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1 LESSONS FROM THE INSPECTORS GENERAL:

2 IMPROVING WARTIME CONTRACTING

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4 MONDAY, FEBRUARY 2, 2009

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6 Commission on Wartime Contracting in

7 Iraq and Afghanistan,

8 Washington, D.C.

9 The Commission met, pursuant to notice, at 9:30 a.m.,

10 in Room SR-325, Russell Senate Office Building, Michael J.

11 Thibault, Co-Chair of the Commission, presiding.

12 Present: Commissioners Thibault, Ervin, Gustitus,

13 Henke, Tiefer, and Zakheim.

14 OPENING STATEMENT OF CHAIRMAN THIBAULT

15 Chairman Thibault. Senator Collins, Senator Webb, do

16 you mind waiting a minute or two? Then we will get started.

17 Thank you.

18 [Pause.]

19 Chairman Thibault. Well, good morning. It is kind of

20 interesting--my name is Mike Thibault, but it is kind of

21 interesting. I am always used to Senators--and we are going

22 to introduce you, but I am always used to being in your

23 chair talking to you, and several others up here made that

24 comment. So this role reversal is a challenge, but it is

25 welcome.

1 I am Mike Thibault. I am the Co-Chair of the
2 Commission on Wartime Contracting in Iraq and Afghanistan.
3 My fellow Co-Chair, Grant Green, could not be with us today,
4 but joins me in welcoming our distinguished witnesses from
5 the Senate and the Inspector General community and all of
6 our other guests to this first public hearing of the
7 Commission on Wartime Contracting.

8 We will hold other hearings in other venues, but it is
9 truly fitting that our first hearing should take place in
10 this majestic room. Starting in 1941, before the Nation had
11 the benefit of a professional community of Inspectors
12 General, this location hosted many of the hearings of the
13 Truman Committee. Our Commission follows in the
14 distinguished tradition of the Truman Committee that so
15 aggressively rooted out waste and fraud in Federal spending.

16 The Truman Committee began its work at the outset of
17 World War II when there was acute public concern about
18 wartime profiteering. Led by then-Senator Harry Truman of
19 Missouri, the Committee turned a public spotlight on huge
20 sums of taxpayer money lost to contract fraud. Their focus
21 expanded over subsequent decades to the all too common
22 phrase "waste, fraud, and abuse."

23 As we know from many investigations and hearings,
24 America's wars in Afghanistan and Iraq have unfortunately
25 also involved billions of dollars in waste, fraud, and

1 abuse. Saying that means no disrespect to the sacrifice and
2 devotion of American troops or to those contractors who
3 responsibly provide goods and services to the Government and
4 the armed forces. The record is, however, littered with too
5 many examples of buildings unfit for use, projects that
6 cannot be maintained at original scope and cost estimates,
7 weapons and money gone missing, and outright fraud on the
8 U.S. taxpayer.

9 Like the Truman Committee, the Commission on Wartime
10 Contracting's reason for existence is to ensure that the
11 Government pays fair and reasonable prices for the goods and
12 services that it buys to support our warfighters and
13 receives full value as goods are deployed and services are
14 rendered. This Commission will also fully identify and
15 disclose those conditions that have led to inefficient,
16 ineffective, and inappropriate contracting practices.

17 Our work must take note of the dramatic changes in the
18 use of contractors in combat zones in the past two decades.
19 Contractors are now literally in the center of the
20 battlefield in unprecedented numbers. In prior wars,
21 soldiers and marines protected bases and the battlefield, as
22 others in the military engaged with and pursued the enemy.
23 Today, dining facilities, motor pools, aircraft maintenance
24 shops, and other support, even at forward bases, are
25 typically operated by contractors. Contractors even fly

1 aircraft in combat zones and provide security in support of
2 ongoing military operations. The battlefield has changed.
3 One of the Commission's tasks is to consider whether the
4 battlefield has changed too much and whether some jobs and
5 functions should be reserved for military and Government
6 employees only.

7 The Commission on Wartime Contracting was created by
8 the 110th Congress. The first Commissioners were appointed
9 in July 2008. At that time, we had no office, no staff, no
10 technical support, and no plan of work. Through the fall
11 and early winter, we have filled those voids and are moving
12 ahead.

13 Our mandate is broad and will be carried out in a
14 cooperative, bipartisan fashion. We are to consider Federal
15 reliance on contracting, contractor performance and
16 accountability, contractor use of force, contract management
17 and oversight by Government agencies, waste, fraud, and
18 abuse and potential illegal or legal violations relating to
19 operations in Iraq and Afghanistan. We are not interested
20 in witch hunts or catering to personal agendas or staging
21 new debates on old decisions except insofar as looking at
22 those decisions can lead to an improved decisionmaking
23 process in the future. We want to make things better both
24 for the conduct of current operations and for the support of
25 future commitments of Americans' support.

1 I will stress that this is an independent commission.
2 We have already reached out to many public interest groups
3 or interested parties in Government, business, and public
4 interest organizations, and we will continue to do so. But
5 our report will reflect our conclusions. No one outside the
6 group of eight duly appointed Commissioners will censor or
7 wield veto power over our work.

8 Having said that, let me assure you that the Commission
9 on Wartime Contracting does not intend to duplicate solid
10 work already performed. One of our tasks, in fact, is to
11 conduct a thorough review of existing literature, of
12 investigations, of wartime contracting to identify lessons
13 learned, best practices identified, and recommendations for
14 reform, and to establish a comprehensive research library.

15 Performing that task will be greatly eased by the
16 excellent work performed by many Inspectors General. During
17 World War II, there was no community of IG as we know it
18 today, and certainly nothing like the Special Inspector
19 General for Iraq Reconstruction, or SIGIR.

20 Today we have the benefit of cops on the beat in the
21 Inspector General community. This hearing is about
22 listening to four key Inspectors General who work to protect
23 the public interest. They and their staff have literally
24 walked the battlefield in pursuit of inefficient contracting
25 practices and potential wrongdoing. They have suffered

1 hardships, and they have taken casualties. As you will hear
2 today, their perspectives carry power and insight. This
3 Commission must consider this body of work. Noteworthy
4 among those commissions is the final "Hard Lessons," which
5 is kind of like a textbook, and it is that comprehensive
6 report that is being released and that we will hear about by
7 SIGIR today.

8 Today we will hear from three key Senators who support
9 the Commission mandate. They will share their own concerns
10 and perspectives and recommendations to the Commission. We
11 are conducting this hearing as guests of the Senate.

12 We will also hear from four of the five key Inspectors
13 General who have been auditing contracts. Future hearings
14 will also include testimony from the fifth, the recently
15 appointed Special Inspector General for Afghanistan. In
16 future hearings, we will hear testimony from the Government
17 Accountability Office and from other critically important
18 oversight organizations. Future hearings will consider and
19 have to consider research and findings of selected public
20 interest groups and nonprofit, nongovernmental
21 organizations. Throughout each of these hearings, the
22 Commission will focus on each of the key areas specified in
23 our mandate.

24 Lastly, our future research and hearings will also
25 include reaching out to and gathering testimony from the

1 contractor community. This is important. Contractors
2 undertake to fulfill contract terms and conditions that they
3 have agreed to in accordance with Federal procurement
4 regulations and statutes. Their process observations and
5 battlefield experiences can give us additional information
6 to improve contingency contracting.

7 [The prepared statement of Commissioners Thibault and
8 Green follows:]

1 Chairman Thibault. Now, I am pleased to call upon our
2 first panel of witnesses, three Senators with great
3 experience and interest and leadership in Federal
4 acquisition matters. They are Senator Susan Collins from
5 Maine, Senator Claire McCaskill from Missouri; and Senator
6 James Webb of Virginia.

7 Senators Webb and McCaskill were the original Senate
8 sponsors of the legislation creating this Commission, the
9 reason we are here today. And as we heard just a few days
10 ago, Senator McCaskill has been named as Chair of the new Ad
11 Hoc Subcommittee on Contracting Oversight within the Senate
12 Homeland Security and Governmental Affairs Committee. We
13 know we will be working with you, ma'am.

14 Senator Collins has served as Chair and Ranking Member
15 of the Homeland Security Committee. She has led hearings
16 and crafted legislation on acquisition and contracting
17 reform.

18 We are here today because of these Senators' leadership
19 and attention to the contracting issues associated with the
20 execution and cost of the wars in Iraq and Afghanistan.
21 They have served the national interest, the U.S. military,
22 and the American taxpayer as well.

23 Welcome to you all. Senator Collins, please begin.

1 TESTIMONY OF HON. SUSAN M. COLLINS, A UNITED
2 STATES SENATOR FROM THE STATE OF MAINE

3 Senator Collins. Thank you. Thank you, Mr. Chairman,
4 members of this distinguished Commission. I very much
5 appreciate the opportunity to testify before you this
6 morning, and I am particularly pleased to join my two
7 colleagues who, as Chairman Thibault pointed out, were
8 instrumental in the establishment of this Commission.
9 Ensuring the best value for the American taxpayer in
10 Government procurements is important under the best of
11 circumstances. But it is absolutely crucial when our Nation
12 is at war and takes on reconstruction efforts such as those
13 in Iraq and Afghanistan.

14 As this Commission undertakes its review of the
15 failures associated with those reconstruction efforts, I
16 would encourage you to address a fundamental question: Are
17 the military, diplomatic, and foreign aid goals of the
18 United States being advanced through our wartime
19 reconstruction contracts. That is, after all, the reason
20 that we enter into these contracts.

21 Unfortunately, beset by waste, fraud, and failure,
22 reconstruction efforts in Iraq and Afghanistan too often
23 have failed to support the mission of the United States and
24 these nations. As you begin your examination of this topic,
25 I commend to you the work of the Special Inspector General

1 for Iraq Reconstruction, whom the Chairman has already
2 mentioned. I strongly supported with Senator Russ Feingold
3 the creation of this important office, and I joined him in
4 expanding its mission and defending it against efforts to
5 terminate its crucial work.

6 Stuart Bowen and his staff of skilled auditors and
7 investigators, many serving in harm's way in Iraq, have
8 proven time and again to be a much needed watchdog over
9 taxpayers' dollars. So you will have no greater ally as you
10 undertake your investigation than Mr. Bowen and his staff,
11 and I commend to you the latest report, "Hard Lessons,"
12 which reviews the Iraq reconstruction experience from mid-
13 2002 through the fall of 2008. It is a tough, no-holds-
14 barred report that will give you tremendous insight.

15 As this new report underscores, our Nation's
16 reconstruction efforts during the past 6 years in Iraq have
17 been plagued by waste and abuse. Examples of unsuccessful
18 contracting practices and poor contract execution and
19 oversight abound. Based on the work that the Homeland
20 Security Committee has done, however, I believe that the
21 failures can be boiled down to four categories: first,
22 unclear and evolving contract requirements; second, poor
23 program management, including an inadequate number of
24 skilled contracting personnel; third, an unstable security
25 environment; and, fourth, a lack of commitment by Iraqi

1 Government officials to the reconstruction of their own
2 nation. I would like to discuss each of these four issues.

3 Untimely and unclear requirements hampered our Nation's
4 security efforts in Iraq from the start. During the first
5 big push by the Coalition Provisional Authority to stand up
6 the Iraqi police force, we found that program managers
7 failed to set timely and exact requirements for many goods
8 and services, even for something as simple as winter coats.
9 Orders for these coats were not placed until mid-November,
10 and deliveries were not completed until February.
11 Meanwhile, sub-freezing temperatures gripped northern Iraq.
12 Under these conditions, it was unrealistic to assume that
13 the ill-equipped Iraqi police force could provide effective
14 security in the north. I mention that example because if a
15 contract to buy winter coats could not be executed
16 successfully, it shows you the depth of the contracting
17 problems.

18 The second issue, poor scoping and management of
19 contracts, also led to waste and abuse. The Special
20 Inspector General reviewed Department of Defense records and
21 identified more than 1,200 projects that were terminated--
22 732 for the convenience of the Government, and 530 for
23 contractor default. These terminated projects had initial
24 obligations of nearly \$1 billion. Approximately \$600
25 million had been paid to contractors, including nearly \$90

1 million to contractors for projects terminated for default.

2 Terminations for convenience were often due to changes
3 in scope or security problems. Terminations for default
4 were normally due to poor contractor and subcontractor
5 performance, and it is very troubling that there were very
6 few attempts made or underway even now to recoup the
7 payments from contractors that defaulted. Incredibly, at
8 least two contractors that were terminated for default were
9 subsequently rehired for other jobs.

10 An egregious example of poor scoping and management is
11 the Falluja Waste Water Treatment System. This important
12 project cost three times the original estimates, will be
13 completed 3 years late, and will serve just one-third of the
14 number of homes originally contemplated. Thus, a project
15 with a \$32.5 million price tag will end up costing taxpayers
16 nearly \$98 million.

17 In many ways, these failures can be traced to a key
18 underlying reason, and as I talked with Ms. Gustitus, this
19 is not glamorous, but it is at the heart of the problem, and
20 that is an inadequate number of skilled Government
21 contracting personnel in Iraq.

22 The Special Inspector General's report painfully
23 illustrates the failure of a key office--the Program
24 Management Office--to successfully oversee \$18.4 billion in
25 American reconstruction contracts in Iraq, due in large

1 measure to a lack of staff. When the Program Management
2 Office was established in September of 2003, it had a staff
3 of one. One. In the summer of 2004, 20 months later, it
4 had only hired half of the staff estimated to be needed to
5 oversee more than 2,000 reconstruction contracts. At that
6 time, the PMO had roughly one Government employee for every
7 \$400 million that it was overseeing. How could effective
8 and thorough oversight and accountability be expected with
9 this ratio of workload to qualified staff?

10 The Iraqis themselves also failed to take
11 responsibility for completed reconstruction projects that
12 were turned over to them. A recent IG report on the Baghdad
13 Police Training Facility detailed the failure of the Iraqis
14 to adequately protect and maintain that project. When
15 transferred to the Iraqis, this was a project operating at
16 full capacity. This was not an example of a poorly
17 constructed project. It was serving over 3,200 cadets in
18 eight barracks. Due to vandalism, theft, and a lack of
19 routine maintenance after the transfer to the Iraqis, the
20 facilities fell into a state of disrepair.

21 I am sure you will be hearing more about this, but
22 basically large parts of it had to be shut down. Theft of
23 plumbing, heating, and ventilating equipment, lack of
24 repairs, and poor maintenance resulted in potential health
25 hazards.

1 Progress has been made on this front. Last year,
2 Senators Ben Nelson and Evan Bayh and I authored legislation
3 to require the Iraqis to assume responsibility for more of
4 their own reconstruction so that they will have a stake in
5 it. And I think that will help ensure that reconstruction
6 projects are the ones the Iraqis really want and will
7 maintain going forward.

8 In the 6 years since the first Iraq supplemental was
9 passed, Congress has also taken action to improve
10 acquisition and reconstruction projects. Our Homeland
11 Security Committee has really focused on this issue. We
12 have worked hard. Legislation that I co-authored with
13 Senator Lieberman and Senator McCaskill was signed into law
14 as part of the last two defense authorization acts, but
15 implementation is going to be key.

16 The reforms in our bill will provide greater
17 competition, accountability, and transparency. It mandates
18 additional public disclosure; curtails sole-source
19 contracting; limits the tiering of subcontractors, which we
20 found to be a problem; places strict time limits on non-
21 competitive contracts; and prevents bonuses to poorly
22 performing contractors.

23 Our bill also establishes a Contingency Contracting
24 Corps. The concept is that when we have an emergency
25 situation, such as in the wake of Hurricane Katrina or in a

1 reconstruction project such as in Iraq, we would bring
2 together skilled contracting officers from across the
3 Government who would be ready to be deployed. And, finally,
4 Senator Lieberman and I mandated the development of a
5 strategic plan to revitalize our Federal acquisition
6 workforce.

7 These reforms, forged from the failures in Iraq and
8 Afghanistan, in disaster recovery following Hurricane
9 Katrina, and through our investigations and reviews of more
10 routine Government procurements, should help to ensure that
11 goods and services purchased by the Government are truly the
12 best value for the American taxpayer. And this is so
13 important because last year the Federal Government spent
14 \$532 billion last year alone in contracts, and that is a
15 140-percent increase from 2001 to 2008.

16 This Commission's work will help us learn other
17 important lessons from our Government's procurement
18 practices. Your findings and recommendations will play a
19 central role, and they come at a watershed moment for
20 America's mission in both Iraq and Afghanistan. As the
21 responsibility for Iraq reconstruction slowly but surely
22 shifts to the Iraqis, the United States mission in
23 Afghanistan is set to increase.

24 So what can be done to prevent the new money sent to
25 Afghanistan from suffering the same fate as funds previously

1 wasted in Iraq? Two immediate priorities are clear: first,
2 which I have mentioned, our Nation must revitalize its
3 acquisition workforce; and, second, we must continue to
4 improve the management of Federal procurements.

5 Let me just end my comments by giving you a few more
6 statistics on the Federal acquisition workforce.

7 We are entering the 21st century with 22 percent fewer
8 Federal civilian acquisition personnel than we had at the
9 start of the 1990s. The Defense Department, which clearly
10 spends more than any other Department on acquisition, saw
11 its acquisition workforce shrink by more than 50 percent
12 between 1994 and 2005. Moreover, as early as 2012, 50
13 percent of the entire procurement workforce in the Federal
14 Government will be eligible to retire.

15 Think of the loss of expertise we are facing. The gap
16 between the work to be done and the staff to do it is eerily
17 reminiscent of the workforce challenges that our Government
18 faced in Iraq.

19 As Mr. Bowen has outlined in "Hard Lessons," when there
20 are too few eyes on too much money, the risk for waste,
21 fraud, abuse, and failure is high. So my urging to you is
22 to take a hard look at the implementation of the hard-fought
23 reforms that we put into the law, but also at rebuilding the
24 acquisition workforce. The Commission's work in this area
25 is vital because, in simplest terms, how well we execute

1 wartime contracting helps to determine how well we built the
2 peace.

3 Thank you very much.

4 [The prepared statement of Senator Collins follows:]

1 Chairman Thibault. Thank you, Senator Collins.

2 Senator Webb, I would be remiss if I did not introduce
3 you with some of your walk and your history. It is
4 something I want to do, and if there is one person in this
5 room who does not know that walk, then I am pleased to make
6 these comments. But to be able to look truly at contracting
7 and support of the warfighter, there is a tremendous
8 advantage in having made that walk. And, sir, I tip my
9 personal hat and my thanks to the Corps.

10 Senator Webb earned and was awarded the Navy Cross, the
11 second highest commendation in the Marine Corps. He earned
12 and was awarded two Silver Stars, the third highest
13 commendation in the military. And he earned and was awarded
14 two Purple Hearts for being wounded in action. There just
15 are not very many experiences and pedigrees of that sort.
16 And so, sir, I know you are at the stage now where you are
17 providing leadership, but I thank you for coming up and
18 sharing your comments today and for your own walk in support
19 of the warfighter.

1 TESTIMONY OF HON. JAMES WEBB, A UNITED STATES
2 SENATOR FROM THE STATE OF VIRGINIA

3 Senator Webb. Thank you, Mr. Chairman. For the
4 record, I only earned one Silver Star.

5 I appreciate very much, Chairman Thibault and other
6 Commissioners, the opportunity to appear before you today
7 along with Senators McCaskill and Collins, and I want to
8 express my appreciation for Senator Collins' remarks and for
9 her commitment to help this panel do its work and truly make
10 it a bipartisan effort from our side as well. I know
11 Senator John Warner, recently departed, was a big supporter
12 of what we are trying to do. He is with us in spirit,
13 although no longer in person, so, Senator Collins, we very
14 much appreciate your commitment here.

15 It has been about 2 years since Senator McCaskill and I
16 joined together to introduce the legislation to create this
17 Commission, and I think the Senate and the country are going
18 to benefit greatly from her continuing work chairing the
19 Subcommittee on Homeland Security. And I have been very
20 appreciative of her background in the area of auditing,
21 Government auditing, and as a member of the Armed Services
22 Committee as we worked to put this into place.

23 We put the bill in a couple years ago. It has been a
24 little more than a year since we were able to get the bill
25 brought into law, again, with the assistance of Senator John

1 Warner. And I would like to thank all of you and the staff
2 that you put together and the other Federal Government
3 employees and personnel who have signed on in order to
4 satisfy the broad mandate of this Commission and hopefully
5 to bring some order into this process.

6 As you mentioned, Mr. Chairman, this room is a very
7 fitting place to have these hearings, not just because of
8 the Truman Committee hearings but also this is the room
9 where they held hearings on Wall Street banking practices in
10 the 1930s. We might think about that hearing these days.
11 It is the room where the Senate investigated labor union
12 racketeering in the 1950s, where we examined the
13 consequences of the Watergate break-in in the 1970s, and
14 where hearings were held with respect to the Iran-contra
15 affair in the 1980s. There have been a lot of words, a lot
16 of important decisions, a lot of considerations made in this
17 room.

18 You all look pretty crowded up there on this platform,
19 and let me say I would be the first to recommend that you
20 get at least one more table and be able to spread out a
21 little bit and get your papers in place.

22 What you are doing, in my view, ranks as one of the
23 most important oversight obligations that we face today.
24 Let us start with the premise that every interested American
25 knows that there was rampant fraud, waste, and abuse

1 following the invasion of Iraq. They all know it. And they
2 want us to demonstrate that they are willing to do something
3 about it, not simply in terms of process but in terms of
4 accountability.

5 We do want to eliminate the systemic deficiencies
6 associated with war support contracting through needed
7 reforms to root out waste, fraud, and abuse and to hold
8 people accountable. But there is also another need here, I
9 think a very urgent need right now when you see where the
10 country is, and that is, to restore public trust in our
11 process. Without it, without that kind of trust, it impacts
12 every other thing we are trying to do in every piece of
13 legislation that we vote on.

14 So I wish you well, and I am hoping that you will--now
15 that the pieces of this have been assembled and that you
16 have had a number of preliminary hearings, I hope you will
17 be very aggressive in both of those areas.

18 We are conducting this process with the reality that
19 Federal contracting itself has grown exponentially since
20 9/11. Congressman Waxman did a study in 2006 that pointed
21 out that Federal contracting had exploded from \$203 billion
22 in the year 2000 to \$377 billion by 2005, and continuing to
23 grow. That is almost a 100-percent increase. These
24 contracts that were not subject to full and open competition
25 grew from \$67 billion to \$145 billion during that same

1 period, an increase of more than 100 percent. And it was
2 estimated a year ago--I have not seen the more recent
3 estimates--that there were more contractors in Iraq than
4 military people--180,000 as of a year ago, and 161,000
5 military people.

6 So it is natural that systemic problems would emerge.
7 They are well documented. They include a vastly expanded
8 reliance on contractors to fill what should be inherently
9 governmental functions: security in a combat area--the
10 Chairman mentioned many of these--tactical training for
11 military people. Poorly defined requirements and
12 insufficient competition has emerged; inadequate Government
13 oversight owing to a lack of properly trained personnel in
14 sufficient numbers to the task; extensive waste, fraud, and
15 abuse, which I hope we can examine.

16 One of the things that I have heard frequently over the
17 past couple of years, sitting on the Armed Services
18 Committee, is a description of the total force as active,
19 guard, reserve, and defense contractors. I never heard that
20 in the time that I was in the military or the time that Dov
21 Zakheim and I served together in the Pentagon. The total
22 force at the beginning was supposed to be active, guard, and
23 reserve, and career civilian force. And defense contractors
24 were the default position. If that total force did not hold
25 or if you had temporary assignments, then you would go to

1 the civilian contractors.

2 This process, I think, by its own momentum and by the
3 fact that there were urgent needs out there that had to be
4 filled, has become changed. And we need to examine whether
5 those changes have been good. There is clearly a proper
6 role for the important work that contractors provide, but
7 the pendulum I believe has swung way too far. And I have
8 tried to put a number of things on the table with DOD
9 witnesses over the past couple of years because I believe
10 strongly that, contrary to popular mythology, the extended
11 reliance on wartime support contractors does not always save
12 money. It is not always the most cost-effective solution.
13 It has simply been the easiest solution sometimes with the
14 momentum of policy decisions.

15 So, in closing, I would again want to congratulate you
16 and thank you for your work to underscore the importance of
17 what you are doing, to ask that you be aggressive in
18 satisfying your statutory mandate. Our taxpayers and the
19 people who are serving deserve nothing less. And I also
20 would like to emphasize something that Senator McCaskill and
21 I said in our letter of last week, and that is that we want
22 this to work. We deliberately sunsetted it. We did not
23 want this thing to go on forever. But if the resources and
24 the tools at your disposal are not sufficient, now that you
25 are this close, you need to let us know. We want to ensure

1 that you get the cooperation that you need. We want to
2 ensure that you are able to bring accountability in the
3 areas where accountability should be brought. I am not
4 proposing this, but if that involves extending the timeline
5 a bit or getting subpoena authority or any other area that
6 will make this successful, please let us know.

7 Thank you very much, Mr. Chairman.

8 [The prepared statement of Senator Webb follows:]

1 Chairman Thibault. Thank you, Senator Webb.

2 Senator McCaskill, I personally also appreciate your
3 background as Auditor General. You have made the walk
4 through the State of Missouri, and you have brought it
5 forward pretty clearly in your advocacy of reform and better
6 contracting practices. On this Commission, we have counsel,
7 we have people that have worked for Senate and House
8 investigative organizations. We have ex-Inspectors General.
9 We have financial executives. But we only have one contract
10 auditor, and that is myself. So I feel a little kindred
11 spirit there, ma'am, and with that I would thank you and ask
12 you to proceed.

1 TESTIMONY OF HON. CLAIRE McCASKILL, A UNITED
2 STATES SENATOR FROM THE STATE OF MISSOURI

3 Senator McCaskill. Thank you, Mr. Chairman. I want to
4 thank you and all of the Commissioners. I think your public
5 service is something that I hope people will be talking
6 about in this room 20, 30 years from now as they go through
7 the history of the investigative and public policy work that
8 is done in this room. I am very hopeful that this great
9 group of people can put together that kind of historic
10 effort.

11 I want to thank Senator Webb, and I will tell you that
12 he is my friend, and he gets very uncomfortable when people
13 say nice things about him, Mr. Chairman. So watch that in
14 the future. He does not like it. It makes him nervous.

15 I want to thank Susan Collins for being such a soldier
16 for appropriate contracting practices in the Government.
17 She has been laboring in these fields long before Jim Webb
18 and I arrived, and she should get appropriate recognition
19 for her yeoman's work in this area.

20 I also want to thank the Inspector General community,
21 and I want to thank the whistleblowers. And I think that
22 those two groups of people should remain in our thoughts and
23 in your work, because there is so much that has been done
24 and can be done on the backs of hours and hours and hours of
25 their laboring in this area.

1 As I thought about what I was going to say today, I
2 thought a lot about Harry Truman. And let me just tell you,
3 Harry Truman has been rolling in his grave for the last 5
4 years. He, in fact, has been in constant motion in his
5 grave. He is astounded that we allowed this problem to get
6 this far out of control. This has been a massive failure.
7 We have failed our military, and we have failed the American
8 people. And a report is not going to be enough. You are
9 going to need a two-by-four.

10 I am going to try to channel the plain speaking of
11 Harry Truman today because I think that is what he would
12 want. You are going to have to do something other than just
13 write out summaries of other reports that have been done,
14 because what is missing in this failure is accountability.
15 People need to remember that a general went to jail after
16 Harry Truman finished his work, after World War II. And the
17 problems of contracting and war profiteering in World War II
18 were nothing compared to what we are facing.

19 Hundreds and billions of dollars have disappeared.
20 Everything has been stolen--from money to heavy equipment to
21 guns. And the scandalous part about the guns that we did
22 not keep track of is that people in the military will tell
23 you that they are confident that our weapons were stolen,
24 sold, and used against our own soldiers. If we do not find
25 accountability, then really we have added to the problem of

1 wasting taxpayers' money.

2 Now, I am not saying that you all have been designed or
3 as supposed to go on some kind of witch hunt, as you said,
4 Mr. Chairman. On the other hand, if you do not end up with
5 a clear beacon of accountability going forward, then we have
6 not accomplished anything.

7 Contractors have no accountability. Our military
8 leaders have no accountability. As one high-ranking
9 military leader in Kuwait said to me, "I wanted three kinds
10 of ice cream in the mess hall. I did not care what it
11 cost."

12 The mission was so important to our military leaders,
13 and their leadership is so stellar, they did not see
14 contract oversight as part of their mission. They did not
15 think it was that important, and that is how this problem
16 grew exponentially and scandalously as this conflict in Iraq
17 continued.

18 Truth be known, we did not have the force to do the
19 job, and contracting was the shortcut to try to get us
20 there.

21 If you can come with answers on the accountability
22 question, you will have done yeoman's work for the American
23 people. You will have done something that no one else has
24 be able to do.

25 Now, I would like to spend just a minute, before I

1 finish, on the bipartisan nature of your group. There are
2 those in Congress that wanted this Contracting Commission to
3 be a committee of the Congress made up of Senators or
4 Congressmen or -women. There are those that wanted it to be
5 a joint committee between the two Houses. There are those
6 that thought it was important that we do that with elected
7 officials.

8 Senator Webb and I spent a great deal of time talking
9 about that, and we wanted desperately this not to be a
10 political exercise. We wanted this to be bipartisan. We
11 wanted this to be about policy. And so we did something
12 that a lot of folks around here told us we were crazy to do.
13 We made it four-four. There is no tie breaker on your
14 Commission. There are four members that are appointed by
15 Democratic Members of Congress, and there are four members
16 that are appointed by the other party. I am hopeful that
17 the Republican Co-Chairman will be appointed soon. I am
18 discouraged that that appointment has not been made yet.
19 This is urgent. This should be important. We need to get
20 the Republican Co-Chairman in place yesterday.

21 And as you move forward with four-four, then all you
22 have got to do is what is right. None of you run for
23 office. None of you are looking for votes. You can do your
24 work without fear or favor. You can do what is right and
25 not worry about the political consequences. And that is the

1 pep talk I wanted to come and give you today.

2 You are a truly bipartisan group. Frankly, as long as-
3 -I do not think you should worry whose toes you step on,
4 whether it is this administration or the last administration
5 or future administrations or four administrations ago. This
6 should be about fixing this problem. It is too big and too
7 important not to do it.

8 I know that we all, Republicans and Democrats alike,
9 stand ready to help any way we can in your work. I
10 encourage you to have a lot of hearings, not just a few. I
11 encourage you, if you need more time, to ask for it. Most
12 of all, I encourage you to come out with a report that will
13 be read by very few, and I also encourage you to come out
14 with a report that we can take and implement and make sure
15 that we have made a difference. Because if this is one more
16 report sitting on someone's bookshelf somewhere, then we
17 have failed also.

18 Thank you, Mr. Chairman.

19 [The prepared statement of Senator McCaskill follows:]

1 Chairman Thibault. Thank you, Senator, and thank you,
2 Senators.

3 We are going to take about a 5-minute pause to ask the
4 Special IG for Iraq Reconstruction to join us, and thank you
5 again, Senators. We needed to hear that.

6 [Recess.]

7 Chairman Thibault. Just to share protocol, we are
8 going to hear the testimony of Mr. Bowen, Inspector General
9 Bowen, Special IG for Iraq Reconstruction. We are going to
10 take two rounds of questions, and hopefully then all of us
11 will have much greater insight into the work.

12 As a way of introduction--right, right. Okay. My
13 reminder is--I did a mental lapse already--we have
14 statements from each of the other Commissioners, and then we
15 will do exactly what I said we would do. The first
16 statement is by Commissioner Ervin. Clark?

17 OPENING STATEMENT OF COMMISSIONER ERVIN

18 Commissioner Ervin. Thank you, Mr. Chairman. I will
19 be mercifully brief, I promise.

20 I want to begin by noting that I regard it as a high
21 honor and a great privilege to have been appointed by
22 Speaker Pelosi to this critically important position, and it
23 has been a pleasure to work with you, Mr. Chairman, and each
24 of my fellow Commissioners since our inception. And I look
25 forward to continuing our work together until we deliver our

1 final report next year.

2 I commend the Senators from whom we have heard this
3 morning for their leadership on the issue of wartime
4 contracting in Iraq and Afghanistan. And, of course, I
5 commend each of the Inspectors General from whom we will be
6 hearing for their dogged efforts not only to uncover past
7 incidents of waste, fraud, abuse, and mismanagement, but
8 equally importantly, to devise recommendations that, if
9 implemented, will ensure that these incidents are not
10 repeated in the future.

11 I know from my own experience as Inspector General of
12 both the State Department and the Department of Homeland
13 Security how vital such oversight is in correcting past
14 mistakes and avoiding future ones.

15 I especially commend the Special Inspector General for
16 Iraq Reconstruction, my long-time friend and fellow Texan,
17 Stuart Bowen, and his team for their extraordinary work, the
18 extraordinary work that they have done over the years which
19 culminates today, of course, in the release of "Hard
20 Lessons." It is without a doubt the most comprehensive,
21 insightful, and compelling account to date of how our
22 Government's contracting efforts in Iraq went awry.

23 But unless its lessons are taken to heart by
24 policymakers and Government managers today, it will be
25 merely a history book, an unusually interesting and well-

1 written history book, to be sure, but a history book
2 nonetheless.

3 It falls in large part to us Commissioners to ensure
4 that the hard lessons that "Hard Lessons" teaches us are
5 learned and applying once and for all. We are downsizing
6 our presence in Iraq today, but at the same time, we are
7 scaling up our efforts in Afghanistan. If we are not
8 careful, we will repeat the same mistakes there that we have
9 made in Iraq. Indeed, we have seen some instances of this
10 already.

11 Whether we like it or not, the fact is that America
12 will be involved in contingent operations for the
13 foreseeable future, and no doubt long after that. This
14 being so, it is critical that we assess whether the United
15 States Government is properly structured to carry out the
16 attendant logistical reconstruction and security functions.
17 We must assess also whether our Government has the necessary
18 resources to carry out these functions, including the key
19 question of whether our reliance today on contractors has
20 gone too far.

21 I am especially concerned about the increasing
22 privatization of warfighting and post-conflict
23 reconstruction and development. But it is not just a
24 question of organization charts and budgets, as important as
25 both are. There is also the question of political will and

1 filling key decisionmaking slots with people who fervently
2 believe that accomplishing our warfighting and post-conflict
3 missions, on the one hand, and eschewing waste, fraud, abuse
4 and mismanagement, on the other, are not incompatible with
5 each other; and that one imperative need not and should not
6 take precedence over the other.

7 I look forward to hearing the testimony of the
8 estimable witnesses before us today and to listening to
9 their answers to our questions.

10 [The prepared statement of Commissioner Ervin follows:]

1 Chairman Thibault. Thank you, Commissioner Ervin.

2 Commissioner Dov Zakheim, please.

3 OPENING STATEMENT OF COMMISSIONER ZAKHEIM

4 Commissioner Zakheim. Thank you, Mr. Chairman. It was
5 an honor to be appointed by President Bush to this
6 Commission, as was Grant Green, who unfortunately is not
7 here and has done a terrific job as Acting Co-Chairman of
8 the Commission. And it is a pleasure to be working
9 alongside so many very talented people who have devoted a
10 lot of time to this already.

11 As the Senators have already made clear, the Commission
12 has a very important mandate. Our job is to build on the
13 work that has already been undertaken to address the
14 shortcomings of our contracting system, writ large, and
15 apply the lessons we have learned to future American
16 contingencies that most certainly are going to involve a
17 major reliance on private contractors for a host of military
18 support operations and activities.

19 In addition, we face the urgent task of providing
20 guidelines for our efforts in Afghanistan. As our military
21 presence in that country ramps up, so will the presence of
22 our contractors. And it is imperative we do not repeat the
23 mistakes that were made, especially in Iraq.

24 Now, I served in DOD at the outset of both major
25 conflicts in which we now are still involved. As Under

1 Secretary of Defense (Comptroller), I dispatched a team of
2 auditors from the Defense Contract Audit Agency, which was a
3 part of my organization, to Iraq during the early weeks of
4 Operation Iraqi Freedom. I also served as DOD's Coordinator
5 for Civilian Operations in Afghanistan until my departure in
6 2004. So I am intimately familiar with many aspects of the
7 issues that Inspector General Stuart Bowen and his team,
8 both his team and those from other agencies, for whom I have
9 tremendous respect and worked with, will address today.

10 As the path-breaking report that we have heard about
11 already makes very clear, our Government was simply
12 unprepared for the massive challenge that the reconstruction
13 of Iraq entailed. In my view, this was the case in no small
14 part because we, the United States, have never had and we
15 are unlikely ever to have the equivalent of the British
16 Colonial Office. And it is in part for this reason that
17 while the State Department may have prepared a massive how-
18 to program for governing Iraq, it perhaps should have come
19 as no surprise that pre-war planning was sporadic and too
20 frequently ignored.

21 It is arguable for similar reasons that we
22 underestimated the troops needed to conduct post-war
23 operations in Iraq. The high troop estimates were not meant
24 to account for many tasks, such as logistical support, that
25 contractors subsequently undertook. They were intended,

1 like the later and successful surge proved, to provide for
2 additional security in an unstable environment. Again, the
3 lessons of the past, stretching as far back as the
4 Philippine insurrection of the early 20th century, were
5 simply forgotten or never really understood.

6 We have learned many bitter lessons from the Iraq
7 experience, and our purpose here is to explore those
8 lessons, uncover others, and apply them not only to our
9 current efforts in Afghanistan, but also to future
10 undertakings whenever and wherever they might arise. And it
11 is crucial in this context that we explore in depth all
12 aspects of the contracting system, and this includes how the
13 Department of Defense in general and the military in
14 particular is organized, trained, and equipped to manage
15 contractors and the contracts that govern their activities.
16 It involves the supervision of contractors, including
17 foreign contractors, an issue that has perhaps become even
18 more acute in Afghanistan than it has already been in Iraq.

19 In closing, I wish to thank the witnesses for their
20 cooperation and for the briefings which their agencies have
21 already provided to us and to the Commission staff. I look
22 forward to your testimony today, and I would reiterate that
23 our mission is not to cover ground that has already been
24 gone over, but instead to distill the most important lessons
25 so that we can efficiently and cost effectively benefit from

1 the contracting support that we are certainly going to
2 require not only in Afghanistan but in future operations for
3 many years to come.

4 Thank you.

5 [The prepared statement of Commissioner Zakheim
6 follows:]

1 Chairman Thibault. Thank you, Dov.

2 Commissioner Linda Gustitus, please.

3 OPENING STATEMENT OF COMMISSIONER GUSTITUS

4 Commissioner Gustitus. Thank you. I am also very
5 honored to serve on the Commission.

6 We are almost 7 years into the military operation in
7 Afghanistan and 6 years into the military operation in Iraq,
8 so one question we are going to have to address is: When
9 does contingency contracting stop and normal procedures take
10 over? I do not know if--we still use the term "contingency
11 contracting" for this.

12 The SIGIR report today, "Hard Lessons," addresses an
13 almost staggering number of issues and problems: poor
14 contracting practices, inadequate staffing, inexperienced
15 staffing, goals beyond our capabilities, changing missions,
16 a shocking lack of planning, and so on. I am particularly
17 concerned about three issues identified in this report that
18 are somewhat overarching: the lack of security, the lack of
19 coordination, and the failure to involve the Iraqis.

20 None of these issues was unknown to the administration,
21 either before the invasion or after. And so the failure to
22 address them in a reasonable time frame was not really out
23 of ignorance, I am afraid. It may have been arrogance or
24 ideology. I do not know. But it was not ignorance.

25 The administration knew from the very beginning that

1 security was going to be a major problem. I have a written
2 statement, Mr. Chairman, that I would like to put in the
3 record in its entirety. But in my written statement, I
4 identify some of the many warnings the SIGIR report cites,
5 including the fact that 1 month before the invasion, the
6 military and civilian agencies involved in post-war
7 administration met at what was called the "Rock Drill," and
8 according to SIGIR, "Security was the number one
9 showstopper."

10 In 2003, DOD paid Bechtel a good sum of money to do an
11 assessment of reconstruction in Iraq, and Bechtel told DOD
12 in its report that Iraq's deteriorating security situation
13 would cause reconstruction costs to skyrocket. The UN said
14 a similar thing in the summer of 2003.

15 So the administration was not caught by surprise on
16 this. This was something I can only assume that they chose
17 to ignore. And they really ignored it at the peril of the
18 reconstruction. SIGIR has estimated that half of the cost
19 of our reconstruction program in Iraq, half of the cost,
20 half of the \$50 billion that we spent, went to security, to
21 responding to the security situation.

22 So, too, with the lack of coordination, SIGIR's
23 contains repeated references to the failure of our agencies
24 to cooperate and coordinate. It is really stunning, and I
25 have listed a number of examples in my written statement,

1 but it starts with the fact that the management of
2 reconstruction changed hands four times in 2 years. And in
3 2004, the two key agencies responsible for the
4 reconstruction work, the DOD Project and Contracting Office
5 and USAID, SIGIR says were "barely on speaking terms." And
6 in December 2006, the Iraq Study Group said, "There are no
7 clear lines establishing who is in charge of
8 reconstruction." And that is 4 years into the
9 reconstruction.

10 Lastly, there is the failure to include the Iraqis in
11 reconstruction, and Senator Collins spoke to it a little bit
12 as her fourth point. I have a list of these failures cited
13 by SIGIR in my written statement, and it includes such items
14 as the fact that we never discussed with the Iraqis the
15 choice of a new Defense Minister, for example; that the CPA
16 largely left Iraqi lawyers and judges out of discussions
17 about how to reform the legal system. We built expensive
18 projects that the Iraqis did not want and cannot use. And
19 we created a court system that, according to SIGIR, the
20 Iraqis cannot even recognize.

21 There are many powerful lessons learned from the Iraq
22 reconstruction program. My fear is that many of these
23 lessons were ones we already learned, we already knew before
24 we went into Iraq, but the administration chose to ignore
25 them. And, frankly, I do not know if there is a meaningful

1 fix to that kind of problem.

2 So hopefully through the work of this Commission we
3 will find out, and I thank you very much for your excellent
4 work and for the work of your people and the danger that
5 they put themselves in to do the good work that you did.

6 Thank you.

7 [The prepared statement of Commissioner Gustitus
8 follows:]

1 Chairman Thibault. Thank you, Linda, and we will
2 include all the statements for the record that have been
3 submitted by all parties at this hearing.

4 Next we have Commissioner Robert Henke.

5 OPENING STATEMENT OF COMMISSION HENKE

6 Commissioner Henke. Yes, Mr. Co-Chairman, I thank you
7 very much. I am honored to be a part of this Commission and
8 to undertake our nationally important work. I applaud each
9 of the Senators who testified this morning, not only for
10 their thoughtful remarks today but for the longstanding
11 public commitment to transparency and good government.

12 Each of the Commissioners here brings a tremendous
13 professional background and a diversity of views and
14 experiences, but what we share in common is that same
15 commitment to transparency and integrity and to carrying out
16 the functions of Government both effectively and
17 efficiently.

18 In a short span of time, this Commission has
19 established a bipartisan, deliberate, and rigorous approach
20 to the large task presented to us. With these Commissioners
21 and the staff we have, I have no doubt that we will deliver
22 a product worthy of our legislative mandate and the
23 attention and hopefully the action of the Congress.

24 I applaud the SIGIR, Mr. Stuart Bowen, and his
25 colleagues for their Herculean work and tremendous public

1 service that they have done. They have produced over 250
2 audits and inspections and over 370 investigations. Many
3 would consider this prodigious work product to be
4 sufficient. But these professionals have taken the time to
5 think critically about it all and write it all down and
6 distill it into what we can do to ensure that we do not make
7 the same mistakes the next time. Their "Hard Lessons"
8 volume is the culmination of that fine effort, and it is a
9 compelling and even a bracing and vitally important read.

10 As "Hard Lessons" points out, every President since
11 Harry Truman has faced a contingency operation on his watch,
12 one that required the intertwining of both military and
13 diplomatic and civilian resources. So it is a question of
14 not if, but when our military and diplomatic resources and
15 national will are to be called upon again in stability
16 operations or humanitarian relief or reconstruction as in
17 Iraq.

18 Undoubtedly, this future effort will require
19 significant contracted support, whether reconstruction or
20 logistical or security. We can and we should debate the
21 appropriate mix of contracted support or the suitability of
22 contracting some or all functions. What there is no debate
23 over, however, is that when we contract for necessary
24 functions, we must do so in a way that reflects
25 comprehensive preparation, complete support of operational

1 plans, crisp execution, and interagency processes that work
2 to bring all instruments of national power to bear--all
3 this, and with full transparency, economy of effort, and
4 great for the taxpayer's dollar. If we do our work well,
5 this Commission will focus on what changes we must make now
6 and going forward so that we get it right this next time.

7 I welcome the testimony of our witnesses and look
8 forward to their important lessons learned.

9 [The prepared statement of Commissioner Henke follows:]

1 Chairman Thibault. Thank you, Commissioner Henke.

2 Commissioner Charles Tiefer, please proceed, Charles.

3 OPENING STATEMENT OF COMMISSIONER TIEFER

4 Commissioner Tiefer. Thank you, Mr. Chairman.

5 As a professor of Government contracting at the
6 University of Baltimore Law School but, more importantly, as
7 a former general counsel of the House of Representatives
8 who, since 1979, has worked passionately for investigative
9 hearings, I am pleased that the Commission is holding our
10 first of many such investigative hearings today. Our
11 objective with these hearings is to go beyond a general
12 policy hearing, useful as those are, and to hold hard-edged
13 hearings on current waste, fraud, and abuse--controversies
14 that often involved a spotlight on particular erring
15 contractors, like the LOGCAP contract Halliburton/KBR for
16 its billing the taxpayer cost-plus for meals never served,
17 and Blackwater for Nisoor Square. And in this regard, I am
18 pleased to announce that the Commission's next hearing will
19 be on the LOGCAP program. I am pleased at the leadership of
20 my Chair and all my colleagues in setting this important
21 next hearing. Our hope is to hold it in the very near
22 future, and the details will be forthcoming in due time.

23 Today we are looking at the SIGIR "Hard Lessons"
24 report. As a professor who has written at length on this, I
25 can say this report is the gold standard of official

1 investigative history.

2 Chronologically, after Baghdad fell, Ambassador Jerry
3 Bremer was brought in. The report tells how Iraq
4 reconstruction from then to now got "enormously burdened by
5 waste." This was the result of disastrous lack of
6 coordination and, even more, this was tolerated and
7 sometimes ratified by the Bush White House.

8 Ambassador Jerry Bremer was brought in by Vice
9 President Cheney's staff, and this fits what Secretary
10 Powell said in his historic interview by SIGIR, which was
11 that the Vice President seemed at times to run his own
12 National Security Council about Iraq matters. Once Bremer
13 comes in, he disbands the Iraqi army, which turned out to
14 jump-start the insurgency, and he orders a deep de-
15 Ba'athification, which decimated the Iraqi ministries.

16 Did the President rein in Bremer? No. He ratified
17 those disastrous steps. As Secretary Powell told that
18 historic interview, National Security Adviser Condoleezza
19 Rice explained that the White House would "have to back
20 Jerry." "Have to back Jerry."

21 A key SIGIR conclusion tells our plight going forward
22 from 2009: "The deterioration of poorly maintained
23 infrastructure projects after transfer to Iraqi control
24 could end up constituting the largest source of waste in the
25 U.S. reconstruction program."

1 In the afternoon session, we may learn more about the
2 progress of ongoing reviews by the Department of Defense
3 Inspector General that involve questions of payments of
4 billions of dollars. I look forward to the testimony today.

5 [The prepared statement of Commissioner Tiefer
6 follows:]

1 Chairman Thibault. Thank you, Commissioner Tiefer.

2 Now we can get back to our primary witness and the
3 testimony of the Special IG for Iraq Reconstruction, Stuart
4 Bowen. You have your Deputy, Ms. Ginger Cruz, with you, and
5 I know you have staff here that you will introduce.

6 One of the things I want to share that I was compelled
7 by was in reading your various testimonies in the past,
8 about a year ago you testified before a committee, and one
9 of your introductory paragraphs said that you had just
10 returned from your 19th trip to theater. Now, that is about
11 a year ago. So if we add all this up, we are in the 20s,
12 and I know you are going out again later this month.

13 My point is the territory. A lot of the decisions are
14 made back here, but the implementation of those decisions
15 and the funds that are spent occur in Iraq. And the only
16 way a leader or leaders who are responsible for products
17 such as "Hard Lessons" can write a product like this and
18 organize a product like this is to have walked that
19 territory where they are leading. And one of the things I
20 find most compelling as I look at the results of your work
21 is knowing that all the projects in here, people like
22 yourself and Ms. Cruz have gone out and looked at, have
23 talked to your staff, and the like. And I commend you for
24 taking such a hands-on approach to leading this
25 organization.

1 And with that, Inspector General Bowen, please take it
2 away.

1 TESTIMONY OF STUART W. BOWEN, JR., INSPECTOR
2 GENERAL, OFFICE OF THE SPECIAL INSPECTOR GENERAL
3 FOR IRAQ RECONSTRUCTION, ACCOMPANIED BY GINGER
4 CRUZ, JON NOVAK, DAVE WARREN, AND BRIAN FLYNN

5 Mr. Bowen. Thank you, Chairman Thibault and members of
6 the Commission on Wartime Contracting in Iraq and
7 Afghanistan. Thank you for inviting me to testify on the
8 fourth lessons learned report, "Hard Lessons: The Iraq
9 Reconstruction Experience," that my office has produced over
10 the last 3 years.

11 I am joined here at the table by my Deputy Inspector
12 General Ginger Cruz, and to my left are my Assistant
13 Inspectors General: Brian Flynn, for Inspections; Dave
14 Warren, for Audits; and Jon Novak, for Investigations. They
15 remain available to answer questions as they may come up.

16 I also thank the SIGIR staff who worked so hard to
17 produce "Hard Lessons," especially my lead writers Vicky
18 Butler and Chris Kirchhoff, and my executive editor Colonel
19 J.R. Martin and senior editor Barbara Wolfson.

20 Thirty-five SIGIR staff are in Iraq right now as we
21 speak carrying out our oversight mission--auditors,
22 inspectors, investigators--bearing up under the challenge of
23 carrying out the oversight of the \$5 billion left to be
24 obligated, yet to be put under contract in Iraq. So there
25 is plenty of oversight work to be done today, and they are

1 doing it. This report is dedicated to them and to all in
2 Iraq who served and gave their life, especially one of my
3 auditors, Paul Converse.

4 "Hard Lessons," as has been talked about, is a detailed
5 account of how the United States undertook an enormous
6 rebuilding program after planning for a very small one, and
7 how it was discovered through hard lessons, through
8 difficult experience, through waste that the United States
9 Government does not have either the structure or the
10 resources to take on such an enterprise. It is true today
11 as well, and that is why this report is compellingly
12 important for this Commission and for the Congress and for
13 the country, as the effort in Afghanistan expands. Thirty-
14 two billion already appropriated to Afghanistan, on top of
15 the \$50 billion in Iraq, more to come certainly for
16 Afghanistan.

17 "Hard Lessons" answers many important questions about
18 the reconstruction program, but let me just lay out five
19 right off the top.

20 How and why did the scope of the reconstruction program
21 expand so rapidly in 2003? Initially, it was set up to
22 address really two things, as Dov Zakheim remembers very
23 well. He was a party to some of these discussions back
24 then, and he knows that it aimed at preparing war damage and
25 addressing potential humanitarian disasters--not a large-

1 scale reconstruction program. The President approved such a
2 program on March 10, 2003, but then by May, that had changed
3 and an occupation had begun; and a program to spend \$20
4 billion was unfolding.

5 What was the genesis of the decision to disband the
6 army? A question much talked about ever since it was
7 rendered in that late spring of 2003. "Hard Lessons"
8 provides clear answers on that question.

9 How did the reconstruction program respond to the
10 growing insurgency? It is laid out in detail. Ambassador
11 Negroponte essentially stopped that \$18 billion program and
12 reprogrammed it over the course of late 2004 and 2005,
13 moving the money to where it belonged: security.

14 How much waste and fraud was there? There was a lot of
15 waste, billions of dollars in waste, and you see up here on
16 these easels pictures of some of that waste:

17 Khan Bani Sa'ad Prison. Brian Flynn was out there
18 visiting last spring, and what he found was \$40 million
19 wasted. A prison the Iraqis did not want, a prison the
20 Iraqis refused to accept, a prison that will never hold any
21 prisoners.

22 We heard earlier Senator Collins talk about the Falluja
23 Waste Water Treatment Plant. Brian and I went down there
24 last August. It is making progress now. It started 4 years
25 ago. It will probably provide good service, but as our

1 inspection points out, for the natives of Falluja that is a
2 problem because what was not included in the contract was
3 connecting their houses to the sewer lines. They are going
4 to have to do it themselves. That is a disastrous outcome.

5 The Baghdad Police College Brian and I also visited a
6 couple of times, and it was in remains, a problematic
7 project, although much better today than when we first went.

8 How can we learn from the Iraq experience? Well, that
9 is why I am here, why we did this report, why we began the
10 Lessons Learned Initiative 3 years ago. We have 13
11 recommendations, 13 lessons that aim forward, that look at
12 ways that, especially in Afghanistan, the United States can
13 restructure and resource its effort so that Khan Bani Sa'ad
14 does not happen again somewhere out near Kabul.

15 The overarching lesson, as I have said, is the United
16 States Government had neither the structure nor the
17 resources in place to mount the major contingency relief and
18 reconstruction program it took on in Iraq in mid-2003.
19 Thus, for the last 6 years, we have been on a steep learning
20 curve. The U.S. taxpayer has paid for a wide array of
21 programs and projects in Iraq, ranging from the training of
22 Iraqi army and police, to building and repairing the
23 country's infrastructure in the oil, electricity, water,
24 justice, transportation, and health sectors. Appropriated
25 funds have supported programs to build democracy, enhance

1 the rule of law, improve the ability of Iraq's national,
2 provincial, and local governments to execute their budgets.
3 Some of these projects have succeeded. As we can see on
4 these easels, some have not. But there are some successes
5 up here.

6 I was in November out at the Anbar Rule of Law Complex,
7 \$21 million well spent--late in the game but well spent--
8 bringing justice to Ramadi, a place that until a year ago
9 was the scene of significant insurgent activity.

10 And next to it, the Pipeline Exclusion Zone. I have
11 called that the "single best investment" that the United
12 States made in any project, \$34 million to keep the pipeline
13 safe. And the result? A year without any successful
14 attacks on these pipelines; whereas, as we reported over and
15 over again in our quarterly reports, those pipelines were
16 taken out over and over again from 2003 through 2007.

17 The central issues raised in this report are: Why did
18 the U.S. reconstruction effort so often fail to achieve its
19 goals? And what can our Government do to ensure that it has
20 the capacity to manage future contingency operations. "Hard
21 Lessons" addresses the first issue by reviewing the
22 chronology of the reconstruction effort and examining the
23 challenges our Government faced as the rebuilding program
24 expanded from the \$2.4 billion envisioned by pre-war
25 planners to 25 times that much.

1 The report addresses the second issue by identifying 13
2 hard lessons we must learn from the Iraq reconstruction
3 experience. We divided them up into principles and then
4 application. The first principles for contingency relief
5 and reconstruction operations begin with the obvious one,
6 and indeed, some of these sound obvious but, nevertheless,
7 they are lessons learned in Iraq, so we have to spell them
8 out so they may be applied as we work prospectively to
9 reform.

10 Security is necessary for large-scale reconstruction to
11 succeed. One of the biggest surprises about the Iraq
12 program is that a \$20 billion effort went forward full steam
13 ahead as an insurgency exploded all around it. That is why
14 the Falluja Waste Water Treatment Plant is not done yet. It
15 was supposed to be done 3 years ago. It will not be done
16 until September of this year. Why? Security.

17 Indeed, as we learned when we visited that site in
18 August, several contractors working on that project had been
19 killed in the course of carrying it out, including someone
20 working on overseeing it for the Government.

21 Developing the capacity of people and systems is
22 important as bricks and mortar. This was not an emphasis in
23 the Iraq Relief and Reconstruction Fund. The Iraq Relief
24 and Reconstruction Fund sought to spur growth by building
25 big projects. Electricity. There were supposed to be five

1 large water treatment plants. There are two instead. The
2 focus was not on helping governance develop, helping
3 agriculture, almost no focus on that early on; helping to
4 focus on sustainment, an issue that SIGIR started to focus
5 on in 2005 and now is a significant focus; on capacity
6 building, something we started to focus on in 2006, and now
7 as significant focus. Hard lessons learned that they need
8 be part of a program at the beginning.

9 Soft programs serve as an important complement to
10 military operations in an insecure environment. Well, that
11 is the core of General Petraeus' counterinsurgency strategy
12 that he applied effectively in 2007 along with Ambassador
13 Ryan Crocker. It worked, late in the game.

14 Programs should be geared to indigenous priorities and
15 needs. We have heard that discussed earlier. Ms. Gustitus
16 raised it, the need to engage with those in charge, those
17 with leadership, those who are there in the host country
18 where a contingency operation unfolds, so that you build
19 what they want and not a prison in Diyala Province, like
20 Khan Bani Sa'ad, that they do not want.

21 Reconstruction is an extension of political strategy.
22 That is also an intuitive reality, but what it means is do
23 not build projects for building projects sake. Build
24 projects to advance U.S. interests.

25 Organizing the interagency system for contingency

1 relief and reconstruction operations is the next more
2 applied focus of our lessons learned, and it begins with
3 recognizing what we have already talked about today, what
4 each of the Commissioners has pointed to, what the Senators
5 identified. There needs to be a more effective framework
6 for managing contingency relief and reconstruction
7 operations established, an executive authority below the
8 President that can ensure their success.

9 When I visited with Ambassador Crocker and General
10 Petraeus, and their predecessors--Ambassador Khalilzad,
11 General Casey--the message I kept getting was the difficulty
12 inherent in a war zone, in a contingency of integrating
13 military and civil operations. They did the best they
14 could, and they made a lot of progress over time. But there
15 were no structures in place at the beginning. There was no
16 unity of command, which made unity of purpose, unity of
17 effort, very difficult. That is key and I think an
18 overarching, central lesson from Iraq.

19 Uninterrupted oversight is essential to ensuring
20 taxpayer value in contingency operations. I landed in Iraq
21 almost exactly 5 years ago on my first trip. I leave on my
22 22nd later this month. What I saw troubled me right away.
23 The CPA put my office--unwittingly, I suppose--right next to
24 the Comptroller's office, and there I saw duffel bags full
25 of money being carted out the door. I knew this was a huge

1 problem. And then walking the halls that same day, I heard
2 someone lean over to another and whisper, "We cannot do that
3 anymore. There is a new Inspector General here."

4 Well, that is a sign that for a year in Iraq there had
5 been no effective oversight, and there really was not. As a
6 matter of fact, I remember coming to Comptroller Zakheim's
7 office soon after I returned from that trip with the head of
8 DCIS, and I said, "There is a fraud problem in Iraq, and it
9 needs attention. DCIS needs more money." And it did not
10 take 30 seconds for Dov to say, "I approve \$10 million to go
11 immediately to support more investigators."

12 You know, I think there is much less of a fraud problem
13 today, but we are living with the consequences of that.
14 Chapter 21 in "Hard Lessons" gives you the grim story of two
15 egregious examples: the Bloom/Stein conspiracy and the
16 Cockerham case. And the epigraph from that chapter is from
17 Robert Stein, who is now serving 9 years in prison as a
18 result of our investigation. He says, "If there had been an
19 IG in place ahead of time, perhaps I would not have traveled
20 down the path I did."

21 An integrated management structure and management
22 information system are necessary to effectively oversee
23 interagency reconstruction efforts. This means do not
24 outsource so much. You need to have quality assurance
25 personnel trained and ready to go, contracting personnel

1 trained and ready to go, to carry out the important job of
2 management oversight, different from IG oversight. We
3 report what happened, but if this is done well, you do not
4 get so many of these reports that you see on the easel here.

5 Outsourcing management to contractors should be limited
6 because it complicates lines of authority. The flip side of
7 what I just said. The story of PMO is an outsourced
8 organization. Dov was just talking about that, that because
9 this was an ad hoc approach, as we have emphasized over and
10 over again in this report, many, many organizations,
11 temporary organizations, were created to address a problem.
12 The Program Management Office was set up within a month to
13 manage \$18.4 billion, which it as PMO never got to manage
14 because that money never came through the pipeline in time.
15 The planning, the segmenting, if you had anticipated all
16 this, you would know how long it takes to contract large
17 amounts of money. You would know what you need to do, a
18 quality assurance program. You would not have the Corps of
19 Engineers and USAID saying, "We are not going to participate
20 in doing this now because we cannot." They demonstrated,
21 tacitly, in that refusal recognition of this problem, the
22 challenge of doing a start-up in a war zone and spending \$20
23 billion.

24 Finally, contracting mechanisms, something that you
25 will examine in detail, and I think that these are

1 applicable to Afghanistan right now, and this is an old
2 recommendation from our second "Lessons Learned" report on
3 contracting, and that is, the United States should develop
4 new wartime contracting rules that allow for greater
5 flexibility. We called it the "CFAR" in our contracting
6 "Lessons Learned," the Contingency Federal Acquisition
7 Regulation."

8 Now, Title 18 of the FAR has the guidelines in there to
9 do it, but you need to train the contracting corps that is
10 ready to come in and carry that out, and we have heard today
11 already that that does not exist. The Gansler Commission
12 has already spelled that out in detail for the Army.

13 What we recommended in that recommendation and
14 reiterate here is that a simplified contingency set of
15 regulations be developed, and everyone in theater once the
16 contingency begins is advised that that is what they use,
17 instead of having USAID's amended regulations, DOD's amended
18 regulations, Department of State's amended regulations,
19 DOJ's amended regulations. The FAR is a modified document
20 by agencies, and that is true in a contingency setting. And
21 that is confusing for U.S. contractors. Think about Iraqi
22 contractors. Roughly 90 percent of the contracting being
23 done today is done with Iraqi contractors. Much too
24 difficult the way it is currently set up.

25 Second, the U.S. Government human resources management

1 system capable of meeting the demands of a large-scale
2 contingency relief and reconstruction operation. That was
3 the subject of our first "Lessons Learned" report on
4 personnel. The reality is, partly because there was a short
5 stay expected, there was massive turnover throughout 2003,
6 usually 3-month stays. But that continued for over a year,
7 and it was not until the embassy took charge and then
8 stabilized an appointments process that individuals started
9 staying for more than 3 to 6 months. That is no way to run
10 a reconstruction operation, of course.

11 The RSCMA, the Reconstruction and Stabilization
12 Civilian Management Act, which is a new law, passed by the
13 Congress last October, proposes a new structure for doing
14 contingencies. It contains within it what I think is a
15 great idea, and that is the creation of a civilian reserve
16 corps. But it is discretionary. I think that that should
17 be a mandatory new creation.

18 Next, diplomatic, development, and area expertise must
19 be expanded to ensure a sufficient supply of qualified
20 personnel in contingency operations. This also addresses a
21 hard lesson learned in Iraq, that frequently those deployed
22 did not have the right skills to carry out the missions to
23 which they were assigned. "Hard Lessons" just spells out
24 chapter and verse on that, and echoing our personnel report,
25 echoing our quarterly reports, echoing, frankly, the waste

1 that occurred. And I think that this is essential to ensure
2 that next time a contingency operation is confronted by the
3 United States, there are personnel ready to deploy who could
4 do the job. And, actually, the next time is upon us. It is
5 in Afghanistan. And I think that we can draw upon personnel
6 who gained the kind of experience necessary to Afghanistan
7 from Iraq and use that institutional capacity to improve the
8 likelihood that that money is used well.

9 As I said, the Reconstruction and Stabilization
10 Civilian Management Act of 2008 is an effective step
11 forward, but there are three things necessary to fulfill its
12 purpose:

13 First, the Congress must provide appropriations
14 suitable to meet the RSCMA mandate;

15 Second, more must be done to ensure that the
16 interagency coordination and integration required by RSCMA
17 actually occurs;

18 And, third, the administration should work to revise
19 and integrate the civilian and military components of
20 contingency and reconstruction operations.

21 Integration. Ambassador Khalilzad, when we talked to
22 him, emphasized this point. It was not coordination so much
23 that was missing in Iraq. There were coordination meetings
24 every day. It was integration. And that is a structural
25 reality that was missing. Integration will lead to unity of

1 effort. It will lead to unity of purpose. It will lead to
2 unity of command. And it will lead to success.

3 Thank you, and I look forward to your questions.

4 [The prepared statement of Mr. Bowen follows:]

1 Chairman Thibault. Thank you, Inspector General Bowen.

2 What we are going to do is going around now, and
3 beginning with myself. I would like to talk a little bit
4 about and thank you for the commitment of the number of
5 auditors that you have on site. You used the words "35
6 auditors," and being an auditor and liking to play with
7 numbers, as you were talking, it was shared earlier that
8 there is somewhere in the neighborhood, depending who you
9 cite, between 180,000 and 200,000 contractors on the
10 battlefield or in the country and 160,000 military. If you
11 put all that together, give or take a few thousand, the
12 number kind of comes up to about 350,000. And thinking in
13 terms of 35 auditors on the ground on 350,000, that is an
14 auditor for every 10,000.

15 People can think a little bit about the dispersal in
16 Iraq. It is a big country. And there is this expression,
17 "forward operating base," you know, where the action is,
18 primarily. And the number when I was over there that was
19 shared with me is there are about 80 of them.

20 Where I am coming from is within your report and in
21 your comments, where you say, "We are living with the
22 consequence of prior wrongdoing," which I take to mean we
23 are aggressively sorting it out and the like, I would like
24 you talk a little bit about your staff that is doing
25 investigative work of fraud and wrongdoing, and I would like

1 to ask the question, because I know there is a growing
2 backlog of cases that need to be resolved.

3 What I would like to discuss with you is if you were--
4 what would be the impact if that portion--and I am going to
5 ask you to share that--of those 35 auditors that are
6 pursuing fraud and evaluating fraud and trying to work
7 through that inventory of cases was substantially increased,
8 can you keep them busy in terms of not having them trip over
9 each other and having a caseload that maybe you can shorten
10 the span from what might be years to 1 or 2 years, to bring
11 those home and publicize those cases where there has been
12 wrongdoing.

13 Can you share a little bit with that?

14 Mr. Bowen. Yes, sir. The investigative part of our
15 effort--we have auditing, inspection, and investigation.
16 The investigative arm of my office has expanded by over a
17 third over the last year, exactly because of this issue that
18 you point to, that investigations take a longer time to
19 develop. They are more complex. First and foremost, you
20 are working in a war zone. Second, in Iraq it is largely a
21 cash environment; thus, as most fraud is broken in the
22 United States through electronic means, that is not the case
23 over there. And, third, it took awhile for people to
24 really--whistleblowers to really start coming forward. And
25 they have been.

1 As a result, we have 72 ongoing cases. From the cases
2 we have already done, we have obtained 19 indictments, 14
3 convictions. Five of those individuals are in prison, and
4 the remainder, nine, await sentencing.

5 As I said, Chapter 21 spells out all the convictions
6 that have been achieved by the law enforcement entities, and
7 we work closely with CID and the Army Investigative Division
8 over there, as well as other entities.

9 But I have got Jon Novak, my Assistant Inspector
10 General for Investigations. He has spent a lot of time in
11 Iraq. He is going to be adding four more investigators over
12 the next quarter as a result of support from Ambassador
13 Crocker to expand our team up to ten. And I think that is
14 reflective of the investigative environment.

15 But, Jon, would you address that a little bit, please?

16 Mr. Novak. Yes. Good morning. The staff that we
17 have, first I would mention that the jurisdiction--the
18 impacting of the number of staff that we had was impacted by
19 the expanded jurisdiction as of the beginning of last year.
20 Prior to last year, SIGIR's sole responsibility for criminal
21 investigations was IRRF funds, and so that is, you know,
22 basic reconstruction.

23 Now, at the beginning of last year, that was expanded
24 to the security forces funds, the other types of
25 reconstruction funds, so our jurisdiction expanded broadly.

1 And at that time is when Stuart Bowen expanded our staff.
2 We increased the numbers overseas as well as domestically.

3 Several of the cases have been progressing. Stuart
4 mentioned that we have 14 convictions. In the last year,
5 ten of those--we received ten of those convictions in the
6 last year. As the program has been steadily expanding, we
7 are anticipating over the course of the next year 25 to 30
8 additional indictments from 15 different investigations.

9 So the cases are blossoming. There are spin-offs of
10 the cases that we are developing now. And I think that the
11 staff is sufficient at the moment to take those on.

12 Chairman Thibault. So your view is that you have ample
13 staff for the existing workload you need, and as Senator
14 McCaskill, who was sitting where Ms. Cruz is sitting, said,
15 you have got to come and ask for funds for these types of
16 activities if it will strengthen the program. But you are
17 saying the program as presently constituted you are
18 comfortable with?

19 Mr. Novak. As of right now. If the caseload continues
20 to expand, which it may, then it may be appropriate at that
21 time to come back for additional staff.

22 Mr. Bowen. Well, the one area where we could use more
23 resources--it is a joint investigative/audit effort that we
24 have kicked off. It is carrying out our forensic audit
25 mandate, and that takes, as you know very well, Mike, an

1 auditor/investigator and the technological tools available
2 to review billing statements, receipts, specifically to look
3 for double billing. We have got a team that is going to
4 Rome, New York, DFAS, and Millington, Tennessee, and
5 elsewhere to generate what I expect will be a burgeoning
6 caseload.

7 So as Jon was saying, under our current caseload,
8 things look pretty good. But I think as our forensic
9 auditing effort really kicks in this spring, you can bet
10 that we are going to have a lot more cases.

11 Chairman Thibault. Okay. Well, thank you, and I would
12 simply sum up with the statement that one of the things this
13 Commission would be keenly interested in is identifying
14 where additional resources could be applied, and we will
15 come back and talk with your more.

16 I would like to explore quickly what I wrote down in
17 your "Lessons Learned," which is secure the battlefield
18 first, work with the host country to make sure it is the
19 right project, and then properly contract for, manage, and
20 deliver. And you have all these examples where it did not
21 happen. You know, and if I am industry, if I am a
22 contractor with one of those examples, I might come in and
23 day, "I do not know." I might come in and say, "Well, I
24 signed the contract. I knew there were security
25 implications, but they told me get out and do it. So I am

1 following the contract. Now look what happened." You know,
2 that may be a stretch, but that is one side of it in terms
3 of evaluating it. They are accountable, and they should be
4 held accountable.

5 I am, from a system viewpoint, very interested in, yes,
6 these are the lessons learned; yes, this is what we are
7 going to do. What do we need to do to bring the
8 organizations together effectively to do the planning, to
9 achieve the security, to assure that we are working with the
10 Iraqi Government and that they have the commitment to work
11 with us? You know, through the report and through your
12 testimony, I am sensing there is a real need to improve the
13 process. There are lessons learned. What can we initiate
14 now in order to assure that as we go into Afghanistan, if
15 other contingencies occur, we do not re-create the same
16 exact situation?

17 Mr. Bowen. I am going to allow Ginger to address this
18 because she has been to Iraq many times and is looking into
19 this issue now.

20 Ms. Cruz. Thank you. There are two things that SIGIR
21 has considered over the years, and one of them was the lack
22 of conditionality that was placed on the \$50 billion that we
23 spent on reconstruction. And although it was discussed
24 about 2 years ago, it was not really pursued.

25 And so one of the areas that might be considered moving

1 forward is this issue of conditionality, because that would
2 allow the Iraqis then to have some vested interest in the
3 outcome of the projects that we gave them. And in so many
4 cases, when you are talking to Iraqi officials today, they
5 will say it is a free gift. And sometimes it is not the
6 right gift; it is not something that we could use. Perhaps
7 it was too technologically advanced for the staff to be able
8 to run it, and they do not have the capacity. Maybe they
9 cannot get the parts or they cannot get the chemicals needed
10 to run a particular water treatment plant. And so it
11 becomes very difficult for them to sustain a lot of the
12 programs that we, unilaterally perhaps, decided to build.
13 So I think conditionality is something that really should be
14 considered.

15 The other thing is Congress has already started to move
16 towards the matching funds concept, and the last National
17 Defense Authorization Act has begun to put in requirements
18 for matching funds. There is some confusion right now as to
19 what do they mean by "matching." Does this mean that all of
20 the money that Iraq puts towards infrastructure projects is
21 considered its match, and then you put that against how much
22 the United States is putting in?

23 That can cause problems because it is not really
24 holding people accountable, and one of the areas that people
25 are afraid to get into is commingling of funds. Do we want

1 to have projects where you say the Iraqis will put in this
2 percentage, the United States will put in this percentage,
3 and we will both have a vested interest in the outcome?

4 There has been a reluctance to look at that because it
5 is a messy contracting process, but it is certainly
6 something else that we would consider an appropriate area
7 for exploration by the Commission.

8 Chairman Thibault. Thank you, and it is something we
9 would consider.

10 I would like to move on to Commissioner Ervin. Clark?

11 Commissioner Ervin. Thank you very much, Mr. Chairman.
12 Thank you, General, for those remarks.

13 There are a number of quotations in "Hard Lessons" that
14 I and I think all the Commissioners found to be very, very
15 compelling and arresting, and that perfectly capture many of
16 the lessons that are at the heart of your work over the
17 years, and one of them is a quotation that you referenced,
18 General, in your remarks, and that is that, "The lack of
19 unity of command in Iraq meant that unity of effort was
20 seldom achieved. Too often, programs were designed to meet
21 agency goals rather than U.S. national interests." And I
22 want to ask a couple of questions to explore that and to get
23 at the larger issue of accountability that Senator McCaskill
24 raised.

25 It is, as you well know, a typical Washington response

1 to problems to propose organization chart changes, and many
2 argue that the key lesson to be learned from this is that we
3 need a completely new governmental structure to deal with
4 contingent operations, which we know that we will be engaged
5 in for some time to come.

6 That said, one could argue that the National Security
7 Council is the interagency process that was designed years
8 ago--in the 1940s, 1947--precisely to see to it that State,
9 DOD, and AID in this instance work together and pursue not
10 parochial goals but overall national interests.

11 And so I want you to talk a little bit about why you
12 think the NSC process did not work here and whether a
13 properly structured--and I want to ask a follow-up question
14 outside of structure, but whether, properly structured, it
15 might have provided the answer to prevent what happened in
16 Iraq from happening in the future.

17 Mr. Bowen. Several reasons why it did not work. First
18 of all, it does not possess inherent power to make decisions
19 that are controlling over the departments.

20 Second, the process that they were engaging in was
21 superseded by NSPD 26, which put the Department of Defense
22 in charge of the reconstruction program in January of 2003.

23 But you are asking a larger question: How do you get
24 to unity of command, unity of effort? And the answers,
25 while everyone complained about it, were somewhat mixed.

1 One quotation from General Petraeus says an ambassador will
2 never work for a general, a general will never work for an
3 ambassador. So does that end the discussion? No, that does
4 not end it there.

5 There are several ways to move forward, and the
6 Congress has laid out one in the RSCMA, the latest act. DOD
7 is pursuing its own stabilization program. It is the third
8 leg of the Army Field Manual under Directive 3000.05, a lot
9 of work, a lot of effort, a lot of resources being devoted
10 to it.

11 My concern about those good ideas is they could
12 represent a Balkanized solution to a problem of
13 Balkanization. Integration is the word, and the executive
14 authority to integrate departments rests not only with the
15 NSC, but with the President, for whom the NSC works. And
16 how the NSC or a new entity perhaps within it is empowered
17 is part of the reform process. I think these are solutions
18 that require further exploration, quickly, because RSCMA has
19 been passed. DOD is moving ahead with this. And while
20 there is better integration certainly than ever before, it
21 does not have a coherent framework yet that is guiding it.
22 And that is why in my statement I said it is a problem that
23 exists today.

24 Commissioner Ervin. Let me follow up on that, and I
25 think you began to follow up on where I was attempting to

1 lead you, and that is, there is another quotation that I
2 found interesting from Secretary Powell, where he said
3 essentially that it is as much a process and a personality
4 issue as it is an organization issue. And you referenced
5 the President. Ultimately, the President has to be in
6 control of this process and ensure that all agencies are
7 working in pursuit of national interests.

8 Can you talk a little bit about the role ultimately
9 that the President has to play in this regard?

10 Mr. Bowen. Well, the paramount role, obviously,
11 because it is about defining a solution with the executive
12 branch, and the President is the Chief Executive Officer of
13 that branch. But it also must be a collaborative role, and
14 that means working with Congress, because RSCMA is out
15 there, other reforms will unfold from the relevant
16 committees, I think this year, addressing some of these
17 lessons, ensuring that the administrative resolution of some
18 of these problems as implemented, 3000.05 at DOD, and the
19 legislative resolution to this issue embodied in RSCMA for
20 now, are coherently connected in a rational framework that
21 can effectively manage contingencies is an issue for
22 Presidential leadership.

23 Do you have some comments?

24 Ms. Cruz. There is one other point that I would make,
25 and that is that the international community is also

1 examining this issue, and one of the examples of how it
2 could be approached is being undertaken by the British, who
3 have a slightly different system than we do. But one of the
4 things they are trying is something called "conflict pools,"
5 and rather than appropriating money to the different
6 departments, which ensures that each department pursues its
7 mission and sometimes there is a clash, it puts the money
8 for a conflict in one pool and requires that their
9 equivalent of USAID, the Department of State, and the
10 Department of Defense all agree on the priorities and how
11 that money is going to be spent in a contingency operation.

12 That was not something that happened here, and one of
13 the biggest challenges we have today is while the NSPD put
14 the State Department in charge, yet 85 to 90 percent of the
15 money was under DOD purview. So you have a real challenge
16 because of the organization.

17 So one of the opportunities might be to look elsewhere
18 at other examples, not that they have proven that they can
19 work absolutely, but it is certainly worth consideration.

20 Commissioner Ervin. Thank you. Just one final quick
21 question from me, and we can explore this further in a
22 second round. But I would be interested in your thoughts
23 about subcontracts and the degree of difficulty that you had
24 in looking at subcontracts and the role that they played in
25 overall project management or mismanagement.

1 Mr. Bowen. That is a very difficult process in
2 contract review. Most of our audits look at the prime
3 contract, but the consequences of failure that we see in
4 reviewing how that prime contractor performed are directly
5 connected to how the subcontractors performed. Indeed, the
6 design/build contractors, the 12 big contractors who
7 received most of this money in March and April of 2004, \$10
8 billion for a large construction in Iraq, carried out
9 virtually all of it through subcontractors, some regional,
10 some eventually went Iraqi. But the challenge of the cost-
11 plus contracts, the kind of contract used by the United
12 States in employing these contractors, permitted these
13 subcontractors to fail repeatedly and still get paid.

14 A cost-plus contract, as I have said in other settings,
15 without definitization, which is what occurred in Iraq,
16 amounts to an open checkbook. And that is the place where
17 significant waste occurred and why I think that the NDAA's
18 reforms that Senator Collins referenced earlier are critical
19 to ensure that cost-plus contracts get reined in in future
20 contingencies.

21 Commissioner Ervin. Thank you, General.

22 Thank you, Mr. Chairman.

23 Chairman Thibault. Thank you, Clark.

24 Commissioner Zakheim, you are up, Dov.

25 Commissioner Zakheim. Well, again welcome, Stuart.

1 You were terrific to work with when I worked with you, and
2 you have gone from strength to strength, I must say, you and
3 your team.

4 Mr. Bowen. Thanks, Dov.

5 Commissioner Zakheim. I am deeply concerned about what
6 you said about learning these lessons and applying them to
7 Afghanistan. We are in the middle of that now. We are in a
8 very different situation from where we were in Afghanistan
9 in 2003-2004, and so the challenges are great.

10 Some of the lessons do apply. Conditionality I think
11 is one. Some may not--cost sharing. This is a very
12 different country in terms of what resources it has.

13 So could you talk a little bit about what progress
14 really has been made? You know, we have had legislation, we
15 have had your recommendations. We have had all sorts of
16 stuff. But what has already changed on the ground in Iraq
17 that could be applicable to Afghanistan? And, on the other
18 hand, what has not changed and desperately needs to--I mean,
19 give me your top three that we must absolutely do right now
20 in order to have a very different situation in Afghanistan
21 than we developed in Iraq.

22 Mr. Bowen. Well, in our latest quarterly report, which
23 was issued last Friday, our 20th, Section 1, the first part,
24 addresses exactly this question, and that is, applying our
25 "Hard Lessons" to Iraq reconstruction, but let me then apply

1 them to Afghanistan, because some of them directly link.
2 Let's begin with the PRTs--ironically, a program that began
3 in Afghanistan that Ambassador Khalilzad brought to Iraq and
4 expanded into something very different. The most salient
5 difference is that in Afghanistan the PRT personnel is
6 majority military and, thus, has a more tactical feel in its
7 support to the brigades there; in Iraq, majority civilian--
8 although with the development of the EPRTs, you have sort of
9 a hybrid of what the original version was.

10 I think through the PRT experience, which our latest
11 audit in this quarterly points out is working quite well at
12 this late stage, what we have learned ought to be applied to
13 Afghanistan. And, more specifically, the personnel who
14 gained that kind of experience in the Iraq PRTs ought to be
15 drawn upon to staff--the civilians, I am talking about--to
16 staff those PRTs in Afghanistan.

17 I think working at the village level, as they have and
18 are able to do now--the security situation is much better--
19 has shown real success in Iraq, something that we would all
20 welcome to see in Afghanistan.

21 Second, I think that the contracting mechanisms in Iraq
22 have improved over time through JCCI--of course, it is
23 JCCIA, the Joint Contracting Command Iraq/Afghanistan, but
24 the Afghanistan side needs to be staffed up and
25 strengthened. That is what I have been told, and I think

1 that that is what you all are about, you know, addressing
2 contracting in Afghanistan and getting the staff they need
3 and the people they need with the right experience they
4 need. And, again, the personnel issue applies here. We've
5 got contingency contractors with experience who have been
6 through a tour in Iraq. Let's use them in Afghanistan.

7 I think, what not to do? Well, third, what to do is to
8 ensure that the Special Inspector General for Afghanistan
9 Reconstruction has the resources he needs to carry out the
10 oversight. It is a 7-year-old effort there, as Ms. Gustitus
11 was saying, and his office was just created last year.

12 What not to do? Don't replicate the weak quality
13 assurance that has characterized the effort in Iraq.
14 Quality assurance is a buzz word. It means Government
15 experts going out to sites to check whether what is
16 happening at that site is what the contract expected.
17 Pretty simple. The evidence of its failure is up here, some
18 of it, on these boards, these pictures.

19 We don't know, first of all, really what has happened
20 with the \$32 billion for the most part that has been used
21 for reconstruction in Afghanistan. That is something that
22 the Special Inspector General for Afghanistan is going to
23 start reporting on. But, nevertheless, moving forward,
24 quality assurance is hugely important.

25 As a matter of fact, if there is one core rule out of

1 our program management report, Lessons Learned report, it is
2 that a good quality assurance program--the Government--that
3 ensures that a contractor has a good quality control
4 program--the contractor's duty--equals a good project. It
5 is not rocket science, but it is difficult to do in a war
6 zone.

7 Ms. Cruz. There is one more thing that I would add,
8 and that would be--two things, actually: outcomes and
9 strategic plans. It is a recurring theme in all of the
10 audits that we do, and Dave Warren and Glenn Furbish and the
11 team of our auditors are constantly saying that, a lack of a
12 strategic plan that goes beyond this budget cycle, that goes
13 beyond what we are trying to do today. And one of the
14 things that we constantly had trouble with in Iraq was the
15 orders were short-sighted. And if you would have told the
16 Iraq reconstruction officials back in 2003 that they had 5
17 years and \$50 billion, a great likelihood would have been
18 that they planned much better and been able to execute much
19 more solid decisions in the course of that. But instead it
20 is waiting to see what budget you get and then reacting.

21 In Afghanistan, the Special Inspector General for
22 Afghan Reconstruction just put out his report last week, and
23 one of his major findings is a lack of a strategic plan, a
24 lack of an understanding of what is the intended outcome,
25 and our great fear is before we go pouring more money in, we

1 really need to know what are we trying to accomplish, how do
2 we measure if we are accomplishing it or not, and at what
3 point do you turn off the spigot so you are not pouring
4 money into a black hole without really knowing what the
5 outcome will be?

6 Commissioner Zakheim. You know, one of the things you
7 just said is that we have to get people who are already
8 experienced out to Afghanistan. Meanwhile, State has a
9 reconstruction office, very well meaning. They do not have
10 too many people that are part of the team that they are
11 trying to put together, this Contingency Corps.

12 Are you satisfied that we have as a Government
13 responded sufficiently well in our personnel management
14 systems? OPM, which in my view is critical to all this. Do
15 we have the wherewithal to send the kinds of people out to
16 Afghanistan--or Iraq, for that matter--that you say we
17 should? And if we do not, what do we do? Do we legislate?
18 How do we bang these people on the head to get the right
19 people to go out there?

20 Mr. Bowen. No, I am not satisfied that we have a
21 system now in place that will meet that mission, and that is
22 why I raised the concern earlier that the RSCMA makes the
23 Civilian Reserve Corps discretionary. This is something
24 that the President said that he wanted in NSPD 44. The
25 Civilian Reserve Corps is not a new idea. It is a 5-year-

1 old ideas, as a matter of fact--4-year-old idea. But there
2 has not been sufficient funds to put forward to support the
3 creation of such a system, and really a strategic plan for
4 developing and implementing it. And that is why with
5 respect to this new act that lays a framework--a good
6 framework, I might add--for addressing some of the problems
7 we are talking about, this needs to be made mandatory, the
8 Civilian Reserve Corps, and there needs to be some money
9 behind it to ensure that there is the capacity to carry out
10 this mission.

11 Commissioner Zakheim. And since everything seems to
12 come down to money, you have not really mentioned--in your
13 report you do, but you have not mentioned here for the
14 record. How do you evaluate the role of OMB in the last few
15 years? And what would you change about the way they
16 operate?

17 Mr. Bowen. Well, the Iraq program itself was unique in
18 the sense that it was done through supplementals. This was
19 sort of like--and by definition, instead of being done
20 through the regular budget process, it was "off the books."
21 I am not sure exactly what that means, but that is how it
22 was sometimes described. But it meant it was addressing
23 what are today's problems. It did not fit within--at least
24 appeared to fit within a larger strategy, and I think the
25 supplemental process fed that perception and probable

1 tendency.

2 OMB at the outset of the Iraq program was sort of used
3 as a blocking force on the Iraq Relief and Reconstruction
4 Fund. Where certain individuals did not think money should
5 go quickly, then they would exert pressure to prevent their
6 allocation.

7 Now, perhaps part of it was concern about effectiveness
8 oversight, and as our report points out, those intuitions
9 proved correct. But just blocking was not the solution.

10 Commissioner Zakheim. Thank you.

11 Chairman Thibault. Thank you, Commissioner Zakheim.

12 Commissioner Gustitus, Linda, please.

13 Commissioner Gustitus. Thank you.

14 Just on that notion of integration, by the way, there
15 was a piece in the Washington Post today saying that Defense
16 Secretary Robert Gates has formally adopted the concept that
17 national security planning and budgeting cannot be done by
18 the Pentagon alone and that he supports this whole-of-
19 Government concept, that you bring all the parties to the
20 table for both budgeting and strategy. So it looks like
21 there might be some progress on that.

22 Do you agree that one of the very key moments in this
23 reconstruction was when we went from the concept of 90 days
24 in and out of Iraq to occupation, and that we did that with
25 no plan for occupation?

1 Mr. Bowen. Yes, that was a key moment. March 10th is
2 a key day in the history of the Iraq experience. That was
3 the day that the President was briefed by Lieutenant General
4 Jay Garner in charge of ORHA, the first temporary
5 organization set up to manage the reconstruction of Iraq.
6 He was briefed on the transfer by Under Secretary Feith, the
7 transfer to the Iraqi Interim Authority, which was expected
8 to occur very quickly. He was briefed by Frank Miller at
9 the NSC on de-Ba'athification that it would be undertaken
10 relatively lightly. It appears to have gone beyond that as
11 our report spells out. And he was briefed by the Commander
12 of the Engineers, General Strock, and he pointed out that
13 the army would be used as a Reconstruction Corps, kind of a
14 New Deal-type Civilian Conservation Corps that would be
15 commissioned to help rebuild Iraq.

16 Obviously, within 2 months, much of that changed
17 dramatically, and as the epigraph to Chapter 6 in "Hard
18 Lessons" points out, Ambassador Bremer, the administrator of
19 the Coalition Provisional Authority, told us that when he
20 had lunch with the President on May 6th, the President had
21 changed his mind, quote-unquote, about a short stay and
22 instead the occupation unfolded.

23 Commissioner Gustitus. And when we talk about
24 accountability, then, do we know why he changed his mind on
25 that, who helped him change his mind on that? Because it is

1 a dramatic shift, and it is really, in my mind, the cause of
2 so many of the problems of reconstruction, because we had
3 this massive reconstruction being done without any planning
4 for it whatsoever. But do we know why that decision was
5 made?

6 Mr. Bowen. No. I requested an interview but was not
7 given one with the President, and that is a question yet to
8 be answered. Our report does not answer it.

9 Commissioner Gustitus. Okay. On page 327 of your
10 report, you say, "Moreover, those at the head of what
11 quickly became the largest overseas rebuilding effort in
12 U.S. history"--which is the reconstruction now that we are
13 into occupation--"struggled to differentiate between the
14 pursuit of transformational goals for their own sake and
15 what it would take to achieve rapidly the U.S. national
16 objective of a stable Iraq."

17 I think that is a very important and poignant
18 observation, and I think it helps us going forward in
19 Afghanistan. And I think it is the reason we tried, we
20 ended up trying to do too much, really way beyond what we
21 were capable of. Had we focused, once we decided to be an
22 occupier, had we focused like a laser on building a stable
23 Iraq and getting out, I think that may have been doable.
24 But we kept working at cross purposes. So much of what we
25 did--and most of this occurred during a lot of the Bremer

1 and CPA years. But we were trying to transform Iraq to a
2 capitalist free enterprise--all the visions that we had of
3 how a country should look and operate. And that is where we
4 got so confused, it seems to me, and unable to stick to
5 stability and leaving that country, stabilizing it and
6 getting out. We got caught up in the ideology of
7 transforming it.

8 Do you agree with that?

9 Mr. Bowen. Yes, but more specifically, the focus of
10 the Coalition Provisional Authority's vision for Iraq,
11 achieving the vision of Iraq, was not security. The
12 security plan proposed therein was to create a new Iraqi
13 army, 40,000 over 2-1/2 years. That dramatically changed
14 within 6 months as the insurgency exploded across the
15 country. And the "Rock Drill," that preparatory exercise
16 before the invasion, pointed to, security was the number one
17 showstopper. And it stopped the show.

18 Commissioner Gustitus. Do we know who made up that
19 list of the IRRF fund projects? How was that list decided,
20 what types of projects the IRRF funds would be used for?

21 Mr. Bowen. Well, there were two phases to it. One
22 was--or three. There was a preliminary achieving the vision
23 that gave the overarching categories, and that was produced
24 by the CPA's Planning Office in July of 2003. And then
25 Admiral Dave Nash became head of the Program Management

1 Office that August, and he and a few others got together and
2 began to develop a program of projects. But the in-earnest
3 development of a detailed project, the one that was
4 eventually submitted in December, was done after IRRF 2 was
5 approved by the Congress on November 6th. And so that was
6 between the end of November and December 9th when Ambassador
7 Bremer submitted the list of projects to Washington.

8 Commissioner Gustitus. And was this just ideas of the
9 staff that they came up with these projects? Or how did
10 they decide to do the waste water treatment plan or whatever
11 projects they ended up with? Were these their own ideas?
12 You know, I have talked about the problem of not reaching
13 out to the Iraqis. What was the procedure that was used to
14 come up with these projects?

15 Mr. Bowen. Well, it was internally generated with the
16 help from two contractors that were employed. As was
17 pointed out earlier, the PMO was a staff of one on September
18 1, so not much to work with, except the Corps of Engineers
19 detailees that Admiral Nash received, and with them, they
20 brought contractors. And there were about 15 contractors
21 that came in and helped develop this initial project list.

22 Then after the IRRF 2 was approved, there was staff
23 within the CPA that took that initial work and refined it.
24 They also consulted with the Iraqis, but the Iraqis have
25 told us that it was insufficient.

1 Commissioner Gustitus. Well, when Congress approved
2 the \$18 billion for these projects, did they ask where did
3 these project ideas come from?

4 Mr. Bowen. I think there were 4 days of debate on the
5 IRRF 2 legislation. Some ministries also, let me point out,
6 had projects sitting on the shelf that they were waiting to
7 get done, and so they pulled them off the shelf and put them
8 into the IRRF 2 mix as the program unfolded.

9 Commissioner Gustitus. I am very interested in
10 accountability also, as Senator McCaskill pointed out, but
11 whom would you list as the worst contractors in
12 reconstruction? Who would be on your hit list of the worst
13 companies?

14 Mr. Bowen. Bottom of the class is Parsons.

15 Commissioner Gustitus. And they are still a contractor
16 with DOD. Not in Iraq.

17 Mr. Bowen. Yes. Not in Iraq.

18 Commissioner Gustitus. Right.

19 Mr. Bowen. They have been gone for 2-1/2 years from
20 Iraq. Khan Bani Sa'ad over here, a Parsons project, really
21 poorly managed, poorly reported on. Baghdad Police College,
22 a Parsons project. I visited the six barracks there. None
23 of their bathroom facilities work. The subcontractor
24 installed the plumbing so badly and then the repairs made it
25 worse, and so now they built latrines outside the barracks--

1 two of them--that everyone has to use.

2 I had concerns, obviously, our audits point out
3 concerns, regarding KBR in two respects. One is their
4 provision of support to the embassy under LOGCAP. We do not
5 look at the whole LOGCAP contract because most of that is
6 DOD money, supports the troops in the field. But we did
7 look at, upon request of the embassy, how KBR supported the
8 embassy, and we found a lot of problems. They did not know
9 how many people were living in the Green Zone, in the
10 trailers that they were managing. Their fuel-dispensing
11 program was riddled with errors and made no sense. And
12 their management of the dining facility was very poor and
13 well over budget.

14 Now, to their credit, once we raised all these issues,
15 they fixed them. But it was not until light was shone that
16 repair occurred.

17 Commissioner Gustitus. So that is Parsons and KBR, the
18 two--

19 Mr. Bowen. I am sorry. The other thing I am concerned
20 about KBR was their oil contract. We just did an audit on
21 that, and that audit spells out a number of deficiencies,
22 especially their failure in the southern region. One of the
23 largest oil reserves in the world is in South Iraq, and
24 their well work of our project was not done by KBR
25 effectively.

1 Other bad performers, I would say Washington Group had
2 some shortfalls on water projects. And then next comes
3 Fluor. I think there are some real problems with
4 sustainment on how they managed the Nassiriya water
5 treatment system. When our inspectors went down to visit it
6 4 months after turnover, it was operating at 20 percent, and
7 part of that was because sustainment, which, in fact, was
8 endemic early on among the design/build contractors, was not
9 addressed. It was endemically unaddressed in the early
10 contracting.

11 Commissioner Gustitus. And that is a very important
12 issue going forward in Afghanistan as well.

13 Mr. Bowen. Yes. Sustainment and capacity building.

14 Commissioner Gustitus. How we factor in sustainment
15 for anything that we do in Afghanistan.

16 Mr. Bowen. Yes, we have done three audits on the asset
17 transfer, another one coming out this spring, and to me, as
18 I have said elsewhere, this could be the locus of the
19 largest waste in Iraq. If what we did build that worked,
20 like Anbar, and like the pipeline exclusion zone, are not
21 well maintained, well, that is lost, too.

22 Commissioner Gustitus. My time is up. Thank you.

23 Chairman Thibault. Thank you.

24 Commissioner Henke?

25 Commissioner Henke. Mr. Bowen, could you speak to the

1 question of did the capacity exist in the Federal
2 Government, in any organization or agency, to effectively
3 manage a reconstruction program of \$20 billion at the outset
4 of the conflict? In other words, was it mal-assigned or did
5 it not exist anywhere where it could have been assigned to
6 effectively oversee a \$20 billion effort?

7 Mr. Bowen. It did not exist, and indeed the Corps of
8 Engineers and USAID were asked to lead it. And USAID said
9 it could manage a program about the size of \$5 billion. And
10 the Corps said something similar, but the most important
11 issue for the Corps was that the Gulf Region Division, the
12 division that now manages reconstruction for them in Iraq,
13 had not stood up yet, and so it simply did not have the
14 capacity, quite literally, on the ground to oversee
15 projects.

16 Commissioner Henke. Does that capacity exist today?

17 Mr. Bowen. In Iraq, for the program that is there now,
18 yes, it does. I think lessons have been learned. You know,
19 I think that the struggles of the reconstruction program
20 evident in this report have a silver lining, and that is
21 that quality assurance programs are much better than they
22 were; contracting is much more focused; there is much less
23 fraud, and there is much less waste as a result.

24 Commissioner Henke. If AID and the Corps had been
25 assigned the task, would they still have had to rely on a

1 significant degree of contracting?

2 Mr. Bowen. If they had decided to take on an \$18
3 billion program, then yes, they would certainly have to rely
4 on contractors. But you know what? They do now. USAID
5 over the last 20 years has been transformed into an agency
6 that largely relies on contractors. And the Corps of
7 Engineers, with a big civilian component--about 35,000--
8 nevertheless has a large contractor contingent within it
9 that helps it accomplish its work across the country.

10 Commissioner Henke. But do they have a larger program
11 management capacity?

12 Mr. Bowen. Yes, they do. They have systems. You
13 know, they have IDIQs, indefinite delivery/indefinite
14 quantity contracts in place to draw upon for programs. It
15 raises a good point. PMO had nothing to draw upon, so it
16 went looking. And Commissioner Zakheim remembers this.
17 They found the Air Force Center for Environmental Quality,
18 AFCEE--Excellence, sorry. And I remember when I first
19 landed over there, I said, "The Air Force Center for
20 Environmental Excellence is building prisons in Iraq?" So I
21 launched an audit to find out, you know, how did this
22 happen. It turns out they have an IDIQ with 25 contractors
23 in place that they--for the most part, those contractors
24 have done pretty good work.

25 Laguna, an AFCEE contractor, has picked up some of the

1 pieces of the Baghdad Police College and put them back
2 together, and ultimately that place is going to train police
3 officers--a few years late.

4 Commissioner Henke. Can you speak to how the decision
5 was made to take that work from AID and the Corps and align
6 it elsewhere? Is it clear to you how the thought process
7 went?

8 Mr. Bowen. It was very rapid.

9 Commissioner Henke. Yes.

10 Mr. Bowen. As a matter of fact, there is an
11 interesting epigraph in here from Lieutenant General Pete
12 Corelli, who commanded Multi-National Corps-Iraq. I am
13 roughly paraphrasing him, but he says the CPA in a matter of
14 days just pieced together a set of projects, you know, from
15 wherever they could determine, and it was done--his point
16 being--much too quickly. And I think our story points out
17 that the speed within which an \$18.5 billion program was
18 planned was proved quite inefficient.

19 Commissioner Henke. I think his quote was along the
20 lines of build a big this and build a big that in theater.

21 Mr. Bowen. Right. That is right.

22 Commissioner Henke. It kind of leads me to the second
23 observation. In terms of having the right tool at the right
24 time based on the facts on the ground, IRRF 1, IRRF 2,
25 largely--I think your report says they were infrastructure

1 heavy, infrastructure centric.

2 Mr. Bowen. That is correct.

3 Commissioner Henke. Can you compare the success record
4 with IRRF 1 and IRRF 2 to the CERP, the Commander's
5 Emergency Response Program, which existed before, I believe,
6 IRRF 1 and IRRF 2 and involved--

7 Mr. Bowen. After IRRF 1.

8 Commissioner Henke. --many smaller projects more
9 closely--closer to where the troops were at the time.

10 Mr. Bowen. We have done four audits of the Commander's
11 Emergency Response Program, so we have looked at it
12 carefully, 2004, 2005, 2006, 2007, and we are going to be
13 doing 2008 this year. And they tell the story of a program
14 that sort of evolved on the ground in Iraq out of seized
15 funds, the money that the troops found--and they found about
16 a billion dollars--in the palaces of Saddam. And they asked
17 for permission actually from their commanders to begin using
18 it to help out their communities, their areas of operation.
19 And they received that approval, and Ambassador Bremer
20 turned it into a program in the summer of 2003 called CERP.

21 It has, I think, largely proved successful in Iraq,
22 although our first audit points out that the guidelines that
23 were initially established were not being followed, and that
24 the files were not well managed.

25 Commissioner Henke. In terms of controls?

1 Mr. Bowen. Yes, right. A familiar theme from CPA.
2 There were not adequate controls over how that money was
3 being used, although it was having an effect. Those
4 findings were addressed by DOD and by Lieutenant General
5 Corelli, and the story of our audits is the story of a
6 program that learned its lessons and got better over time.
7 But also it is a story of a program, as others have said,
8 that went well beyond its scope doing projects worth, you
9 know, \$5 million when it was envisioned to be one to do
10 \$50,000 to \$100,000 projects. And that has been reined in
11 as a result of recent regulatory and legislative work on the
12 Hill.

13 But as a comparison to IRRF, I will say that CERP ended
14 up finishing a lot of IRRF projects, ironically, because of
15 the security problem in Iraq required, for instance, the
16 water money to be cut in half, the electricity money lost a
17 third, and CERP has come in behind and done a lot of water
18 projects and done a lot of electricity projects.

19 Commissioner Henke. Could you explain to us the scope
20 of your work in personnel security contractors as they
21 relate to infrastructure projects? You have done a
22 significant amount of work there.

23 Mr. Bowen. Yes, and Dave Warren, my Assistant
24 Inspector General for Audit, has been focused on the PSC
25 issue, and we started out--I will say our first review 4

1 years back was of Aegis, really the implementation of a DOD
2 contract to provide security to the PMO. And we found a
3 number of problems: unqualified personnel, weapons
4 accountability, an issue that became much larger in a later
5 weapons accountability audit. But now we have done--Aegis
6 took a lot of what we had to say to heart, and we just came
7 out with a significant, wide-ranging review of Aegis this
8 quarter, and they have applied those recommendations and,
9 thus, received a good audit this quarter.

10 Dave Warren, my AIG for Audit, can address it.

11 Mr. Warren. Yes, they have, in fact, improved, as
12 Stuart said, in that area and we gave them a positive report
13 that, I think, as Stuart has said, shows progress, people
14 are listening to what we are saying, and improved oversight.

15 In addition, we are doing two additional efforts this
16 quarter looking at field commanders' observations with
17 regard to how they see the coordination of private security
18 contractors on the battlefield. Initial work on that
19 indicates that the results of that will be positive, with
20 some areas of concern, but that project is going well.

21 We are also looking at an incident reporting system
22 that was implemented in, I believe, January of this year in
23 response largely to the Blackwater incident. We are going
24 to do a complete scrub of how that program is working.

25 I should also add we are doing a joint audit with the

1 Department of State IG on the Blackwater issue. The last
2 contact I had on that is we are hopeful to have a report
3 sometime this spring on that matter.

4 The key point that I would like to point out here is
5 that while we are seeing improvement, what we have found
6 during the course of all of this work is that private
7 security contract work is, in fact, expensive. We did a
8 preliminary piece of work on this that showed some \$600
9 billion has been spent in Iraq to this point on private
10 security contract efforts. In addition to that, our work is
11 also showing that beyond that, there are life support costs
12 that are being provided to contractors that could, in fact,
13 increase that number by, say, \$2 to \$3 billion. And we are
14 trying to look at those numbers as we move forward in the
15 work.

16 Lastly, I would say that we undertook this work in
17 response to direction by the Congress under the National
18 Security Defense Act of 2008, Section 842. We developed a
19 comprehensive plan in consultation with the other respective
20 IGs. That plan lays out approximately 20 audits to be done,
21 and I have already mentioned the particular efforts that we
22 have underway. The Department of State has already issued
23 two reports as part of that plan, and I am sure they will
24 talk about that later today.

25 Commissioner Henke. Okay.

1 Mr. Warren. And AID and DOD IG are also working on
2 those efforts. So that is in a nutshell where we are.

3 Commissioner Henke. Thank you.

4 Chairman Thibault. Thank you, Bob.

5 Commissioner Charles Tiefer, Charles?

6 Commissioner Tiefer. Thank you, General Bowen, Mr.
7 Chairman.

8 Your report says reconstruction was "grossly burdened
9 by waste." It will be hard, but I would like to get some
10 idea of the numbers for that. Looking at the \$23 billion in
11 U.S.-funded infrastructure contracting, estimates have said
12 that about 15 to 20 percent of that went to waste, which
13 would be about \$5 billion wasted by contractors. I know you
14 are careful about rigor with numbers, but you would not put
15 that \$5 billion figure out of the ballpark, would you?

16 Mr. Bowen. I would say 3 to 5 would be the ballpark on
17 that component of the appropriated money. Of course, that
18 does not reach half of the money, the \$25 billion, that has
19 gone to security.

20 Commissioner Tiefer. We will come to that. I wanted
21 to ask also, there is \$9 billion, which SIGIR audited, for
22 which the United States was fiduciary, not appropriated
23 funds. And your report quotes officials saying that this
24 was their "bank account for Iraq." You even have a sub-
25 heading, an entire chapter section about the DFI spending

1 frenzy.

2 What did you find out about the \$9 billion?

3 Mr. Bowen. Well, that sort of began that first day
4 when I landed in Iraq and I saw tens of millions or hundreds
5 of millions being carted out the door. I started talking to
6 my Assistant Inspector General for Audit then. I said, "We
7 have got to look at controls. There do not appear to be
8 any." And we began a very extensive and thorough audit, and
9 I put my best auditors on this at the time, because I knew
10 how important it was. And they interviewed senior advisers
11 at all the major ministries, and the Comptroller--the CPA
12 Comptroller, to be clear--and what we found was evidenced in
13 the audit released January 30, 2005, that the CPA did not
14 enforce its own regulations, is really the core finding
15 about managing the Development Fund for Iraq, the money that
16 was used to fund the ministries. They passed something
17 called CPA Memo No. 4, very complex and a good set of
18 contracting regulations, but our auditors found that they
19 were observed frequently in the breach.

20 But, ultimately, the transparency mandate required by
21 the UN and embodied in the CPA regulations was not met by
22 just putting on a website, you know, a balance sheet of what
23 happened to \$400 million at the Ministry of Oil, that it was
24 disbursed.

25 And then very late in the game, the CPA employed an

1 auditor, a private auditing firm, to engage in this review.
2 And, indeed, they went in, on the other side of the fence,
3 what was going on in the ministries, and found it for the
4 most part virtually inauditable because of the lack of
5 records. And no surprise there, the ministries turned over
6 twice by the time they got in there.

7 So the upshot is that we do not know what happened to
8 that money, but we have investigations still going on, and
9 we are cooperating with Iraqi authorities on investigations
10 that they have still going on with respect to some of that
11 money, large amounts of it.

12 Commissioner Tiefer. This sounds, although you cannot
13 put a figure on it, like several billion dollars more of
14 waste.

15 I want to go up to the high-level picture, because your
16 interviews--we have had press from the outside of the
17 government writing books, and we have had a few memoirs, but
18 yours is the official account, and you had access in
19 interviews. Secretary Powell held his tongue for years, and
20 you had that historic interview with him, and I want to ask
21 you the significance of what he said, which you quote, about
22 the key point you mentioned earlier when the decision to
23 disband the Iraqi army was made, which undermined security
24 and in some ways jump-started the insurgency. And as your
25 report says on page 76, "'When the army was disbanded,'

1 Secretary Powell recalled, `I called Dr. Rice and said,
2 "What happened?" Nobody seemed to know about this. And her
3 answer was, "We have to back Jerry [Bremer]."'"

4 To me this sounds not just like lack of coordination
5 but tolerance and even ratification at the very top of that
6 disastrous decision. Can you explain the significance of
7 that exchange?

8 Mr. Bowen. Well, as a law professor, maybe I will
9 invoke the rule of optional completeness here, you will
10 understand, and finish that quote, because I think it adds
11 an important aspect to that story.

12 "Secretary Powell went on to say, `There was no meeting
13 on it. There was no "Gee, is this a good idea." You
14 couldn't even tell who had decided it. I saw Peter Pace,
15 the Vice Chairman of the Joint Chief of Staff, a little
16 later and I said, "Peter, did you guys know about this?"
17 He said, "Hell, no."'"

18 And the other quote, while we are looking at it, is the
19 one from General Petraeus, the last paragraph of that
20 chapter. It says, "Major General Petraeus later said that
21 the order to disband the army sparked an anti-Coalition
22 sentiment that fueled the nascent insurgency in Iraq,
23 igniting nationalist impulses against the occupiers.
24 Petraeus believed that the order created `tens of thousands,
25 if not hundreds of thousands of additional enemies of the

1 Coalition.'" "

2 I think those quotations speak for themselves.

3 Commissioner Tiefer. Let me ask about more of this
4 unique interview you had with Secretary Powell. "He
5 explained that the Department of Defense was inventing
6 numbers of a new Iraqi army"--as that was started--"and that
7 this was for President Bush to believe as it became the
8 prelude to disaster.

9 He characterized the Defense Department this way: "DOD
10 kept inventing numbers of Iraqi security forces. The number
11 would jump 20,000 a week. They said"--he is now
12 characterizing what they said--`We now have 80,000.'" And I
13 guess a week later. "`We now have 100,000. We now have
14 120,000.'" And he said, `Mr. Rumsfeld is briefing this to
15 the President.'" "

16 What is the significance of what Secretary Powell was
17 saying?

18 Mr. Bowen. Well, what he said was also echoed later on
19 that page by Lieutenant General Ricardo Sanchez, who was
20 commanding U.S. forces on the ground at the time, and by
21 Ambassador Bremer, in charge of the civilian effort:
22 "Secretary Rumsfeld has explained that those changing
23 numbers were a function of changing metrics."

24 But the upshot of the issue you are raising is about
25 force levels and about responding to the security problem in

1 Iraq. And I think the answer to your question is the surge.
2 The fact is that a larger security presence was necessary to
3 quell the insurgency and permit reconstruction to move
4 forward. And until an effective counterinsurgency strategy
5 was implemented by General Petraeus and Ambassador Crocker,
6 this issue of the numbers of troops was simply talk. It did
7 not really address the truth of the need for more U.S.
8 security on the ground.

9 Commissioner Tiefer. The surge, after billions was
10 wasted, not to mention the loss of life and the other
11 catastrophes.

12 I want to ask about the contracting, particularly how
13 the agencies and their contractors spent their funds, as you
14 noted a few minutes ago, building big design/build projects,
15 cost-plus, as you say, with an open checkbook. I would like
16 to understand how it got from there to the present and
17 future problem that we face, which we may have to hold
18 hearings because it is a current waste problem, the largest
19 source of waste, the sustainment crisis.

20 Why is that the largest source of waste? And how much
21 of a problem is it right now and going forward?

22 Mr. Bowen. It remains a serious problem, but it is a
23 problem that is being addressed. It is a problem in Iraq
24 because it was not addressed in the Iraq Relief and
25 Reconstruction Fund contracts. The plan was to build it and

1 give it, not to build it and prepare them to take it and
2 provide a bridge that will build their capacity so that they
3 can receive it.

4 That particular motif never figured into the CPA's
5 vision because it was not expected to last that long, I
6 would gather. But, nevertheless, regardless of how long you
7 expect to last, if you are going to build, for instance, the
8 state-of-the-art water treatment system in Nassiriya, then
9 you better know when you turn it on that the pipes in the
10 villages that it serve are not suddenly going to explode
11 because it provides too much pressure to a system that is
12 used to something much lower.

13 To answer your question, Is it a problem today? Yes,
14 it is a problem today, but largely because of the asset
15 transfer component to it. There was an asset transfer plan
16 in place until about 18 months ago, and the Iraqis abandoned
17 it, and it was working. And as a result, a lot of projects
18 since then have been unilaterally transferred to the Iraqis,
19 which means with not a good sustainment plan. We have
20 actually ongoing--Brian, why don't you come up?

21 Brian Flynn, my AIG for Inspections, is carrying out
22 and has been carrying out a series of sustainment
23 inspections, and so I would like him to talk for a minute
24 about what he has learned from those visits to projects
25 already finished that have been transferred to Iraqi

1 control.

2 Mr. Flynn. Actually, I suppose it is a mixed bag. For
3 the most part, we are finding problems with sustainment.
4 Chairman Thibault, you were with me at the Baghdad Police
5 College. You witnessed what was an adequate latrine turned
6 over to the Iraqis that has been vandalized and, through
7 neglect, is only about two-thirds usable at the present
8 time.

9 But we have also seen some things like we were recently
10 at the Basra courthouse where we are in the process of
11 turning this over to the Iraqis. They are anxious to have
12 the courthouse, and they bought and are in the process of
13 installing some very nice furniture. So that there is
14 arguably there an element of Iraqi participation in the cost
15 of the courthouse.

16 The same thing is true with respect to the Basra
17 Children's Hospital. The planning for sustainment there is
18 being done by the Project Hope people, by the Iraqi
19 Government. It is still a work in process. It is still
20 somewhat behind in completion. But they will actually take
21 possession of it February 7th, will be able to see some
22 patients on a limited basis this summer, and the plan is for
23 them to be able to see full patients in the fall. A lot of
24 steps have to be taken for that to happen.

25 Mr. Bowen. Can you give just a brief overview of the

1 sustainment program as a whole, what it will continue to
2 look at over the course of this year, and what we in general
3 have found?

4 Mr. Flynn. What we continue to do in terms of
5 sustainment?

6 Mr. Bowen. Sustainment, yes.

7 Mr. Flynn. I am sorry.

8 Mr. Bowen. Sustainment program, right. Your
9 sustainment inspection program.

10 Mr. Flynn. We are looking at about--about 25 percent
11 of the projects we look at are for sustainment by the
12 Iraqis. Our normal inspection is we obtain data on the
13 design of a project. We go out and visit the project and
14 look at whether construction is in accordance with the
15 design. We look at planning for sustainment. We look at
16 the contractor's quality control and the government's
17 quality assurance, and then we make a decision as to whether
18 the project is going to meet its intended objectives.

19 We also like to take projects that are 6 months to a
20 year from having been turned over to the Iraqis and look at
21 them and see how well they are being sustained. And that is
22 basically determining the condition at the time of transfer
23 to the Iraqis, and then the condition at the time that we
24 look at it and see whether it is being properly sustained.

25 It is a problem for the Iraqis. We have looked at this

1 point at four primary health care centers as an example.
2 Those are not being well sustained by the Iraqi Government
3 and, in fact, so poorly sustained--

4 Commissioner Gustitus. Those are not being well
5 sustained? I did not hear what you said.

6 Mr. Flynn. I am sorry. Not. But the Iraqi Transition
7 Assistance Office has funded a \$16 million contract for the
8 Gulf Region Division of the Army Corps of Engineers to work
9 with the Iraqis to do operation and maintenance, to train
10 them in operation and maintenance. We are finding things
11 there, for instance, lack of people trained to use the x-ray
12 equipment that was turned over to them; out-of-date film for
13 the x-ray machines and so forth.

14 Commissioner Tiefer. Thank you. My time has expired.

15 Chairman Thibault. Thank you. I appreciate you
16 staying a little longer, Stuart. We are going to ask you--
17 as we take one more run by the group here, we will try to
18 move you out so that we can make our 12 o'clock deadline.

19 Mr. Bowen. Great. Thank you.

20 Chairman Thibault. And I will start that process by
21 simply saying thank you and recognizing that for me, from my
22 perspective as I have been briefed up on numerous briefings,
23 read numerous oversight organizations, numerous
24 organizational reports and the like, much of what you say I
25 have condensed down into--and we could say a lack of

1 planning, but, you know, this Commission is about what do we
2 need to learn and put in place so that we do not do it
3 again, and to look back to gain knowledge for the future,
4 not look back to pummel the past, but to certainly recognize
5 it and prevent it. And I see the need for--Ms. Cruz
6 mentioned much better strategic planning. You mentioned
7 don't build projects for projects' sake, which is planning.
8 Certainly we have talked about working with the Iraqi--in
9 this case, the country government, to make sure that you do
10 not give them a project they do not want and they walk away
11 from it. But we also talk about what Mr. Flynn just brought
12 up about the fact that we better be sure they are ready,
13 even if it is a project they want, or it may go lacking or
14 fall down or ultimately come into disuse, and the "not
15 replicating weak quality assurance" has a special situation
16 to me because that fits every single project.

17 Mr. Bowen. Right.

18 Chairman Thibault. And it has been found over and
19 over, and there has been an acknowledgment, and yet the
20 question is: What is truly being done by the actions?
21 Because you can have plans, you can acknowledge the need,
22 you can put in an action plan, I am going to get it done.

23 And so for all of that, I just wanted to make the
24 observation that it kind of all rolls together for me, and
25 thank you.

1 Mr. Bowen. Thank you.

2 Chairman Thibault. We will move on to Commissioner
3 Ervin.

4 Commissioner Ervin. General, returning to this theme
5 of accountability and complementing the series of questions
6 Commissioner Gustitus asked about contractors, which
7 contractors you hold most accountable to date for our
8 failures in Iraq, I would like to ask you to do the same
9 thing with regard to Government officials. There has been
10 some discussion, considerable discussion of your view of
11 Ambassador Bremer implicitly, but I would like you to expand
12 upon that explicitly and to expand the list to include other
13 Government officials to the extent that you think they bear
14 some responsibility for what has gone wrong in Iraq?

15 Mr. Bowen. Well, I would refer you first, with respect
16 to Ambassador Bremer, the epigraph to Chapter 7 from the
17 Powell interview that we conducted last February, almost
18 exactly a year ago. Jerry Bremer, God bless him, he was
19 never given a set of coordinated instructions from the
20 administration. He went in pretty much on his own. I think
21 that is true. So I am not ready here to say it is his
22 fault.

23 What I can say is that there was a plan, as I talked
24 about earlier, on March 10th that was approved, and by May
25 6th, a different policy had been decided upon. And then how

1 that was executed, you know, is spelled out--I mean, there
2 were clearly some deficiencies in how Ambassador Bremer
3 managed the CPA. He has acknowledged that himself. I think
4 in retrospect, disbanding the army is something he would not
5 do again. I think that banning any Iraqi from service in
6 the government at the top three levels because they had been
7 a full member of the Ba'ath Party was a mistake. He
8 essentially fired what security he might have had, fired
9 what expertise he had in the government. He had to start
10 from scratch. You did not just have to reconstitute
11 ministries. You had to rebuild them literally.

12 And so I think there are--clearly, as we point out,
13 Secretary Rice has acknowledged there are many things that
14 went wrong and many things that she would do differently if
15 she could.

16 I think, though, that the story of Iraq reconstruction
17 is the story of a policy that changed dramatically with
18 respect to reconstruction in 2003, and then changed again,
19 and then changed again. It changed from a focus on
20 infrastructure to a focus on security, with not much
21 building going on under Ambassador Negroponte. And then it
22 changed a focus on hiring U.S. contractors to hiring Iraqi
23 contractors under Ambassador Khalilzad. And then it changed
24 again under Ambassador Crocker into a counterinsurgency
25 strategy. There are five large changes in 4 years. I think

1 trying to sustain efficiency in the face of changes of that
2 magnitude simply proved too tall an order.

3 Commissioner Ervin. Thank you. Another issue is
4 uninterrupted oversight, which you stressed. I am wondering
5 whether you think there ought going forward to be an
6 Inspector General dedicated in the future to contingent
7 operations and perhaps a select congressional committee to
8 look at these issues, once Iraq and Afghanistan are behind
9 us.

10 Mr. Bowen. Well, I think there is sense to that given
11 the frequency with which contingency operations occur, and
12 perhaps that Special IG should be focused on domestic and
13 international contingencies. Obviously, Hurricane Katrina,
14 it would have been nice, perhaps, to have had a Special IG
15 for that. Indeed, the Department of Homeland Security
16 created one internally.

17 So, yes, I think the experience of Iraq, Afghanistan,
18 and Katrina demonstrates that there has been a need for
19 continuous oversight in this kind of environment--disaster
20 strikes, rebuilding begins quickly--for the last 5 years,
21 and it probably will continue.

22 Commissioner Ervin. And a final question from me is
23 one of the large issues, of course, that we have talked
24 about and that is extensively documented in your report is
25 security, the necessity for security to make reconstruction

1 work effectively. What, in your judgment, is the
2 appropriate mix, military vis-a-vis contractors, with regard
3 to providing security so that these projects succeed?

4 Mr. Bowen. Well, there is not a cookie-cutter answer
5 here. The fact is that conditions demand what that mix is.
6 But what there needs to be is integration and an integrated
7 decisionmaking process wherein the civilian component and
8 the military components achieve a unity of purpose. And
9 that requires some form of executive authority, I think,
10 that should flow out of a reform effort, because I don't
11 think the reform efforts we see now are coordinated enough,
12 integrated enough to yield this kind of outcome.

13 Ms. Cruz. Another interesting point that we will be
14 facing very rapidly is as the troops draw down in Iraq, one
15 of the key concerns is the cost of security, for the costs
16 that we have catalogued to date have all been calculated on
17 the fact that we have had roughly 150,000 troops. And when
18 we talk about PSDs protecting the various officials that
19 conduct reconstruction, they do so within a pocket of
20 security provided by the military, and that is a cost that
21 is not actually calculated. So when we say \$6.5 billion was
22 spent on private security, that is in addition to all of the
23 sunk costs of all of these troops. So when we go out with
24 PSDs, it is within a pocket of a Stryker group or, you know,
25 the Humvees with an entire group of military.

1 As you take those military away in Iraq, if they
2 continue to do certain levels of reconstruction, especially
3 in the provinces, while they will depend a little bit on
4 Iraqi army and Iraqi police, the question then becomes how
5 expensive is private security. And the real key is as long
6 as people know what the costs will be and as long as they
7 are willing to bear that cost, then that is a strategy that
8 can be employed. But part of the problem is the true costs
9 are not really known.

10 And so one of our fears in 2008 and 2009 is we are
11 going to reach a point where we are going to have to use
12 private security, and the costs could escalate dramatically.

13 Commissioner Ervin. Thank you.

14 Chairman Thibault. Thank you, Clark.

15 Commissioner Zakheim?

16 Commissioner Zakheim. Yes, thanks.

17 One, we have been talking about huge sums of money. I
18 recall in 2003 having a discussion with a top CPA official
19 who said he was going to be asking for about \$25 billion.
20 My notion was probably closer to what the World Bank had
21 said about the absorptive capacity of Iraq, which is about a
22 fifth of that.

23 My question to you is: Could Iraq really absorb the
24 kind of money we were throwing at it, number one? And how
25 do we think about absorptive capacity for Afghanistan or any

1 future contingency?

2 Mr. Bowen. Great point. Absorptive capacity is a key
3 issue to think about in deciding how much aid to offer. And
4 I agree with you, Iraq did not have the absorptive capacity
5 for \$25 or \$18 billion, as it came down to, or, for that
6 matter, barely five at that time, because as I said, their
7 army was fired, most of the senior government was fired. It
8 was essentially a U.S.-driven endeavor subcontracted out,
9 and that required capacity building, not a focus of the IRRF
10 program. And so the absorptive capacity was as low as it
11 has been in the last 6 years.

12 How it applies to Afghanistan? Hugely important
13 question, because this is a country that does not have the
14 kind of bureaucracy or operations or resources that Iraq has
15 and, therefore, will have a much more gradual or much lower
16 absorptive capacity.

17 Commissioner Zakheim. Let me ask you a slightly
18 different question. Right now we have a Joint Contracting
19 Command for both Iraq and Afghanistan. A two-part question.
20 First, in your view, should there be a separate Contracting
21 Command for Afghanistan? And, secondly, should there be a
22 government-wide contracting organization for Afghanistan?

23 Mr. Bowen. Yes, for sure on the first question. The
24 focus is going to be Afghanistan. It is headquartered in
25 Iraq. There needs to be a contracting headquarters in Kabul

1 that is its own entity, that answers up the chain for its
2 own actions, for what goes on in Afghanistan.

3 I think that your second point might--I would choose
4 first to implement a CFAR. you know, a government-wide
5 contracting effort would just mean taking everybody out
6 there and trying to get them all around the table and get
7 them to agree to, you know, moving forward on what the
8 contracting strategy is. I think an easier way is say,
9 "Here are the ten rules that everyone follows for
10 contracting in Afghanistan. Follow them." That yields a
11 strategy.

12 Commissioner Zakheim. Thanks very much.

13 Chairman Thibault. Thanks, Dov.

14 Commissioner Gustitus?

15 Commissioner Gustitus. I want to make the point that
16 it was not that we were not warned that these projects were
17 not the best way to go in Iraq. You in your report--I am
18 sorry. It is not that we were not warned that these
19 projects were not necessarily the right way to go in Iraq in
20 terms of absorptive capacity. In your report, you refer to
21 the USAID Director Natsios who called the list of projects a
22 "recipe for disaster."

23 Mr. Bowen. That is right.

24 Commissioner Gustitus. And he did not keep that
25 opinion to himself. He said it flouted the lessons learned

1 from previous international development experience. He said
2 you need money for elections, for local governance, for the
3 university, for health care. And he got an angry report
4 from Bremer, speaking of individuals accountable, saying he
5 was trying to destroy the IRRF 2 plan, and Bremer did not
6 heed Natsios' advice, according to your report.

7 So I don't know. You know, what is the fix for that
8 problem? That is personality to personality, and whether
9 somebody is so hard-headed that they do not listen to advice
10 from somebody who has some experience in the real world. I
11 do not even need a comment on that. It is just an
12 observation.

13 Senator Collins pointed out--and I had this as one of
14 my questions--that you did this, in an audit you found that
15 for reasons of security, mismanagement, cost overruns, that
16 we terminated 1,262 contracts and task orders, either for
17 default or convenience during the course of reconstruction.
18 And of the nearly \$1 billion in value of these contracts,
19 the Government had already paid \$600 million apparently.
20 And some of these projects were apparently near completion,
21 but most of them were not.

22 Mr. Bowen. That is right.

23 Commissioner Gustitus. So here is the question: How
24 much of that \$600 million do we get back? Or is that
25 permanently lost?

1 Mr. Bowen. It is probably mostly permanently lost.

2 Commissioner Gustitus. It is.

3 Mr. Bowen. And this was an issue I started raising
4 early on when I saw projects like these falling off the
5 rails. I would say, "We have got to default."

6 Commissioner Gustitus. Yes.

7 Mr. Bowen. Stop terminating for convenience, which is-
8 -when you terminate a contract for convenience, you pay all
9 their costs, all their costs of leaving, closing down,
10 closing up shop, and this is a contractor who has messed up.
11 That did not sit well with me, and so I started urging for
12 more defaults, and more started to come. But even so, the
13 fact is unless you paper the wrongdoing very well in the
14 contract file, recovery on a termination for default is a
15 very lengthy litigation process that the Department of
16 Justice usually takes a pass on.

17 Commissioner Gustitus. That is an excellent point.

18 You need good contracting practices all along in order to be
19 able to recover.

20 Ms. Cruz. One additional point that we are finding in
21 our investigations right now is the fact that if contracts
22 were not written appropriately to begin with, which is a
23 prescriptive recommendation, it is very hard, if not
24 impossible, to pursue that money again. If the contract
25 said go out and do work on this project and it does not say

1 what you expect from them, part of the problem that we are
2 having is when we go back with the contracting officers or
3 go back to look for fraud and try to hold folks accountable,
4 we cannot because the contract was written so loosely that
5 the lawyers will say, Well, they met the contract
6 requirements. So that is another area that could be looked
7 at to be tightened up.

8 Commissioner Gustitus. I just want to thank you for
9 your excellent work. You have done a terrific job, you and
10 your office.

11 Mr. Bowen. Thanks very much.

12 Chairman Thibault. Thank you, Linda.

13 Commissioner Henke?

14 Commissioner Henke. Could you expand on the notion of
15 matching funds as it means going forward to Afghanistan? Is
16 there any notion that there will be a matching program of
17 any import?

18 Mr. Bowen. That is a policy question, so I don't know
19 with respect to Afghanistan. It is a very important policy
20 that has been implemented in the last supplemental in Iraq
21 and I think should continue to be, to the extent that the
22 United States continues to appropriate funds.

23 Afghanistan, as we have said over and over again, is
24 such a different situation because it is, unlike Iraq, one
25 of the poorest countries, has no natural resources. And so

1 I think the analysis, the policy analysis is going to be
2 much different.

3 Commissioner Henke. Ms. Cruz, could you speak a little
4 bit more about your idea of conditionality and what that
5 might mean in the setting of Afghanistan?

6 Ms. Cruz. We looked at conditionality as an office
7 when we were doing the quarterly reports, and one of the
8 things that was not really put in place early on and that in
9 the last 2 years we have seen is any sort of requirement for
10 agreements by the receiving government to do something in
11 exchange for the project that they are being given. And
12 this is standard international development practice. One of
13 the reasons why the United Nations and the World Bank were
14 reluctant to pour a lot of money into Iraq in the beginning
15 is because part of the point of pouring the money in is not
16 to necessarily build the plant. It is the act of getting
17 that money in there that gets the government engaged, that
18 gets them engaged, lets them understand how to pursue future
19 grants. It is the sustainability question, you know, giving
20 someone fish versus giving them a fishing rod.

21 And so the idea of conditionality was never applied in
22 Iraq. I know it was considered a couple of times. But in
23 the end, we gave \$50 billion without requiring anything.
24 And so it could be something as simple as requiring the
25 Government of Iraq to sign a Memorandum of Agreement

1 ensuring that they will provide doctors that will operate
2 the \$20 million hospital that we are providing for them in a
3 certain province. And while those are things that are now
4 being pursued on an ad hoc basis, if that was done as a
5 condition of the contract, before we will build--you know,
6 before we give you the \$15 billion to develop your Iraqi
7 army and your Iraqi police, you must make sure that the
8 militias are removed from the police and that the types of,
9 you know, screening or vetting for the police officers meet
10 a certain requirement.

11 So there are a lot of different ways to do that, both
12 in soft projects and in hard projects. And it just was
13 never done in Iraq, and it is something that perhaps in
14 Afghanistan would work.

15 Commissioner Henke. Okay. Thank you. Thank you both
16 very much.

17 Chairman Thibault. Thanks, Bob.

18 Commissioner Tiefer?

19 Commissioner Tiefer. General, I cannot get over the 2
20 years of intense labor your staff put in and the historic
21 nature of these interviews. If I can ask you about a quote
22 from Deputy Secretary Armitage's interview, which to me
23 sounds like it is the moment where the alliance between
24 Rumsfeld and Bremer, which had gone from bungling to
25 bungling and disaster to disaster, finally cracks.

1 Secretary Armitage said to you about a meeting, "Dr.
2 Rice turned to Rumsfeld. She said, 'Don, would you call
3 Jerry and have him do X, Y, or Z?' And he said, 'No. He--
4 Bremer--'doesn't work for me.' She said, 'Yes, he does.
5 Who does he work for?' And he"--Rumsfeld--"says, 'He works
6 for the NSC.'"

7 She said, "He works for you." And he said, "No, he
8 works for you."

9 What did this mean, and what was its significance?

10 Mr. Bowen. That occurred in the fall of 2003 when
11 another policy change was underway, and that policy change
12 was driven in part by perceptions in Washington about the
13 September 8th Washington Post op-ed that Ambassador Bremer
14 published regarding the CPA's seven-point plan for
15 transferring sovereignty to Iraq.

16 It caused alarm bells to go off in certain places in
17 this town, as we point out in the report. And there is
18 dispute, as our report points out, about whether and to what
19 extent Ambassador Bremer had briefed Secretary Rumsfeld
20 about that plan.

21 It also caused the creation of something called the
22 White House Iraq Stabilization Group, and that led to the
23 deployment of Ambassador Blackwell as head of that group to
24 Iraq to review what was going on, and he came back very
25 concerned. And as he says in the sentencing preceding the

1 quote you just read, he said, "There was a very serious
2 estrangement within the interagency at that point,"
3 emphasizing again very serious. And I think that that
4 quotation reflects that estrangement.

5 Commissioner Tiefer. One other quick quote. Some
6 people have found it their favorite. President Bush gave
7 the authority in NSPD 26 to Secretary Rumsfeld, and he says
8 a little later--he is quoted as saying, "If you think we are
9 going to spend a billion dollars of our money over there,
10 you are sadly mistaken." And as your report notes, at that
11 point we had spent \$50 billion eventually.

12 What did you understand was going on when we gave
13 Secretary of Defense Rumsfeld control of reconstruction,
14 post-war reconstruction?

15 Mr. Bowen. Well, I think that that was something that
16 the Department of Defense had argued for and discussed in
17 the fall of 2002, well before that actual vesting event
18 occurred in January of 2003, just 2 months and a few days
19 before the invasion. And I think that is symptomatic
20 ultimately of two things. One, the planning for Iraq was a
21 Department of Defense enterprise. It was an invasion. And
22 with that came Phase IV, which is part of any military
23 operation. Military Phase IV is about what you do after
24 achieving victory on the ground. But the next step beyond
25 Phase IV is what you do about stabilizing the country, and

1 with NSPD 26, the Secretary of Defense secured for the
2 Department of Defense the authority to manage that phase.

3 And as we have discussed, that phase changed quickly
4 because, as the report points out, widespread looting led to
5 widespread chaos led to collapse of the ministries and led
6 to the replacement of the gentleman who was engaging in that
7 conversation with the Secretary of Defense, Lieutenant
8 General Jay Garner, who was leading ORHA, the temporary
9 organization then trying to deal with the looting, to try
10 and deal with the burning ministries, to try and deal with
11 no government to deal with rioting soldiers. Ex-soldiers, I
12 should say.

13 Commissioner Tiefer. Thank you.

14 Chairman Thibault. Well, thank you, and this wraps up
15 this part of the testimony or this panel. Stuart, there are
16 very few people that can wear the title of being a
17 historian. A lot of us try to say, well, we know the
18 history, we must be the historian. You have walked both
19 personally and through your many products. I would
20 certainly give you kudos as a true historian, and that is
21 ultimately about as good a compliment as I can give, anyway.
22 And this group, this Commission, clearly is very
23 appreciative and continues or will continue to work with
24 your exceptionally talented staff, and please pass that on
25 to all of them, our appreciation for their work.

1 Thank you.

2 Mr. Bowen. Thank you, Chairman Thibault. Thank you,
3 Commissioners.

4 Commissioner Zakheim. And that is a bipartisan
5 sentiment.

6 Mr. Bowen. Thank you, Chairman Thibault. Thank you,
7 Commissioners.

8 [Whereupon, at 12:35 p.m., the hearing was recessed, to
9 reconvene at 1:20 p.m., this same day.]

1 AFTERNOON SESSION [1:20 p.m.]

2 Chairman Thibault. Well, good afternoon. We are
3 beginning tipping off the last panel, and I know one or two
4 of you were here earlier in the morning. But just to
5 quickly restate our history, when we decided we were coming
6 out of the gate on the first public hearing, it was real
7 important that we listen to those organizations that have
8 been in theater, reviewing those oversight organizations,
9 reviewing the contracting practices, and, you know, sort of
10 walking part of the mandate that we have. And I appreciate
11 all you three, and we thought it was important, and maybe we
12 convinced ourselves that this is one of the few times the
13 three Inspectors General from DOD, State, and USAID get up
14 and get to sit on a panel together. And then I found out
15 there had been at least one other case where you all have
16 sat on a panel previously. But, nonetheless, we thought
17 that was a special opportunity.

18 So with that as a introduction and with the statement
19 that we very much appreciate your coming up here and very
20 much appreciate the work of your excellent staff, I would
21 kind of like to start this off.

22 Mr. Gimble, we will start with you, if I might, and the
23 Department of Defense, sir.

1 TESTIMONY OF THOMAS F. GIMBLE, PRINCIPAL DEPUTY
2 INSPECTOR GENERAL, OFFICE OF THE INSPECTOR
3 GENERAL, U.S. DEPARTMENT OF DEFENSE; ACCOMPANIED
4 BY MARY UGONE, DEPUTY INSPECTOR GENERAL

5 Mr. Gimble. Chairman Thibault and members of the
6 Commission, thank you for the opportunity to appear before
7 you today to discuss our ongoing oversight efforts regarding
8 wartime contracting.

9 As you know, the DOD IG has the primary responsibility
10 within the Department of Defense for providing oversight of
11 programs and funds appropriated to the Department both at
12 home and around the world, to include Southwest Asia. In
13 this role, the DOD IG office oversees and coordinates
14 oversight of DOD resources. We spearhead the DOD oversight
15 community in auditing, investigating, and inspecting
16 accountability processes and internal controls in areas such
17 as acquisition, contracting, logistics, and financial
18 management. We also work in close partnership with other
19 oversight organizations, such as the GAO, the Special
20 Inspectors General for Iraq and Afghanistan, the Inspectors
21 General of the Department of Defense and USAID, as well as
22 the military departments and the military departments'
23 Auditors General. Also, we work closely with the FBI and
24 U.S. Army Criminal Investigative Command. The coordination
25 for these efforts is primarily handled through the Southwest

1 Asia Joint Planning Group and the International Contract
2 Corruption Task Force.

3 We have identified some specific issues to contracting
4 in a war zone which have resulted in potential for fraud,
5 waste, and abuse, such as the inexperienced and insufficient
6 contracting personnel, the lack of adequate oversight, and
7 crimes involving military members.

8 Most of the examples involve reduced oversight
9 resulting from the need to engage in contingency
10 contracting. From the inception of the global war on
11 terrorism, military and civilian contract administration
12 personnel engaged in contingency contracting designed to
13 obtain much-needed goods and services as quickly as
14 possible. Contract administrators focused primarily on
15 timely mission accomplishment versus ensuring the strict
16 adherence to traditional contract administration procedures,
17 many of which are designed to reduce the risk of corruption
18 and abuse.

19 When engaging in contingency contracting,
20 administrators may not consider the risk of increased levels
21 of fraud resulting from the lower levels of oversight, as
22 the mission is to provide goods and services as promptly as
23 possible. When left unchecked, this mind-set can become
24 pervasive to the extent administrators begin to view
25 oversight responsibilities as unwelcome burdens conflicting

1 with their ability to effectively perform their duties.

2 For example, in our audit of internal controls over
3 payments made in Iraq, Kuwait, and Egypt, we found that
4 adequate internal controls were not maintained to ensure
5 payments were properly supported. Also, as was the case
6 regarding weapons accountability during our review of the
7 accountability of arms and ammunition provided to the
8 security forces of Iraq, we found that during the increased
9 tempo to supply security forces with arms, that the controls
10 over accountability of those weapons were not kept up to the
11 normal standards.

12 Effective oversight of the diverse functions performed
13 under high-dollar-value logistics and support contracts
14 requires a sizable cadre of highly trained Government
15 contracting personnel with specialized knowledge and
16 significant acquisition expertise. Additionally, the
17 contract administrators must be assigned a reasonable
18 workload, or their ability to engage in effective oversight
19 and identify potential fraud, waste, and abuse will continue
20 to suffer. The civilian and military contract
21 administrators and contract technical representatives should
22 be career contracting professionals adequately trained in
23 the trade.

24 Work conducted throughout Southwest Asia has revealed
25 many instances where a lack of adequate contractor official

1 oversight resulted in an environment ripe for corruption.
2 For example, in Iraq, fraudulently obtained CAC cards were
3 used to steal 10 million gallons of fuel. That was valued
4 at about \$40 million.

5 The Department depends on responsible agency officials
6 with oversight responsibility to monitor contract
7 performance, implement internal controls designed to deter
8 waste and refer potential fraudulent activity that is
9 uncovered through proactive internal reviews. However, it
10 appears that the resources have been inadequate, especially
11 early in the deployment, which would help identify the
12 latent abuses.

13 Maintaining public support for Defense programs
14 requires good contract oversight and prompt identification
15 of any problems. When running the Truman Commission,
16 President Truman, then-Senator Truman, stated, "I have had
17 considerable experience in letting public contracts and I
18 have never yet found a contractor who, if not watched, would
19 not leave the government holding the bag. We are not doing
20 him a favor if we do not watch him." Well, Senator Truman's
21 concerns on oversight remain viable today.

22 As I have described in my prepared statement, increased
23 attention to the following areas is essential to effective
24 oversight of contracting in Iraq, Afghanistan, and future
25 contingency operations. Those areas are property and cash

1 accountability; the Commander's Emergency Response Program;
2 contingency contracting support to include systems, people
3 and processes; and controls over contractor Common Access
4 Cards.

5 In closing, we are committed to providing effective and
6 meaningful oversight that assists DOD to address its
7 challenges in conducting operations; safeguarding taxpayer
8 monies from waste, fraud, and abuse; and most importantly,
9 ensuring our brave military, civilian, coalition partners,
10 contractors, and the Iraqi and Afghanistan citizens
11 supporting a free and sovereign democratic state are as safe
12 as possible. We recognize that this is a vast and important
13 mission, and we are proud to be part of this historic and
14 important effort. Our office is on firm footing to provide
15 the necessary oversight.

16 We thank the Commission for the opportunity to discuss
17 our ongoing efforts and observations, and we look forward to
18 continuing our strong working relationship with all the
19 other oversight organizations engaged in Iraq and
20 Afghanistan.

21 I would be happy to answer any questions you might
22 have.

23 [The prepared statement of Mr. Gimble follows:]

1 Chairman Thibault. Okay. The process we are going to
2 use is we are going to go ahead and take the statements from
3 State and then USAID, so thank you, Inspector General
4 Gimble.

5 Inspector General Geisel, can you proceed, sir?

1 TESTIMONY OF HAROLD W. GEISEL, ACTING INSPECTOR
2 GENERAL, OFFICE OF THE INSPECTOR GENERAL, U.S.
3 DEPARTMENT OF STATE

4 Mr. Geisel. Mr. Co-Chairman and members of the
5 Commission, I am honored to appear here today representing
6 the Office of Inspector General of the Department of State
7 and the Broadcasting Board of Governors.

8 Mr. Chairman, I have some remarks based on your
9 questions and would ask that our written testimony be
10 included in the record.

11 In our current work, OIG has found the same problems
12 with contracting as we did 14 years ago, when I served my
13 first term as Acting Inspector General. A major difference,
14 of course, is that the Department of State is using many
15 more contractors much more frequently in Iraq and
16 Afghanistan.

17 Our recent reviews of Worldwide Personal Protective
18 Services, the Kennedy Report, and our inspection of the
19 Office of Acquisitions, among others, all carried a
20 consistent theme that demand our attention and the
21 Commission's consideration.

22 In our reviews, OIG found that there is a serious lack
23 of resources to provide adequate day-to-day contract
24 management and contractor oversight. My written testimony
25 provides considerable detail of a number of OIG reviews

1 related to contracting in wartime. In these remarks, I want
2 to focus on two reviews by our Middle East Regional Office,
3 the Department's compliance with the Secretary of State's
4 Panel on Personal Protective Services in Iraq, or as it is
5 known, the Kennedy Report. I will then outline our report
6 on Diplomatic Security management of the Worldwide Personal
7 Protective Services, or WPPS, contract.

8 In the Kennedy Report review, we found that despite
9 improvements made, the Department still faces numerous
10 challenges, including: insufficient numbers of special
11 agents; unresolved status of the private security
12 contractors in light of the new Status of Forces Agreement
13 in Iraq; an Iraqi public opposed to the use of these
14 contractors; the Government of Iraq's announcement that
15 Blackwater Worldwide will not receive a license to continue
16 operating in Iraq; and curtailment and increased costs for
17 private security contractors should immunity from Iraqi
18 prosecution be lifted.

19 In our report on DS management, we found that DS was
20 highly effective in ensuring the safety of mission personnel
21 in Iraq. However, DS did not have a strong control
22 environment to ensure the WPPS contract was effectively
23 managed, assets were safeguarded, and laws and regulations
24 were followed. These deficiencies resulted from: frequent
25 changes in management personnel and staff turnover; rapid

1 expansion of activities; understaffing and an overwhelming
2 increase in workload; lack of operating policies and
3 procedures; and staff frustrated by an inability to satisfy
4 all information requests.

5 I would point to a particular issue we believe
6 underlies the conditions found in the two Iraq reviews. In
7 2006, we reviewed the Office of Acquisitions. We found that
8 contract spending Department-wide had grown dramatically in
9 recent years--from \$1.87 billion in fiscal year 2000 to
10 \$5.85 billion in fiscal year 2005, an increase of 213
11 percent. During the same 5-year period, the Department's
12 staff increased by only 16 percent. As a result, the
13 procurement function in the Department was approaching a
14 crisis situation.

15 We recommend the Commission consider the following:

16 First, ensure sufficient funding for both contract
17 management and contract oversight when certain wartime
18 conditions exist.

19 Second, established government-wide standards to help
20 managers determine inherently governmental and non-
21 governmental functions. These standards should be used to
22 determine the size of the U.S. Government workforce and the
23 need for contractors.

24 While these recommendations can provide a good
25 beginning, we should note that reconstruction funding made

1 up only 10 to 15 percent of the overall U.S. investment in
2 Iraq since 2002. All of us at this table have significant
3 oversight work in Iraq. In 2008, SIGIR had \$34 million to
4 oversee their portion of the U.S. investment in Iraq. That
5 same year, State OIG's budget of less than \$34 million
6 covered oversight of all Department and BBG programs
7 worldwide, including Iraq and Afghanistan. Clearly, the
8 investment in oversight can fall out of balance if agency
9 IGs are not adequately resourced to meet the long-term
10 challenges of conflict and post-conflict scenarios.

11 Thank you for the opportunity to appear before you
12 today, and I look forward to responding to your questions.

13 [The prepared statement of Mr. Geisel follows:]

1 Chairman Thibault. Thank you, Inspector General

2 Geisel.

3 Inspector General Gambatesa, sir, please proceed.

1 TESTIMONY OF DONALD A. GAMBATESA, INSPECTOR
2 GENERAL, OFFICE OF THE INSPECTOR GENERAL, U.S.
3 AGENCY FOR INTERNATIONAL DEVELOPMENT

4 Mr. Gambatesa. Thank you. Chairman Thibault,
5 Commissioners, good afternoon. I am pleased to appear
6 before the Commission today to testify on behalf of the
7 Office of Inspector General for the U.S. Agency for
8 International Development to share some of our findings and
9 observations as a result of our oversight of development
10 work in Iraq and Afghanistan.

11 Reconstruction and development efforts in Afghanistan
12 and Iraq have been difficult, as you know, as has our
13 oversight of these efforts. USAID employees, as well as our
14 auditors and investigators, have been operating in what is
15 often an unstable environment, where security is always of
16 paramount concern. The lack of security affects virtually
17 every aspect of USAID's programs. In addition to causing
18 increases in operating and program costs, the dangerous
19 environment imposes significant constraints on USAID's
20 ability to monitor programs. Officials are unable to make
21 routine site visits, and their host country counterparts are
22 often reluctant to be seen meeting with Americans. USAID's
23 implementing partners have been the targets of threats,
24 kidnappings, and murders by insurgents.

25 Security concerns likewise limit our ability to conduct

1 routine audit and investigative work. Trips must be cleared
2 through the embassy in advance and can be canceled without
3 notice. And armored vehicles or armed guards must accompany
4 us on all assignments.

5 The U.S. Government relies on private security
6 contractors for a wide variety of security services,
7 including the protection of individuals and facilities, and
8 are vital to U.S. efforts in Iraq and Afghanistan.
9 Nevertheless, the use of armed contractors to perform
10 security tasks coupled with prior incidents involving some
11 of these contractors, has raised concerns about the level of
12 accountability and oversight of these firms.

13 Recently, as a result of our ongoing investigative work
14 in Afghanistan, a private security firm and four of its
15 employees were charged with conspiracy and fraud for
16 submitting inflated expenses for vehicles, fuel, and other
17 items. USAID has suspended the security firm and its
18 principals.

19 In our 2005 audit of Kroll Government Services
20 International, a security firm with whom USAID contracted,
21 we raised concerns about USAID's contracting processes and
22 poor oversight in the purchased of armored vehicles. As a
23 result of our work, USAID re-educated its contracting
24 officers on numerous acquisition regulations and revised its
25 policy on armored vehicle purchases.

1 We have been providing audit and investigative
2 oversight in Afghanistan since the start of the USAID's
3 programs in 2002. In Iraq, our oversight started almost
4 immediately after the war began. We have been able to
5 conduct substantive oversight with a relatively small
6 investment from U.S. taxpayers. Since 2003, we have
7 expended approximately \$18 million to oversee the more than
8 \$14 billion obligated by USAID for Afghanistan and Iraq
9 development programs.

10 We pursue a vigorous program of performance audits as
11 well as an extensive program of financial audits of major
12 contractors and grantees. To date in Afghanistan and Iraq,
13 we have conducted 70 performance audits, issued 149
14 financial audits, and initiated more than 80 investigations.
15 This work has resulted in 178 recommendations for program
16 improvements, caused over \$26 million in questioned costs to
17 be sustained, and saved or recovered an additional \$26
18 million. Our investigations have resulted in 10 arrests,
19 eight indictments, three convictions, and 17 instances of
20 administrative actions.

21 Because we were active in Afghanistan before the start
22 of the Iraq war, we learned some lessons there that we then
23 applied to Iraq. One such lesson is that audit oversight in
24 high-risk situations needs to be planned at the outside of
25 program implementation and carried out at the appropriate

1 time. This is particularly true for financial audits.
2 Conducting financial audits as program money is expended
3 prevents minor issues from becoming major concerns,
4 especially when significant funding is at stake. And it
5 sets the tone for accountability to carry through the life
6 of the project.

7 Our oversight work has paralleled the evolution of
8 USAID's programs in Afghanistan and Iraq from relief and
9 stabilization, to reconstruction, to sustainable development
10 and capacity building. Of the 16 audits we planned to
11 conduct in Afghanistan and Iraq in fiscal year 2009, eight
12 involved capacity-building programs.

13 In both Afghanistan and Iraq, we have seen problems
14 with oversight of contract and program management as well as
15 with data quality and results documentation. We found
16 oversight problems as well as suspected fraud in USAID
17 Iraq's \$544 million Community Stabilization Program. We
18 could not determine whether the program was achieving its
19 intended results, which were to generate jobs and reduce
20 incentives for Iraqis to participate in the insurgency,
21 because of the unreliability of reported data.

22 Further, the audit found that potential fraud had not
23 been reported timely. We recommended the suspension of
24 program activities in a specific region of Baghdad. We also
25 recommended that USAID redirect \$8.5 million to other

1 programs and review activities in other regions in Iraq for
2 similar evidence of fraud. USAID has addressed all of our
3 audit recommendations, and investigations of fraud in the
4 Community Stabilization Program are ongoing.

5 In a recent investigation of a USAID program
6 implemented by the United Nations Development Program in
7 Afghanistan, we uncovered many performance and financial
8 control problems and potential violations of law. Although
9 the organization will not be prosecuted because of immunity
10 issues, USAID has issued bills of collections to the
11 organization totaling \$7.5 million, has initiated systemic
12 changes to increase program oversight, and has declined
13 requests for additional funding.

14 In Afghanistan and Iraq, 153 of our 178 recommendations
15 have been implemented, and 36 of the 178, or 20 percent,
16 were closed by the time we issued our audit reports. There
17 are no open audit recommendations more than 1 year old, and
18 USAID is in the process of resolving those that remain open.
19 The open recommendations generally involve working with host
20 government organizations to promote sustainability of
21 programs, collecting questioned costs, ensuring that
22 construction projects comply with regulations, and improving
23 data quality.

24 In Afghanistan, we conducted a review of work on the
25 Kabul-to-Kandahar Highway in 2003. We found that the

1 contractor lacked an updated implementation plan to
2 facilitate the timely completion of activities. When we
3 conducted a second review in March of 2004, the
4 implementation plan was in place, and construction
5 activities were then on track to meet established deadlines.
6 These periodic reviews are important to ensure that our
7 recommendations are being implemented as intended and that
8 programs are achieving their goals.

9 A September of 2003 audit involving contract oversight,
10 we found that USAID had not provided their contracting
11 officer technical representatives, or COTRs, enough training
12 to acquire core competencies or to understand and perform
13 the full range of tasks assigned to them. In addition,
14 USAID lacked a process to formally hold their COTRs
15 accountable for the performance of the tasks assigned to
16 them and did not ensure that designation letters were
17 obtained for all contracts. We made five recommendations to
18 help address these problems. However, in 2008, a follow-up
19 audit found that these recommendations had not been
20 addressed properly. I immediately brought those to the
21 attention of the Administrator, who recognized the problem
22 and directed changes in the training and documentation for
23 COTRs.

24 Overall, our work has resulted in improvements in
25 development operations and in program implementation. USAID

1 has improved contracting procedures, strengthened contractor
2 oversight, and ensured completion of monitoring plans and
3 performance reports. We have identified defective work, and
4 USAID has taken corrective action in such areas as highway
5 completion and building construction. Moreover, we have
6 identified instances in which funds could be put to better
7 use.

8 We support USAID's efforts to increase oversight and
9 accountability of its development resources in a very
10 difficult environment. Some of the changes the agency has
11 made include: hiring additional local staff who can operate
12 more easily in Iraq and Afghanistan than U.S. employees;
13 coordinating with military personnel in some cases when they
14 may provide assistance of poor security; and employing
15 virtual techniques such as periodic digital photography to
16 document progress in infrastructure reconstruction.
17 However, more work is needed.

18 Security problems in both Afghanistan and Iraq will
19 continue to affect development efforts, and we understand
20 that the risks constrain USAID's ability to manage
21 activities. However, both my office and USAID recognized
22 the importance of carrying out U.S. assistance accountably.
23 Aside from coping with security issues, USAID must have a
24 substantial and well-trained corps of contract and activity
25 managers to oversee programs. The agency must continue to

1 find ways in these difficult and dangerous environments to
2 improve the quality of its performance data. With sound
3 data, USAID can measure its efforts successfully and
4 demonstrate to the American people that tax dollars are
5 being spent wisely and making a difference in countries that
6 are vital to our interests.

7 Thank you for the opportunity to speak with you today
8 about some of the challenges we have seen in implementing
9 development programs in Afghanistan and Iraq. We are
10 committed to working through the challenges along with USAID
11 to provide effective oversight and help improve development
12 programs.

13 I would be happy to answer any questions the Commission
14 might have. Mr. Chairman, I have also submitted a written
15 statement that I would ask to be made part of the record of
16 today's hearing.

17 [The prepared statement of Mr. Gambatesa follows:]

1 Chairman Thibault. Thank you, Inspector General
2 Gambatesa. All of your statements that you have submitted
3 will be submitted for the record, as submitted and written.

4 What we are going to do now is go around and provide
5 questions as various Commissioners would like. I would like
6 to start, Inspector General Gimble, with you, and I would
7 like to talk about the subject of contractor identification
8 or what is referred to as CAC cards. And I know that you
9 have had a couple reviews, and you have got a review
10 ongoing. Some of your reviews in the past--you know, your
11 testimony, the written statement you submitted, has outlined
12 that there have been major control issues in identifying the
13 contractor population, and this has come through several
14 other oversight reviews. And more importantly, though,
15 assuring that contractor employees have proper
16 identification with approved access to military facilities,
17 everything from where they are going to sleep to what they
18 are going to eat to properly, you know, authorized to do
19 that.

20 You have outlined in your statement that contractor
21 identification cards have been used in very high-dollar
22 thefts and other wrongdoing activities. Most importantly,
23 you have brought in the security word that, you know,
24 security issues and security concerns, if the Army is losing
25 visibility over access and control over Government

1 facilities by the contractor population. As numerous
2 organizations briefed us, I have come to appreciate the
3 potential for force protection issues, and I believe that is
4 what this could come down to, and bear with me.

5 We just cannot afford any occurrence where even one
6 individual uses an improperly obtained ID card to wound or
7 kill American military or other employees. And we cannot
8 afford substantial numbers running around using
9 identification cards, or CAC cards, as they are referred to,
10 improperly or do not have authorization. And in your
11 testimony, for example, you outlined that there are over
12 25,000 badged contractor employees that have not been
13 properly vetted.

14 Now, I realize that if they had been properly vetted,
15 maybe the large majority of those would have been granted
16 badges or identification. However, as I said before, it
17 only takes one to create, to use the most basic word, a
18 tragedy that could occur. And so vetting them, I mean, the
19 reason they have the policy and procedures, there are over
20 25,000. There is over 35,000 employees outlined in your
21 testimony of employees running around with unexpired ID
22 cards, current ID cards, where the contract has been
23 completed.

24 Now, the inference if someone says, well, that is not
25 really a problem, might be, well, they are working on

1 another contract. However, I have to share with you--and
2 that is a big part of my leading into asking the question--
3 that both in Iraq and Afghanistan, whenever I went to the
4 cafeteria I kind of left my traveling mates and sat down
5 with the young soldiers because, you know, I find that very
6 insightful, and I would ask them how they are doing, they
7 would ask me what I am doing, and I would tell them, you
8 know, a little bit about, without trying to get a fog count
9 too bad, that we are looking at contracting and contractors.

10 The story came up with one very clearly that there was
11 a resentment because they were aware in some of their
12 discussions that there were contractor employees that were
13 hanging around waiting to get another job. They didn't say,
14 "Well, here, go find so-and-so," but they were very
15 explicit, and there were three or four of them. And because
16 they had current CAC cards, they were able to find a place
17 to sleep, food, laundry and things like that. If they
18 wanted to work out, they could work out because they had a
19 current ID card that said you can use all these facilities.
20 And they were kind of bragging about the fact they were
21 shopping jobs and were going to go out and catch on with
22 another contractor. I kept asking around about that, and
23 apparently that happens more often than a person might like.

24 So it not only raises a question about a force
25 protection issue, but it raises a question about increasing

1 the cost on these contracts by people that should have been
2 sent home. And, you know, I am very appreciative of the
3 work you are doing. I know you have been on the record, and
4 you are doing a follow-up. I would anticipate the follow-up
5 may be just even more forceful. But I would kind of
6 appreciate two things: one, the best update you can give us
7 in terms of the status of that review and whether you are
8 finding the same types of issues; but, more importantly, I
9 am interested in what might be some of your recommendations
10 that the army should do about it, what they should be doing
11 to deal with the contractor that is having the difficulty
12 keeping track of all this. And one of the things that I
13 know in some of my days that the military would do, the
14 Department of Defense would do, and they have a very
15 significant problem--and I would propose to you force
16 protection is a very significant problem. They would have
17 what we used to call stand-down days. They would do it for
18 quality. They would do it when there was a certain
19 deficiency and everybody needed training so they could do
20 it, and they would stop for 4 hours, stop for a day
21 sometimes.

22 One of my questions is: What is the Army going to do
23 about this? What have they told you they are going to--
24 other than we will look at it, which is not acceptable to
25 me. And I doubt if it is acceptable to you, but I am going

1 to listen. And have they considered something like
2 canceling all these 200,000 ID badges at a point in time and
3 reissuing them so we know they are properly vetted, they are
4 working on active contracts, they should be here and the
5 like? And I know, Inspector General Gimble, I circled it a
6 lot, but it is sort of an area that I am sensitive about,
7 and you are the man that is looking at it, and you are the
8 man that is doing the--your organization, doing the follow-
9 on, and I would just appreciate being updated and let me
10 know what the Army is going to do about it.

11 Mr. Gimble. Mr. Chairman, thank you for the question.
12 It is, in our view, a very significant problem because, as
13 you say, the CAC card allows free access into the military
14 installations; it allows access into the computer system;
15 and it also allows access, as you point out, the ease to go
16 into the dining facilities and so forth.

17 As we have reported, we have got a number of issues of
18 the control and how these cards are issued. We think there
19 are some basic control issues that have to be addressed in
20 terms of proactive control. How do you know, one, is the
21 person, as you said, has not been vetted. We need to have
22 the people vetted. But, more importantly, we need to have a
23 control that when those contracts are over as to how do we
24 collect those cards and not allow that shopping around or
25 continuation of a card.

1 We think on the security issue, we briefed the DNI, we
2 briefed the Deputy Secretary in PNR, and also NII on the
3 network issues of this, and I think everyone is concerned.
4 I think you are going to see some good proactive operations
5 to do this, to correct this problem.

6 Now, what I have not seen, as you might suggest, is
7 that if there is X number out there, that they cancel them
8 and reissue them, I think that might certainly be one thing
9 to be considered in the future. But I do not think we have
10 gotten to that point yet because once we get this cleaned
11 up, we want to make sure that we have proactive measures in
12 place to control it for the future.

13 Chairman Thibault. All right. Well, thank you, and I
14 absolutely support the work you are doing. You know, you
15 can say that this is dead square center on one of the
16 focused concerns of contracting, the cost of contracting,
17 the controls and the force protection issue, and thank you.

18 I think my next question is going to run over the
19 couple of minutes I have left. In sort of respect of time,
20 maybe I will tag those 2 minutes onto my next round of
21 questions.

22 Commissioner Ervin, if you could tee it up, sir.

23 Commissioner Ervin. Thank you, Mr. Chairman.

24 A question, likewise, to start anyway, to General
25 Gimble. General, you referenced this issue in your remarks,

1 the issue of the mind-set whereby the warfighting mission
2 takes precedence in the mind of not just the warfighters,
3 the military commanders and the troops who work for them,
4 but also contract officers, military contract officers, the
5 mind-set that getting the warfighting mission accomplished
6 necessarily has to take precedence over adhering to strict
7 contract procedures.

8 My question to you is: How do we overcome that mind-
9 set in terms of training, in terms of evaluation, promotion,
10 compensation, if necessary, prosecution, et cetera? What is
11 being done in that regard now?

12 Mr. Gimble. Sir, I think one of the things that might
13 be considered is the Civilian Reserve Corps. What we need
14 to have is an ability, when we deploy, to have a fully
15 trained workforce.

16 Now, having said that, there is the issue of you do
17 have to get the mission done, but the question becomes how
18 long do you stay in that mode until you bring it back in and
19 put the contracting under the proper controls. We would
20 like to see that done from the outset. Obviously, if you go
21 back into the invasion--and I will use the example of
22 weapons accountability. It was known to be a problem. The
23 people never denied that they took those weapons out there
24 and they distributed them to the Iraqi security forces, did
25 not maintain proper accountability. And so now later on we

1 determined that is a huge problem, and so, you know, now it
2 is the process of catching up and putting the business
3 operations--there is a warfighting side of this and there is
4 a business operations side, and we need to be very careful
5 not to ignore the business operations side.

6 So I think the answer to your question is that we need
7 to have some kind of reserve force for contingency
8 operations, and I would submit that we ought not to overlook
9 issues like Katrina. And that is a contingency contracting
10 operation also.

11 Commissioner Ervin. Yes. A question for General
12 Geisel. The Blackwater contract has been referenced,
13 terminated. What steps are being taken to ensure that the
14 abuses we saw there do not happen likewise with regard to
15 Triple Canopy and DynCorp?

16 Mr. Geisel. That was discussed in our Kennedy Report,
17 and essentially, the first order of business, as you know,
18 was that the Department put Diplomatic Security agents on
19 the movements of personnel to the greatest extent they
20 could. I would guess, I would estimate that at this stage
21 of the game, they are on virtually every movement, and in
22 addition to putt the Diplomatic Security officers on the
23 movement, there are cameras, just like you see in some of
24 the police cars here, that record the details of every
25 movement, and those movements are monitored back in the

1 regional security office at the embassy itself.

2 But, you know, it is not only--that solved the
3 immediate issue of the abuse, but what concerns us is that
4 while this particular worry seems to have been resolved, we
5 still face the constant pressure in the field that DS
6 security agents are overwhelmed with their protection
7 responsibilities, and they are unable to monitor the
8 execution of contracts the way that we would like. And it
9 is very important that the more mundane or seemingly mundane
10 issues are also addressed. We are talking about that the
11 right people are being billed for and that they actually
12 work the hours that the contractors say that they work, that
13 the contracting officer representatives are verifying that
14 the weapons are properly accounted for. But, still and all,
15 I think the issue of contractors going wild is not an issue
16 in Iraq at this time.

17 Commissioner Ervin. Thank you for that. You
18 anticipated my follow-up question, and that is, should
19 contractors be involved ideally in providing security to our
20 diplomats? Should this function be performed by our
21 military, in your judgment?

22 Mr. Geisel. I would say that it can be either. We are
23 looking at quality and we are looking at availability. This
24 was not an issue in prior wars because there were adequate
25 numbers of military. We certainly have seen examples where

1 contractors have done an outstanding job. But the key issue
2 is just as if we had--if we had uniform military, we have a
3 chain of command, and everybody knows what they do, and
4 everybody knows that they are going to be held accountable,
5 and, indeed, that they will be court-martialed.

6 The issue if we use contractors is how do we ensure
7 accountability, and that, of course, is our big issue about
8 ensuring that contractors do not do what is inherently
9 governmental. And what is inherently governmental is
10 clearly the supervision of these contractors.

11 Commissioner Ervin. Thank you for that.

12 And a final quick question to General Gambatesa. You
13 mentioned the figure--I think it was \$18 million to oversee
14 \$14 billion of expenditure. In your judgment, should there
15 be--and this is really a question for all Inspectors General
16 here, but I will direct it only to you. In your judgment,
17 should there be a fixed percentage of the budget allocated
18 for Inspector General oversight and any increase in the
19 budget likewise should be matched by a corresponding
20 increase in Inspector General budgets to ensure that you
21 have the resources that you need to provide due oversight
22 over American taxpayer expenditures?

23 Mr. Gambatesa. Yes, I am not certain there should be
24 an actual percentage per se, but I think there should be
25 oversight programmed into any of these programs. We are

1 seeing it more and more now with the proposal on the
2 stimulus package. If you have read some of that, the House
3 version includes oversight for Inspectors General for each
4 of these programs. I cannot recite them specifically, but I
5 know there is OIG oversight provisions and there is funding
6 for the offices of Inspectors General in there.

7 I agree that there should be funding. Our funding
8 primarily has always come from supplementals. So when the
9 agency over the years, over the 5 or 6 years, received these
10 billions of dollars, we basically were given some
11 supplemental funding. In fact, I do not believe--in fact,
12 all of our funding, that whole \$18 million, has all been
13 supplemental funding. Now, we have been working with OMB to
14 have the funding put in our base; in 2010, it is finally
15 going to be in there.

16 Commissioner Ervin. Thank you.

17 Chairman Thibault. Thank you, Clark.

18 Commissioner Zakheim?

19 Commissioner Zakheim. Yes, Mr. Gambatesa, I guess I am
20 a little confused. You talk on page 5 of your testimony
21 about lessons that you learned from Afghanistan that you
22 applied to Iraq, which is all well and good. How come it
23 has taken you--or it is going to take you about 8 years to
24 finally get two people into Kabul?

25 Mr. Gambatesa. We are going to have people there this

1 year, but--

2 Commissioner Zakheim. My question is why has it taken
3 8 years to do it.

4 Mr. Gambatesa. Well, we have been working actually
5 quite effectively from Manila, and if you look at the way
6 Iraq works, considering the benefits as far as leave,
7 employees are there for 1 year, and in that 1 year, they may
8 be on the ground 10 months out of the year. You lose a
9 significant amount of continuity when you do that, and they
10 are only 1-year assignments. So it appeared that the best
11 way to do it was to maintain the oversight from Manila, and
12 it has been working quite well.

13 However, over the last year or so, we have looked into
14 it and decided that we are going to put a couple people
15 there to maintain continuity as best we can. Of course,
16 again, we are going to have these 1-year assignments, and
17 someone is there really only 10 months rather than a year.
18 So I cannot tell you why it has taken 8 years other than it
19 was a decision that was made prior to my taking over the
20 office, and I have been looking at it since I have been here
21 for the last couple years. We finally decided to move
22 forward.

23 Commissioner Zakheim. You also mentioned that you had
24 a real problem with the United Nations Development Program,
25 UNDP, and you say here that they relied on a letter of

1 credit from AID, they "transferred funds to and from an AID
2 project systematically"--I am quoting here--"without USAID's
3 knowledge or consent. When asked to explain the transfers,
4 the organization refused to justify the use of the majority
5 of these funds"--which I am sure makes American taxpayers
6 really happy. And then you go on to say Justice could not
7 prosecute because all these characters have immunity.

8 Are we still doing any business with this organization?
9 And if so, why?

10 Mr. Gambatesa. Well, that was my question. The
11 majority of the contracts--I sent a letter to the Acting
12 Administrator last week of UNDP, and my estimate is that
13 UNDP and UNOPS were given about \$475 million in contracts
14 over a 4- or 5-year period.

15 Commissioner Zakheim. \$475 million?

16 Mr. Gambatesa. \$475 million in various--

17 Commissioner Zakheim. For which they will presumably
18 have immunity if they siphon it all off into Swiss banks?

19 Mr. Gambatesa. Well--

20 Commissioner Zakheim. Is that accurate? They will be
21 totally immune, no matter what they do with the money?

22 Mr. Gambatesa. My understanding is yes. Now, I
23 brought this to the attention of the Acting Administrator
24 and--now, after our investigation, the majority of the
25 grants that were given to UNDP were either terminated or

1 some of them had already run out, and there is still one
2 ongoing that I brought to the attention of the
3 Administrator, the Acting Administrator, and that I am
4 concerned about, and hopefully they will take some action on
5 it.

6 But as of late, the mission has, in fact, taken
7 significant action, but yours is the same question as mine,
8 and I brought that to their attention, and hopefully they
9 will work on this.

10 Commissioner Zakheim. Well, I am glad you are pursuing
11 it. And I would like to ask both you and Mr. Geisel a
12 question that--I am much more familiar with the DOD IG.
13 They used to come to me for money. Talk to me about the
14 process--and I tended to give them what they asked for, so
15 that is why I am asking this. Talk to me about the process
16 of asking for money. You have already said that this all
17 comes out of supps. So presumably for the last 7 years, AID
18 did not see fit to put it in its baseline budget.

19 What about the State Department? Are you being
20 adequately funded? Have you found that each year you come
21 in with a certain request and it gets cut back? Where does
22 it get cut back? Why does it get cut back?

23 Mr. Geisel. Until 2008, the State IG was basically
24 flatlined. We went to the--I cannot say because I was
25 there, but I did come back rather shocked in 2008 to

1 discover that we had essentially the same budget that we had
2 when I left in 1995.

3 Commissioner Zakheim. Could you talk to the magnitude
4 of growth in terms of contracts overseen between the time
5 you left and the time you came back?

6 Mr. Geisel. I do not have it that far back, but as I
7 testified--

8 Commissioner Zakheim. Give me a swag.

9 Mr. Geisel. Oh, a swag?

10 Commissioner Zakheim. Yes.

11 Mr. Geisel. Three hundred percent.

12 Commissioner Zakheim. Flatlined growth and 300 percent
13 contract growth. Go ahead. Sorry to interrupt.

14 Mr. Geisel. That is right. Now, this year--or
15 actually in late 2008 and this year, we were the
16 beneficiaries of a supplemental which went entirely for
17 support of our Middle East operations. We have no assurance
18 that this amount will be carried forward into 2010, which is
19 why I have hesitated to build up in the way of people in the
20 Middle East for fear that we will lose them again. But we
21 understand from our congressional staff that they are
22 inclined to include this same funding again. We hope that
23 they will make it a regular part of our regular
24 appropriation so that we can build more of a base in the
25 Middle East.

1 I can say that the Department itself has gotten
2 religion and that the Department also supports our request
3 now.

4 Commissioner Zakheim. Well, you say the Department has
5 gotten religious. Let me ask, How religious? Mr. Gambatesa
6 pointed out that this year it is going to be--the funding
7 for the IG will be in the baseline budget. Correct? Has
8 the State Department gotten enough religion to put it in the
9 funding for this year's budget?

10 Mr. Geisel. I don't know--oh, this year's--

11 Commissioner Zakheim. The upcoming budget, just like
12 AID.

13 Mr. Geisel. The upcoming budget, my understanding is
14 yes.

15 Commissioner Zakheim. So it is now in the baseline
16 budget?

17 Mr. Geisel. It has been asked for.

18 Commissioner Zakheim. The budget request.

19 Mr. Geisel. Yes.

20 Commissioner Zakheim. And is it an amount that you
21 consider sufficient to train and hire the kinds of people
22 that are needed?

23 Mr. Geisel. The good news is I can say absolutely yes.
24 If we get what we have asked for, we will be able to do all
25 the work that we feel needs to be done.

1 Commissioner Zakheim. Do you feel the same way, Mr.
2 Gambatesa?

3 Mr. Gambatesa. Yes, and I would like to clarify one
4 point. The USAID really has never signed off or chopped off
5 on our budget. We submit our budget to USAID and then
6 directly to OMB. So if we have had any reductions, it has
7 been really from OMB and passed back. But USAID has not in
8 my experience chopped off or had any reduction in our
9 budget.

10 Commissioner Zakheim. Funny you should mention OMB.
11 So OMB has been cutting back on your requests?

12 Mr. Gambatesa. They have in the past, yes.

13 Commissioner Zakheim. Has that been the same with
14 State?

15 Mr. Geisel. I really--well, the answer is we do not
16 know where it has been cut back because, as I say, we have
17 been flatlined all these years.

18 Commissioner Zakheim. Nothing to cut back.

19 Mr. Geisel. But, unfortunately, for whatever reason,
20 our requests to OMB do go through the Department.

21 Commissioner Zakheim. Okay. And, Mr. Gimble, let me
22 just ask you quickly what has been your experience. Are you
23 getting everything you need from the DOD Comptroller and
24 then through OMB?

25 Mr. Gimble. I would like to say that we could always

1 use more, but we have actually done very well, and let me
2 just give you this: We have increased significantly in the
3 past 2 years to kind of catch up with the increased
4 contracting growth and what have you.

5 Also, I am very pleased to say that we have been
6 working off what I think they are referring to as
7 supplementals. We refer to them as wedges, and that is
8 being baselined. And assuming that the budget goes forward,
9 we have not been cut by the DOD Comptroller and pretty well
10 gotten what we need.

11 As I say, we put together a 5-year growth plan. We
12 went over and briefed that, and we have pretty much gotten
13 what we have asked for.

14 Commissioner Zakheim. I have got a minute left, so a
15 very quick question. How much do the three of you work
16 together?

17 Mr. Gambatesa. I think we do a lot of coordination
18 together. As far as actual work on the ground, I don't
19 think we do a lot. But we all serve on various--well, we
20 interact in the Southeast Asia Task Force. We interact with
21 SIGIR. We interact with SIGAR. But as far as actual on-
22 the-ground work, there have only been a few instances that I
23 am aware of where we have actually done audits together--
24 primarily because, obviously, I cannot audit a State program
25 or a DOD program. We have with State, though, looked at a

1 program holistically. For example, in Afghanistan, we had
2 one situation on the alternative development programs where
3 State was looking at the crop eradication program, and we
4 were looking at alternative development at the same time.
5 So we have done things like that.

6 Mr. Geisel. I would just point out that, frankly,
7 there is enough work for all of us all of the time. I find
8 the coordination very good. And as the AID IG pointed out,
9 look, these are different agencies. And I think the most
10 important thing is that we, A, do not interfere with each
11 other's good work; and, B, what we have seen very
12 successfully is that we get help when we need it as far as
13 programs that do overlap.

14 Commissioner Zakheim. Thank you, gentlemen.

15 Thank you, Mr. Chairman.

16 Chairman Thibault. Thanks, Dov.

17 Commissioner Gustitus?

18 Commissioner Gustitus. I want to follow up a little
19 bit on the Blackwater issue, and that is that what is a
20 little bit odd about Blackwater--and I guess I am speaking
21 to you, Mr. Geisel; it is your contract--is that State did
22 not really act on Blackwater until Iraq decided to not
23 license Blackwater any longer. And you had a report in
24 December 2008 which was the status of the Secretary of
25 State's Panel on Personal Protective Services in Iraq with

1 your recommendations. And Recommendation 5 was when the FBI
2 investigation into the September 16, 2007, incident--Nisoor
3 Square--is completed, the embassy should submit its
4 recommendation as to whether the continued services of the
5 contractor involved is consistent with the accomplishment of
6 the overall United States mission in Iraq. And the State
7 Department said it was going to await the outcome of that
8 investigation, and you agreed with that decision to await
9 the outcome of the FBI investigation.

10 But didn't you and State have enough information at
11 that point to make your own assessment, to use your words,
12 as to whether keeping Blackwater was "consistent with the
13 accomplishment of the overall United States mission in
14 Iraq"?

15 Mr. Geisel. As you know, the FBI report is not yet
16 complete, but I take your point very seriously. The issue
17 is not only one of, well, what we would like to do, but it
18 also is to some extent what the Department can do.

19 Blackwater had certain assets that the Department
20 determined the other contractors did not have. Now--

21 Commissioner Gustitus. What were those assets?

22 Mr. Geisel. Well, aircraft is one of the big assets.
23 As far as I know, I believe Blackwater had 24. I don't know
24 if the two other contractors had any. Did they? No.

25 All that being said and done, we did, as you pointed

1 out, advise the Department that they better start planning
2 for when the Iraqis said this is it with Blackwater. And
3 without getting into diplomatic negotiations, I believe the
4 Department is planning for this eventuality, which is
5 clearly not too far off.

6 Commissioner Gustitus. But is it because Iraq refuses
7 to license them? Or is it because we think that Blackwater
8 isn't helping us meet our mission--setting aside the
9 licensing issue, that it is not meeting the mission that we
10 want in Iraq? Do you know what I mean? Is it just because
11 we are being forced to because they are no longer licensed?
12 Or is it because of how Blackwater operates or what they are
13 doing to our work?

14 Mr. Geisel. I cannot answer for the Department, but
15 what I can say is that since the horrible incident, which is
16 not going to go away, and which obviously greatly affected
17 our relations with Iraq, in terms of the performance of
18 their contract Blackwater has both--from the Department's
19 point of view, and even from our own subsequent audits and
20 investigations, Blackwater has done a very good job of
21 providing personal protection for our people.

22 Commissioner Gustitus. Our perspective meaning that we
23 are safe, not necessarily how the Iraqis feel about how we
24 keep ourselves safe.

25 Mr. Geisel. We pointed that out, and I take the point

1 completely.

2 Commissioner Gustitus. Okay. Going forward in
3 Afghanistan, we do have a contract--State has a major
4 contract with Blackwater in Afghanistan. Do you think that
5 should be reviewed in light of what--

6 Mr. Geisel. Well, it is being--I don't know what the
7 Department itself is doing. I am sure they are reviewing
8 it. But I can tell you that we are reviewing it, and we
9 have an upcoming review from OIG to examine their
10 performance in Afghanistan.

11 Commissioner Gustitus. Okay. Excellent. Thank you.

12 Chairman Thibault. Linda, would you give me my 2
13 minutes I had?

14 Commissioner Gustitus. Sure. Go right ahead.

15 Chairman Thibault. I have a direct question on this.

16 Commissioner Gustitus. Go right ahead.

17 Chairman Thibault. Thank you very much.

18 My question is this: I was a little surprised. Take
19 everything Linda said--Commissioner Gustitus--and I read--
20 and it is media, but I am sure you all read it, too--last
21 week that the State Department has some disclosure that they
22 were polling their other two private security contractors to
23 find out their capability to augment and support. I found
24 that really surprising, not that they do it, but they did it
25 after they had their license revoked, because you had to

1 know with the heat the country was coming down with all
2 their threats right from September or October of 2007 that
3 it was coming. And my question is about the planning, and
4 you talked about having Diplomatic Security management
5 concerns, like policies and processes and understaffed and
6 contract management and so on.

7 It would seem to me that such a large contract with
8 such a large critical mission, maybe a normal business or a
9 normal government entity might begin that planning
10 regardless, because it was highly likely that something
11 adverse could occur. And yet now we read in the paper that,
12 well, they have decided to go ahead and ask them. Well,
13 that planning might take another 6 months or another year.
14 As you say, you cannot just yank them out now.

15 Do you have some observations on that?

16 Mr. Geisel. I sure do. I have every reason to believe
17 that Diplomatic Security was planning for a possible forced
18 departure of Blackwater. I don't want to go into the
19 details, A, because I don't know all of them and, B,
20 because, as you know better than I do, I am very scared in
21 terms of contract negotiations what may be going on.

22 But as we pointed out, State has got itself one heck of
23 a job, and we will just have to see.

24 Chairman Thibault. Thank you.

25 Thank you, Linda.

1 Commissioner Gustitus. On the same note, then, on
2 private security contractors, Mr. Gambatesa, on January 27th
3 this year, the Wall Street Journal reported that a
4 contingent of Army Rangers operating in Afghanistan were
5 recently attacked by Afghans wielding machine guns and
6 rocket-propelled grenades. Are you familiar--you look like
7 you are not aware of this. Maybe, Mr. Geisel, I think this
8 is USAID's situation, but I am not sure. Maybe it is DOD
9 IG.

10 Several of the attackers were identified posthumously
11 as guards hired by an Afghan road construction firm to
12 protect its laborers, so these were PSCs that were hired by
13 the road construction firm. And the same article goes on to
14 quote U.S. and Afghan officials as stating some of these
15 guards take orders from the Taliban and from drug gangs.

16 It is a pretty extensive article, and I am going to
17 give you a copy of it. This is the version I have.

18 My question--and I am not going to just direct it to
19 you since you have not read the article or are not aware of
20 it. Is anybody at the table aware of this concern of hiring
21 private security guards in Afghanistan that turn to be
22 working with the Taliban and fighting our own people?

23 Mr. Geisel. I have just been assured that, from our
24 point of view--which is, of course, quite different than the
25 other two IGs because most of our work is in Kabul itself,

1 the private security work. We have no knowledge whatsoever
2 of this problem.

3 Commissioner Gustitus. Okay. Yes, Mr. Gimble?

4 Mr. Gimble. We have no knowledge of this particular
5 incident. In fact, I do not believe I have seen the
6 article. I would be very interested in it, but we have no--
7 in fact, we do not deal much with the private security
8 companies, the DOD IG.

9 Commissioner Gustitus. Okay. Can I give this article
10 to you all and you take a look at it and get back to us as
11 to your reaction to it and whether you think further--I
12 mean, to me it sounds like investigation is definitely
13 warranted. You will see it is a very thorough article, and
14 the question is who should be doing that. Maybe it is
15 SIGAR. I don't know. Yes?

16 Mr. Gambatesa. Does it name the security company that
17 hired these people?

18 Commissioner Gustitus. I don't know. I don't think it
19 does, actually. Okay. I will get that back to you.

20 Mr. Geisel, you talked about the question of inherently
21 governmental and basically said that one thing we should not
22 do is we should not have contractors overseeing contractors,
23 I mean, that we should do our own contract management, and I
24 could not agree with you more. But what we have right now
25 in Iraq and Afghanistan contracting is we have got--with

1 LOGCAP, Serco is the contractor that is managing the LOGCAP
2 contract. We have Aegis, the big contractor that is
3 overseeing the private security contractors in Iraq. And
4 under reconstruction with the PMO, we had the PMO jobbing
5 out contractor management.

6 I am going to ask all three of you: Do you all agree
7 that--or do you think, I should say, that those kinds of
8 contracts are inappropriate because essentially they are
9 hiring contractors to manage contractors? We will start
10 with Mr. Gimble.

11 Mr. Gimble. We believe that contract oversight is
12 inherently governmental, and contractors overseeing credit
13 cards should be avoided, if at all possible.

14 Mr. Gambatesa. I would concur. A good example is the
15 Community Stabilization Program in Iraq that I mentioned
16 earlier. Because of USAID's inability to actually go out
17 and review the progress of the contractor, they have
18 actually hired--they have another contract or maybe a grant
19 to actually oversee the performance of the contractor
20 actually performing the original duty. So now you have--it
21 really gets convoluted. So you have a contractor to pay a
22 contractor to oversee and report on the performance of
23 another contractor because employees, U.S. employees, cannot
24 really get out to actually see if it is being done properly.

25 Mr. Geisel. None of the contractors you mentioned are

1 involved with Department of State contracts. But I voiced
2 the concern, and we found examples that were--one in
3 particular which I will mention to you which was egregious,
4 and we were pleased to see that the Department did not even
5 wait for our written report. They agreed to change their
6 procedures. They were going to have a contractor contracted
7 to investigate incidents similar to Blackwater.

8 Commissioner Gustitus. That is the USIS contract. Is
9 that right?

10 Mr. Geisel. Yes, and we--exactly. And we objected,
11 and I don't think we waited a week.

12 Commissioner Gustitus. Oh, I am happy to know that.
13 So that was your objection, though, that brought that to the
14 attention of State saying that that was a misguided decision
15 on their part.

16 Mr. Geisel. Well, hopefully great minds were thinking
17 alike, but in any event, we certainly did object.

18 Commissioner Gustitus. Okay. I have just one quick
19 housekeeping item, and that is that--it is a little unfair,
20 Mr. Geisel, but we sent you a letter back in November asking
21 for all your reports, investigative records, et cetera, with
22 respect to private security contractors, and we have made a
23 couple of follow-up phone calls. We have not gotten the
24 information, so I am going to say this today so that I am
25 sure you can address it this week. And I will give you the

1 letter.

2 Mr. Geisel. We have only issued two reports, our
3 Assistant IG for the Middle East says, and we sent them
4 both.

5 Commissioner Gustitus. Right. I think we are asking
6 for the investigative summaries as well. So if you could
7 talk to our staff after the hearing, I would really
8 appreciate it and if we could resolve that.

9 Mr. Geisel. Absolutely.

10 Commissioner Gustitus. Thank you.

11 Chairman Thibault. Thank you, Commissioner.

12 Commissioner Henke?

13 Commissioner Henke. One of the issues that we need to
14 look at as a Commission is the extent of our reliance on
15 contractors and contracted support, both in a wartime
16 scenario and then a post-conflict scenario, immediately
17 after, whether it is stability or reconstruction,
18 humanitarian relief. I would like to get from each of you
19 in series your thoughts on that, and if you would start with
20 the extent to which your audit work has looked at the
21 question of our reliance, perhaps overreliance, on
22 contracted support in contingency operations.

23 So, first of all, has your work looked at that? And
24 then, secondly, your judgment as to the extent of reliance.

25 Mr. Gimble?

1 Mr. Gimble. We are looking at that. We think that is
2 a very important issue. We have a number of projects
3 underway, and certainly we would like to work with the
4 Commission as we move down the path on that.

5 Commissioner Henke. Give us a sense of what the work
6 is going to involve and how you are thinking about the
7 problem.

8 Mr. Gimble. Well, I think the--we need to identify how
9 many contractors that get into the subcontracting category.
10 I cannot give you an example right off the top of my head,
11 but we do have some, and I will get back with you on that
12 for the record.

13 Commissioner Henke. Okay.

14 Mr. Gimble. But we do believe that is an extremely
15 important issue.

16 Commissioner Henke. When would that work be available?

17 Mr. Gimble. We can provide detail.

18 Commissioner Henke. Okay. If you are in the staffing
19 process for the review, how are you thinking about measuring
20 the amount and extent of reliance? And if you have a staff
21 member here who can answer, that would be great.

22 Ms. Ugone. I could answer. Would you like me to--

23 Commissioner Henke. Sure.

24 Ms. Ugone. When you take a look at the contract-- [off
25 microphone] --this issue has existed back in--was identified

1 in 1998 in one of the committees here, and talked about the
2 risks associated with a broken contract, service contract.
3 So we have looked at this issue in both Southwest Asia as
4 well as outside Southwest Asia, and the problems are
5 similar. We have those problems of a workforce that has
6 shrunk. The growth of contracts has increased, which is a
7 symptom--which as a symptom causes the issue related also to
8 the inherently governmental function. We just do not have
9 enough government oversight.

10 So this has been, you know, a multiple issue -- now in
11 which you have what is going on -- as we last testified on
12 the matter. So it is not just solving Southwest Asia. It
13 is solving the systemic issues that we have in contracts in
14 general, and that has been going on, and when you look at
15 our testimony, Mr. Gimble's testimony for the record, it has
16 been going on since the Revolutionary War. And the Truman
17 Commission also cited -- it has not changed much.

18 Commissioner Henke. Okay. Mr. Gambatesa?

19 Mr. Gambatesa. We have not actually looked at an audit
20 of reliance on contractors, but, you know, we feel that it
21 is always best to have U.S. direct hire employees to oversee
22 or to manage contracts. But--

23 Commissioner Henke. To manage the contracts.

24 Mr. Gambatesa. Well, to manage--your question has to
25 do with are we reviewing--

1 Commissioner Henke. The extent of reliance and the
2 risks associated with that reliance on contracted functions.

3 Mr. Gambatesa. Right. No, we have not done that.
4 Obviously, using direct hires to run programs rather than
5 contractors is certainly preferable, but for USAID over the
6 years the agency's ranks have dwindled so much over the
7 years, that they have relied more and more on contractors,
8 especially in Iraq and Afghanistan.

9 Commissioner Henke. Sir?

10 Mr. Geisel. At State, we indicated in the testimony
11 that where we were most concerned--State until relatively
12 recently did not have a tremendous reliance on contractors,
13 except in some of the drug interdiction efforts. But in
14 Iraq and now in Afghanistan, of course, our biggest concern
15 was whether the management of contractors was adequate in
16 the area of security. And we have addressed our--

17 Commissioner Henke. Taking as a given that it would be
18 a contracted function, as it was then. Is that right?

19 Mr. Geisel. Well, we do not have the resources. The
20 Department has considered whether--I think in response to
21 concerns from Congress, whether it would be appropriate to
22 bring on security officers for, let's say, limited
23 appointments for these needs.

24 But I think to date the Department has felt that it
25 would be--well, it would take too much time, and the

1 management challenges would be even greater if they took
2 Government-appointed security officers as opposed to
3 contractors. This is something that the Department in its
4 entire history never faced until Iraq.

5 Commissioner Henke. Okay. Thank you. I will have a
6 follow-up in my second round.

7 Chairman Thibault. Thank you, Commissioner Henke.

8 Commissioner Charles?

9 Commissioner Tiefer. Thank you, Mr. Chairman.

10 Mr. Gimble, on January 29th, DOD IG took what I think
11 is a major and new step, which has not yet been reported, in
12 a longstanding controversy over whether to hold back
13 payments from certain Halliburton/KBR bills. Excuse me for
14 talking about this like I was back in the University of
15 Baltimore Law School. I will try to move along quickly.

16 Back in 2004, DCAA auditors recommended invoking the
17 regulation that would withhold 15 percent of payments on
18 undefinitized contracts. At the time, there was also about
19 \$1.8 billion in particular questioned costs. A fresh review
20 was asked of the fact that the Army had not withheld, and
21 you issued a decision. I know this review was at the very
22 beginning. Without asking you to go beyond any limits as to
23 something at the very beginning, can you say that you are
24 going to hold a review?

25 Mr. Gimble. Yes, we have announced a review and then

1 requested, as you well know, a number of records and
2 documents. And I think the underlying issue here is that it
3 is kind of--it is a disputed sort of questioned costs, and
4 the question would be is what is the process to mediate the--
5 --you know, mediate and come to a resolution.

6 I can give you an example that we, in the DOD IG as an
7 example, in the mid-1980s did not have a resolution process
8 or mediation process. We would make recommendations and
9 they had no teeth in them. This in some ways may be
10 parallel to that, but in the mid-1980s we implemented
11 through DOD instruction or direction or directives an
12 ability--we have a formal mediation process. If we make a
13 recommendation and have a dispute, there is a process you go
14 through to mediate it up to the Deputy Secretary who would
15 make the decision, the final decision based on the facts at
16 hand. Most often that is mediated at a much lower level,
17 but this would appear to be a disagreement between the
18 Defense Contract Audit Agency and a contracting officer.

19 So that may be the long-term look at this, but to
20 answer your question, we are looking at this. We are
21 looking at it very aggressively.

22 Commissioner Tiefer. Okay. I am not going to ask you,
23 of course, at this early stage the scale or scope of the
24 review. I am just trying to understand whether it is one of
25 these narrow things or broader things.

1 There are narrow things about a particular sub-category
2 of costs--the meals, the oil purchases and so forth. And
3 there are other things that go to a much broader scale, 15
4 percent of all the undefinitized costs or the \$1.8 billion.
5 Is this one of these narrow-scale reviews or is this a
6 broader review?

7 Mr. Gimble. The review that we have announced will
8 address this specific issue, but we also, I think, will have
9 a broader-based review. If we determine this to be an issue
10 of lack of a process, we will probably be making
11 recommendations in this case to the Comptroller to be
12 looking at developing a process that would mediate some of
13 these questioned costs, particularly in the most significant
14 cases.

15 Commissioner Tiefer. Which to my mind--I am not
16 quoting you, to my mind involves billions of dollars in
17 payments. That is what this contract involves.

18 Back in 2004, when DCAA called--fought for the 15
19 percent withholding, it was a rather lonely fight by the
20 auditors who were doing their job at the time against great
21 odds. Critics said at the time that Halliburton was getting
22 special treatment. I am in no way asking you to prejudge
23 what your outcome is going to be. I am just going to say
24 that it looks like some vindication for DCAA that they even
25 waged the fight this long.

1 Would you care to comment whether the auditors will at
2 least have an opportunity in the review to express their
3 point of view?

4 Mr. Gimble. I think with any of our reviews, we will
5 have both sides of the story to get a balanced final
6 conclusion.

7 Commissioner Tiefer. I thank you, Mr. Gimble. This
8 was very illuminating.

9 You have an ongoing investigation with DFAS involving a
10 lot of payment vouchers that are housed, I think, in Rome,
11 New York, for Army purchases in Iraq that were not properly
12 documented. I spoke with your able Deputy, Mary Ugone, who
13 has been giving valuable leadership for years on this long
14 effort. You did a report in hearing testimony--you have
15 been doing this in stages; it is a big project--last May.
16 When might the next two stages of this be done?

17 Mr. Gimble. I am sure you are probably aware that we
18 were in the process of scanning in a number of documents,
19 and just to put it in perspective, about 8,000 boxes of
20 documents. We were scanning those in to get them in a
21 searchable database.

22 Unfortunately, we have identified--or the folks doing
23 this have identified that there was some classified
24 information caught up in the middle of it. We are in the
25 process of--I understand that DFAS has something like 45

1 employees that are working through this issue. We are not
2 sure what the ramifications and terms of the timeline of
3 that will be. But we are still aggressively working that,
4 and we think there are going to be some big dividends paid
5 off for the review.

6 Commissioner Tiefer. Okay. You will understand that
7 with work on this scale that you are doing, the Commission
8 needs to be up to speed--I cannot wait until the final
9 public release of reports. You do exit interviews of
10 briefings on discussion drafts. In this instance, I would
11 assume you did them with the DFAS and the Army Comptroller.

12 Would you have a problem with offering us non-publicly
13 a briefing at the discussion draft stage on this large, this
14 Herculean investigation, I would say.

15 Mr. Gimble. I think the first thing, we issued the
16 audit report on this back last May. That is a formal
17 report, and we will be more than happy to brief it to you.

18 As far as the ongoing work, a lot of that is not
19 really--it is audit assist work and supportive of
20 investigative work. And typically on investigative work, we
21 do not brief that until we come to some conclusion. But we
22 would be willing to work with the things that we can brief
23 you on. We certainly would do that.

24 Commissioner Tiefer. Okay. If I can ask about just
25 last week, a major step forward was announced--announced,

1 reported publicly--in the investigation of the
2 electrocutions of soldiers in Iraqi housing. This was a
3 letter that DCIS wrote to the mother of one of the deceased,
4 a public letter, that the electrocution had been changed, in
5 terms of how it was classified, from merely accidental to
6 negligent homicide.

7 Can you explain a little as to what this signified? Is
8 this a big deal?

9 Mr. Gimble. Actually, that was not the DCIS. That was
10 the Army CID that wrote that letter, and so I am really not
11 in a position to comment on it.

12 Commissioner Tiefer. Okay. A typo in the newspaper.

13 Okay. You have started an investigation that is of
14 great interest to us on the transition planning from LOGCAP
15 3, which was the monopoly contract for KBR, to LOGCAP 4,
16 which is not a monopoly contract, for future task orders.
17 And some have said that the transition has not been helped
18 by KBR, particularly in things like accounting for property
19 in its hands--that is, U.S. government property. Will your
20 inquiry be looking at whether the contractor is not fully
21 accounting for GFE property?

22 Mr. Gimble. We are at the end of the field work on
23 that, and we will be addressing significant issues. The
24 draft we are planning on issuing in March, and we will
25 probably give about 60 days to finish it up in final, maybe

1 a little quicker than that. But we will address a number of
2 issues that deal with the transition, the orderly
3 transition, and the challenges of the transition as it moved
4 from LOGCAP 3 to LOGCAP 4.

5 Commissioner Tiefer. My previous question I will
6 repeat, or request I will repeat. Would you agree for DOD
7 IG to brief us at the discussion draft stage on a non-public
8 basis and in ways that protect the integrity of your work?

9 Mr. Gimble. I am not sure how much detail we can give
10 you, but we will give you a status brief, and I think we can
11 work with something in that line. But, really, the issue we
12 have in briefing draft reports before we get outside the
13 Department, if we have significant disagreements or issues,
14 we like to have those vetted before we go outside the
15 Department. And I am not in a position right now to know if
16 we have those kind of issues on this particular report or
17 not.

18 Commissioner Tiefer. And I am not in a position to
19 discuss this further.

20 Thank you, Mr. Chairman.

21 Chairman Thibault. Thank you, Commissioner.

22 We are at the second-round stage and, Inspector General
23 Gimble, when we were in Afghanistan, we got a really good
24 briefing from the United States Army Corps of Engineers that
25 does a lot of acquisition and programs there, and it was--I

1 don't want to get carried away about the Corps, though,
2 because we did not get a good briefing in Iraq, so one out
3 of two is pretty good. But the Afghan one was real good.
4 But one of the things we asked as we were wrapping up--and
5 it is one of these questions you ask sometimes, where we
6 say--and there were about ten of us sitting around the
7 table. Of everything you do, what has the greatest risk for
8 fraud? And three of them immediately, right out of their
9 mouth came CERP, you know, the Commander's Emergency Relief
10 Program. I mean, it was "Boom," and it was like, okay, I
11 guess CERP is on their mind.

12 You have some very recent and interesting work where,
13 for example, you stated that you tested 16 pay agents, and
14 15 of them did not have adequate security controls. You
15 reported that. They agreed to take a look at it and all
16 that. Two of them actually did not get the--out of the 16,
17 they handed out the wrong amount of cash. They did not know
18 how to distribute cash.

19 To put it in quantum, one of the things that they have
20 shared is that the CERP projection now for annual funding is
21 about \$700 million a year at about \$500,000 ceiling that
22 someone has latitude over, and that is a lot of latitude
23 spread all over the country without a lot of documentation.

24 Are you as concerned as I am?

25 Mr. Gimble. Mr. Chairman, I am. But let me put a

1 little context on it if I could. I think that report you
2 are referring to is 2007.

3 Chairman Thibault. Okay.

4 Mr. Gimble. And we did have some plans to look at
5 additional CERP operations. We think that is a very
6 important program, not only in Iraq and Afghanistan but also
7 Pakistan. And we think that because of the very nature of
8 it, it has challenges with the control of how you get the
9 proper approval, how do you know what you are asking for,
10 how do you know you are getting what you pay for, and how is
11 it documented and so forth. So we think it is a very
12 challenging area, but we think it is a very important tool
13 for the commanders.

14 Chairman Thibault. I think along the lines of
15 Commissioner Tiefer, we will obviously be working with you,
16 because we are going to be drilling down into that
17 ourselves, because it probably is a very important program.
18 But in terms of controls, it just--you know, you are an
19 auditor, I am an auditor. The need for controls is probably
20 greatly enhanced, if that is an understatement.

21 I would like to also talk to you a little bit about
22 property. We know that in the dialogue that Iraq is going
23 to draw back, downsize. There is a lot of government-
24 furnished equipment in a very extensive number of warehouses
25 and facilities. There have been reports by different

1 organizations of government property kind of laying out in
2 the open where it should not be, and where government
3 property is in warehouses or in storage facilities, and it
4 is really not being maintained or accounted for, controlled,
5 inventoried, like maybe it ought to be. And when we were
6 briefed by the Defense Contract Management Agency, they were
7 very candid, and they said this is a high-risk area, and
8 they were ramping their staff way up in order to do property
9 audits in light of the planned downsizing in Iraq, which the
10 implication is everybody knows that there is a really
11 significant, dollar-wise, problem. And that does not count
12 the policy issue. You know, what do you do? Do you
13 refurbish and ship somewhere else, in some other theater?
14 Do you destroy it in place? Do you give it to the home
15 team? You know, how do you handle it?

16 Can you talk a little bit about what your plans are as
17 you go forward in this area, realizing it is pretty close to
18 number one on some organization's risk area?

19 Mr. Gimble. We do have a number of projects planned to
20 look at property accountability, not only in--we are looking
21 at night vision or sensitive items. We are looking at the
22 weapons munitions. But also equally importantly is the
23 equipment itself. And, actually, this has the concern, I
24 think of the Central Command. We were down in December,
25 talked to General Petraeus, and he had indicated that that

1 was one of his areas of concern.

2 So we are putting together a number of projects to
3 address those very issues because, you are correct, if we
4 are so fortunate as to pull down the forces in Iraq,
5 somebody needs to know where the equipment is, what kind of
6 condition it is in, and where you can have a good basis to
7 make a decision on whether to bring it home or, you know, do
8 some other disposition with it.

9 Chairman Thibault. Right. There have been historical
10 stories, without going into history, about where we pull out
11 of some theaters and leave a lot of functional equipment
12 hanging around for the other team. And that would be too
13 bad if we did something like that.

14 We will move on to Commissioner Ervin, but before we do
15 that, I want to tell all three of you thank you from me.

16 Commissioner Ervin?

17 Commissioner Ervin. Thank you, Mr. Chairman, and my
18 own thanks as well. Each of you in your own way has done
19 tremendously important work in this regard, and we are going
20 to be building on it during the course of our own work.

21 I guess a first question from me to you, General
22 Geisel, one of the more interesting quotations in the "Hard
23 Lessons" report that SIGIR released today is this one: "The
24 lack of unity of command in Iraq meant that unity of effort
25 was seldom achieved. Too often, programs were designed to

1 meet agency goals rather than overall U.S. national
2 interests."

3 In that connection, using that quotation as a baseline,
4 I wanted to talk to you a little bit about chief of mission
5 authority. The ambassador in a country is supposed to be
6 not just the representative of the State Department in that
7 country, but really is the President's representative to
8 that country and, as such, should have authority to
9 coordinate the overall work of each agency represented in
10 the embassy to ensure that the overall interests of the
11 United States are achieved. Obviously, that has broken down
12 in Iraq and appears to be breaking down in Afghanistan.

13 What, in your judgment, can and should be done to
14 strengthen chief of mission authority so that unity of
15 purpose is achieved?

16 Mr. Geisel. Of course, we are not talking about
17 military commands, which have always been exempt from chief
18 of mission authorities, although one must say that that was
19 not the problem in Iraq, certainly in the latter days in
20 Iraq.

21 I think what has to be done is this has to come from
22 the White House. It cannot come from anywhere else. It is
23 the National Security Council. It is the White House
24 telling agencies that they will respect chief of mission
25 authority. It is also, of course, a matter of chiefs of

1 mission exercising that authority. It is also a matter of
2 money, because money talks. And so often State has the
3 ideas, but it is other agencies that have the bucks.

4 Commissioner Ervin. Well said. Now, in that regard, a
5 follow-up question for you, General Gimble. Given that DOD
6 has the bucks and the manpower and the materiel and the
7 command presence, for want of a better term, DOD tends to be
8 the default agency when complex missions arise, not just in
9 the military context but also in the context of Katrina.

10 That being so, you know, I know that, to his great
11 credit, Secretary Gates has made this issue of interagency
12 cooperation and a concern about contract oversight and
13 contract management. That is a major issue for him. What
14 is the extent of your relationship with the Secretary? To
15 what extent have you built upon that to ensure that, going
16 forward, the lessons learned in Iraq are not repeated in
17 Afghanistan--and future contingent operations, for that
18 matter?

19 Mr. Gimble. The relationship of the DOD IG and the
20 Secretary's office is very good, very positive. However,
21 the move forward into those policy issues, frankly, from an
22 IG standpoint, we look and do the oversight of whatever
23 decisions were made. So I guess sometimes that is maybe
24 just a little above my pay grade.

25 Commissioner Ervin. Well, what I am talking about,

1 really, though, is ensuring that the Secretary's support for
2 your work is communicated down from the Secretary's office
3 throughout the whole of DOD. Is that happening, to the best
4 of your knowledge?

5 Mr. Gimble. That is happening very well.

6 Commissioner Ervin. You are satisfied with that?

7 Mr. Gimble. We are very satisfied with the support we
8 get out of the Secretary.

9 Commissioner Ervin. And then a final question for each
10 of you. Given that we are likely to engage in contingent
11 operations for the foreseeable future, and given that each
12 of you has other work to do outside of looking at your
13 respective agencies' performance with regard to these
14 operations, is there some support among you for the notion
15 of there being a discrete Inspector General simply for
16 contingent operations?

17 Mr. Gimble. You know, there have been two such--the
18 Special Inspector General for Afghanistan and Iraq. I think
19 you will find everyone at this table--and I cannot speak for
20 my counterparts, but we believe that there is enough
21 oversight work that we can all be engaged, and we all need
22 to be supportive, and I believe that we make the case that
23 over the past several years we have been very supportive of
24 each other.

25 Mr. Gambatesa. I agree with Mr. Gimble. But I think

1 one thing that SIGIR--and I listened to some of Mr. Bowen's
2 testimony this morning, and I have read his reports, his
3 quarterly reports. I think what he has provided over the
4 years is an overview across all agencies, which I am not
5 sure any one of us could actually provide.

6 As far as the actual oversight of the programs, I think
7 we individually are probably better equipped to oversee the
8 programs of our own individual agencies. However, if you
9 are looking for the overview of the historical aspects and
10 some of the other areas that Mr. Bowen can provide, I think
11 there is some benefit in that area.

12 Chairman Thibault. Thank you, Commissioner Ervin--
13 Mr. Geisel. Time is running--oh, sorry.

14 Chairman Thibault. No. Please go ahead.

15 Mr. Geisel. Time is running out, and I can only agree
16 with my colleagues.

17 Chairman Thibault. Thank you. My apologies to the
18 State Department and to yourself. Thank you, Clark.

19 Commissioner Zakheim?

20 Commissioner Zakheim. Yes, thank you. I would like to
21 ask you first, Mr. Gimble, you talked actually in response
22 to my colleague Charles Tiefer's questions about DCAA's--I
23 think Charles called it a "lonely fight" in 2004. My
24 colleague to the right was one of the fighters, and I was
25 trying to provide him protection and did not succeed as much

1 as I wanted to. But now you are looking into some of these
2 disputes, and you talked about mediation.

3 Do you think we should legislate that mediation? In
4 other words, should that be legislated that when you have
5 DCAA challenging something like that and there is clearly a
6 dispute within the Department, that there be legislated
7 mediation? Because we are talking about things that started
8 5 years ago, and we are finally getting around to them.

9 Mr. Gimble. I actually believe it can be done through
10 DOD directive. But if that was done through DOD directive
11 and that was not successful, then probably it would take
12 legislation.

13 Commissioner Zakheim. Okay. Thank you.

14 Let me ask you this, all three of you: You have all
15 agreed that there really ought to be some--that contractors
16 should not oversee other contractors. Would you support
17 legislation on that one? Let's start with the State
18 Department.

19 Mr. Geisel. Essentially yes. It might be faster and
20 more flexible if there was an Executive order, but we need
21 something that--we are desperately looking for definitions
22 that work in the 21st century. I cannot speak for my
23 colleagues, but I would be surprised if they did not feel
24 the same way. It is such an important problem, and yet it
25 gets short shrift so often.

1 Mr. Gambatesa. Well, I would agree, whether the
2 mechanism is legislation or Presidential directive or a
3 directive from the administration, which, as Mr. Geisel
4 said, would probably be faster and easier to do than
5 legislation. But I agree that something should be done in
6 that area.

7 And may I qualify something I said to you earlier? On
8 the United Nations Development Program, our investigation is
9 centered on one aspect of--we received an allegation on one
10 aspect of that program. The agency looked at the entire
11 program and made modifications to the whole program, and
12 they are no longer issuing new agreements to UNDP.

13 My letter to the Acting Administrator was with the
14 ongoing programs, whether they should be continued or
15 stopped.

16 Commissioner Zakheim. Well, again, I would say--

17 Mr. Gambatesa. I wanted to clarify that they did take
18 action.

19 Commissioner Zakheim. That is perfectly clear and that
20 is helpful, but I would reiterate my concern that to deal
21 with anybody that has got total immunity is kind of scary to
22 me.

23 Mr. Gambatesa. We have the same concern.

24 Commissioner Zakheim. Mr. Gimble, you were going to
25 respond to the question about legislation, contractors

1 overseeing contractors.

2 Mr. Gimble. Actually, I think we already have that
3 authority in Section 324 of the 2008 Authorization Act, and
4 it gives some guidance on how you can make those choices,
5 and probably that might be something that would be very
6 beneficial to State and USAID.

7 Commissioner Zakheim. Okay. So you would generalize
8 it.

9 While I have got you, let me ask you another
10 legislative-related question. You state that there is a
11 need for the JCCIA to really have independent cost estimates
12 for all contract solicitations. Is that something that you
13 think DOD directives can take care of? Is that something
14 that, again, should be legislated? Is that something that
15 you would think ought to be government-wide, in your
16 personal and professional opinion?

17 Mr. Gimble. Let me address first the--I am a big
18 believer that we can handle most things through DOD
19 directive. Short of that, you know, to me getting
20 legislation is basically one of the last resorts for a
21 departmental issue. And so I believe that we could do that
22 through directive.

23 Commissioner Zakheim. Okay. On the JCCIA, again, do
24 you think there ought to be a separate, essentially a
25 splitting up of the I and the A, that you should really be

1 managing contracts in Afghanistan, for Afghanistan, in
2 Afghanistan? Or are you satisfied with the current setup?

3 Mr. Gimble. I think as Afghanistan grows, it should
4 be--it would be something that should be thought about,
5 because I think it probably is big enough to have its own
6 separate JCC--just A, separate from the I.

7 Commissioner Zakheim. And then one final question to
8 all of you. Clearly, we all recognize that the Acquisition
9 Corps government-wide is not where we would like it to be.
10 Right now, are deployments of contracting officers
11 voluntary? Or do they have to go? And, secondly, how are
12 they vetted in terms of the experience they may have? Let
13 me start with Mr. Geisel, and I will thank you all in
14 advance for your answers and your help.

15 Mr. Geisel. So far, we have had sufficient volunteers
16 that we have not had to deploy anyone to either Iraq or
17 Afghanistan. My concern is not deploying the contracting
18 officers, the contracting officer representatives. My
19 concern is that we get good people who know what they are
20 doing and who don't have so many other duties--"additional
21 duties" I believe is what the military wisely calls them--
22 that they cannot do a proper job.

23 We have always had the people, in OIG and throughout
24 the Department, but are they the right people? Do they have
25 the right training? And do they have the time to do a good

1 job? I am not sure at all. I don't think they are.

2 Commissioner Zakheim. Thank you.

3 Mr. Gambatesa. And my understanding is that USAID has
4 relied on Foreign Service Officer volunteers so far in Iraq
5 and Afghanistan, and in other areas where they were conflict
6 areas. But as far as training goes, as I mentioned in my
7 statement earlier, they have significant problems in numbers
8 of cognizant technical officers or COTRs and contracting
9 officers. And it is an issue with lack of staffing in the
10 agency in general, which they have been working on. They
11 have gotten the funding to hire about 300 more people, 300
12 more individuals, Foreign Service Officers in 2008. They
13 are trying to double the size of the direct hire Foreign
14 Service Officers in USAID in the next 2 or 3 years.

15 Chairman Thibault. Thank you, Commissioner.

16 We have got one more. I cannot count any more.

17 Mr. Gimble. Actually, we have a split. It is my
18 understanding that our civilian contracting officers as well
19 as the military obviously are assigned, and we have noted in
20 a number of our audits and evaluations that there is a
21 challenge of having a sufficient cadre of trained
22 contracting officers and contracting officer technical
23 representatives.

24 Commissioner Zakheim. Thank you.

25 Chairman Thibault. Thank you, Commissioner Zakheim. I

1 guess it is obvious now that after 3 o'clock, it is pretty
2 difficult to count to three, so I am on a roll.

3 Commissioner Gustitus?

4 Commissioner Gustitus. For the record, the name of the
5 roadbuilding company that was referred to in that Wall
6 Street Journal article is the Rahim Roadbuilding
7 Construction Company. I think they hired the private
8 security contractors.

9 I want to ask each of you how important do you think
10 the requirements stage of contracting is, because I have
11 been focusing on this a lot in terms of our work, the
12 importance of making the requirements in a contract clear
13 and unequivocal, really. Mr. Gimble?

14 Mr. Gimble. We believe that the requirements
15 determination in the development of the contract is probably
16 the most critical of all the things you do, because if you
17 do not have that laid out initially, you can never be sure
18 that you are getting what you need and it meets the
19 requirements of the mission.

20 Mr. Gambatesa. I would agree. It is very important
21 for the requirements to be laid out very clearly. We in
22 some of our audits have found where they have not been,
23 especially in Iraq and Afghanistan, and there have been
24 problems because of that. And, again, I take this back to
25 lack of staff and lack of training of that staff. It is

1 through all of our reports. If you have the opportunity to
2 read through some of them, you see that same thread through
3 a lot of them--lack of training, lack of personnel, lack of
4 trained personnel.

5 Mr. Geisel. Of course, I agree with my colleagues. In
6 a previous incarnation, I was the boss of logistics
7 management, which had our acquisitions underneath it. I
8 think we do a pretty good job when it is at the Washington
9 level of writing good contracts. My worry is the same as my
10 colleagues' when it gets out in the field where people are
11 not adequately trained.

12 Commissioner Gustitus. Which is a big chunk of the
13 contingency contracting situation.

14 Mr. Geisel. Exactly.

15 Commissioner Gustitus. Okay. And then I am going to
16 ask you, if you could wave a magic wand and do one thing to
17 change your agency to improve contract in Iraq and
18 Afghanistan, what would you do?

19 Mr. Geisel. Oh, if I could wave my magic wand, I would
20 have State, since we are relatively small, if I could have a
21 hundred superbly trained and qualified contracting officers
22 and contracting officer representatives, my problems would
23 be over.

24 Commissioner Gustitus. You need a hundred, did you
25 say?

1 Mr. Geisel. Yes, a hundred would be great. Probably
2 more than we need, but, you know, I have got a magic wand.
3 I will go for it.

4 Commissioner Gustitus. That is right. It is magic so
5 you can go for it.

6 [Laughter.]

7 Mr. Gambatesa. As I said earlier, I think USAID is on
8 track to do just that and staff up, and I guess the magic
9 wand would be that in the future the Congress and obviously
10 OMB would give them the resources they need to staff up.
11 The agency has--I mean, I don't have their charts. I don't
12 really--I am not shilling for the agency here, but I believe
13 that they do have a significant problem in that area.

14 Mr. Gimble. Well, I think that would be a good
15 solution. I am just not sure 100 would be enough for DOD.

16 [Laughter.]

17 Commissioner Gustitus. So it is all personnel. It is
18 qualified contracting officers.

19 Thank you very much. I appreciate it.

20 Chairman Thibault. Thank you, Commissioner Gustitus.

21 Commissioner Tiefer, you are now officially the cleanup
22 hitter--oh, Commissioner Henke. Well, you are not the
23 cleanup hitter. Please, sir.

24 Commissioner Henke. It is after 3:00. I understand.

25 I want to pick up on a thought that you used, Mr.

1 Geisel, and that is, we need definitions that are useful in
2 the 21st century. That I think is very insightful. I want
3 to get from each of you your professional views on, Is the
4 term "inherently governmental" both clearly defined, one,
5 and, two, well understood?

6 Mr. Geisel. I think at the qualified agency personnel
7 level, it is very well understood. Is it clearly defined?
8 No. I think different agencies actually have various
9 legislation that defines "inherently governmental"
10 differently, giving exceptions for certain areas.

11 I repeat, I would like nothing better than to have some
12 definitions, broad enough that they can be worked with, but
13 narrow enough that they can be enforced.

14 Mr. Gimble. I am a little slow, but I will tell you, I
15 don't think that they are very well defined; and if they
16 are, they are not very well understood across the board. I
17 mean, I think it is a real challenge. And if you could come
18 up with some broad definitions that would work and that
19 could be understood, I think that would be a huge step
20 forward.

21 Mr. Gambatesa. Yes, I agree with Mr. Gimble. I don't
22 think it is defined very well, and having been in Government
23 a long time, I am not sure it is even well understood what
24 "inherently governmental" means. It means something
25 different to every agency, I think, depending on what their

1 mission is and what their role is.

2 Commissioner Henke. Secondly, what about this idea of
3 having a contingency FAR? I know there is a chapter in the
4 FAR that speaks of contingency operations, but each agency
5 tends to apply it differently in their own--in the DFAR or
6 the various agency regulations. What about having one
7 authoritative, clear, multi-agency document that says this
8 is how we are going to proceed in a contingency environment
9 when it relates to interagency operations? Useful?

10 Mr. Gimble. I certainly think it is something that
11 should be explored to see if it can be, because the key to
12 it would be it has to be universally usable across the
13 spectrum. And once you get different requirements for the
14 different types of agency, that may cause some problem in
15 definition down the road. But I think it is something worth
16 exploring.

17 Mr. Gambatesa. I think it is worth exploring, but how
18 do you do a FAR where, you know, it may apply to Afghanistan
19 and Iraq but maybe in a different part of the world you have
20 a different sort of conflict or contingency--the term you
21 are using. You are using contingency in a conflict area
22 rather than in a--is that how you are using contingency?

23 Commissioner Henke. Broadly defined, humanitarian,
24 stability ops, conflict environment. Whatever contingency
25 you would mean.

1 Mr. Gambatesa. I think it makes sense if you can make
2 it broad enough so that it would cover any type of
3 contingency.

4 Mr. Geisel. I would say, to bring out the magic wand
5 again, sure. It would be great if it does not tie our hands
6 in ways that would hurt our ability to get the job done.
7 What we are really looking for, above all else, is what we
8 were talking about before, is definitions, and then the
9 ability to carry out a contingency FAR would be great, if it
10 is broad enough to cover contingencies, which--I know I am
11 sitting next to a lawyer. It is not easy.

12 Commissioner Henke. Okay. Thank you all very much.

13 Chairman Thibault. Now Commissioner Tiefer. You are
14 officially batting cleanup.

15 Commissioner Tiefer. Thank you, Mr. Chairman. I
16 think.

17 Mr. Gimble, your testimony discusses the mandatory
18 disclosure rule, which I think is a great step forward,
19 about contractors having to provide where they have credible
20 evidence of violations. As we have been briefed, and the
21 Chairman has given good leadership on this, again and again
22 we run into the problem of local subcontractors in Iraq. It
23 is a different culture. Kickbacks, bid rigging are not seen
24 there the way they are seen here. And our American prime
25 contractors have a "see no evil" sort of policy.

1 Do you think we are going to have valuable experience
2 coming out of Iraq that supports the need for this rule?

3 Mr. Gimble. Actually, the rule was put in place to be
4 much, much broader than Iraq and Afghanistan, and it has to
5 do with a lot of the major contractors here in the United
6 States.

7 For years and years, probably about 20 years, the DOD
8 IG has had a voluntary disclosure program that is very
9 similar to this, and now that that has been enacted in the
10 FAR, it makes it a mandatory disclosure on the part of the
11 contractors.

12 Now, quite honestly, we don't know what the impact of
13 that is going to be. We thought we had a pretty successful
14 voluntary program. We are hoping this will even be better
15 yet, and we are beginning to see--I saw a referral come in
16 for self-reporting the other day that basically says, you
17 know, we don't believe we have violated anything, but out of
18 a great abundance of caution, we are going to report this.
19 Well, if we get those kind of reportings, I think it will
20 help. We will get a real good feel. We think it will show
21 within the next year to determine that. But we think it is
22 a good program.

23 Commissioner Tiefer. I hope going forward we will be
24 able to sort of learn with you how it works in our
25 bailiwicks.

1 To add to the discussion we had earlier about access at
2 a stage earlier than the final publication, our staff have
3 pointed out to us it is invaluable if at a discussion draft
4 stage, or whatever, there can be staff access to DOD IG
5 staff. And I want to clarify here. Our interest is in
6 looking at the records in the basement of the house, and
7 whether there is still family bickering going on on the
8 second floor does not interest us, and we can give
9 assurances in that regard. If I had had to read this
10 starting last Friday, this hearing would have been not so
11 good this morning. You need more time to prepare, or you
12 are dealing with an old report by the time you are prepared.

13 Now I am not just speaking about one or two projects,
14 but sort of your important wartime contracting. Can we make
15 an effort to have that kind of access?

16 Mr. Gimble. Absolutely, we will make every effort
17 possible to keep you well informed of the issues.

18 Commissioner Tiefer. Thank you. Now I will make it
19 even harder for you to be this gracious to me. You are part
20 of the KBR Task Force in Rock Island and Houston. That is
21 where the fraud referrals go. I am not asking about their
22 open investigations. But when we were briefed by DCAA and
23 we said, "Well, what about when they close one of those?
24 Can you tell us about the closed ones?" And the record will
25 show that I am shrugging my shoulders to say--is there some

1 way that the task force could brief us about closed KBR Task
2 Force investigations, even some fraction of those, so that
3 it is not--I will stop. That is my question.

4 Mr. Gimble. I think the answer is yes, we can.

5 Commissioner Tiefer. And, lastly, since there has been
6 a good deal of discussion of the CFAR, I want to ask about
7 some of the things that might be in it and, in particular,
8 looking at the opposite side. Most times, it seems that the
9 discussion is how to waive rules, relax rules, make it
10 easier. Are there things that would make your tasks easier?
11 And you can supply those for the record if you want a little
12 time to think about it. But are there ways that--because
13 the early environment in Iraq has been described right after
14 the invasion as a "Wild West," in which the efforts of you
15 people to go in were kind of hopeless. Okay. That is a
16 request for being supplied for the record.

17 But, in general, is the need for simplification or
18 actually opening up a lot of exemptions in a CFAR? Which do
19 we need: just sort of clarification and simplification or
20 waivers, exemptions, and other loosening? I will direct
21 that to whichever of you wishes to answer that.

22 Mr. Gimble. I think they have eliminated themselves,
23 and I will have to be the one to be on the hook here.

24 You know, I think it is one of those things that we
25 said earlier, that you really need to look at. It is kind

1 of like what definitions need to be looked at. I don't
2 think any of us is in a position to say waive this
3 particular clause or that particular clause at this point.
4 I think it has to be something that is looked at and saying,
5 okay, what are the common issues that come across
6 contingency contracting, and how would they be best applied,
7 and it would be--you know, I would broaden the field out to
8 not only, you know, the wartime efforts, but the issues like
9 Katrina. We saw a lot of similarities and challenges in
10 that kind of contracting. Basically it is where you have a
11 lot of money going in with large pressure to spend that
12 money to get the goods and services on the street. And when
13 you get all those elements together, we think that you could
14 look at some of the common issues across the board and make
15 a wise decision as to whether there needs to be any
16 adjustment other than just a waiver, you know, on a case-by-
17 case basis.

18 Commissioner Tiefer. Thank you.

19 Chairman Thibault. Thank you, Charles.

20 This wraps up this panel. This wraps up this hearing.
21 I want to turn to the audience and tell you all thanks.
22 This has actually been a pretty good hearing. Some of those
23 that I have sat in on the other side, I watch people coming
24 and going and coming and going, and you all have been a
25 great audience. So thank you.

1 And you have been a great panel, and you have been a
2 pretty swell bunch of Commissioners. We are done.

3 [Whereupon, at 3:14 p.m., the meeting was adjourned.]