happy to answer your questions.

Mr. FARENTHOLD. Thank you very much, Ms. Rudman.

I now recognize myself for five minutes.

Ambassador Kennedy, how many personnel, contractors, and U.S. Government employees does Mission Iraq currently have at its various sites?

Mr. KENNEDY. Mr. Chairman, we have approximately 16,000 personnel at this time, representing the State Department and all associated agencies, including the Department of Defense and the USAID.

Mr. FARENTHOLD. Do you know how those are broken out versus government employees versus contractors?

Mr. KENNEDY. Yes, sir. It is approximately 1900 employees, American and Iraqis who are government employees, and approximately 14,000 contractors. So relatively 2,000 to 14,000.

Mr. FARENTHOLD. And how does that break down? Do you have the breakdown of U.S. Personnel versus Iraqi nationals?

Mr. KENNEDY. Yes, sir. There are 1640, plus or minus, American U.S. Government employees; 240 Iraqi employees; and 14,000 contractors.

Mr. FARENTHOLD. And you don't have the breakdown of how the contractors are broken down as far as U.S. Versus Iraqi.

Mr. KENNEDY. Most of the contractors are either Americans or third-country nationals. We are increasing every day the number of Iraqi contract employees as part of our program. We have informed our contractors that in certain categories we believe, and they are engaging and they are acting on our instructions, they are replacing the third-country national contractors with Iraqi contractors.

Mr. FARENTHOLD. And how safe are our operations in Iraq now? At one point you were seeing a reluctance of certainly U.S. Personnel to operate outside of the Green Zone. What is happening now?

Mr. KENNEDY. Mr. Chairman, our personnel have been operating outside the Green Zone since I was in Iraq in 2003 and 2004. We go outside the Green Zone every day. In the last quarter of 2011, calendar 2011, there were 3,000 missions, security missions that our personnel executed outside the Green Zone, and I believe in the first quarter of this calendar year the number is almost up to 4,000.

Mr. FARENTHOLD. Ms. Rudman, it is my understanding that USAID has hired 25 Iraqis to oversee projects because USAID employees are reluctant to leave the embassy because of security concerns. Is that accurate?

Ms. RUDMAN. The 25 field monitors that were hired, who are Iraqi field monitors, are not overseeing the projects, they are monitoring the work, so it is an added staff for monitoring and evaluation work, so it was augmenting our staff to be able to be out on the field on a regular basis to help with our monitoring and evaluation work.

Mr. FARENTHOLD. So why can't our personnel be out there? Is it accurate that they have security concerns?

Ms. RUDMAN. It is accurate that there are security concerns. The way that we would describe it would be that the security environment in Iraq is improving. It is still not a normal security environ-

ment in the sense of what we would have at embassies elsewhere. So in terms of having the best possible monitoring and evaluation work for our projects, it is seen as a good thing for our monitoring and evaluation work to have Iraqis doing that work. As well, it is also part of, frankly, the sustainable development effort to have Iraqis have that capacity to do that work so that these projects could eventually be handed over.

Mr. FARENTHOLD. I would like to ask, just to ponder, is what needs to be done to create a level of security and confidence for our personnel to get out there, but I am running out of time. What I did also want to ask you, ma'am, was the GAO has reported that Iraq has accumulated a budget surplus of over \$50 billion, of which \$10 billion was available for future spending. Why are we pouring a lot of money into Iraq when their budget is certainly in better shape than ours?

Ms. RUDMAN. Sir, we have been on a glide-path, in fact, to reducing the amount of program money that we are putting into Iraq on a fairly consistent basis. That is something that we are reviewing year to year, how much money we are putting into Iraq for program assistance.

In addition to that, as I described in my testimony, we have, working out with Congress, been working on that cost-sharing arrangements with Iraq so that since 2009 Iraq has contributed directly on a dollar-for-dollar basis. They match funds, essentially. For everything that we do with them for any capacity building, any assistance to the Iraqi Government, they match those funds. So we provide purely technical assistance to them and they match everything that we do, with the idea that any development assistance they are learning how to do and will eventually take over and do on their own.

Mr. FARENTHOLD. America has certainly invested a lot in blood and treasure in Iraq.

I see my time has expired. I will recognize the Ranking Member for five minutes.

Mr. TIERNEY. Thank you.

Ambassador Kennedy, how are you?

Mr. KENNEDY. [Remarks made off microphone.]

Mr. TIERNEY. Good, thanks. I was beginning to think from time to time you are on this Committee.

Mr. KENNEDY. [Remarks made off microphone.]

Mr. TIERNEY. I am sure. Would you put your microphone on for us, or pull it closer, one or the other? Thanks.

So you have 14,000 United States personnel in Iraq. What was what you said, right.

Mr. KENNEDY. No, sir. There are 16,000.

Mr. TIERNEY. Sixteen thousand.

Mr. KENNEDY. Sixteen thousand total, of which 1600 are U.S. Government employees, plus another about 240, 250 Iraqi nationals who are directly employed by the U.S. Government, and about 14,000 contractors, both American, Iraqi, and third-country national.

Mr. TIERNEY. So what are the 14,000 contractors doing?

Mr. KENNEDY. They do movement security; they do static security; they do operations and maintenance of our properties all over

Iraq; they do life support such as feeding our personnel; medical; aviation; and a small number that are involved in other activities.

Mr. TIERNEY. So about 14,000 people to take care of 2,000 people.

Mr. KENNEDY. That is correct, sir.

Mr. TIERNEY. What does the embassy in Egypt look like in terms of those same types of considerations.

Mr. KENNEDY. Certainly, the embassy in Egypt does not have the security concerns that we face in Iraq. Of that number, approximately 6500 of that 14,000 are security personnel. That is a presence that we have in Iraq, it is a presence we have in Afghanistan. We have nowhere else in the world and it is directly related to the security conditions, which are improving, but are certainly not at the point where we can not rely on our own inherent security personnel.

Mr. TIERNEY. How many sites in Iraq are those security personnel responsible for?

Mr. KENNEDY. They are responsible for about 13 or 14, depending upon how you count one site, whether it is one or two.

Mr. TIERNEY. And what is the nature of those sites?

Mr. KENNEDY. There is the embassy compound itself; there is a logistics annex across the street; there is the Office of Security Cooperation Annex, which is also across the street from the embassy; there is the police training site; there is a support operation we have adjacent to the Baghdad Airport; there is our consulate in Erbil and a support site at the Erbil Airport in the north; there is our consulate in Basrah; there is a joint OSC-I State Department site in Kirkuk; and then there are four exclusively DOD Office of Security Cooperation sites in Taji, Tikrit, Umm Qasr, and Besmaya, where they carry out the foreign military sales development that my colleague referred to in his testimony, sir.

Mr. TIERNEY. This is for all of you. What lessons are we learning in Iraq that we should take heed to learn from when we go into the Afghan withdrawal situation? What are the major principles?

I will start with you, Ms. Rudman. What have we learned that we ought to make sure that we are well prepared for as we start withdrawing in Afghanistan?

Ms. RUDMAN. Well, I would say that the way that we have approached our work with the Government of Iraq since 2009 has been quite informative. When we look at our switch to the sustainable development approach with the Government of Iraq so that the working in partnership with them and the scope of our programs being ones that we ensure that we have their buy-in for at the front-end.

The cost-sharing aspect of it has been a very smart aspect, frankly, that you required of us and we worked with you on, so that when you literally have their buy-in, it is not just theoretical, they have to pay for stuff; they have to make it work. There is much less waste involved at the front end so the scoping of the programs and the design of the programs makes sense for us, makes sense for them. And I think we have seen a real shift in our programming and the workability of our programming from their end and from ours since that time. I would say that is the single most important lesson for us.

Mr. TIERNEY. Mr. Verga?

Mr. VERGA. From our perspective, the most important lessons that we are learning is the requirement for both advanced planning and essentially a continuous cooperation and monitoring process as we move through a transitional period. We can't drop any of the balls that are going on, and I think it was a good lessons in inter-agency cooperation and information sharing that made this transition successful.

Mr. TIERNEY. Ambassador, you had more of a broad view. It would be tougher for you to pick one.

Mr. KENNEDY. I think my colleagues have touched on it. I would say there are three points: Plan, plan, plan. Second, a change management vision that, like in football, you go to the line of scrimmage and you have a plan, and sometimes you have to call an audible, but you have to be prepared to call that audible. So I think that we have done that.

And, third, just as in Iraq we have a glide-path. We anticipate that there will be problems; we scope to make sure that we are safe and secure and can carry out our mission, but depending, as we hope, on the situation beginning to continually be more and more stable, we have a glide-path in place so that we can reduce our staffing, just as we are now doing in Iraq.

Mr. FARENTHOLD. Are you done?

I just have one more question, so we will just do a quick second round of questions.

Ambassador Kennedy, you mentioned the Baghdad Police College Annex facility as one of the facilities. It is my understanding that the United States taxpayers have invested more than \$100 million in improvements on that site. It was intended to house the police department program, a multibillion dollar effort that is currently being downsized. As a result of the State Department's failure to secure land use rights, the entire facility is being turned over to the Iraqis at no cost.

The GAO reports Mission Iraq has land use agreements or leases for only five out of all of the sites that it operates. Can you say with confidence that those sites now operating without leases or agreements will not be turned over to Iraq for free, as was the case with the Police Development Program? And what would the cost to the U.S. Taxpayers be if they were to lose without compensation all of those facilities?

Mr. KENNEDY. Thank you, Mr. Chairman. First of all, the statement that you were reading from about we are closing the Baghdad Police development site because of a failure to have land use rights is simply factually incorrect. We have a land use agreement for that site. As part of the program of the Police Development Program, there are periodic reviews that are underway and my colleagues who do that—it is not part of my general responsibility—on the operating side of the house engage in reviews on a six-month basis, both internally and with the Government of Iraq.

It was always our plan to make adjustments to the Police Development Program over time, but the statement that somehow we have wasted or had everything pulled out from under us because of a lack of a land use agreement, sir, is simply false.

For our other properties in Iraq we have agreements, for every single property we have in Iraq except for one, which is our interim

facility in Basrah, which is simply a reincarnation of a former U.S. Military facility there. But even in that regard we have a long-term agreement that was signed with the Government of Iraq by Ambassador Negroponte in 2005 in which we swapped properties with the Government of Iraq and they are committed to provide us with a 10-acre facility in Basrah of our mutual choosing. So we are covered, sir.

Mr. FARENTHOLD. We will be hearing from the GAO in the next panel. I am basing my information on their report, and I think it is an important responsibility of this Committee to be watchdogs over the taxpayers' dollars. Again, as I questioned Ms. Rudman about and mentioned in that questioning, we spent a lot of money and a lot of blood in Iraq, and we just need to be careful that we are not wasting any more money, or spending any more money I guess would be a more polite way to put it, than is necessary and that we are carefully guarding the assets of the United States Government.

One of the chief roles, I think, of this Committee is to be the watchdog over the purse strings. Please be aware that this is something we are going to continue to keep an eye on in all of your purviews.

I realize, as Chairman Chaffetz said earlier, this is a very busy legislative day. It is important that we get your testimony and other information in, so I will yield back the remainder of my time and offer Mr. Tierney five minutes if he has any additional questions.

Mr. TIERNEY. No, I will go to the next panel.

I do want to thank the witnesses for their written testimony, their comments today, and their accessibility. I know that we can follow up on all of this directly with them, so in order to expedite it and move forward, I will take care and yield back. Thank you.

Mr. FARENTHOLD. I too would like to thank the panel for their appearance and cooperation with this Committee and Congress. It is admirable that you are here, took the time, and are committed to being open and transparent with this Committee and the American taxpayers.

At this point we will take a short recess to seat the other panel and we will resume as soon as they are seated, probably less than 10 minutes. So we stand in recess.

[Recess.]

Mr. FARENTHOLD. The Committee is called back to order as we end our recess and prepare to recognize our second panel.

First we have Dr. Michael Courts, the Acting Director of International Affairs and Trade at the U.S. Government Accountability Office. Next we have Ambassador Harold W. Geisel. He is the Acting Inspector General at the U.S. Department of State. Mr. Micky McDermott is a Special Deputy Inspector General for Southwest Asia at the U.S. Department of Defense; Mr. Michael G. Carroll is Deputy Inspector General at the U.S. Agency for International Development; and the Honorable Stuart W. Bowen is a Special Inspector General for Iraq Reconstruction.

Pursuant to the Committee rules, all witnesses will be sworn before they testify, so, gentlemen, would you please rise and raise your right hands?

Do you solemnly swear or affirm that the testimony you are about to give will be the truth, the whole truth, and nothing but the truth?

[Witnesses respond in the affirmative.]

Mr. FARENTHOLD. Let the record reflect that the witnesses answered in the affirmative.

Please be seated.

As you know, we have a busy day on Capitol Hill today, and in order to allow time for questioning and discussion, we would ask that you limit your testimony to five minutes. Your entire written statement will be made part of the record. We invite you to summarize and hit the high points of your remarks.

So we will start off with Mr. Courts. You are recognized for five minutes.

STATEMENT OF MICHAEL J. COURTS

Mr. COURTS. Good morning, Mr. Chairman, Ranking Member Tierney. I am pleased to be here this morning to discuss the transition from a predominantly U.S. Military presence in Iraq to a civilian presence led by the Department of State. This work is a continuation of GAO's efforts to review the planning and execution of the drawdown of U.S. Forces from Iraq and the buildup of the U.S. Civilian-led presence there.

GAO was asked to testify this morning on U.S. Plans for the diplomatic presence and Iraqi commitment to that presence, the support capabilities for our sites and personnel in Iraq, and our capabilities to provide security for those sites and personnel.

The primary message of my testimony this morning is that the State Department and DOD planned for a very large civilian-led presence in Iraq, but Iraqi commitment to that presence remains unclear. Further, the support and security capabilities for the presence have not yet been finalized and, most importantly, efforts to identify security vulnerabilities and progress toward mitigating them are not being fully tracked.

My first point is that State and DOD planned for a robust presence in Iraq. For fiscal year 2012, they allocated an estimated \$4 billion for the presence and planned to have over 16,000 personnel at 14 different sites across the country. Most of these personnel were to be contractors primarily responsible for security and logistical support. As of last month, State and DOD were reassessing the presence and developing a plan to reduce the number of sites and personnel in Iraq. However, the Mission would still comprise, by far, the largest overseas U.S. Diplomatic presence in the world.

My second point is that Mission Iraq has encountered delays in establishing basic infrastructure and life support capabilities such as housing and water supply. Construction projects are behind schedule; Mission Iraq is still revising emergency evacuation plans to reflect the absence of an in-country combat force; and the Mission and its contractors have encountered delays and challenges in dealing with the Iraqi bureaucracy.

My final point is that State and DOD have not yet finalized security capabilities in Iraq. As you know, Mission Iraq personnel and facilities face numerous threats, including routine rocket and mor-

tar attacks, roadside bombs, small arms firing, and kidnapping. As of last month, the State Department had conducted security assessments of the sites that it manages and had taken a number of mitigating steps to address vulnerabilities. However, while DOD has reported some efforts to address vulnerabilities of the sites that they manage, they have not fully tracked those efforts.

In summary, State and DOD planned for the largest diplomatic presence in the world, but Iraqi commitment to that presence remains unclear. Mission Iraq support functions are still very much a work in progress and, most importantly, while operational, its security capabilities are not yet fully mission capable. Further, DOD's efforts to mitigate security vulnerabilities at its sites are not being fully tracked and, therefore, it is unclear if and to what extent U.S. Personnel and facilities at these locations may be at risk.

Mr. Chairman and Ranking Member Tierney, this concludes my prepared remarks. I would be happy to address any questions that you may have.

[Prepared statement of Mr. Courts follows:]

Mr. Chairman, Ranking Member Tierney, and Members of the Subcommittee:

I am pleased to be here to discuss the transition from a predominantly U.S. military presence in Iraq led by the Department of Defense (DOD) to a U.S. diplomatic presence led by the Department of State (State). This transition concluded on December 18, 2011, when the last units of U.S. Forces-Iraq (USF-I) left the country and State assumed leadership for the U.S. presence. State's Mission Iraq, under the leadership of the U.S. ambassador, is responsible for U.S.-Iraqi political, economic, cultural, and security bilateral relations. State and DOD plans for a civilian-led presence in Iraq included multiple sites in Baghdad and several consulates and security assistance sites across the country. State and DOD agreed that Mission Iraq needed to meet certain support and security criteria to be considered fully mission capable, and State planned for Mission Iraq to meet those criteria by October 1, 2011.

In this testimony, I will discuss (1) U.S. plans for transitioning to the State-led diplomatic mission in Iraq, (2) Iraq government commitment to the U.S. presence, (3) the extent to which State and DOD have established basic infrastructure and support for the U.S. presence, and (4) the extent to which State and DOD have established personnel and site security for the U.S. presence. This testimony provides publicly releasable highlights of our Sensitive but Unclassified briefing and is a continuation of our efforts to review the planning and execution of the drawdown of U.S. forces and equipment from Iraq and the buildup of the U.S. civilian-led presence there.¹

To address our objectives, we analyzed past and current transition and interagency planning documents, bilateral correspondence, and security assessments, as well as our past reports concerning Iraq. We interviewed State and DOD officials in Washington, D.C., and in Iraq. We conducted fieldwork in Iraq at U.S. facilities in Baghdad, Basrah, Erbil, and Kirkuk from July through December 2011. We assessed the reliability of State-provided staffing and budget data by interviewing officials and reviewing

¹GAO, *Iraq Drawdown: Opportunities Exist to Improve Equipment Visibility, Contractor Demobilization, and Clarity of Post-2011 DOD Role*, GAO-11-774 (Washington, D.C.: Sept. 16, 2011); and *Stabilizing Iraq: Political, Security, and Cost Challenges in Implementing U.S. Government Plans to Transition to a Predominantly Civilian Presence*, GAO-10-718SU (Washington, D.C.: July 29, 2010).

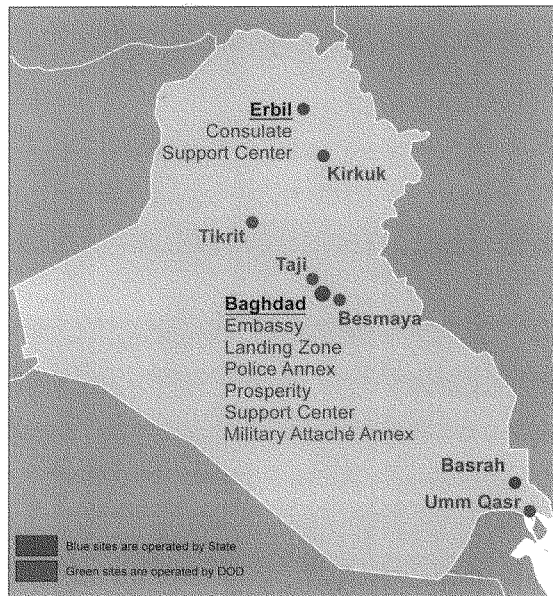
documentation. We found the data were reliable for determining overall estimated staffing levels and budget allocations. Due to broad congressional and national interest in the U.S. engagement in Iraq, we conducted this review under the authority of the Comptroller General of the United States to conduct reviews on his own initiative.

We conducted this performance audit from May 2011 to June 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Mission Iraq Planned for a Robust Presence, but Is in the Process of Downsizing

State and DOD planned for a robust presence in Iraq. For fiscal year 2012, Mission Iraq planned to have more than 16,000 personnel at 14 sites (see fig. 1), making it the largest diplomatic presence in the world. Of the 16,000, about 14,000 were to be contractors primarily responsible for security and logistical support. As of May 2012, State and DOD shared responsibility for managing U.S. personnel and sites in Iraq: State managed 8 sites and DOD, under Chief of Mission authority, managed 6 sites. Mission Iraq also planned to have the largest State-led police and military security assistance programs in the world—the Police Development Program and the DOD-administered Office of Security Cooperation-Iraq (OSC-I). According to DOD officials, U.S. Forces-Iraq planning for OSC-I assumed that a follow-on U.S. military force would be approved by both governments and provide OSC-I with additional support functions. The bilateral decision not to have a follow-on force led to a reassessment of U.S. military-to-military engagement planning, resulting in an increase in the OSC-I presence.

Figure 1: State- and DOD-Managed Sites in Iraq



Source: GAO analysis of Department of State and Defense data.

As of May 2012, State and DOD were reassessing the Mission Iraq presence and had a plan to reduce the Mission to 11 sites and to 11,500 personnel by the end of fiscal year 2013. For example, the number of advisors expected for the Police Development Program has decreased from a planned 350 in early 2010 to well under 100 planned today. State and the Government of Iraq are further refining the program to be smaller and more narrowly focused. Furthermore, State also intends to turn over the primary Police Development Program and OSC-I sites to Iraqi control by the end of fiscal years 2012 and 2013, respectively.

State and DOD allocated about \$4.5 billion to establish the civilian-led presence from fiscal years 2010 through 2011, and they allocated an estimated \$4 billion for fiscal year 2012. Security and support costs accounted for 93 percent of State and DOD's fiscal year 2012 estimated allocations. In addition, State requested \$887 million for police assistance and \$1 billion for military assistance for fiscal year 2012, as well as an additional \$471 million in other foreign assistance.² State officials said they lowered their fiscal year 2012 estimates and may see additional savings from the fiscal year 2013 request as a result of reducing the Mission Iraq presence.

Iraqi Commitment to the Evolving U.S. Presence Is Unclear

Throughout the planning and implementation of U.S. efforts to establish Mission Iraq, the Government of Iraq's commitment to State's planned U.S. presence has remained unclear. Iraqi officials have raised a number of questions about the planned U.S. presence. For example, the Iraqi Foreign Minister questioned the size, location, and security requirements of U.S. sites. Furthermore, U.S. security contractors were unable to obtain Iraqi visas from January through April 2012. As of May 2012, Iraq was issuing visas to U.S. security contractors.

The United States and Iraq have not finalized certain agreements regarding the U.S. presence and are no longer pursuing others. As of May 2012, Iraq had not signed all land-use, program, or operations agreements, and State officials expressed concern about Iraq's ability to finalize these agreements. For example, State legal officials noted that Iraq had acknowledged a U.S. presence for 12 of the 14 sites at which Mission Iraq currently operates. However, State held title or had signed land-use agreements or leases for only 5 of the 14 sites. According to State officials, Mission Iraq also was unable to secure a written program agreement for the Police Development Program, has decided to stop pursuing a formal agreement, and, as mentioned previously, plans to dramatically reduce the size and scope of the program. In addition, while Mission Iraq and the Iraqi government exchanged diplomatic notes concerning OSC-I, according to DOD officials, Mission Iraq has been

²State did not provide us with a detailed breakdown for its fiscal year 2012 foreign assistance accounts requests, including police and military assistance, or its fiscal year 2013 Diplomatic and Consular Programs account and foreign assistance accounts requests.

unable to secure an explicit agreement that would allow OSC-I to conduct its full range of security cooperation activities.

State and DOD Have Not Finalized Support Capabilities

Mission Iraq support functions were operational, but did not fully meet mission-capable support criteria by the planned target date of October 1, 2011. State and DOD identified three support criteria for Mission Iraq:

- completion of basic infrastructure and life support,
- access to medical facilities and evacuation capability, and
- provision of communication services.

Mission Iraq faced delays in establishing basic infrastructure and life support, such as housing, waste treatment, and food services. For example, State terminated one of its construction contractors for nonperformance, which led to delays at that site. Also, according to State officials, State received excess DOD-furnished generators but was given equipment with different specifications than expected. This led to delays because State had to reconfigure its already-constructed facilities to accommodate the equipment received. Medical services were in place by October 2011. However, as of May 2012, Mission Iraq was still completing contingency plans for the emergency evacuation that had to be revised to reflect the absence of in-country U.S. combat forces. While communication services were functional at all Mission Iraq sites as of May 2012, not all communications systems were in place as planned. In addition, Mission Iraq had not finalized or was no longer pursuing certain agreements with Iraq concerning postal service, telecommunications, and radio frequency management.

We also have ongoing work addressing State's reliance on DOD for contracting in Iraq and Afghanistan, including State's use of DOD's primary support contract, the Logistics Civil Augmentation Program, or LOGCAP, contract.

State and DOD Have Not Finalized Security Capabilities in a Dangerous Environment

Iraq is a "critical threat" post with additional special conditions, State's most dangerous designation, and Mission Iraq personnel and facilities face numerous threats, including routine rocket and mortar attacks, car and roadside bombs, small arms fire, and kidnapping. This environment requires extraordinary funding to provide additional security and support capabilities, primarily provided by contractors.

Mission Iraq security capabilities were operational but did not fully meet mission-capable security criteria by the planned target date of October 1, 2011. State and DOD identified three security criteria for Mission Iraq to be considered fully mission capable:

- completion of secure and protected facilities,
- provision of secure ground and air movement, and
- provision of emergency response capability.

State and DOD security capabilities are not finalized. Construction of security features was not expected to be completed at State-managed sites until February 2013 and at DOD-managed sites until September 2013, in part due to contractor performance. To mitigate resulting vulnerabilities, Mission Iraq frequently employs "field expedient" measures.³ State and DOD also experienced difficulty in recruiting, vetting, and training their 7,000 contractors to provide security support for Mission Iraq and, as a result, had to extend existing DOD security contracts. Mission Iraq's secure movement capability was operational but not fully mission capable by the planned date of October 1, 2011. For example, in October 2011, vehicle communication issues in Basrah prevented State from carrying out some secure movements. Based on our review of State and DOD documentation, emergency response capability was operational but was not fully mission capable by the planned date. However, as of May 2012, emergency response was fully mission capable.

³According to State officials, additional information on these measures is sensitive but unclassified and cannot be released publicly.

State and DOD agreed that each department would take responsibility for establishing secure facilities at the sites it managed.⁴ Both departments also decided to apply their own enhanced security measures at the sites each managed. As of May 2012, State had conducted security assessments at the sites it managed and had taken mitigating steps to address vulnerabilities. Prior to its withdrawal from Iraq, USF-I conducted security assessments at DOD-managed sites. DOD officials reported some efforts to address the vulnerabilities identified by the USF-I assessments, but DOD did not fully document such efforts. DOD officials noted that because USF-I assessments assumed a follow-on military force, DOD was not obligated to address the vulnerabilities identified by USF-I. DOD has informed us of plans to conduct new vulnerability assessments of its sites by July 2012.

Mr. Chairman, Ranking Member Tierney, and Members of the Subcommittee, this concludes my statement. I would be happy to answer any questions you may have at this time.

Contacts and Acknowledgements

For further information on this statement, please contact Michael J. Courts at (202) 512-8980 or courtsm@gao.gov. In addition, contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement.

Individuals who made key contributions to this testimony include Judy McCloskey, Assistant Director; Tara Copp; Thomas Costa; David Dayton; Brandon Hunt; Mary Moutsos; Shakira O'Neil; and Michael Rohrbach. In addition, Martin de Alteris, Johana Ayers, Katy Crosby, Lisa McMillan, Valérie Nowak, Jeremy Sebest, and Gwyneth Woolwine provided technical assistance and additional support for this testimony.

⁴While DOD-managed sites fall under Chief of Mission authority, DOD's U.S. Central Command signed a memorandum with Mission Iraq taking on security responsibility for certain personnel and locations, including the sites it manages.

Mr. FARENTHOLD. Thank you very much. We will get to the questions after we have heard testimony from the entire panel.

Mr. Geisel, you are recognized for five minutes.

STATEMENT OF THE HONORABLE HAROLD W. GEISEL

Mr. GEISEL. Thank you, Mr. Chairman, Ranking Member Tierney, and members of the Subcommittee for the opportunity to discuss our assessment of the transition to a civilian-led mission in Iraq.

Since 2008, the Department of State Office of Inspector General has conducted 35 investigations and 27 audits, inspections, and evaluations in Iraq. The Department has been responsive to OIG recommendations. In May 2011, OIG reported that the U.S. Military was managing more than 370 civilian police and advisers. The Department has now assumed responsibility for the Police Development Program and is consulting with Iraqi officials to evaluate security needs and downsize efforts accordingly.

Pending audit reports from the Special Inspector General for Iraq Reconstruction and final funding decisions, OIG will audit the Department's oversight of related civilian assistance programs in March 2013. In response to State OIG recommendations to create an Office of Security Cooperation in Iraq sufficient to support Iraqi security forces and manage U.S.-Iraqi defense relations, DOD IG found that OSC-I met full operating capability in October 2011. We will coordinate to monitor OSC-I progress in coordination with DOD IG.

In May 2011, OIG reported that the Department continued to face challenges in establishing provincial posts due to questions regarding land use agreements, staffing, construction, and life support operations. While security threats prevented construction in Mosul, consulates in Basrah, Erbil, and Kirkuk opened in 2011 and continuing presence posts in Tikrit, Taji, Besmaya, and Umm Qasr currently serve as OSC-I operation sites.

OIG remains concerned about the safety of U.S. Government personnel and contractors in Iraq. In May 2011, OIG reported that security risks could be mitigated through closer working relationships with the Government of Iraq and its security forces. During field work for an ongoing audit of private security contractors in Baghdad, OIG found that Iraqi security forces are routinely detaining private security contractors at checkpoints and the Government of Iraq is restricting airspace, jeopardizing potential evacuation routes. In April 2013, OIG will audit the effectiveness of private security contractors in Kirkuk and Mosul.

The Department procured aircraft and obtained flight approval from the Government of Iraq and other foreign authorities to establish Embassy Air Iraq, currently operating routes between Amman and Baghdad with fares of \$2400 and between Kuwait City and Baghdad for \$1600 round-trip. In comparison, as of May 31, 2012, commercial round-trip fares between Amman and Baghdad were available for approximately \$600 to \$800. OIG will audit the Department's Air Wing Program in August 2012 and consider the cost efficiency versus security concerns of commercial air travel.

In May 2011, OIG reported that the cost to provide medical care for U.S. Personnel and contractors in Iraq would be considerable.

A Department contractor now operates nine health units. OIG will audit the Department's management of medical operations in October 2012.

In May 2011, OIG reported that Embassy Baghdad lacked adequate response plans for a mass casualty event. In January 2012, OIG reported that Embassy Baghdad and Consulates General Basrah and Erbil had created emergency action plans in compliance with Department guidelines and had conducted regular emergency response briefings and mandated drills.

Also, in May 2011, OIG reported that embassy facilities were near capacity due to addition and relocation of civilian staff and contractors. OIG will audit the Department's implementation of the Baghdad master plan in July 2012 and consider the effects of a proposed 20 to 25 percent presence downsizing. We have scheduled a full inspection of the mission early in 2013 to include further evaluation of staffing and security needs. State OIG is uniquely qualified to provide mission-specific oversight in a volatile post-transition environment.

We currently have 19 open investigations related to programs and to operations in Iraq, and intend to assign 6 additional personnel to monitor progress in Iraq. We remain committed to providing the Department and Congress a comprehensive spectrum of audits, inspections, and investigations on the enduring U.S. Presence in Iraq.

Mr. Chairman, Mr. Tierney, and members of the Subcommittee, thank you once again for this opportunity, and I am pleased to answer any questions you may have.

[Prepared statement of Mr. Geisel follows:]

Thank you, Chairman Chaffetz, Ranking Member Tierney, and members of the Subcommittee, for the opportunity to discuss our assessment of the transition to a civilian-led mission in Iraq.

Oversight in Iraq

In 2008, the United States and the Government of Iraq signed a security agreement calling for the withdrawal of all U.S. combat troops from Iraq by December 31, 2011. Embassy and military planning obligated the Department of State (Department) to assume full responsibility for the U.S. diplomatic presence in Iraq effective October 1, 2011, while the Department of Defense withdrew the remaining 50,000 American troops by the end of the year. The shift from a military to a civilian-led mission in Iraq was an unprecedented undertaking. It was highly complex in nature and scope, with extensive requirements for staff, budgets, and organization to be executed within a still violent and unpredictable operating environment. Under these conditions, precise preparation and coordination were essential to ensure a smooth and successful transition.

Since standing up its overseas offices in 2008, the Department of State, Office of Inspector General (OIG), has conducted 35 investigations and completed 27 audits, inspections, and evaluations of programs and operations in Iraq. In an August 2009 performance evaluation report,¹ OIG determined that Embassy Baghdad had not yet formulated a unified transition plan and recommended immediate plan development as well as the assignment of senior-level officials to coordinate transition activities. The Department subsequently complied with OIG's recommendations, all of which have been closed on the basis of satisfactory implementation.

¹ *Performance Evaluation of Embassy Baghdad's Transition Planning for a Reduced United States Military Presence in Iraq* (MERO-A-09-10).

During the same period, OIG issued two reports, a July 2009² inspection of Embassy Baghdad and an October 2010³ compliance follow-up review of that inspection, which included discussion and recommendations related to the Embassy's ongoing transition efforts. In the October 2010 review, OIG found that Embassy Baghdad, with the exception of the public affairs section, had complied with most of the recommendations in the July 2009 report. In February 2011, in response to the October 2010 review, the Department appointed a Washington-based ambassador to manage the transition process in Iraq. OIG has found the Department to be responsive to OIG's recommendations, establishing planning and management mechanisms to shift toward a successful diplomatic presence in Iraq.

Police Training

In May 2011, OIG issued a report⁴ highlighting remaining challenges and identifying areas for improvement for the Department during the critical transition period. OIG found that the U.S. military was managing more than 370 civilian police and customs and border police advisors at more than 130 sites in 18 provinces, providing fundamental training, staffing, and equipment support to help Iraqis ensure long-term stability through the professionalization of their police force. Since that time, the Department of Defense has transferred complete control of the Police Development Program to the Department of State's Bureau of International Narcotics and Law Enforcement Affairs, whose representatives are currently working with Iraqi officials to evaluate evolving security needs in the region and to downsize the effort, as appropriate. Despite the Government of Iraq's failure to finalize land-use agreements in a timely manner, the Department is currently scheduled to begin the transfer of police training property

² *Embassy Baghdad, Iraq* (ISP-I-09-30A).

³ *Compliance Follow-up Review of Embassy Baghdad, Iraq* (ISP-C-11-08A).

⁴ *Department of State Planning for the Transition to a Civilian-led Mission in Iraq* (MERO-I-11-08).

and facilities to the Government of Iraq this summer, with an anticipated October 2012 completion date. Based on pending results from the Office of the Special Inspector General for Iraq Reconstruction's ongoing audits of both the Police Development Program and the Rule of Law program and final funding decisions, OIG plans to conduct an audit, scheduled to begin in March 2013, on the Department's continued oversight and administration of related civilian assistance programs in Iraq. As the future of the police training program remains uncertain, OIG plans to modify and execute oversight plans and procedures accordingly.

Office of Security Cooperation

In March 2012, the Department of Defense, Office of Inspector General (DODIG), issued a report⁵ that detailed actions taken in response to State OIG's recommendations to create an Office of Security Cooperation in Iraq (OSC-I) sufficient to support Iraqi security forces and manage defense relations between the U.S. Government and the Government of Iraq after the scheduled departure of the U.S. military. Although the establishment of the OSC-I was delayed, DODIG found that "although [full operating capacity] for the OSC-I was reached on October 1, 2011, (United States Forces–Iraq) reported that not all essential (standard operating procedures) had been established by that date." Although the OSC-I was initially created as a Department of Defense organization, Embassy Baghdad assumed responsibility for providing operational support under the authority of the civilian-led mission. OIG agrees with the DODIG recommendations that OSC-I "improve information flow...communicate sufficient details about the OSC-I role and its operating processes with key Iraqi defense and interior ministry officials...and develop standard operating procedures for OSC-I administrative and operational processes and procedures." In coordination with DODIG, OIG will monitor the ongoing

⁵ *Assessment of the DoD Establishment of the Office of Security Cooperation-Iraq* (DODIG-2012-063).

development of the office, particularly the adoption of new security standards, which could result in an estimated \$750 million in associated costs.

Provincial Posts

In its May 2011 report, State OIG found that the Department continued to face significant challenges establishing four provincial posts—two consulates in Basra and Erbil and two temporary embassy branch offices in Kirkuk and Mosul—due to delayed decisions by the Government of Iraq on land-use and lease agreements, staffing levels, site construction, and logistical and life support operations. OIG’s August 2009 report⁶ stated that the Erbil facilities were less than adequate, exhibiting potential fire hazards and ineffectual security measures. Concerned over uncertain funding in FYs 2011–2012, OIG recommended, that Embassy Baghdad consider establishing a temporary consulate at the contingency operations site near the Erbil airport, together with Bureau of International Narcotics and Law Enforcement Affairs’ police training and air wing operations, to save an estimated \$12.2 million for facility improvement and additional undetermined savings in life support costs. The Bureau, however, questioned the utility of moving consulate operations to a temporary location for such a short timeframe and encouraged the Embassy to reevaluate this option. While instability and security threats in the region prevented progress on construction of consulate offices in Mosul, consulates in Basra, Erbil, and Kirkuk successfully opened in 2011 according to original site proposals. Additionally, continuing presence posts in Tikrit, Taji, Besmayah, and Umm Qasr currently serve as operating sites for the OSC-I and will continue to remain open as needed.

⁶ *Performance Evaluation of Embassy Baghdad’s Transition Planning for a Reduced United States Military Presence in Iraq* (MERO-A-09-10).

Security

OIG remains concerned about the safety and security of U.S. Government personnel and contractors living and working in volatile environments in Iraq. In its May 2011 report, OIG stated that security risks in the wake of the U.S. military's withdrawal could likely be mitigated through closer working relationships with the Government of Iraq and its security forces. Since that time, the Department has requested, and received, additional support from the Department of Defense, including ordnance early warning systems, and other equipment to protect the U.S. diplomatic mission presence.

During fieldwork for an ongoing audit on the Worldwide Protective Services contract to provide movement security in Baghdad, OIG found that private security contractors continue to face impediments. Iraqi Security Forces are routinely delaying and detaining private security forces at checkpoints throughout the region, and the Government of Iraq is restricting airspace for smaller helicopters, limiting travel within the country and jeopardizing potential evacuation measures necessary in the event of a medical emergency or large-scale incident. In April 2013, OIG will initiate an additional audit of the Worldwide Protective Services task order, which provides movement security for U.S. Government employees and contractors traveling in and around Kirkuk and Mosul. OIG plans to determine whether the Department's administration and oversight of this arrangement have proven effective.

Air Transportation Operations

In the absence of air transportation options formerly provided by U.S. military, the Department expanded air operations to include air travel for internal and external diplomatic

personnel traveling in and around Iraq. Since OIG issued its May 2011 report, Embassy Baghdad has procured aircraft and obtained flight path and agreement approval from the Government of Iraq and other foreign authorities to establish Embassy Air Iraq, currently operating international routes between Amman and Baghdad with fares of \$2400, round trip, and between Kuwait City and Baghdad for \$1600, round trip. In contrast, effective May 31, 2012, commercial fares on Middle East Airlines, Emirates Air, and Royal Jordanian Airlines for travel between Amman and Baghdad, with connections in Beirut, were available for approximately \$600–\$800, round trip, although there are security concerns related to commercial air travel in the region. The Regional Security Officer is examining options available to address related security challenges and obtaining information from other countries who currently utilize commercial airlines for diplomatic travel. Plans exist to charge for rotary-wing flights in the future, but Embassy Air routes to the Embassy heliport, Baghdad Diplomatic Support Center, Baghdad Policy Academy Annex, Tikrit, Kirkuk, Taji, Besmayah, and Umm Qasr are currently offered at no cost. Embassy Air also offers fixed-wing flights from Baghdad to and from Erbil and Basra for \$1000 and \$1400, round trip, respectively. OIG has scheduled an audit of the Bureau of International Narcotics and Law Enforcement Affairs Air Wing Program in Iraq for August 2012 to determine whether the Air Wing Program is achieving its stated objectives in a cost-effective manner, contractor performance is adequately monitored, and contractor charges are consistent with contract terms and conditions.

Medical Care

OIG also found in its May 2011 report that Departmental costs to create and sustain suitable health care and emergency medical treatment for U.S. diplomatic personnel and

contractors in Iraq, in the absence of medical services previously established and funded by the Department of Defense, would be considerable. Medical facilities are now available in three categories, each designed to support increasing numbers of patients and levels of care. A Department contractor currently provides medical care for all U.S. Government employees and contractors. There are nine health units, currently operating at various locations throughout Iraq; three small diplomatic support hospitals, currently operating in Erbil, Kirkuk, and Tikrit; and a large diplomatic support hospital, currently located at the Baghdad Diplomatic Support Center. If individual contractors maintain clinics on their own compounds, U.S. Government employees should first use these services; however, Comprehensive Health Services will provide required care beyond the capability of independent clinics, and the Department is now working to consolidate all health services through this central provider to promote better oversight and greater cost efficiency. OIG plans to conduct an audit, scheduled to begin in October 2012, to determine whether the Department's management of medical operations dedicated to supporting diplomatic personnel and contractors assigned to Iraq has been effective and properly resourced.

Emergency Action Plans

In its May 2011 report, OIG determined that Embassy Baghdad had not adequately planned for a mass casualty incident and recommended the immediate development of an emergency response plan for such a scenario. In January 2012, OIG reported⁷ that Embassy Baghdad did prepare an emergency action plan in compliance with Department guidelines, identifying resources required for mass casualty plan implementation, providing diplomatic staff with access to online versions of the plan, and conducting emergency response training for all

⁷ *Evaluation of Emergency Action Plans for Embassy Baghdad and Consulates General Basra and Erbil* (AUD/MERO-12-18).

newly arriving employees. Concurring with additional OIG recommendations in the January 2012 report, Embassy Baghdad stated that Consulates General Basra and Erbil also completed emergency action plans containing response measures for potential mass casualty events and we found that both Consulates General regularly conduct emergency response briefings and drills, as mandated in the Department's *Foreign Affairs Manual*.

Facility Requirements

In May 2011, OIG reported that housing and electric facilities at the Embassy Baghdad compound were nearing full capacity due to the influx of civilian staff and contractors arriving during the transition and the relocation of contractors and personnel arriving from U.S. Government locations transferred to the Government of Iraq. OIG and Embassy Baghdad agreed that creative solutions offered by the Bureau of Near Eastern Affairs, including purchasing alternative off-site power sources; implementing shifts to stagger staff in shared sleeping quarters; procuring additional containerized housing units; and requiring private contractors to find accommodations off the Embassy compound, were not optimal or sustainable long-term solutions. In July 2012, OIG will audit the Department's implementation of the Baghdad Master Plan—a facilities and real estate plan focused on Baghdad locations formerly occupied by the U.S. military and now transitioned to the diplomatic mission, including the New Embassy Compound, New Embassy Compound-West, Shields, Prosperity, Union III, and Sather Air Base—to examine the footprint of an enduring U.S. presence in Iraq and to review the feasibility of a 20 to 25 percent downgrade in the number of U.S. Government personnel and contractors assigned to Iraq, the estimate likely derived from excessive and/or inflated contracts that could be reduced in size and scope, and to assess related planning needs for space, logistics, staffing,

and security. Additionally, OIG has scheduled an inspection of Embassy Baghdad for February or March 2013 to further evaluate management of programs and operations in Iraq, including the evolving status of compound facilities and life support operations.

Because of its knowledge of and access to Department programs now leading the diplomatic presence in Iraq, OIG is one of the few entities uniquely qualified to provide mission-specific oversight in a volatile post-transition environment, significantly contributing to the successful and sustainable shift from a military to a civilian-led U.S. mission in Iraq. OIG has 19 investigations currently open related to program management and oversight in Iraq, and FY 2013 priorities will target procurement fraud investigations, with particular emphasis on the region. If sufficient funding is available in the FY 2013 budget, OIG intends to hire six additional personnel—two investigators, two auditors, and two individuals assigned to a financial forensics unit—solely dedicated to oversight of programs and operations in Iraq. OIG remains committed to providing the Department and Congress with a comprehensive spectrum of audits, inspections, and investigations of post-transition activities in Iraq.

Mr. Chairman, Mr. Tierney, and members of the Subcommittee, thank you once again for the opportunity to appear today, and I am pleased to answer any questions you may have.

Mr. FARENTHOLD. Thank you for your testimony, sir.

We will now recognize Mr. McDermott for five minutes. You are recognized.

STATEMENT OF JOSEPH T. MCDERMOTT

Mr. MCDERMOTT. Thank you. Good morning, Mr. Chairman, Ranking Member Tierney, distinguished members of the Subcommittee. Thank you for this opportunity to appear before you today to discuss our assessment of the transition from a military to a civilian-led mission in Iraq.

The Office of Security Cooperation - Iraq, referred to as the OSC-I, operates under the Chief of Mission authority. OSC-I is charged with managing the bilateral security cooperation and security systems functions, and maintaining a long-term strategic partnership between the U.S. Government and the Government of Iraq.

In recognizing the importance of the challenges concerning OSC-I and the fact that the scope of the Security Systems Program is one of the largest in the world, we started a series of oversight efforts focused on the planning and the establishment of OSC-I.

In 2010, we assessed the planning effort for transitioning the security assistance mission. We determined that the OSC-I planning was progressing with a significant contribution made by an ad hoc cadre of strategic planners operating from within U.S. Forces-Iraq. We also identified several planning shortcomings and recommended that the U.S. Central Command issue Iraq-specific country planning details, assess the procedures and resources applied to development of the Iraq-specific security cooperation related planning guidance, and capture lessons learned regarding the experiences of organizing the OSC-I.

In 2011, we assessed the establishment of OSC-I and the DOD efforts to provide for its sustained, effective operation in post-2011 in Iraq. We found that the establishment of OSC-I was on track, but identified some shortfalls in the planning efforts. We again determined the shortfalls were due to incomplete Iraq-specific plans. We also reported the need for planning capability within the Office of Security Cooperation. In addition, we observed the need to improve communications between both the OSC-I and, externally, to the key officials at the Iraq Ministries of Defense and Interior about the OSC-I's enduring role regarding U.S. Security Cooperation and Assistance Programs.

In response to our assessment, OSC-I made improvements in the flow of information to its personnel and with key senior Iraqi officials. The Central Command also responded by issuing a completed Iraq Country Plan with necessary security cooperation and assistant details.

On April 16, 2012, we issued a third report, which is classified, related to the transition on the management of private security contractors in Iraq, including private security contractors guarding the OSC-I locations. While the OSC-I was generally successful in its transition from DOD to the Department of State, the U.S. and Iraq Governments did not finalize certain agreements that were envisioned as necessary to enable OSC-I's ability to become fully functional within Iraq's dynamic post-2011 operating environment.

Responding to our report in March 2012, senior OSC-I officials indicated that the absence of a post-2011 Security Agreement or Status of Forces Agreement was affecting aspects of its operations. Some of the challenges cited by these officials included obtaining or extending land use agreements, force protection, passport and visa requirements, and air and ground movement.

The precise impact of these command concerns with respect to achieving short- and long-term OSC-I goals is unclear. However, having a formal, follow-on Security and Status of Forces Agreement was perceived to have value in clarifying and stabilizing Iraqi government support for the day-to-day operations of OSC-I, and would benefit longer-term relationship building.

In closing, let me emphasize that the DOD IG remains committed to providing oversight concerning OSC-I and reporting on the progress and challenges of maintaining a long-term strategic partnership with the Government of Iraq. We plan to return to Iraq early next fiscal year to continue our assessment on the operations of the OSC-I.

Thank you again for this opportunity to discuss the work of DOD IG and I look forward to answering any questions you may have.

[Prepared statement of Mr. McDermott follows:]

June 28, 2012



Statement of
J.T. Mickey McDermott
Special Deputy Inspector General for Southwest Asia
Department of Defense Office of Inspector General

before the
Subcommittee on National Security, Homeland Defense and
Foreign Operations, House Committee on Oversight and
Government Reform
on
The Transition from a Military to a Civilian-Led Mission in Iraq

Chairman Chaffetz, Ranking Member Tierney, and distinguished members of the Subcommittee on National Security, Homeland Defense and Foreign Operations, thank you for this opportunity to appear before you today to discuss past and ongoing Department of Defense (DoD) Office of Inspector General (DoD IG) oversight regarding the transition from a military to a civilian-led mission in Iraq.

A major national security goal of the U.S. is the establishment of a sovereign, stable, and self-reliant Iraq that contributes to the peace and security of the region and with which the U.S. can forge a long-term strategic partnership. Supporting the development of a professional Iraq Security Forces capable of providing for its internal and external defense is essential to achieving these U.S. objectives.

Fundamental to establishing and nurturing this long-term security partnership is the role of the Office of Security Cooperation – Iraq (OSC-I), which was initially established in June 2011, further expanded in October 2011, and subsequently transitioned to Chief of Mission and Department of State authority in December 2011. The OSC-I, operating under Chief of Mission authority but administered by DoD personnel, is charged with performing vital bilateral security cooperation¹ and security assistance² functions. Comprised of DoD military, civilian, and contractor personnel, the OSC-I represents a cornerstone capability for building an enduring foundation for a long-term security relationship with the Government of Iraq.

On December 15, 2011, the United States military ended Operation New Dawn by completing the responsible drawdown of all remaining combat troops from Iraq. Millions of pieces of equipment were withdrawn bases were either closed or handed over to the Iraq Security Forces, and the number of contractors reduced.

¹ **Security Cooperation** — All Department of Defense interactions with foreign defense establishments to build defense relationships that promote specific U.S. security interests, develop allied and friendly military capabilities for self-defense and multinational operations, and provide U.S. forces with peacetime and contingency access to a host nation.

² **Security Assistance** — Group of programs authorized by the Foreign Assistance Act of 1961, as amended, and the Arms Export Control Act of 1976, as amended, or other related statutes by which the U.S. provides defense articles, military training, and other defense-related services by grant, loan, credit, or cash sales in furtherance of national policies and objectives. Security assistance is an element of security cooperation funded and authorized by Department of State to be administered by Department of Defense/Defense Security Cooperation Agency.

To facilitate continued support for developing the Iraq Security Forces, DoD transitioned most remaining essential training, equipping, and mentoring activities from United States Forces-Iraq to the OSC-I. Robust security cooperation and assistance programs, including developing very significant Foreign Military Sales of U.S. defense technology, are being developed. The sale of F-16s to Iraq may be seen as an early indicator of the potential for building a strong, enduring U.S.-Iraq strategic partnership over the longer-term.

DoD IG oversight of the OSC-I focused on its planning and establishment prior to the December 2011 transition of authority in Iraq from DoD to the Department of State. Since that change in authority, DoD operations in Iraq have assumed a supporting role for the current Department of State-led effort to assist in the further development of Iraq's security capability to maintain its sovereignty and independence.

Recently Completed DoD IG Oversight

In 2010, DoD IG initiated an assessment³ of the United States Government's planning effort for transitioning the security assistance mission in Iraq from DoD to the Department of State. Among other assessment activities, we conducted site visits in Iraq from June 2, 2010, to June 20, 2010.

At the time of our assessment, we determined that the United States Government had sufficiently developed detailed goals, objectives, plans, and guidance to accomplish a successful transition of the security assistance mission from DoD to Department of State authority. Although planning for establishing an OSC-I had a lower priority than planning for the withdrawal of U.S. combat forces, OSC-I planning nonetheless progressed, with a significant contribution made by an ad-hoc cadre of strategic planners operating from within United States Forces-Iraq.

Nonetheless, our assessment identified several planning shortcomings in joint doctrine as it pertained to transition planning. To remedy these shortcomings, we recommended U.S. Central Command issue updated interim theater level campaign, security cooperation, and Iraq-specific country planning details. We also recommended that it assess the sufficiency of internal procedures and resources for Iraq-specific security cooperation related planning and guidance as well as capture lessons learned regarding the experience of organizing the OSC-I.

³ "Assessment of Planning for Transitioning the Security Assistance Mission in Iraq from Department of Defense to Department of State Authority," released August 25, 2011 (Report No. SPO-2011-008).

We additionally recommended U.S. Central Command sponsor a formal doctrine development proposal that supported expanding the then existing joint doctrine to facilitate transitioning a complex contingency from stability operations to robust security cooperation activities in a non-permissive security environment. We further recommended the Joint Staff assess the sufficiency of joint doctrine with respect to its consistency with DoD policy regarding the effective conduct of stability operations that transition to robust security cooperation activities.

In 2011, DoD IG initiated a second assessment⁴ regarding the establishment of the OSC-I. This assessment reviewed United States Government efforts then underway to establish a fully functional OSC-I, to transition the security cooperation and assistance mission to the U.S. Mission-Iraq, and to provide for the sustained, effective operation of the OSC-I mission in Iraq post-2011.

Despite a range of challenges, we found that the establishment of the OSC-I was on track and on schedule to meet its full operating capability target date of October 1, 2011, and to operate independently as an element of the U.S. Mission-Iraq by January 1, 2012. In many cases, complications then affecting the establishment and transition of the OSC-I were beyond U. S. Forces-Iraq and, in some cases, DoD's ability to control or significantly influence, including such factors as: uncertainty over a potential post-2011 U.S. military presence; and, the lack of formal, bilateral approval of the OSC-I.

We did identify, however, specific areas requiring DoD management attention. We determined, for example, that the U.S. Forces – Iraq Deputy Commanding General for Advising and Training, one of the most senior DoD officials in Iraq charged directly with the OSC-I standup and responsible for setting the conditions for effective security assistance mission transition to State Department authority, was managing crucial security cooperation activities with incomplete theater and Iraq-specific higher echelon plans, and without the necessary planning capability at his level. In addition, his command had not clearly communicated information about the OSC-I's enduring role regarding U.S. security cooperation and assistance programs to key Iraqi Ministry of Defense and Iraqi Ministry of Interior officials. Further, the command had not fully engaged and shared essential transition details with key U.S. personnel at outlying OSC-I sites under development; and, the command had not established detailed internal standard operating procedures for the OSC-I essential to adequately manage its

⁴ "Assessment of the DoD Establishment of the Office of Security Cooperation-Iraq," released March 16, 2012 (Report No. DODIG-2012-063).

major operating functions within the framework of the U.S. Mission-Iraq.

As a consequence, we recommended that the Commander, U.S. Central Command, expedite issuance of a completed Iraq Country Plan for security cooperation and assistance. We also recommended that the Chief, OSC-I improve the flow of transition-related information to essential site personnel in order to: provide clarity and improve unity of effort in standing up the sites and facilitate transition activities; communicate sufficient details about the OSC-I role and its operating processes with key Iraqi defense and interior ministry officials to enable their understanding of and confidence in the future of the program; and, develop standard operating procedures for OSC-I administrative and operational processes and procedures that included the conduct of interagency operations within the overall framework of U.S. Mission-Iraq authority and responsibility.

Since the issuance of our reports we have noted that OSC-I has made improvements in the flow of information to its personnel and with key senior Iraqi officials. U.S. Central Command also responded by issuing a completed Iraq Country Plan with necessary security cooperation and assistance details.

In 2011, DoD IG initiated a third OSC-I related project⁵ to determine whether DoD adequately administered and managed private security contractors in Iraq, including private security contractors guarding OSC-I locations. The report was issued April 16, 2012 and is classified SECRET.

Office of Security Cooperation-Iraq

The OSC-I, one of the United States Government's largest security assistance / security cooperation offices, consists of over 200 United States Government personnel, of whom 46 are assigned to security assistance positions with the remainder assigned to security cooperation positions. They are joined by approximately 750 Security Assistance Team personnel and 3,500 – 4,000 security and support contractors. This sizeable Office of Security Cooperation was established to manage and support a long-term security relationship with Iraq that remains a significant U.S. strategic goal.

The OSC-I administers Foreign Military Sales programs, Foreign Military

⁵ "DoD Oversight of Private Security Contractors in Iraq Was Sufficient, but contractors May not Deter Attacks on Office of Security Cooperation-Iraq Enduring Sites," released April 16, 2012 (Report No. DODIG-2012-075). This report is classified SECRET.

Financing funding, the International Military Education and Training program, and other security cooperation programs. The scope of the security assistance program is near \$10 billion in Foreign Military Sales, making it one of the largest in the world. The program includes jet aircraft, tanks, air defense radar and artillery, patrol craft, among other defense technology made and supplied by U.S. companies that will require parts and technical assistance for years to come.

To support the OSC-I's security assistance and cooperation programs, OSC-I personnel and Security Assistance Teams are deployed to 10 locations across Iraq. They assist in the continuing development of the Iraqi Ministries of Defense and Interior, and the Iraqi Army and Police, Air Force and Navy.

As originally envisioned, a robust OSC-I capability was central to facilitating Iraqi government efforts to address a number of important security related gaps that still existed in their defense capabilities at the end of 2011. The National Security Council approved plan for the OSC-I covered assisting in the development of Iraq Security Forces logistical, sustainment, external defense and other capabilities through a variety of security assistance, security cooperation, and advising and training efforts.

OSC-I efforts were specifically designed to address these shortfalls in support of the overarching U.S. goal of enabling an Iraq that is sovereign, stable, and self-reliant. In accordance with that goal, OSC-I functions and activities remain relevant to the continued support of U.S. objectives - outlined by the President in his 2009 public remarks - to promote an Iraqi government that is just, representative, and accountable; provides neither support nor safe-haven to terrorists; builds new ties of trade and commerce with the world; and, forges a U.S.-Iraq strategic partnership that contributes to the peace and security of the region⁶.

Post-Transition Realities

While the OSC-I successfully transitioned from DoD to Department of State authority by the end of 2011, the U.S. and Iraq governments did not conclude

⁶ Remarks of President Barack Obama (as prepared for delivery), "Responsible Ending the War in Iraq," February 27, 2009. Downloaded from <http://www.whitehouse.gov/the-press-office/remarks-president-barack-obama-ndash-responsibly-ending-war-iraq>, on July 14, 2010. President's speech at Camp Lejeune, North Carolina, outlined the strategy and phased approach for the responsible drawdown of U.S. forces in Iraq and development of an enduring strategic partnership with Iraq.

certain agreements that were envisioned by the command as necessary to enable OSC-I ability to become fully functional within Iraq's dynamic post-2011 operating environment.

Responding to our latest report, which occurred in early 2012 shortly after the transition from DoD to Department of State authority, senior OSC-I officials indicated that the absence of a post-2011 Security Agreement or Status of Forces Agreement was affecting aspects of its operations. Key areas cited by these officials as being impacted included: land use agreements, force protection, passport/visa requirements, air and ground movement, and FMS site stand-up. The precise impact of these command concerns with respect to achieving short and long-term OSC-I goals is unclear. However, having a formal, follow-on Security and Status of Forces agreements was perceived to have value potentially in clarifying and stabilizing Iraqi government support for day-to-day OSC-I operations, and would benefit longer-term relationship building.

Ongoing DoD IG Efforts and Future Assessments

In order to evaluate the progress made and challenges that still exist regarding the effective current and future operation of the OSC-I, the DoD IG plans to return to Iraq for another assessment early in the next fiscal year. We are coordinating with the Department of State's Office of Inspector General in preparation for this mission.

Also in Fiscal Year 2013, DoD IG plans to assess DoD planning for establishing an Office of Security Cooperation-Afghanistan, applying our and Joint Staff oversight lessons learned from Iraq.

Conclusion

The DoD IG remains committed to providing oversight concerning the OSC-I and DoD development of our short to long-term defense cooperation relationship objectives relationship with Iraq, which remains central to building a lasting strategic partnership between our two countries.

I thank you again for this opportunity to speak to you today.

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TESTIMONY OF

MICHAEL CARROLL,

DEPUTY INSPECTOR GENERAL,

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

BEFORE THE

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

“ASSESSMENT OF THE TRANSITION FROM A MILITARY TO A
CIVILIAN-LED MISSION IN IRAQ”

JUNE 28, 2012

Chairman Chaffetz and Ranking Member Tierney, I am pleased to appear before you to testify on behalf of the Office of Inspector General (OIG) for the U.S. Agency for International Development (USAID). Today, I would like to share information about our oversight efforts in Iraq, our observations regarding the progress of USAID programs and activities in

Iraq, and our progress in transitioning to a civilian-led mission. Our oversight in Iraq began in 2003 following the ramp-up of USAID programs in the wake of the fall of Saddam Hussein's regime. We quickly deployed auditors and investigators into Iraq, first through frequent and continuous temporary duty assignments (TDYs) of USAID OIG personnel and later with the establishment in June 2004 of a USAID OIG in-country office in Baghdad that included seven auditor and two investigator positions as USAID reconstruction and stability assistance peaked.

In recent years, USAID has scaled back its activities in Iraq and transitioned from a stabilization and reconstruction focus to more traditional development assistance and has requested \$231 million for fiscal year 2013. Other USAID assistance programs in the region such as those in Jordan and West Bank/Gaza now receive more assistance funding than those in Iraq.

As USAID has reduced its programs and activities in Iraq, the OIG has also shifted resources to address other priorities in the region. However, due to the continuing risks associated with USAID programs in Iraq we are maintaining an in-country staff of two auditors and one investigator supplemented by staff and leadership from our nearby Regional Inspector General (RIG) office in Cairo. We currently have three Iraq-related performance audits and surveys and 23 financial audits in progress. In fiscal

Mr. FARENTHOLD. Thank you very much, Mr. McDermott. We will now recognize Mr. Carroll for five minutes.

STATEMENT OF MICHAEL G. CARROLL

Mr. CARROLL. Thank you, Mr. Chairman, Ranking Member Tierney, distinguished members of the Subcommittee. I appreciate the invitation and the opportunity that you have given me to brief the Committee on the USAID IG's activities in Iraq currently and what we see for the challenges for the future.

AID was not part of the massive transition planning process, so I will just restrict my remarks to AID's programs.

As the Committee might know, we started our oversight in Iraq in 2003 with long-term TDYs and opened the office of seven auditors and two investigators in 2004, so we have a substantial body of work over that period of time, and if I could just give you some stats quickly.

We have done over 60 performance audits during that time, conducted 153 cost-incurred financial audits covering \$5 billion of USAID expenditures over that period of time, opened 105 investigations, 45 referrals for prosecution, 13 indictments, 10 convictions, 40 administrative actions, and 10 suspension and debarments. So we have done a substantial amount of work over time.

But in the post-transition environment, clearly AID's funding has been coming down, as Mara Rudman mentioned, and in 2013 it is only going to be—well, I shouldn't say only—it is going to be \$231 million, which is a substantial amount of money, but relative to previous years it is on a downward trajectory.

So with State being in a complete cost recovery mode now that the State Department is gone and we are not getting supplemental funding or essential funding for ICAS and that sort of thing, it has become, for us, prohibitively expensive to be there.

So what we are going to do is maintain an office of two auditors, one investigator, transfer the other staff to Egypt, because when you consider the amount of money being spent by AID in Iraq, it ranks third in the region, behind Jordan and West Bank-Gaza. So we will continue to provide a robust oversight package in Iraq; it just won't be to the extent that it has been in the past.

And our plan for 2013 would be to do three performance audits; two major program reviews, one of those being a retrospective look back using some of the work that Mr. Bowen has done or will do on sustainability, because we see two primary challenges for the agency going forward, and Mara Rudman discussed them. One is monitoring and evaluation. Historically, it has been problematic for AID in Iraq. They have relied to a degree on the implementers to provide performance data.

We found the performance data to be suspect at times, and the ability to get out and monitor and evaluate the programs, get legitimate, accurate performance data has been problematic. So without the military, with State Department providing security, we will have to see how that goes. So we are going to be on that pretty substantially.

The other challenge that I see, and, again, Mara talked about it, was sustainability. Now, AID has transitioned from—there has

been a natural progression from infrastructure and reconstruction that AID was doing there for a while to more of a traditional development assistance in, like she said, technical assistance, democracy and governance, civil society, those sorts of things.

So retrospectively, one of our audits we just issued on the IT sustainability, IT systems, it was a pretty bleak story as far as the effectiveness of some of the programs that were implemented, or not implemented but paid for. So I think the lesson learned from that, and I think the agency has gotten it, is Iraqi buy-in and, to the extent that they can based on guidance from Congress, get a cost-sharing kind of agreement, because if they have money in it and it is in their best interest, then it will be sustainable; if not, then it is not going to be, based on our previous experience.

So, for us, the one challenge I see as we move forward, and it has been a disappointment over time, has been our ability to work with the Iraq law enforcement to get local prosecutions. We have had some success in Pakistan, we have had success in Afghanistan, but, for whatever reason, we have not had success in Iraq. We are working with our IG counterparts; we are working with the LDAT at the embassy to try and identify law enforcement entity in the Iraqi Government. Because as AID moves forward and implements more locally with local entities and more Iraqis involved, as Ambassador Kennedy said, the fraud that is going to take place, if it takes place, is going to be perpetrated primarily by Iraqis, and our ability to investigate is not a problem, but our ability to take that probable cause, find a willing partner in the Iraqi Government so we can do local prosecutions, that is what we would like to do, but so far problematic. So that is our one major challenge going forward.

Thank you very much, and I look forward to taking any questions you might have.

[Prepared statement of Mr. Carroll follows:]

TESTIMONY OF
MICHAEL CARROLL,
DEPUTY INSPECTOR GENERAL,
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

BEFORE THE
SUBCOMMITTEE ON NATIONAL SECURITY, HOMELAND DEFENSE,
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Iraq, and our progress in transitioning to a civilian-led mission. Our oversight in Iraq began in 2003 following the ramp-up of USAID programs in the wake of the fall of Saddam Hussein's regime. We quickly deployed auditors and investigators into Iraq, first through frequent and continuous temporary duty assignments (TDYs) of USAID OIG personnel and later with the establishment in June 2004 of a USAID OIG in-country office in Baghdad that included seven auditor and two investigator positions as USAID reconstruction and stability assistance peaked.

In recent years, USAID has scaled back its activities in Iraq and transitioned from a stabilization and reconstruction focus to more traditional development assistance and has requested \$231 million for fiscal year 2013. Other USAID assistance programs in the region such as those in Jordan and West Bank/Gaza now receive more assistance funding than those in Iraq.

As USAID has reduced its programs and activities in Iraq, the OIG has also shifted resources to address other priorities in the region. However, due to the continuing risks associated with USAID programs in Iraq we are maintaining an in-country staff of two auditors and one investigator supplemented by staff and leadership from our nearby Regional Inspector General (RIG) office in Cairo. We currently have three Iraq-related performance audits and surveys and 23 financial audits in progress. In fiscal

year 2013, we intend to conduct three performance audits, two reviews, and five financial audits in Iraq. These are currently planned to include audits of USAID/Iraq's Financial Sector Development Program, USAID/Iraq's Primary Healthcare Program, USAID/Iraq's Administrative Reform Program, and a review of the sustainability of USAID/Iraq's past activities.

OIG staff and resources in Iraq support intensive oversight. Drawing on our strong in-country presence, we have been able to provide comprehensive performance and financial audit coverage of USAID programs and implement a vigorous investigative program. From fiscal year 2003 through May 2012, we issued 60 performance audits and reviews related to USAID activities in Iraq. The resulting reports contained more than 200 recommendations to improve USAID programs in Iraq, in addition to identifying nearly \$40 million in questioned costs and funds recommended to be put to better use. Meanwhile, we supervised program-specific financial audits of over \$5 billion that led us to question \$255 million in USAID expenditures. Over that span, we also opened 105 investigations, 45 of which have been referred for prosecution. By the end of May 2012, our investigative work had produced 13 indictments, 10 convictions or pleas, 27 administrative actions (such as employee terminations and contract cancellations), 10 suspensions and debarments,

and over \$86 million in savings and recoveries. For every dollar invested in OIG operations in Iraq, we have returned \$4.67 in sustained questioned costs, funds to be put to better use, and investigative savings and recoveries.

This work has not been without its challenges. OIG operations were impacted when the Embassy in Baghdad severely restricted U.S. government movements during the period coinciding with the departure of the U.S. military. During the transition period of November 2011 through May 2012, three of the seven movements we requested in Iraq were denied by the Embassy due to a lack of available protective security detail resources. We ultimately were able to conduct site visits where required and there are now fewer restrictions than in the past on movement both within and outside the International Zone. We have also supplemented our work with the use of local audit firms for site visits to mitigate travel restrictions. Overall, changes in security conditions following the military transition have not significantly affected our ability to perform needed oversight work.

Our investigators in Iraq continue to face challenges finding viable partners in the Iraqi government with which to coordinate prosecutions. As USAID continues to shift towards increased host country participation in development programs, there will be a greater emphasis on local implementation of USAID programs. For law enforcement, this means a

greater reliance on local prosecutions. While we have had some limited success in pursuing local prosecutions, we have not been fully successful in identifying partners within the Iraqi government to support our investigative efforts. We have developed a plan to address this and continue to work towards a resolution.

Corruption in the public sector continues to be a problem in Iraq. In 2011, Iraq ranked 175th out of 183 countries in the Transparency International Corruption Perception Index (CPI). In 2010, Iraq ranked 175th out of 178 countries.

The U.S. government created two anticorruption entities (the Inspector General and the Commission on Integrity) within the Government of Iraq. These are struggling to maintain their existence, better define their roles vis-à-vis the standing ministries and provincial powers, and to contribute to stronger rule of law in Iraq. The Council of Ministers is currently considering the future of the Inspector General and the proper role of the Commission on Integrity especially as it relates to the judiciary (specifically the conflict with investigative judges) and the Ministry of Interior (which similarly has redundant investigative powers). There are proponents of expanding the training and skills of the Inspector General's and the Commission on Integrity's employees as well as increasing the

ability of the Government of Iraq ministries to improve transparency through public reporting. The Board of Supreme Audit, an old and established entity that is also key to the fight against corruption, would also benefit from increased training in technical fields.

U.S. continued support for targeted anti-corruption programs will help address critical issues that affect the entire system. The U.S. has a competitive advantage in providing training, as a high level of regard is given by the Government of Iraq for the types of governmental investigative, audit, and internal control mechanisms administered by the U.S. government.

According to the USAID mission, the security situation has hampered its ability to monitor programs. Mission personnel are only occasionally able to travel to the field for site visits. To address this limitation, the mission is in the process of hiring and training 25 Iraqi field monitors. These field monitors report to contracting and agreement officer representatives and provide additional monitoring capability.

Other personnel and security challenges have also affected USAID implementation of its development programs in the post-transition period. As the Government of Iraq encourages USAID and its implementing partners to increase their reliance on Iraqi employees, it has become more

difficult for implementing partners to obtain visas for their expatriate employees. Meanwhile, the USAID mission has faced increasing delays in obtaining visas for third-country national personnel. The Iraqi government is also increasingly wary of foreign private security contractors, many of whom provide security assistance to USAID implementers.

USAID program results in Iraq have been mixed and continue to face monitoring and evaluation issues. With the civilian transition and increasing focus on development assistance, project sustainability is also a concern.

OIG audits of Iraq-based programs continue to highlight issues in this area. In some cases, absence of host-nation support or preparedness to continue supporting USAID-funded programs resulted in questioned long-term sustainability of programs and failures to meet program objectives. For example, in our March 2012 audit of the sustainability of USAID/Iraq Information Technology (IT) Systems we determined that IT systems valued at \$62.1 million were not completed, not functional when delivered, or not used by the Government of Iraq as intended. Between 2003 and 2011, the mission in Iraq funded at least 24 IT systems, totaling \$73.2 million, through awards to various contractors and grantees. These USAID-financed IT systems were intended to be delivered to and used by Government of Iraq entities to allow them to operate more efficiently and effectively. Nearly all

of these IT programs ended prior to the transition to the civilian-led mission. In some cases, the awards included IT systems as specific deliverables; in other cases, the mission implemented programs using IT systems to achieve broader goals such as increasing transparency and accountability or reducing fraud and corruption. However, 10 of the 24 IT systems were found not to have been used as planned because the Government of Iraq either did not support the systems, the mission's implementing partners did not deliver complete or functional systems, USAID stopped funding the systems, or the Government of Iraq was not prepared to use the systems. Had USAID employed more cost-sharing approaches in funding the IT projects or provided more extensive, sustained training, Iraqi government units may have been more invested in using and maintaining these systems.

In our July 2010 audit of USAID/Iraq's implementation of the Iraq Financial Management Information System (IFMIS), we determined that IFMIS was implemented without the consent, assessment, or buy-in of the Government of Iraq. The USAID implementer did not obtain input from the Iraqi system users to determine best fit, concept design, and users' requirements and the resulting configuration of IFMIS did not meet the user requirements of the Iraqi Government Ministry of Finance. Our audit found that Iraqi system users were disappointed with the insufficient training

provided by USAID implementers and Iraqi users also identified numerous functionality issues with the system. The Government of Iraq did not accept IFMIS in part because it did not successfully perform accounting tasks.

In other cases, USAID programs did not achieve goals related to enhancing the capacity for sustainable host-nation systems. For example, in our March 2012 audit of USAID/Iraq's Electoral Technical Assistance Program we found that the program did very little to achieve the main objective to build capacity for a sustainable electoral system. To help strengthen the Iraqi electoral system, USAID entered into a \$40 million cooperative agreement with the International Foundation for Electoral Systems to implement the Electoral Technical Assistance Program. The program provided technical assistance to Iraq's High Electoral Commission in support of elections conducted in Iraq between January 2005 and September 2011. After receiving more than 6 years of technical assistance and support under the program, OIG auditors found that the Electoral Commission still lacked a reliable voter registration system, permanent staff, up-to-date computer equipment, plans for training and outreach, financial transparency, and political independence – all prerequisites for sustainability. Moreover, despite the fact that the long-term success of the Electoral Commission also depends on its ability to prepare Governorate

Electoral Offices for electoral administration, the program did not develop sustainable governorate-level operations and instead focused only on the Electoral Commission's management of electoral events from headquarters.

Our November 2011 audit of USAID Community Action Program activities implemented by International Relief and Development also highlighted sustainability issues. While the implementing partner effectively formed community action groups and developed initial community action plans, completed projects, and used a process for project development, OIG auditors determined that projects completed under the program did not target identified, prioritized needs of Iraqi communities. Of the 146 completed projects we surveyed, 34 percent did not match any needs identified by the corresponding community and an additional 31 percent did not match the needs communities identified as top priorities. We also found that USAID's decision to accelerate the spending of program funds had negative consequences for the program. These consequences included a significant overreliance on supply-type projects (e.g., student desks, office equipment, or medical supplies), cancelled projects, revisions to many community action plans, and a concentration of projects in some neighborhoods. The overreliance on small, supply-type projects instead of community infrastructure and essential service projects reduced program impact and

sustainability. The dangerous security environment also impacted the field operations of this program with the assassination of several local Iraqi council officials with whom the implementing partner had worked closely.

Looking forward, USAID OIG will continue to provide intensive oversight to ensure accountability in USAID programs and address key efforts in sustainability, monitoring, and evaluation. While several of our recent audits have covered activities in the pre-transition time period, we have audits in progress that will address the post-military period, including an audit of USAID monitoring and evaluation programs in Iraq. Project monitoring and evaluation activities are critical to effective implementation of development activities. Since security conditions in Iraq continue to hamper monitoring and evaluation of program activities by mission staff, the USAID mission uses contract support to supplement its monitoring and evaluation efforts. The mission recently sought OIG assistance in examining a current 2-year, \$14 million monitoring and evaluation contract to assist it in determining what type of monitoring and evaluation mechanism it should have in place in the future. OIG auditors are currently evaluating the contractor's activities with the aim of assessing whether the mission's use of the contractor has improved program management and oversight of USAID

programs in Iraq. Once it is finalized, our audit findings and recommendations will be made available publicly.

This audit, which is nearing completion, is a follow-on to a similar performance audit we completed in 2008. In the 2008 audit of USAID/Iraq's Monitoring and Evaluation Performance Program we found that the monitoring and evaluation reports were generally timely, relevant to the programs being reviewed, and useful for performance management. However, we also determined that the mission could use the results more effectively by systematically documenting its responses to findings and recommendations and by granting the USAID/Iraq Program Office authority to initiate monitoring and evaluation activities. In addition, ensuring that evaluation reports are shared with implementing partners and that awards specifically require monitoring and evaluation plans would also enhance the effectiveness of the plan. We also found in the 2008 audit that the frequency of monitoring high risk activities should be increased.

We are also currently conducting a survey of security contractor services employed by USAID/Iraq contractors and grantees. Measured in terms of both funding and personnel, security is an increasing challenge in Iraq. From July 1, 2007, to June 30, 2009, USAID maintained a portfolio of contracts and grants with 12 implementing partners that, in turn, held 17

subcontracts for private security services in Iraq. According to information provided by USAID's implementing partners, these subcontracts were associated with expenditures of \$483 million as of December 31, 2009, or approximately 23 percent of the implementing partners' total costs. This survey will examine differences among the respective security arrangements and their effects on costs. In addition, we will follow up on significant OIG recommendations from a related FY 2011 report to ensure that USAID is providing effective oversight of private security contractors.

With the resource drawdown of the Special Inspector General for Iraqi Reconstruction (SIGIR) and transition of its oversight responsibilities to statutory Inspectors General, I have met with SIGIR leadership to discuss the future of oversight operations in Iraq. Our new RIG in Cairo and our field staff in Iraq have also held extensive coordination meetings with their SIGIR counterparts to ensure continued vigorous oversight coverage of USAID programs in Iraq going forward. USAID OIG will continue to work closely with SIGIR during this process to provide for a seamless transition and continuing levels of appropriate oversight.

Thank you for this opportunity to address the Subcommittee. We appreciate your interest in our work and continuing commitment to effective oversight. I look forward to learning more about your interests and

priorities and would be happy to answer any questions you may have at this time.

Mr. FARENTHOLD. Thank you, Mr. Carroll.
Mr. Bowen, you are recognized for five minutes.

STATEMENT OF STUART W. BOWEN, JR.

Mr. BOWEN. Thank you, Mr. Chairman, Ranking Member Tierney, members of the Committee, for the opportunity to appear before you and present SIGIR's assessment of the transition from a military to civilian-led mission in Iraq. My statement examines this question in light of five issues: The Police Development Program, the security situation, the Office of Security Cooperation, Iraq, the transfer and sustainment of reconstruction assets, and the increase in criminal investigative activity that we have seen this year. I will briefly summarize each of my points in my oral statement.

The Police Development Program is the single largest program to transition from DOD management to State management over the last eight months. Interestingly, it transitioned from State management to DOD management eight years ago. The initial contract was led to the State department, but eventually challenges in Iraq and the size and security mission required the formation of something called the Multinational Security Transition Command-Iraq, which operated the police training program for in excess of six years and expended significant amount of money.

The Police Development Program, however, was not well planned or well agreed to, or a sufficient agreement wasn't secured from the Iraqis, as our audit of last October revealed. We have another review coming out this July that will follow up on that audit and look at progress made with regard to those recommendations, but the most significant events that have occurred since then has been the reduction in the size of the program; I think a wise reduction, a recognition that the Iraqis haven't fully bought into it and that the security challenges that continue in Iraq have limited the capacity to execute the initial ambitious range of the program.

Second point, security situation. We saw today again bombs across Baghdad killing 15, punctuating what has been a very violent June. The year began violently in January. March saw the least violent month since 2003. So it is a very volatile situation, that is what these stats tell you, in Iraq. Notwithstanding whatever those numbers are, the requirements for personnel to move about the country are the same as they were, essentially, in 2006, 2007. So it is expensive, and that is why the largest single expense in Iraq right now for the embassy is security. As Ambassador Kennedy pointed out, in excess of 6,000 contractors are security contractors, and most of the money is going to pay their salaries.

The Office of Security Cooperation, Iraq is spending about \$1.5 billion and Iraq security forces fund the money that Congress appropriated for training and equipping the Iraqi army and the Iraqi police. We issued an audit in April about the progress they are making in using that money in the FMS program, raised some concerns about the obligation rate, but my meetings with General Caslen, who runs the program, assuaged our concerns. We will have a follow-up report in July that gives concrete points on the progress made regarding the use of that money.

A continuing issue that SIGIR has addressed over the years is the transfer and sustainment of projects that we spent \$51 billion producing, and it is not a good story. The audits reveal that there was no consensus upon how to transfer these projects. Our audit program did stimulate the development of a sustainment program and sustainment requirements in contracts, but it was, for the most part, too little, too late. Frankly, Iraqis have not bought into investing significant sums into what we have provided, in part because they are not sure what we have provided. That is what I hear over and over again from Iraqis, and that is understandable given the weaknesses in the database that we developed. Indeed, our audits of the Iraq Reconstruction Management System found that it captures maybe 70 percent of what we provided. That is certainly unacceptable.

Lastly, we have seen an uptick in criminal investigative activity simply because as the program has drawn down, for whatever reason, people have been more willing to come forward and provide us with leads and, second, some of our technical examinations of what happened to that money have produced more cases. So we have in excess of 100 investigations going on. We just convicted our 71st person this week and our SIGIR prosecution initiative continues to produce good fruit.

So, with that, I will conclude my statement and look forward to your questions. Thank you, Mr. Chairman.

[Prepared statement of Mr. Bowen follows:]

workers may not want to move there because of the costs involved, especially if they are carrying large mortgages during a time of falling housing prices or have children in school.

The effort necessary to find new employment depends in part on the distance required for relocation.⁵² If relocation costs are high, then unemployed individuals are unlikely to relocate to obtain new employment. Empirical studies show that there is a negative relationship between search intensity and distance to jobs—that is, the further the position is away from a worker's current location, the less likely a worker is to find it, which may increase the duration of unemployment.⁵³

Long-term unemployment tends to be higher during periods of economic contraction.⁵⁴ Low aggregate demand for goods and services reduces production. When production drops, it lowers the demand for labor. Employers may respond in several ways, including by reducing wages, reducing hours, or incentivizing early retirement, but layoffs are also likely. Even if wages can be reduced (minimum wage laws or union contracts may prevent salary cuts), employers may fear that reducing wages or cutting hours will adversely affect employee morale and productivity.⁵⁵ As such, employers tend to lay off workers when aggregate marketplace demand is low. Unfortunately, because total demand for labor has fallen, it is difficult for these laid off workers to find new jobs, which means that they are more likely to transition from short-term to long-term unemployment. In other words, if an environmental regulation does cause some layoffs, during an economic downturn the negative consequences are likely to be greater because those workers will probably face additional difficulties finding new employment.

On the other hand, during an economic downturn, regulated industries may hire otherwise unemployed workers to design, fabricate, and install the necessary pollution control equipment.⁵⁶ Typically when firms hire new workers to comply with regulations, the new wages paid are calculated as a cost of the regulation, because those workers could have been allocated in other productive functions in the economy. However, during periods of high unemployment, those workers may otherwise remain jobless, meaning their opportunity costs are very low. In such cases, concentrating just on wages paid may overstate the overall social costs, because otherwise idle workers are being put back into the productive workforce.

If the regulatory costs are higher in some respects and lower in others during an economic downturn, the net effect is ambiguous. Whether or not a rule should be delayed during a period of unemployment, then, is highly contingent on the specific circumstances of the rule. While delaying a rule until employment levels recover may decrease some costs associated with production-related layoffs, it may also increase other costs associated with new compliance-driven hiring. And, of course, delaying implementation of a rule foregoes the net social benefits it would have generated in the meantime by improving environmental quality.

Long-term unemployment imposes greater economic costs than temporary layoffs. As the duration of unemployment increases, individuals become less attractive to employers.⁵⁷ Any loss of skills or productivity during periods of unemployment may result in lower wages once work is found. The longer an individual remains unemployed (without training or the acquisition of skills that employers value), the greater the likelihood that he will be eligible for only low-skilled, low-wage employment.⁵⁸ The long-term unemployed may need to attend training or education programs to increase their marketability. The largest costs from job loss tend to be experienced by older workers, who may have acquired considerable seniority with employers, and may be viewed as more difficult to train or costly to hire.⁵⁹

Unemployment insurance, Social Security, private pensions, and other sources of household income may mitigate the individual harms associated with job loss. To the extent that laid-off workers may not be able to find full-time employment, but rather must accept part-time or temporary employment, household income will likely fall. Empirical analysis of the income effects of layoffs is mixed, but there does appear

to be consensus that the costs of unemployment increase as the length of unemployment increases, and are likely to be lower for individuals who have skills that can be transferred across industries, sectors, or geographic regions.⁶⁰ In addition to earnings losses, laid-off workers may experience a range of social-psychological problems, including reduced health, loss of self-confidence, depression and alcoholism. The likelihood of such consequences again tends to increase with duration of unemployment.⁶¹

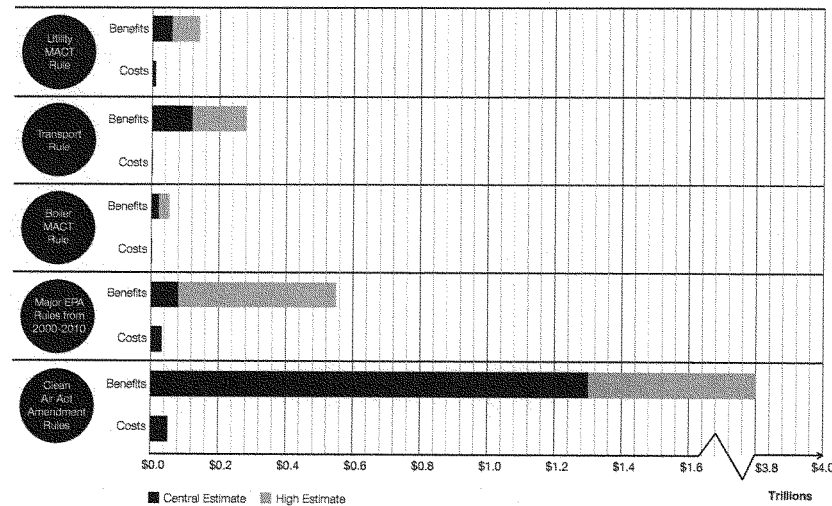
To summarize, job loss and unemployment are related, but are different phenomena. In addition, long-term unemployment and short-term employment have different causes and effects. How job loss or creation may contribute to the redistribution of the workforce, and how long-term unemployment may generate significant costs, are both factors that policymakers may want to consider in their decisions on environmental regulation. However, such considerations need to be properly incorporated into the broader, existing mandates for regulatory impact analysis.

Existing Regulatory Impact Requirements and the Role of Jobs Analysis

When a federal agency proposes a new regulation, it is because a statute passed by Congress authorized it to do so. Often, at that point, many of the broad policy considerations have already been debated by Congress; it is then left to the agency to implement that decision in the best possible manner. Under executive orders in place since the presidency of Ronald Reagan, federal agencies are required to exercise their regulatory discretion by studying a range of alternative actions, considering the costs and benefits of each, and selecting the most efficient option that will maximize net social benefits.⁶²

EPA's recent regulations, which have come under attack for "killing jobs," have all gone through economic analysis and have been vetted by the White House Office of Information and Regulatory Affairs. For example, the Boiler MACT Rule discussed above is estimated to deliver between \$22.2 billion and \$54.5 billion in benefits per year, including the avoidance of thousands of premature deaths and cardiopulmonary illnesses annually (as well as significant, non-monetized ecosystem and mercury reduction benefits); by comparison, only about \$1.9 billion in costs are expected.⁶³

Figure 2: Annual Costs and Benefits of Sample EPA Regulations



Besides a cost-benefit analysis and White House review, the Boiler MACT rule—like all significant environmental rules—was also subject to a small business impact analysis, an unfunded mandates assessment, a review of the impacts to children's health, an energy effect statement, and an environmental justice review.⁶⁴ The presidential orders on regulatory review also mention consideration of job impacts,⁶⁵ and in light of the current economic downturn, job effects are particularly salient.⁶⁶ EPA has therefore been including job impact analyses in its most recent significant environmental regulations.⁶⁷ These additional impact analyses are done separately from the cost-benefit analysis conducted by the agency.

EPA's job impact analyses attempt to forecast the effect of a rule on layoffs and hiring in the regulated industry. To conduct these analyses, EPA employs a type of forecasting model, which is discussed in the following section. The agency sometimes uses the results of its job impact analyses in its feasibility analyses, attempting to determine if the job losses associated with a regulation are too high.⁶⁸ This practice has been criticized as inconsistent with the goals of maximizing economic efficiency, because job losses are not compared to the regulatory benefits that are forgone when the regulation is adjusted.⁶⁹

Jobs created or lost are often not considered in standard cost-benefit analysis,⁷⁰ based on the assumption that labor markets are relatively efficient, meaning the costs associated with layoffs should be transitory.⁷¹ If labor markets operate smoothly, workers laid off as a result of a regulation will obtain employment elsewhere. Under this assumption, regulation results in reallocation of labor, rather than a benefit or cost.

The traditional view is captured by the example of a broken window's effects on spending and economic activity. Imagine an errant baseball flies through the window of a local storekeeper. The storekeeper must now bear the cost of the necessary labor and materials to repair her damaged storefront. It is tempting to argue that this financial loss is balanced out by a corresponding benefit. Indeed, the baseball mishap has created a day's worth of work for the window repairman: he now stays employed, collects wages, and spends those wages on more goods and services, with positive effects rippling through the economy. The fallacy, however, is to think that the broken window has produced a gain, while in reality it has only resulted in a redistribution of money. If the batter had instead struck out, the storekeeper may not have hired the repairman, but she would have put that money to some use—a different business improvement, perhaps, or a personal purchase, which also would have generated positive ripple effects through the economy. If she chose to save the money, then it would add to the capital pool available for borrowers to engage in consumption or investment. In any case, just as much money would be available to circulate through the economy and generate employment whether or not the window is broken: the broken window merely determines who will benefit (namely, the repairman); it does not create any net benefit. Indeed, by forcing the business owner to reallocate resources from some other welfare-enhancing use (like a necessary home improvement) to window repairs for her store, the batter's foul ball has reduced the storekeeper's overall well-being.

Compare these labor effects to more standard costs and benefits. If a regulation reduces the air pollution from an industrial boiler, the resulting cleaner air delivers health and environmental benefits, such as fewer cardiopulmonary ailments and less acid rain. Those benefits come at a cost: the industry must install pollution control technologies or processes, and the government must administer the regulation. If the positive consequences outweigh the negative consequences, then the rule is cost-benefit justified. The labor costs associated with installing those control technologies are typically treated as costs, not as beneficial job creation, for the reason discussed above—the new employment is created by a reallocation of labor resources from other uses.

If workers are displaced by regulation (for example, if a factory closes as a result of a pollution control requirement), neoclassical economic theory predicts that in a flexible labor market, they will move from one firm or sector of the economy to another in response to job openings, and wages will adjust to restore employment levels. If this assumption holds and workers are quickly hired by another firm or industry,

then the costs associated with the labor reallocation caused by the regulation are nonexistent or minimal.

On the other hand, if the classical assumption of rapid rehiring does not hold, and workers have difficulty finding replacement employment, then the transition costs associated with layoffs—including psychological, emotional, relocation and training costs—may be considerable.⁷² As the duration of unemployment increases, loss of skills or productivity may result in lower future wages and a decrease in lifetime earnings. Being out of work for a substantial amount of time also increases risk of serious social-psychological problems, including health impacts, loss of self-confidence, depression, and alcoholism. Importantly, long-term unemployment tends to be higher during periods of economic contraction, such as the country has experienced since 2008.⁷³

There are good reasons to be concerned that, in reality, labor markets do not always operate smoothly and that, therefore, cost-benefit analysis should take employment effects into account. Workers who are laid off cannot easily relocate their housing and other region-specific assets like social and family groups. Information barriers to identifying open positions in unfamiliar geographic regions or economic sectors, as well as skill barriers to transitioning into a new field of employment, may further inhibit workers' ability to quickly and easily find new jobs.

The efficiency consequences of employment impacts are easily incorporated directly into cost-benefit analysis. The transition costs associated with a rule are, ultimately, costs. Though cost-benefit analyses in the past have rarely examined the reallocation of labor, the standard methodology has the tools to do so. The transition costs that cost-benefit analysis could reflect include relocation or retraining costs, long-term productivity effects, and any negative effects on psychological or physical health resulting from long-term unemployment. If these transition costs are substantial, they may be enough to raise total costs above benefits, making the rule inefficient. On the other hand, if net benefits remain positive, that means that any negative impact from layoffs and associated transition costs are outweighed by other social benefits.

At the same time, transition benefits could be associated with environmental regulation. Regulation can spur demand in a local labor market by, for example, requiring facilities to retrofit pollution control technology. If that market had recently experienced a labor demand shock resulting in a substantial number of underutilized workers, then increased hiring could cause an important sector- or region-specific welfare gain. Even if aggregate, economy-wide demand for labor is not increased by the rule, expanding employment opportunities in specific markets may have particularly significant consequences for workers—especially in areas in which the regional or local economy is depressed.

If the assumption of well-functioning labor markets is relaxed for the purpose of calculating transition costs associated with layoffs, the same should hold true for determining transition benefits associated with hiring. Examining only one type of transition effect in a cost-benefit analysis would create an unjustified anti-regulatory bias. If currently underutilized workers are hired into new positions with higher productivity because of a rule, this fact should be reflected in the analysis. The best way to do so would be to calculate compliance costs on the basis of the opportunity costs of the workers who are hired in order to comply with a regulation. A standard assumption is that those opportunity costs are exactly equal to the wage paid for the workers, but in imperfect labor markets, this may not always be the case. If a worker is currently unemployed, then the opportunity costs associated with allocating that person to a new position are low, because unemployed workers generate very little productivity. Wages could come down in times of high unemployment to reflect this reality, but in the real world, wages are slow to adjust to change in labor demand. Because the social cost of allocating unemployed workers to a new position is low, compliance costs from a social perspective are lower than the wages that are paid.

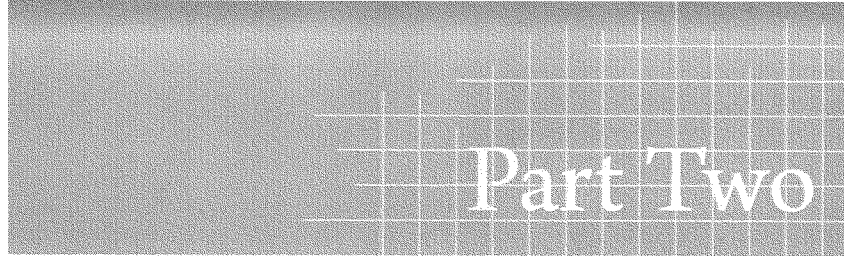
There are also distributional effects related to employment that may be important for policymakers to

consider. For example, a rule may help relatively affluent customers but harm low-skill, low-income workers. So long as the aggregate benefits outweigh the harms, standard cost-benefit analysis would show such a rule to be efficient. Only a subsequent distributional analysis would scrutinize exactly who benefits and who is burdened. Policymakers may then choose to leave such considerations to the political process or may try to adjust the regulation to minimize or offset the unbalanced distributive effects.

If the negative employment effects are mostly distributional, it is not clear that altering or revoking the rule is the optimal response. Rather, direct compensation for disproportionate regulatory costs may be a more desirable way to achieve distributional goals.⁷⁴ There are, however, important practical and political limitations to such compensation schemes. In those cases where compensation for non-wage losses from unemployment—like lost skills and psychological harms—is difficult, altering a rule to reduce labor transition costs may be the best option.

These are complex considerations, which require good analysis. The risk is that policymakers, in a bid to minimize the transition costs of a regulation, may change the rule in a way that causes even larger unintended efficiency losses. Indeed, the most significant past attempt to reduce transition costs associated with environmental protection—the grandfathering of existing, coal-fired power plants under Clean Air Act regulations—has resulted in massive inefficiencies that were not anticipated at the time the policy was made.⁷⁵ This is why the vast majority of economists now prefer flexible, market-based regulatory tools with compensation for distributional effects, rather than command-and-control regulation with transitional regulatory relief. Market-based regulations allow firms to respond in the most efficient manner, minimize the administrative burden on government, and often simplify compensation schemes for any negative distributive effects.⁷⁶

To conclude, the labor effects of rules are sometimes important, and examination of the costs and benefits associated with layoffs and hiring can play a useful role in regulatory impact analyses. Cost-benefit analysis is already a complex and time-consuming task: cost estimates require engineering analyses and technology forecasts; benefit estimates require detailed scientific models, dose-response curves, and careful surveys of the value of health or environmental gains. Adding an examination of secondary effects on labor markets—dynamic, complex systems that are extremely difficult to model—will increase the analytic burden faced by agencies, but can also generate valuable information that should be considered by policymakers. To ensure that this kind of analysis actually helps improve regulatory decisionmaking, careful attention must be paid to the nature of the labor market, and especially the welfare effects associated with different potential jobs effects of regulation. In other words, if employment effects are to be taken into consideration when setting regulatory policy, then the accuracy, transparency, and potential limitations of the economic models used to estimate employment effects matter.



Part Two

The Limitations of Employment Models for Setting Environmental Policy

All of the models used to estimate the effect of environmental regulations on layoffs, hiring, and overall employment have limitations, which means that the picture they provide is necessarily incomplete. Currently, most models are best able to examine only part of the picture—like layoffs or hiring in a particular sector—and cannot accurately model the dynamic, economy-wide effects of a policy on aggregate employment levels. Because overall employment responds to large, macroeconomic factors, individual environmental regulations will rarely have lasting effects on aggregate employment. Environmental regulations that do not affect marginal labor productivity in the general economy are more likely to influence only the geographic or sectoral distribution of employment opportunities, rather than national employment levels. Current employment models are better suited to measuring these effects than forecasting economy-wide consequences. While this information may be useful for policymakers, especially when designing mechanisms to reduce transition costs and protect against long-term unemployment, it should not be mistaken for an accurate picture of the net effects of an environmental policy on employment in the economy as a whole.

Overview of Model Varieties

Multiple frameworks can analyze employment effects—from simplistic supply-and-demand curve analysis to complex computable general equilibrium models. Each technique has its own strengths and weaknesses; therefore, particular models may not be ideal for analyzing certain public policies.

Single Market Supply-and-Demand Analysis: If a policy has only small effects on a single market, analysts can turn to the most elementary of economic tools and plot the supply and demand curves.⁷⁷ This approach has the advantage of being inexpensive and fast. Assuming the regulation causes production costs to increase, the higher price may then be passed on to consumers, some of whom may decrease their demand. By assuming a drop in consumer demand for a good or service decreases output, which in turn triggers a proportional drop in labor demand, basic job impacts can be estimated. Of course, the simplicity of this analysis is also its shortcoming: by ignoring all but a single market, the technique overlooks the possibility of simultaneous job creation in other sectors, either because regulatory compliance requires new goods and services, or because consumers seek out substitute goods as they lower their demand for the regulated product.⁷⁸ Consequently, this kind of analysis is really only suitable for “very small-scale regulations,”⁷⁹ and even then can only offer an incomplete estimate of total employment effects. To capture more complex market interactions requires, at minimum, a multiple-market partial equilibrium analysis.

Multiple-Market Partial Equilibrium Analysis: A strictly partial equilibrium analysis studies only one market, holding the prices and quantities of goods and services in other markets constant. A multiple-market partial equilibrium analysis, however, can capture a finite set of important linkages between several markets, while still assuming the absence of broader effects to the general economy.⁸⁰ By assessing a few closely related markets for substitutes and complementary goods, multiple-market partial equilibrium analysis can paint a clearer picture of the effects of certain regulations; it can be especially

useful to evaluate policies that change the relative price of a specific good.⁸¹ But for regulations with economy-wide impacts, this approach cannot capture the complex interactions between various markets, and an economy-wide general equilibrium model is necessary.

Fixed-Price General Equilibrium Simulations (I-O Models): Fixed-price simulations are the most widely used tool to assess the employment effects of environmental policies.⁸² These models hold prices constant, which, though unrealistic, allows researchers to easily estimate economy-wide effects and break down results by sector or region. These simulations are designed to focus on impacts to specific sectors of the economy, while still estimating how changes in the demand for goods and services ripple through the entire economy.

These models are built around input-output (I-O) tables, which are essentially accounting matrices that show the flow of goods and services through the economy: the output of one sector is the input for another. The tables are ideally built from data derived from detailed surveys of manufacturers;⁸³ however, sometimes surveys may prove too costly, and I-O table may instead be built around shortcuts, which undermines their reliability.⁸⁴ From these tables, I-O analysis derives “multipliers” that indicate how an increase or decrease in activity in one industry affects business activity and jobs at all other industries.⁸⁵

I-O simulations have important limitations. It is more difficult to model policies that change supply compared to policies that change demand. These simulations also cannot reflect long-term, structural changes to the economy, like globalization and industrialization. Moreover, because these models require constant prices, there is no room for price adjustments, and so they cannot account for substitution between goods and services consumed. As a result, I-O models tend to overstate employment effects.⁸⁶

Some examples of popular fixed-price models are IMPLAN (Impact analysis for PLANning, created by MIT, Inc. using data from federal government sources)⁸⁷ and RIMS-II (Regional Input-output Modeling System, developed by the U.S. Bureau of Economic Analysis).⁸⁸ Such models may provide good estimates for the short-run effects of policies in small economies; but for policies with a large enough impact to affect relative prices, a more sophisticated approach is likely required. For example, the RIMS website cautions that “RIMS multipliers are best suited for estimating the impact of small changes on a regional economy,”⁸⁹ and some analysts have advised that since it cannot capture changes over time, “IMPLAN is not readily suitable for forecasting the effects of public policy changes.”⁹⁰ In particular, for “policies that have large, widespread impacts, like carbon taxes to address global warming, the [assumptions about] prices implicit in the linear model can lead to significant inaccuracy in policy analysis.”⁹¹

Computable General Equilibrium (CGE) Simulations: Computable General Equilibrium models use the same data as I-O analysis, but CGEs permit for fluctuating prices and more complex interactions among economic sectors.⁹² In particular, CGEs allow for substitution of goods and services, creating a more realistic picture of employment—and “less extreme assessments of employment impacts.”⁹³

CGEs first emerged in the 1960s, and by the 1980s they had gained widespread use among analysts seeking more powerful, sophisticated tools to estimate economic impacts.⁹⁴ Common CGEs include REMI (Regional Economic Models, Inc.)⁹⁵ and Global Insight (developed by IHS, Inc.).⁹⁶

Unfortunately, the main strength of CGE models—complexity—is also their chief disadvantage. A CGE model is composed of multiple equations solved simultaneously;⁹⁷ the more sophisticated the CGE model, the greater the number of equations to be estimated and the greater the degree of model calibration required. They are therefore more expensive to purchase or construct; they require more data and more analysis; and their complexity makes them less transparent to a lay or policy audience.⁹⁸

In particular, hidden within the CGE’s structure are multiple decisions about the correct values for additional terms, decisions typically left up to the modelers’ judgment.⁹⁹ Often the values of key

Mr. FARENTHOLD. Thank you very much.

I will now recognize myself for five minutes.

Mr. Courts, Ambassador Kennedy and I got into a discussion about the absence or presence of land use agreements for the facilities we have in Iraq. Do you have the current status of that, or at least the information from your latest report as to what facilities we do and do not have land use agreements for?

Mr. COURTS. Yes. What Ambassador Kennedy may have been referring to is that for 13 of the 14 facilities the Iraqis have acknowledged a presence through diplomatic notes, but there is still only five of the 14 for which we actually have explicit title land use agreements or leases.

Mr. FARENTHOLD. All right, so I am not a diplomat, so what does that mean? They say, all right, you can use it until we change our minds? Is that basically what those are, or is there some force of law to those notes?

Mr. COURTS. Well, the notes are definitely not the same thing as having an explicit agreement. As a matter of fact, there has already been one case where the Iraqis required us to reconfigure, downsize one of our sites, and that was one of the sites where we did not have a land use agreement. So, obviously, we are in a much more vulnerable position when there is not an explicit agreement.

Mr. FARENTHOLD. All right, Mr. Carroll, I would also like to follow up with a question I had on the last panel about the use of Iraqi nationals in overseeing some of our investigations. What is your opinion on that? Does that strike you as a good idea, a bad idea, or something we are stuck with because there is no alternative? It seems like Americans would be a little bit more concerned about how their tax dollars were spent than the Iraqi nationals who are the recipients of those tax dollars. It is kind of a fox guarding the hen house, it looks like.

Mr. CARROLL. Well, personally, I think it is, like Ms. Rudman said, it is an additive sort of step. We would do the same thing. For example, in some of the places where it is absolutely prohibited because of security, what we will do is contract with a local CPA firm, primarily out of Egypt, and do a very comprehensive agreed upon procedures document that they will go out and they will take pictures, they will ask questions. They would do what we would do if we could get there. So I think that is what Mara was talking about as well.

I don't see it as a problem. In fact, I see it as an adjunct to, and it is not a replacement for, USAID contracting representatives and technical representatives actually getting out and ensuring that the work is being done. That is not what these people are doing. What these people are doing is going out, just doing some monitoring and evaluation, but it does not replace what the responsibilities are for the Americans.

Mr. FARENTHOLD. All right, thank you very much.

I am not sure if I want to address this to Mr. Courts or Mr. Bowen. Whichever one of you seems the most eager to answer can take this. I haven't been to Iraq; my information in the field of what it is like on the ground there is based on things that I have read and reports that I have seen on television. But a good many of our facilities are in metropolitan areas, including the capital,

Baghdad, and I am concerned that we are struggling getting food and water to these folks in a safe manner. I mean, what is the procedure? Is the food delivered? How is that handled and why is it a problem in a metropolitan area? There are hundreds of thousands of people in these cities, Iraqi nationals that need to be fed. Obviously, it is more complicated than just going down to the Safeway, but how is that handled and why is it such a problem?

Mr. BOWEN. The State Department, as Ambassador Kennedy indicated, continued the LOGCAP contract after the military withdrew in December and, thus, the process for bringing food into the country continued as well, and that is via convoys that come up from Kuwait. There have been challenges: That checkpoint has occasionally been closed, there have been security challenges with regard to those convoys, and other reasons that the shipments have been intermittent and has led to an occasional shortage of certain foodstuffs at the embassies.

Ambassador Jeffrey emphasized repeatedly this spring his desire to move towards local purchase, but that has been slow.

Mr. FARENTHOLD. All right. There is also a lot of concern about the amount of security that is necessary and how much we are spending on it. Could you take a moment, just a typical day in the life of an embassy employee? Do they sleep on the compound? Do we have security where they are living? Do we escort them home.

It looks like the ratio of contractors to employees is almost 7 to 1. I don't know how many of those are security personnel. I mean, is it like the President, where everybody has a security detail that travels with them everywhere they go?

Mr. BOWEN. Yes.

Mr. FARENTHOLD. How much do they get out and how does that work?

Mr. BOWEN. It is, as I said in my statement, very much the process that existed in 2007. So the drop in the number of attacks has not led to a relaxation in the security requirements, and those security requirements are dictated by the regional security officer at the embassy.

In Baghdad, the situation, as a general matter, has improved greatly, but still to make a movement outside the embassy grounds requires 48 hours of notice, three hardened vehicles and a couple of shooters in each vehicle, and limited time onsite to carry out your mission. So it is a restrictive environment from a security perspective.

By the way, it is still quite dangerous up at Kirkuk. While there haven't been very many duck-and-covers, as we say at the embassy this year, that is not the case up at the Kirkuk facility. Basrah similarly has a much more difficult security situation than those who operate in Baghdad.

Mr. FARENTHOLD. And do our personnel live near or onsite?

Mr. BOWEN. They live at the embassy in Baghdad, yes.

Mr. FARENTHOLD. Okay. So we are not sending dozens of people home with somebody.

Mr. BOWEN. No.

Mr. FARENTHOLD. Okay.

I see my time is way expired. I would recognize the gentleman from Massachusetts and we will give him six minutes as well.

Mr. LYNCH. You are very kind. Thank you, Mr. Chairman.

Like it or not, I have been to Iraq, I think, 13 or 14 times now. A couple of things in the testimony raised some concerns for me.

Mr. Carroll, on USAID, I understand the security situation there is very, very difficult, but it seems to me that it is probably the worst situation we could have where our inspectors can't get out to the sites to review the projects that the American taxpayer is paying for. That is just a very tough situation. I am very uncomfortable with that. I know I have been out many times with Mr. Bowen and his inspectors onsite in Iraq.

There is a certain value in having U.S. Personnel go out there, engineers, if possible, to review some of these projects. We have had widespread corruption at various levels in Iraq, so there has been an experience there that should cause us to be very, very cautious about where our money is going and whether these projects are being built to proper standards, number one, and whether they are being built at all and whether some of our money is being diverted.

Is there any hope here? Is there any way that we could enhance the cooperation that we are getting from the Iraqi Government by withholding funds for these projects unless we get access to those sites and have the ability to do proper oversight.

Mr. CARROLL. Well, it is not the Iraqi Government that is I don't want to say creating the problem, but it is not the Iraqi Government; it is the RSO, as Mr. Bowen said. During the transition period, which was a very difficult period, I think we would all agree with that, we were turned down on three of our seven movement requests.

But, again, that was a very difficult time. Since then we have been able to make site visits and, like Mr. Bowen said and you have been there too, it takes a lot of planning. So you can't just drop in, which sometimes we would like to do, particularly on the investigative side. The way it is going now, everybody knows we are coming, so that creates some problems for us. But so far we have been able to do our work.

Now, as AID has moved from what is not their traditional kind of work, and that is reconstruction—they were doing that quite a bit in the early days—and now it is a lot of technical assistance and it is a lot of the meat and potatoes of, like I said, democracy and governance and civil society and education and health, and those sorts of things, most of that is located in and around Baghdad, so it is not like we have to go to Basrah, Kirkuk, or something like that. So we are confident that if we are smart about it, and we work with the RSO, that we can do our job. Like I said earlier, it is extraordinarily expensive for us to be there, so we are going to change our sort of footprint a little bit, but I want to assure you that we are still going to provide substantial oversight of the AID programs.

Mr. LYNCH. Okay, thank you.

Stuart, if I ask you, in terms of the deployment of our—we have 6,000 private contractors there. Are these all DynCorp? Are they U.S. Nationals? What is the makeup of that security force?

Mr. BOWEN. They are not all DynCorp; it is under the Worldwide Protective Services contract that the State Department manages.

Triple Canopy is there and others. The guards themselves are third-country nationals as I have observed.

Mr. LYNCH. Okay.

Mr. BOWEN. And then there are a variety of other companies that are working there. I should say the static guards are third-country nationals; those that are running the convoys themselves, that are doing the driving of the shooters in the Suburbans, are Americans, contractors.

Mr. LYNCH. Okay.

What is the security—I know we have several sites there and you mentioned the difficulty in Kirkuk.

Mr. BOWEN. Yes.

Mr. LYNCH. Give me the worst situations that we have there right now for our facilities that Mr. Courts was talking about, as well. What is the worst situation we have, is it Basrah?

Mr. BOWEN. It is a close call between Basrah and Kirkuk, but Kirkuk is subject to indirect fire quite regularly, and that is—

Mr. LYNCH. Are we still getting rocket attacks out of Sadr City into Baghdad?

Mr. BOWEN. Very, very infrequently. And the duck-and-covers have been minimal at the embassy in Baghdad. Contrarywise, in Kirkuk, it is a weekly, if not daily, experience.

Mr. LYNCH. What about Umm Qasr, down at the port there, are we having a bad situation down there as well.

Mr. BOWEN. In Basrah, the size of the consulate down there is limited and their capacity to move about is limited, and because of that the Police Development Program office that was going to operate there has been withdrawn.

Mr. LYNCH. Now, is that our decision or was that the Iraqi decision?

Mr. BOWEN. Our decision. But the Iraqis, when I was in Iraq at the end of April and met with active Minister Asaby, he said that he needed maybe 15 or 20 advisors, in his view, from the program. The program, as you know, started out at about 200, dropped down to 115, now down to about 70 to 80. The plans are to bring it down to 30 to 40, and then it will continue to evolve and devolve, as it were.

Mr. LYNCH. Mr. Courts, can I address you for a second? Where do you see the flashpoints in terms of our facilities. You had a whole list of sites that you had identified in your testimony. What are the bottom three? What do you worry about at night in terms of your facilities there.

Mr. COURTS. Congressman, the State Department and the DOD agreed together that they would meet three overarching criteria in the area of security to be considered fully mission capable.

The three criteria that they identified were that they would have secure and protected facilities, that they would have the ability to achieve the secure movement of their people, and that they would have emergency response capability in place. They didn't meet those criteria in October and in many cases they still don't meet them today. I can't go into the details of what the exact vulnerabilities are because that is sensitive information; however, I can say that they intended to have certain security features in place at sites in October. Some of those features are still not in

place today. Some of them are not slated to be in place until sometime in 2013.

In addition to that, the State Department intended to have the use of MRAPs to help achieve the secure movement of their people, the mine resistant ambush protected vehicles. The DOD provided, I think, something close to 60 of those vehicles, but our understanding is that the Iraqi Government will not allow their use, so they are essentially sitting unused right now.

Mr. LYNCH. Okay. Well, that is important for the Committee to know. And, again, I am trying to get you to tell me about site-specific concerns that you have. Are there some areas that you think desperately need security attention right now?

Mr. COURTS. Again, I can't get specific about the sites; however—

Mr. LYNCH. Oh, okay. All right. I will let you go on that. Okay, we can talk later.

Thank you. I yield back.

Mr. FARENTHOLD. Thank you, sir.

We will now recognize the other gentleman from Massachusetts for five minutes.

Mr. TIERNEY. Thank you. Does Texas get the sense we are gang-ing up on you.

Mr. FARENTHOLD. No.

Mr. TIERNEY. Which, if any, of you gentleman has been looking into the planned work being done on the embassy that was reported by Walter Pincus in the Post this morning? Mr. Geisel, what kind of work are you doing in terms of evaluating the expense there and the purpose?

Mr. GEISEL. Well, we started actually, oh, I guess it was about more than three years ago, with an audit of the building of the embassy itself and, as you know, we recommended to the Department that they recover I believe it was over \$200 million from the contractor for what was really slipshod, and worse than slipshod, construction.

Mr. TIERNEY. Did they recover it?

Mr. GEISEL. Not to my knowledge. It would probably take court action, and we, in all candor, we understand that asking for the money is one thing, and finally getting it after battles is another, but we really believe the Department should be trying to get it back.

We, on a continuing basis, audit the Department and construction. Now, for instance, let's take the \$100 million that was mentioned in the article. I don't know if that is an absolutely accurate figure, but what I do know is the Department does have plans. First of all, you have to remember the Department doesn't have that money yet, it is asking the Congress for the money. But where we come in is we want to know what is the Department going to get for that money. Do they have provable savings of \$200 million or is it a matter of security? Or is it a matter of something nice to have? And we will be looking at that. But we can't look too far until and unless the Congress decides to give them that money that he spoke about.

Mr. TIERNEY. Well, I would hope Congress would find the answers to those questions before it gave him the money, frankly. I

mean, it is a \$700 million facility before we have even started; \$700 million, slipshod work, incredible expenditure. We went all through those hearings under Henry Waxman and others on that, and now they want to be spend \$60 million to \$80 million supposedly over the next two years for a central utility power plant, underground fuel storage facility, wide-fire water distribution, domestic water system, sanitary sewer system, stormwater system, and telecommunication system. So can you tell us whether or not \$700 million just didn't address any of those issues in a compound of that size?

Mr. GEISEL. I think the answer is that obviously the way the \$700 million was spent didn't, and that was in our report. And the question now is are you throwing in good money after bad or is this something that is going to save us money?

Mr. TIERNEY. Has anybody looked at evaluating their proposed purpose for using this facility, the number of people who are ostensibly going to occupy it and how that may be different than at other embassies of similar size and purpose?

Mr. GEISEL. That is really going to be done under our Baghdad master plan audit, which begins literally in a matter of days. And what we are going to do is review whether the infrastructure that is already in place and the proposed new construction align with the short-term and long-term diplomatic presence. So the answer is we are looking and we will let you know.

Mr. TIERNEY. I mean, obviously, that should be conditioned on that. We also look at part of what they are proposing is a classified embassy annex extension, some considerable work, maybe \$20 million to \$35 million on that. It looks to me like they are talking about a sniff and some other things in that base, some classified stuff. Are you going to be able to see what you need to see to make an evaluation of that, or should this Committee and others in Congress be looking to make sure it is evaluated by some other appropriate entity?

Mr. GEISEL. We have all the clearances we need to look at that work, and we certainly will.

Mr. TIERNEY. Okay. I mean, having sat through the hearings on the original embassy construction and failures or whatever, it is something that we definitely have to do. And I also question \$700 million, none of the seventh of that hundred million plus for things that look like they would be intricate to any building of that nature out there. How they could have left them out is sort of surprising on that.

I am also very interested that we take a look at how many people they plan to have in that facility, what their purposes are and how that purpose aligns to what the diplomatic mission is. Are we doing diplomacy on that building? Are we doing something else? Do we need those people for that particular mission? Where does it line up. One mention in this article is it going to consolidate other things so we will be taking a presence out of other parts of the country and putting them in there, only to find out that later mobility and security improves and you are going to be kicking them back out. All those questions are yours hopefully to give us some advice and direction on.

Mr. GEISEL. I would love to have you lead the team. I think you are asking the very questions we will be asking.

Mr. TIERNEY. Well, I am comforted to know that you are going to ask them because I think all of us up here just sit here with our mouths gaping open when we look at the amount of money for such basic things on that and we look at the staggering number of people that they are going to put in an embassy that I have not seen in any of the embassies anywhere else in comparably sized countries.

I understand the security issue, but if a country doesn't want our people to be moving around, we have to take a look at how we limit our presence there and just work with that. This idea of having private security people running around getting paid what they are getting paid, to then tell us that they just can't move and their security advice is to stay put is kind of crazy on that. So thank you for your help with that.

I yield back.

Mr. FARENTHOLD. Thank you. The gentleman's time has expired.

I would like to thank our witnesses for taking time to be with us. As I think the testimony today has made clear, this is an ongoing issue, so I suspect we will be seeing many, if not all, of you in front of this Committee again, and again I thank you for your participation.

The Committee stands adjourned.

[Whereupon, at 11:06 a.m., the subcommittee was adjourned.]

