

**STATEMENT OF ROBIN L. RAPHEL
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BEFORE THE

**UNITED STATES HOUSE
ARMED SERVICES COMMITTEE
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS**

IRAQI SECURITY FORCES LOGISTICS AND EQUIPMENT

**Friday, March 9, 2007
Washington, D.C.**

Chairman Meehan, Ranking Member Akin, and members of the Subcommittee: I appreciate this opportunity to address you today on the role of the Special Inspector General for Iraq Reconstruction (SIGIR) in overseeing U.S. reconstruction activities in Iraq, in particular SIGIR's work on the Iraqi Security Forces.

BACKGROUND

Inspector General Stuart Bowen, who is currently on his way back from Iraq, was appointed as the Inspector General of the Coalition Provisional Authority (CPA) in January 2004 and began oversight of CPA programs and operations with about a dozen staff in Baghdad in March of that year. In October 2004, two months before the scheduled termination of the CPA Inspector General, the Office of the Special Inspector General for Iraq Reconstruction was created by Public Law 108-106, with Mr. Bowen continuing his leadership of oversight for reconstruction in Iraq. Inspector General Bowen appointed me the Deputy Inspector General in December 2006.

SIGIR reports jointly to the Secretaries of State and Defense to keep them fully informed about the results of our reviews and our recommendations for corrective action. Our reports are provided directly to the Congress and made available to the public on our website, www.sigir.mil.

The Congress has tasked SIGIR to provide oversight of the substantial United States investment in the reconstruction and relief of Iraq. This includes the \$21 billion in the Iraq Relief and Reconstruction Fund, which is now 82 percent disbursed, as well as the Iraq Security Forces Fund (total \$10 billion; SIGIR oversight, \$8.39 billion), the Commanders Emergency Response Program (total \$2.5 billion; SIGIR oversight, \$.708 billion, plus audits of the \$140M FY 04 and \$718M FY 05 CERP appropriations, at the request of the Deputy Secretary for Defense), and the FY 2006 Economic Support Fund programs (total \$1.595 billion; SIGIR oversight, \$1.545 billion).

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In carrying out its mission, SIGIR seeks to apply a balanced approach, providing oversight, insight, and foresight in the Iraq reconstruction program. SIGIR's *oversight* efforts, an Inspector General's traditional focus, address the ability to obtain maximum return on the U.S. taxpayer investment and to promote transparency and accountability of the U.S. administration of any Iraqi resources used. SIGIR's *insight* efforts advise the U.S. reconstruction leadership on management issues, with the emphasis on creating an environment of accountability, rule of law, and public trust in Iraq. SIGIR's *foresight* efforts focus on end-state issues, such as the cost to complete, transition of U.S. funded projects to Iraqi control, sustainment of U.S. funded projects and programs, and capacity building programs.

Part of the mission of an Inspector General is to identify problem areas and work with management to fix them. Our audits suggest solutions in addition to reporting findings. I am pleased to report that most of our audits have provided recommendations that management agrees with and implements. This has promoted an ongoing positive evolution in the U.S. reconstruction program in Iraq.

REVIEW OF SIGIR'S WORK

To date, SIGIR has:

- Produced 12 Quarterly Reports.
- Issued 82 audit products with an additional 16 audits underway. We have completed four audits to date related to the training of Iraqi Security Forces.
- Produced 80 project assessments based on inspections of project sites. The most significant for this quarter was our second assessment of construction at the Baghdad Police College.
- Opened over 300 criminal and civil investigations leading to 10 arrests and five convictions. This includes the conviction of Mr. Robert Stein, who was recently sentenced to nine years in prison and fined \$3.6 million for his role in money laundering and conspiracy to defraud the CPA in Hilla, Iraq. SIGIR Investigations have resulted in 23 cases currently under prosecution at the Department of Justice, and we are currently working on 79 on-going investigations.

SIGIR also has an ongoing Lessons Learned Program, with two reports already published (one on Human Capital Management and the other on Contracting). The third and final report, which addresses Program and Project Management, will be published this quarter. A Lessons Learned capping report, called The Story of Iraq Reconstruction, will be published by the end of this calendar year.

[SIGIR's latest quarterly report, issued January 30, 2007, is submitted for the record]

SIGIR audit and inspection reports have documented a number of problems in the U.S reconstruction effort in Iraq, including poor supervision and oversight, poor workmanship, and use of substandard equipment and parts. The overall reconstruction plan has been revised frequently, changing the scope and timelines for many projects and the balance among the reconstruction sectors. It is important to remember, however, that

the reconstruction effort is being carried out in the face of a volatile and often deteriorating security situation, and our findings should be viewed in that light. Further, SIGIR's inspection reports document that most of the projects we have visited have met contract expectations in terms of what was actually produced, even if the costs were higher and the timelines longer. These successes are notable given the continuing security challenges in Iraq.

ISF LOGISTICS AND EQUIPMENT AUDITS

Strategy and benchmarks for U.S. efforts in the security sector have changed numerous times since fall 2003 because the Government of Iraq and ISF could not assume security responsibilities according to the original timetables. Lack of sufficient logistics capability has been a major reason for the shifting timelines. The former Commanding General of the Multi-National Force-Iraq (MNF-I) underscored on August 30, 2006, that logistics capabilities were one of the key enablers to help get the ISF to the point where they can provide security in Iraq independent of U.S. and coalition forces.

At the request of the former Chairman of the Senate Armed Services Committee, SIGIR completed an audit in October 2006 of MNF-I plans to build the logistics capabilities of the ISF and an audit of weapons purchased from 2003 through 2005 for the ISF using funds from the Iraq Relief and Reconstruction Fund (IRRF). These audits identified significant challenges to the efforts to build the ISF's logistics capabilities, the ISF's ability to maintain the weapons provided to them, and DoD's accountability of the weapons it provided to the ISF.

Iraqi Security Forces Logistics Plans

The Administration's *National Strategy for Victory in Iraq* lays out the goals and general framework to achieve security and stability in Iraq to include building the capacity of the Iraqi government to defeat terrorists and neutralize insurgents and illegal armed groups. On October 13, 2005, DoD reported to the Congress that the development and fielding of the Iraqi logistics' capabilities¹ is a critical component for the Iraqi Security Forces (ISF) in conducting security operations independently.² MNF-I is using funds from both the IRRF and the Iraq Security Forces Fund to build the logistics capabilities of the Iraqi Army under the Ministry of Defense and the Iraqi local and national police forces under the Ministry of Interior. The SIGIR report is limited to the use of IRRF to achieve these goals, while the DoD Office of Inspector General and the U.S. Government Accountability Office have been charged with reporting on Iraq Security Forces Fund

¹ ISF logistics capabilities include the ability to maintain equipment, provide the supply support to the security forces, transport personnel and equipment, and maintain the health of Iraqi soldiers and police.

² DoD submitted its October 13, 2005, *Measuring Security and Stability in Iraq* report to the Congress pursuant to Section 1024 of Public Law 109-13 (for reporting through the end of fiscal year 2006).

expenditures. As of August 1, 2006, the U.S. had spent \$666 million from the IRRF on the development and fielding of these capabilities.

The SIGIR audit focused on DoD's plans for implementing a functioning logistics operation within the ISF and transitioning sustainable and maintainable logistics operations to the Ministry of Defense and the Ministry of Interior. The audit identified specific potential challenges to these plans.

MNF-I has made some progress in its efforts to build effective logistics capabilities within the Iraqi Army and to transition control of these capabilities from MNF-I to the Ministry of Defense. However, significant challenges remain that put at risk MNF-I's goal to transition a sustainable logistics operation to the Ministry of Defense by January 1, 2008. Further, we found that the planning for the logistics capabilities for the Ministry of Interior is incomplete. Consequently, we also conclude that MNF-I will face significant challenges in transitioning logistics capabilities to the Ministry of Interior and its local and national police forces.

Ministry of Defense. While MNF-I has made some progress in building logistics capabilities within the Iraqi Army and moving these capabilities under the control of the Ministry of Defense, much more needs to be done to meet its goal transitioning all these capabilities to Ministry of Defense control by January 1, 2008. Significant challenges that put MNF-I's goal at risk include:

- *Adequate personnel to train Iraqi Army logistics units*—MNF-I acknowledged that it has an insufficient number of U.S. logistics personnel in Iraq to train Iraqi Army logistics units simultaneously and that it has not developed a plan to address this shortfall. MNF-I told SIGIR that it is considering using a train-the-trainer model, in which Iraqi logistics soldiers who have already been trained would be paired with other Iraqi soldiers. This would maximize the number of trained personnel. MNF-I has yet to commit to this course of action.
- *Ensuring that there are enough trained soldiers to implement its plans*—the Multi-National Security Transition Command-Iraq (MNSTC-I)³ could not tell us how many Iraqi personnel were trained to support these logistics functions. Further, not all trained Iraqi soldiers were assigned to and remain with logistics units, particularly for operational-level logistics units that require personnel with advanced specialty training, such as doctors, nurses, medics, and mechanics.
- *Ensuring that the Ministry of Defense provides enough funds to sustain the logistics capabilities that MNF-I is planning to transfer to Iraqi Army control in 2007*—MNSTC-I estimated that it will cost the Ministry of Defense about \$3.5 billion to sustain its operations in 2007. Because the Ministry of Defense's budget was not submitted to or approved by the Iraqi Parliament by October 2006, it was not possible to assess whether the Ministry of Defense is prepared to provide sufficient funds to support logistics capabilities in 2007. The 2007 budget has now been approved by the Iraqi Council of Representatives, but the

³ MNSTC-I is a subordinate command of MNF-I and is responsible for the initial training and equipping of the ISF.

version available to the public does not include a detailed breakout of the logistics budget.

Ministry of Interior. MNF-I did not expect to complete its plans to develop the logistics capabilities within the Ministry of Interior until the end of November 2006. SIGIR has concluded that MNF-I faces significant challenges that will put this plan at risk:

- *The Ministry of Interior does not fully control the Iraqi Police Service, as each governorate's police service answers to the local governor.*⁴
- *Training enough Iraqi logistics personnel to implement the MNF-I plan*—because MNF-I plans were not yet final at the time of the audit, SIGIR has no assurance that MNSTC-I was planning to train enough Iraqi police forces logistics personnel by the end of 2006. As the Government Accountability Office has continuing work in this area SIGIR has not determined whether MNF-I has completed its plans.
- *Ensuring that the Ministry of Interior provides sufficient funds to sustain the logistics capabilities of the Iraqi police forces in 2007*—MNSTC-I estimated it will cost the Ministry of Interior about \$2.4 billion to sustain its operations in 2007. Because the Ministry of Interior's budget has was not submitted to or approved by the Iraqi Parliament by October 2006, it was not possible to assess whether the Ministry of Interior is prepared to provide sufficient funds to support logistics capabilities in 2007. Specific detail about the 2007 Ministry of Interior budget is still not available.

Given the challenges that MNF-I faced within the Ministry of Interior, SIGIR believes that there is a significant risk that even if the initial goal to develop a sustainable logistics capability plan had been achieved by the end of November 2006, the Ministry of Interior would not be capable of assuming and sustaining logistics support for the Iraqi local and national police forces in the near term.

During the audit, SIGIR examined data that the Multi-National Corps-Iraq (MNC-I)⁵ used to track its expenditures for supplies and other services that it provided to the ISF from January through June 2006. We found that the MNC-I did not account for a relatively small amount of the funds (about \$900,000) that were spent in this period. Although MNC-I was required to assign supply categories to all funds spent, they did not do so in all cases. Although MNF-I has already made adjustments to the reporting process to improve the accuracy and consistency of MNC-I's reporting, MNC-I officials said they would also take action to adjust the data to accurately reflect the historical costs of its logistics support to the ISF. Corrective action to improve data accuracy had not been completed as of the end of October 2006.

SIGIR recommended a number of actions to address the challenges we identified. We also recommended DoD provide the Congress with details on MNF-I plans and progress

⁴ The Iraqi Police Service is the name for the local police force.

⁵ MNC-I is another subordinate command of MNF-I and is responsible for partnering with the ISF to provide Iraqi security personnel with on-the-job training. MNC-I executes this mission in addition to its primary mission of conducting combat operations in Iraq.

in training logistics personnel and the adequacy of the budget of the Ministries of Defense and Interior to support logistics capabilities in the DoD quarterly report, *Measuring Security and Stability in Iraq*. MNF-I concurred with these recommendations.

The Defense Reconstruction Support Office (DRSO) said the recommendation on providing Congress with detailed information on MNF-I plans and progress to train Iraqi logistics personnel in the *Measuring Security and Stability in Iraq* report was outside the scope of the Public Law 109-289, which governs this report. DRSO asserted that type of information contained in the quarterly report is directed by law and that DRSO follows the statutory language in determining content. SIGIR continues to believe that providing this information is well within the scope of legislation governing the report.

Since the publication of our report, MNF-I, though MNSTC-I, has worked with the Ministry of Defense to establish an action team to identify Iraqi logistics manning shortfalls. It is not yet clear what progress this action team has made.

[The SIGIR audit report on this matter is submitted for the record: Iraqi Security Forces: Review of Plans to Implement Logistics Capabilities (SIGIR-06-032, October 28, 2006)]

Iraqi Security Forces Weapons

The capacity of the Iraqi government to provide national security and public order is partly contingent on arming the ISF under the Ministries of Defense and Interior. The United States is supporting the Iraqi ministries by providing arms from a variety of sources, including those captured, donated, and purchased. The United States planned to provide equipment for approximately 325,500 ISF personnel by December 2006. Of these, 277,600 ISF personnel were issued weapons as of August 2006. Responsibility for determining weapons requirements and the initial equipping and training of ISF personnel rests primarily with MNSTC-I.

This audit, requested by the Chairman of the Senate Armed Services Committee, addresses the type, quantity, and quality of weapons purchased with the IRRF for the ISF, as well as the ISF's capability to independently maintain and sustain these weapons. Although a review of the accountability of the IRRF-funded weapons was not requested, its relevance to sustainment warranted a limited assessment of weapons property records compared to the quantities purchased with IRRF funds. Further, given the importance of controlling these sensitive items—particularly considering the security environment in Iraq—SIGIR also reviewed compliance with DoD policies for registering weapons' serial numbers.

About \$133 million of the IRRF was used to purchase more than 370,000 weapons through 19 contracts with 142 separate delivery orders. The weapons were small arms of 12 types that ranged from semiautomatic pistols and assault rifles to heavy machine guns and rocket-propelled grenade launchers. The contracts required that the weapons either be new or not previously issued.

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We identified the following factors as limiting ISF's capability to independently maintain and sustain these specific weapons, and possibly any identical weapons obtained by other means than IRRF:

- the lack of spare parts to conduct maintenance and repairs for most types of weapons purchased
- the lack of a requirement to provide technical repair manuals to ISF maintenance personnel
- vacant arms maintenance positions in the ISF
- the questionable accuracy of MNSTC-I inventories for 3 of the 12 types of weapons purchased with IRRF funds
 - 13,180 of 176,866 9mm semiautomatic pistols (7%)
 - all 751 M1-F assault rifles (100%)
 - 99 of 518 MP-5 machine guns (19%)

In addition, during our review of contract files, we did not locate sufficient documentation to show that MNSTC-I had fully complied with the requirement to register the serial numbers of all 370,000 weapons in the DoD Small Arms Serialization Program database. MNSTC-I had registered only 10,000 of the 370,000 weapons (2.7%); all of the registered weapons were 9mm semiautomatic pistols.

SIGIR recommended four actions to MNSTC-I to address these issues, including determining requirements for spare parts and technical repair manuals, policies and procedures for filling vacant arms maintenance positions, establishing accurate weapons inventories, and initiating actions to ensure compliance with the DoD Small Arms Serialization Program.

MNSTC-I officials generally concurred with our recommendations but did not concur with the requirement to ensure compliance with the DoD Small Arms Serialization Program. In response to this non-concurrence, we requested an opinion from:

- officials at the U.S. Army Materiel Command Logistics Support Agency involved with the DoD Small Arms Registry
- Chairman, DoD Small Arms Coordination Committee
- U.S. Army Executive Agent for Small Arms Logistics at the U.S. Army Tank-Automotive Command, Rock Island Arsenal

All of these DoD officials agreed with that the weapons purchased for the ISF with appropriated funds under a DoD contract and subsequently transferred to a foreign entity should be recorded in the registry. Further, these officials stated that, "weapons bought under a DoD contract may be recorded in the small arms registry after they have physically transferred to a foreign entity to document that they were shipped outside the control of DoD."

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Since the publication of our report, MNSTC-I has taken steps to address all of our recommendations including:

- Completing and distributing lists to identify spares parts and technical manual requirements.
- Working with the Ministry of Defense to establish an action team to identify logistics manning shortfalls. MNSTC-I stated that requirements for all small arms maintenance personnel will be determined no later than June 2007.
- Working to account for all small arms weapons purchased with IRRF. To date, MNSTC-I has accounted for all M1-F assault rifles but has not yet accounted for all MP-5 machine guns and 9mm semiautomatic pistols.
- Identifying an additional 195,000 weapons' serial numbers for entry in to the DoD Small Arms Serialization Program database. Of these, 140,000 serial numbers were entered in to the database with the balance of 55,000 serial numbers pending.

[The SIGIR audit report on this matter is submitted for the record: Iraqi Security Forces: Weapons Provided by the U.S. Department of Defense Using the Iraq Relief and Reconstruction Fund (SIGIR-06-033, October 28, 2006)]

OTHER AUDITS AND INSPECTIONS RELATED TO THE TRAINING OF IRAQI SECURITY FORCES

SIGIR has also completed one inspection of facilities and two audits of programs related to the training of the ISF.

Baghdad Police College

The Coalition Provisional Authority awarded a contract to Parsons Delaware, Inc, to construct new buildings and renovate facilities at the Baghdad Police College in March 2004. Upon the dissolution of the Coalition Provisional Authority, the Joint Contracting Command – Iraq/ Afghanistan became the contracting agent. The U.S. Army Corps of Engineers Gulf Region Division and the Project and Contracting Office are responsible for the efficient and effective execution and administration of design-build contracts for the reconstruction of Iraq. The Joint Contracting Command – Iraq/Afghanistan provided the Gulf Region Division and Project and Contracting Office with a roles and responsibilities matrix in order to specify the functions of each organization.

There were two task orders under the contract associated with work at the Baghdad Police College – Task Orders 06 and 29. Task Order 06 provided for a Public Safety Training Academy to supplement and expand the training facilities to train all departments of the Ministry of Interior. Task Order 29 was to provide all labor,

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materials, and services necessary to construct new buildings and/or renovate, improve, and expand existing buildings to supplement the Baghdad Public Safety Training Academy.

Our inspection determined that:

- The Baghdad Police College construction and renovation project results were not consistent with the original contract and task order objectives because the project was poorly designed, constructed, and the contractor and the U.S. Army Corps of Engineers Gulf Region Central Project Engineer and Quality Assurance Representatives did not effectively manage the project.
- Despite the lack of oversight and poor project management by the U.S. Army Corps of Engineers, the government paid Parsons approximately \$5.3 million in base and awards fees for substandard work.
- The U.S. Army Corps of Engineers Gulf Region Central was paid approximately \$2.5 million for tracking the progress of the project completion instead of for enforcing the procedures set forth in its own guidance regarding the Quality Assurance program.
- Construction costs were originally estimated to be approximately \$73 million. The government estimates it will pay Parsons approximately \$62 million for work both fully and partially completed. Additional contracts with other contractors in excess of \$8 million have been awarded to complete some of the construction work not finished by Parsons. However, the majority of the de-scoped items, which were originally determined to be essential to a functioning police training college, will either be left as a shell (i.e. communications building) or not even attempted (i.e. driving course and fire protection). The U.S. Army Corps of Engineers has been unable to provide the original estimated costs and amount paid for each of the de-scoped items; therefore, it is not possible to determine the additional amount of funding required to complete all of the objectives of the task orders.
- U.S. government paid about \$2.6 million for design work that was generally incomplete and inadequate prior to construction. The contractor did not provide and the government did not review the required number of design drawings for 30% and 60% submittals. For the design drawings reviewed, the government determined the submittals were generally incomplete and inadequate. For the 90% design drawing submittals, the government concluded that the drawings were “not acceptable as 90% submittal as these drawings are incomplete, inaccurate, and substandard.” At 100%, many of the design drawing submittals were “rejected” by the government reviewer.
- The majority of the work observed did not meet the standards of the contract and task orders. SIGIR identified significant construction deficiencies, such as poor plumbing installation, expansion cracks, concrete segregation and honeycombing, reinforcement bar exposure, and poor brickwork. In addition, the construction and equipment installation was performed at a low level of workmanship by the

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contractor and did not comply with the international standards required by the contract and task orders.

- SIGIR found that construction was so poor for one facility that the prime contractor issued a Nonconformance Report and work was stopped while independent assessments were done to determine if the construction deficiencies could be corrected. Independent assessments determined that it would be too costly to attempt to correct the structural construction deficiencies. Even though the subcontractor agreed to “take financial responsibility for the engineering fix,” this facility was removed from the scope of work under the contract after the government paid approximately \$350,000 for the poor construction work, and it will require approximately \$100,000 to demolish the facility.
- The U.S. government Quality Assurance program was essentially non-existent in monitoring the contractor’s Quality Control program. SIGIR found that the U.S. Army Corps of Engineers, Gulf Region Central Project Engineer and the Quality Assurance Representatives did not review the contractor’s daily Quality Control reports. In addition, the Quality Assurance Representatives were used to track project progress and not to identify quality issues. The Quality Assurance Representatives did not identify any construction deficiencies in the daily Quality Assurance reports. Consequently, the U.S. Army Corps of Engineers was not aware of significant construction deficiencies at the project site.
- The Baghdad Police College construction and renovation project results were not consistent with the original contract and task order objectives. The contract Statement of Work called for providing the “Iraqi people with necessary basic public facilities and infrastructure with sufficient space accommodations and reliable public works, electrical, plumbing, mechanical, and communications resources that are easy to maintain, upgrade and repair...” The completed barracks buildings continue to experience significant plumbing failures and the massive expansion cracks on the interior and exterior of the buildings will leave the Iraqis with continual maintenance issues.

The Gulf Region Division generally concurred with our conclusions, but not all of our recommendations, particularly those involving enforcement of the task order requirement for compliance with the International Plumbing Code, submission of accurate as-built drawings, and verification of work for which the contractor was paid. The Gulf Region Division noted that the strategic and urgent need to quickly provide a training capability for the Iraqi police has been achieved and that not one graduating class has been delayed.

The contract and task orders specifically required that the Baghdad Police College construction comply with international building standards and diligent quality management by the contractor and the government. The Gulf Region Division, in its comments, confirmed that international building standards were not followed and the quality management program of the contractor and the government was not adequate.

The objective of the contract and task orders was to provide the Baghdad Police College staff an adequate training facility, including cadet barracks and classrooms, to train a

substantial number of cadets. Instead, the poor construction and oversight forced the Baghdad Police College to relocate cadets from one barracks to another and, in at least one case, into a classroom as temporary living quarters.

We continue to work with the Gulf Region Division to ensure that issues regarding inadequate construction at the Baghdad Police College are resolved. SIGIR is also conducting a further review of IRRF-funded law enforcement projects, including the Jordanian International Police Training Center.

[The SIGIR inspection reports on this matter are submitted for the record: Review of Baghdad Police College (SIGIR-PA-06-078.2 and 079.2, January 29, 2007)

Securing Iraq's Energy Infrastructure

Iraq cannot prosper without the uninterrupted export of oil and the reliable delivery of electricity. The U.S. has invested about \$320.3 million over the past several years to improve Iraq's capability to protect its oil and electricity infrastructure. However, a number of factors, including insurgent attacks, an aging and poorly maintained infrastructure, criminal activity, and lack of rapid repair capability have combined to hold down Iraq's oil exports and the availability of electricity.

The current Administration strategy for Iraq includes the protection of key infrastructure nodes and increasing the Iraqi government's capability to protect its key energy infrastructure. This review addressed the efforts by the U.S. to increase the Iraqi government capability to protect its energy infrastructure. It was undertaken pursuant to a commitment by the Special Inspector General for Iraq Reconstruction at a February 8, 2006, United States Senate Committee on Foreign Relations hearing to report on the capacity of the Iraqi government to protect its infrastructure.

Because of the importance of infrastructure integrity to Iraq's future and the challenges being confronted in securing it, this is one in a series of reports addressing Iraq's capability to maintain its oil and electrical infrastructure integrity.

Please note that this report is an the unclassified summary of a classified audit report we issued on July 27, 2006,⁶ that addresses U.S. efforts to increase the capacity of the Iraqi government to protect its critical oil and electricity infrastructure. Specifically, this report addresses factors affecting Iraq's infrastructure including attacks, physical condition, and criminal activity; the extent to which the Iraqi government can perform independently to protect its oil and electricity infrastructure; the support the United States is providing the Iraqi government to increase its capability to protect its oil and electricity infrastructure.

A number of factors, including attacks, aging and poorly maintained infrastructure, and criminal activity are adversely affecting Iraq's ability to develop a viable energy sector. These factors have combined to hold down Iraq's oil exports and the availability of electricity. As a result, SIGIR estimates that between January 2004 and March 2006, due

⁶ Special Inspector General for Iraq Reconstruction, *Review of Efforts to Increase Iraq's Capability to Protect Its Energy Infrastructure*, SIGIR-06-014, July 27, 2006.

to limitations on its ability to export oil, Iraq lost a potential \$16 billion in revenue from oil exports. In addition to lost export revenues, Iraq is paying billions of dollars to import refined petroleum products to support the consumption needs of its citizens.

MNF-I and the Iraqi Ministries of Oil and Electricity maintain and report data on attacks against infrastructure. MNF-I attack data is classified. The Iraqi Ministries of Oil and Electricity report unclassified data. The Iraq Reconstruction Management Office, working with the Ministry of Electricity, has taken steps to improve the Ministry of Electricity's data on attacks on electric infrastructure. Prior to this effort, data for attacks was categorized in an *ad hoc* manner along with all other causes for power outages, such as weather related incidents or equipment failures. The Iraqi Ministry of Oil's attack data is limited to attacks against pipelines, and as such, excluded attacks against the nodal portions of the infrastructure. Its data therefore does not provide a clear picture of infrastructure vulnerabilities.

Attacks against Iraq's oil and electricity infrastructure have ebbed and flowed since the beginning of our audit in January 2005. Protecting Iraq's critical energy infrastructures from attacks is a combined effort involving three Iraqi ministries: Ministry of Defense, Ministry of Oil, and Ministry of Electricity. Each ministry contributes to the mission by providing, respectively, the following forces: Strategic Infrastructure Battalions as well as Iraqi Army forces, the Oil Protection Force, and the Electrical Power Security Service.⁷ The current capabilities of the forces vary.

Security, however, is only one factor in addressing infrastructure protection. While much attention has been focused on insurgent attacks, it must be recognized that even if attacks ceased, other factors, such as criminal activity and the affect of aging and poorly maintained infrastructure on operating capability, would continue to affect oil exports and the availability of electricity. For example, at the time of our review, attacks had a limited impact on the failure to reach Iraq's achievable electric capacity. In fact, while there were few attacks against oil and electricity infrastructure between late April 2006, and early June 2006, oil exports were below established targets and electric power generation was far below demand. Further, once damage or disruptions occurs, it is critical that it be repaired quickly. More needs to be done to enhance rapid repair capability.

Both the U.S. Embassy and MNF-I have done considerable planning that addresses Iraq's energy infrastructure. There are a variety of individual plans at different levels from the U.S. Embassy and MNF-I's Joint Campaign Plan; to MNF-I and Multi-National Corps-Iraq plans and orders to their subordinate commands; to the U.S. Embassy's Critical Infrastructure Integrity Plan and Summer 2006 Energy Sector Action Plan. Each pertains to the implementing organization's mission and responsibilities.

Through July 2006, the U.S. government had done much to help Iraqi infrastructure security forces improve their capability, including training and equipping the Strategic Infrastructure Battalions and partnering coalition forces with Iraq's Strategic Infrastructure Battalions, the Oil Protection Force, and the Electrical Power Security

⁷ The Oil Protection Force and the Electrical Power Security Service are not considered part of the ISF.

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Service. The U.S. has also proposed a series of initiatives to further enhance Iraqi capability in this regard. Progress in acting on these initiatives and those of individual Iraqi ministries has been slow, in part due to the lack of a permanent government and in part to the limited initiative of some Iraqi officials. The new Iraqi government is pursuing initiatives to enhance the security and performance of the oil and electricity sectors, including increasing oil exports and providing electricity as top priorities. The Iraqi government's plan identifies a number of steps that it says it will take to achieve these ends. The challenge for the United States is to help the Iraqi government move forward to undertake the tasks that need to be done if infrastructure integrity is to be improved.

It is difficult for SIGIR to assess exactly how much progress is being made on infrastructure protection. As of July 2006, reporting by the Departments of State and Defense⁸ to Congress only contained a general description of progress in Iraq, but not information on specific actions that needed to be taken by the Iraqi government to enhance infrastructure integrity and the progress it is making in taking those actions.

SIGIR made a number of recommendations to the Commanding General, MNF-I and the U.S. Ambassador to Iraq in several areas to further advance protection of Iraq's infrastructure and enable the new Iraqi government to take more responsibility for it. The recommendations included developing the capacity of the government to take action, developing performance-based reporting to identify measurable events and gauge progress, and improving the reporting on attacks directed against the oil infrastructure. We also recommended enhancing the quarterly *Measuring Security and Stability in Iraq* report to focus attention on progress being made by the new Iraqi government in addressing critical infrastructure integrity challenges. MNF-I and the U.S Embassy-Iraq concurred with the report's recommendations.

In commenting on a draft of the classified report, the U.S. Embassy, Baghdad, suggested that we add two additional recommendations to the U.S. Ambassador and Commander, MNF-I regarding encouraging the Iraqi government to take additional actions regarding Iraq's oil and electricity infrastructure involving facilitating foreign investment in Iraq's oil industry and encouraging developing a rapid repair capability. We believe that the suggested recommendations are consistent with the results of the audit and have merit; therefore, we added them to our report.

[The SIGIR audit report on this matter is submitted for the record: Unclassified Summary of SIGIR's of Review of Effort's to Increase Iraq's Capability to Protect It's Energy Infrastructure (SIGIR-06-038, September 27, 2006)]

⁸ The Department of State provides a quarterly report to Congress required under section 2207 of Public Law 108-106. In addition, on behalf of the President, the Department of State began providing a quarterly report to Congress on United States policy and military operations in Iraq under section 1227 of the National Defense Authorization Act for Fiscal Year 2006, Public Law 109-163. It issued the first report in April 2006. The Department of Defense provides a quarterly report required under section 9010 of the Department of Defense Appropriations Act 2006, Public Law 109-148.

Iraqi Police Training Program

The Department of State (DoS) Bureau of International Narcotics and Law Enforcement Bureau (INL) is responsible for assisting in the development of police capabilities. INL, as the program execution office, used the Iraq Relief and Reconstruction Fund (IRRF) to provide funding for Iraqi police training and assigned a contracting officer representative (COR) to monitor contract activities. The DoS Office of Acquisition Management provided contracting officer support to INL.

To assist in achieving its mission, the DoS awarded a contract to DynCorp International, LLC (DynCorp), on February 18, 2004. The contract was for a base year and four one-year options and had a potential value of about \$1.8 billion.

The SIGIR audit of this program (conducted jointly with the DoS Office of the Inspector General) focused on the establishment of the residential camp on the Adnan Palace grounds in Baghdad to house training personnel; and the performance of unauthorized work by DynCorp. Specifically, it focused on the work to be done and items to be provided for the \$51.6 million residential camp and the \$36.4 million of equipment to be procured.

SIGIR found poor contract administration by INL and the DoS Office of Acquisition Management resulted in millions of dollars put at unnecessary risk, and property that can not be accounted for that was acquired under Task Order 0338. Specifically, between July 2004 and June 2006, DoS paid about \$43.8 million for manufacturing and temporary storage of a residential camp that has never been used, including \$4.2 million for unauthorized work associated with the residential camp. In addition, DoS may have spent another \$36.4 million for weapons and equipment, including armored vehicles, body armor, and communications equipment that cannot be accounted for because invoices were vague and there was no backup documentation or property book specifically for items purchased under the task order.

Based on our review, we identified the following series of events concerning the residential camp:

- We found contradictory information on the actual status of trailer manufacturing for the residential camp, as of September 2004. DynCorp issued the subcontract for the residential camp to Corporate Bank on August 15, 2004, and Corporate Bank in turn issued a subcontract to Cogim SpA on September 1, 2004. According to an INL internal review report, the manufacturing had actually begun in May 2004—more than three months before the subcontract for the residential camp project was issued. In addition, on July 30, 2004, DynCorp submitted an invoice to DoS that included \$18.0 million in mobilization fees for the residential camp for the period of April 17, 2004, through May 16, 2004.
- We found no information to indicate that any INL official or the COR questioned why DynCorp submitted an invoice for mobilization fees for the residential camp before it had subcontracted for the manufacture of the trailers. Nor did INL seek to determine the actual status of the work when DynCorp was notified not to proceed, given the \$18 million paid to DynCorp for mobilization fees for the

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residential camp. Rather, INL relied on DynCorp's representations. As such, the true status of the manufacturing effort was unknown as of the issuance of the notice.

- Of the approximately \$43.8 million spent on the residential camp, \$4.2 million was for work that was not contractually authorized—the Iraqi Ministry of Interior directed the work but DoS, as the contracting agency, never authorized it. The unauthorized work included relocating the residential camp to outside of the Adnan Palace grounds, manufacturing an additional 20 VIP trailers, and construction of an Olympic size swimming pool on the palace grounds.

In December 2005, INL issued an asset verification report documenting that DynCorp could not provide a complete property book and backup documentation for items it purchased for the U.S. government.

The report also concluded, “INL cannot determine if the bureau received what it paid for.” In our review we found that the invoices for Task Order 0338 lacked the level of detail to determine what was procured and that the U.S. government or DynCorp did not maintain a complete list of items procured under Task Order 0338. Further, we found that the COR, although responsible for inspecting and accepting contractor work, did not ensure that DynCorp maintained proper inventory control records or maintain the records personally for the \$36.4 million of proposed equipment that was to be procured under this task order.

We recommended a number of actions to ensure that the contract work is properly invoiced, payments are proper, and the contract is properly managed. INL agreed with all of the recommendations and stated that many improvements were underway. As of January 18, 2007, INL reported that discussions are underway for an alternative use of the residential trailers at the U.S. Embassy in Baghdad. The DoS Office of Acquisition Management, however, did not concur with establishing limitations of tenure for contract administration officials.

[The audit report on this matter is submitted for the record: Review of DynCorp International, LLC, Contract Number S-LMAQM-04-C-0030, Task Order 0338, for the Iraqi Police Training Program Support (SIGIR-06-029 and DoS-OIG-AUD/IQO-07-20, January 30, 2007)]

SIGIR remains committed to providing the U.S. Congress, the Secretaries of State and Defense, and the American public with timely and helpful information on U.S. progress and performance in Iraq reconstruction. As always, SIGIR will report to you on our findings at the end of the next quarter.

I look forward to your questions today.