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Subcommittee on Contracting Oversight

on

"The Comprehensive Contingency
Contracting Reform Act of 2012"

Chairwoman McCaskill, Ranking Member Portman, and distinguished members of this Subcommittee, thank you for the opportunity to appear before you to present our views on S. 2139, the Comprehensive Contingency Contracting Reform Act of 2012, and the impact this proposed legislation would have for the Department of Defense Inspector General. I would also like to take this opportunity to thank the Subcommittee for convening a number of hearings to direct attention to the importance of maintaining strong and effective oversight of overseas contingency operations.

I am pleased to see the recommendation in the proposed legislation that would create a lead IG for contingency operations. This approach strategically leverages the existing structure, expertise, and interagency relationships of Department of Defense IG (DOD IG), Department of State IG (DOS IG), and U.S. Agency for International Development IG (USAID IG). The IG community has come a long way in integrating lessons learned over the past decade into our planning process and strategic oversight. The proposed legislation builds on the already strong interagency working relationships among the DOS IG, USAID IG and DOD IG. The Subcommittee's support and interest in this important area have contributed significantly to the achievements and progress that we have made. We look forward to working with the Subcommittee to refine the proposed legislation.

Last week I was in Afghanistan and I had an opportunity to observe first-hand how the oversight organizations coordinate and deconflict audits and inspections when I attended the most recent "Shura" oversight meeting. During this meeting, which included members from DOD IG, DOS IG, USAID IG, Special Inspector General for Afghanistan Reconstruction, GAO, and local command IGs, critical oversight challenges were discussed and information was exchanged. In addition, I met senior commanders to assess the overall level of oversight and its effects on the mission. We discussed areas where the DOD IG can assist commanders and received their input on areas where the DOD IG can continue to provide the best independent and objective oversight of contingency operations in Afghanistan. The input we received will help us in assisting the Subcommittee with this important initiative.

Current DOD IG emphasis on Oversight of Overseas Contingency Operations.

As the Acting IG, oversight of overseas contingency operations in Southwest Asia (SWA) remains my number one priority. My predecessor, the Honorable Gordon Heddell instituted a number of organizational changes to the structure and focus of the work of the DOD IG, and significantly increased our in-theater presence of auditors, investigators, evaluators and support staff. As Principal Deputy Inspector General, I supported the changes started by Mr. Heddell, and I remain committed to continuously refining and improving our oversight approach to support the Department's efforts in SWA or wherever the next contingency operation takes place. I believe strongly that an in-theater presence is essential to engage with military and civilian leadership while conducting oversight. Our experience in SWA has been institutionalized at the DOD IG. The DOD IG is prepared to respond effectively and aggressively – in coordination with other Federal agencies and internal DOD oversight offices – to address future overseas contingency operations. Today we are an agile, flexible, and aggressive oversight organization with a capacity to deploy anywhere in the world, and we have developed considerable experience in conducting audits, investigations and assessments of overseas contingency operations.

Auditing. Our audits of SWA-related activities provide timely and relevant oversight in the areas of health and safety, acquisition, contract oversight and management, accountability of equipment, logistics, financial management, and sustainability. In FY 2011, our Audit component expended approximately 100 work years on audits for Southwest Asia.

In FYs 2010 and 2011, we issued 83 audit reports related to overseas contingency operations in Iraq and Afghanistan, including contracts for training and equipping the Afghan Security Forces and logistical support, force protection, health care, financial management, and asset accountability. These reports included 651 recommendations and identified a total of \$4.98 billion in potential funds that could be put to better use. During this time we also issued 25 quick reaction memorandums on critical issues requiring immediate corrective action.

Assessments. Our Office of Special Plans and Operations (SPO) has been a key DOD IG asset in assessing the effectiveness of the mission to train and equip the security forces of Iraq and Afghanistan. Established in 2007, SPO significantly enhanced DOD IG capability by

providing an expeditionary team capable of rapid deployment to SWA to conduct timely assessments of the military's efforts to train, equip, and mentor the Iraq and Afghan army and police forces.

SPO oversight work has had a significant impact in improving elements of the train and equip mission in both Afghanistan and Iraq. The SPO operational model stresses the rapid deployment of assessment teams comprised of experienced and highly professional civilian and military personnel, fortified by interdisciplinary and interagency SWA subject matter experts. The teams provide a thorough out-brief to field commanders before departing, which enables immediate and expeditious command corrective actions.

Additionally, SPO has provided important oversight of other SWA matters. These assessments include the accountability and control of sensitive equipment such as weapons and ammunition, night vision devices, medical equipment and supplies provided to the Iraq and Afghan security forces; the development of the logistics sustainment capability of the Iraq and Afghan security forces; U.S. security assistance and cooperation programs; the building of the operational effectiveness of the Iraq and Afghan army and police forces via partnering and mentoring by U.S., Coalition, and NATO forces; and the drawdown of U.S. Forces in Iraq.

Investigations. The Defense Criminal Investigative Service (DCIS) has also made investigations of significant fraud and corruption impacting SWA contingency operations its highest priority.

DCIS has a deployable workforce of criminal investigators prepared not only to take on the remaining challenges in SWA, but also are ready to effectively respond to the next contingency operation – wherever it may be. DCIS agents prepared for the challenges of a contingency operation environment by completing the four-week Deployment Readiness Program at the Federal Law Enforcement Training Center. Our commitment to this training program enables our agents to surge and deploy to expeditionary environments worldwide. DCIS recognizes the need to maintain a mutually beneficial relationship with our DOD “customers” and to constantly coordinate with our law enforcement partners to accomplish our core mission of combating fraud, waste, and abuse. These established relationships, combined

with a highly trained, deployable workforce, have prepared DCIS and its investigative partners to quickly and effectively address future contingency operations.

Over the last five years, DCIS SWA-related investigations have yielded 121 federal criminal indictments, 93 criminal informations, 105 arrests, and 81 felony convictions. These cases have resulted in 420 years of confinement, 301 years of probation, 150 entities debarred from contracting with the U.S. Government, 220 entities suspended from contracting, over \$387 million paid to the U.S. Government in restitution, over \$64 million in fines and other penalties, over \$21.8 million in asset forfeiture, and almost \$3 million in recovered government property.

The operational model the DOD IG is using to conduct timely and relevant audits, assessments and investigations of critical missions in SWA could continue to be used effectively in future contingency operations.

Effective and Efficient Federal and Departmental Coordination.

The DOD IG is responsible for providing oversight of defense programs and operations within the United States and around the world. In this role, DOD IG oversees and ensures there are no gaps in the stewardship of DOD resources. In furtherance of this responsibility, my office is committed to maintaining effective working relationships with other oversight organizations, including other federal agencies, to minimize duplication of effort and to leverage resources to provide comprehensive oversight. To best accomplish this important coordinating function, we have a Special Deputy Inspector General for Southwest Asia (SDIG-SWA), who serves as our senior executive level representative in SWA to coordinate and deconflict oversight efforts.

The SDIG-SWA is forward deployed to SWA, and continues to improve the communications within the DOD and Federal oversight community by functioning as an authoritative source to coordinate, deconflict, and facilitate effective oversight. The SDIG-SWA also serves as a liaison with DOD leadership and the supporting commands in SWA to identify oversight requirements, and to facilitate effective command interaction with oversight organizations.

As one of the key coordinating efforts for SWA, the SDIG-SWA also serves as chairperson of the Southwest Asia Joint Planning Group, established in April 2007. This group, which was conceived and developed jointly by DOD, DOS and USAID IGs, is the principal federal interagency forum to promote coordination and cooperation among the member organizations toward the common objective of providing comprehensive SWA oversight. The Southwest Asia Joint Planning Group, which meets quarterly or more frequently as needed, is made up of representatives from over 25 DOD and Federal oversight agencies, functional components, and command IGs. The Southwest Asia Joint Planning Group compiles and issues the Comprehensive Oversight Plan for Southwest Asia in response to the FY 2008 National Defense Authorization Act. The group also deconflicts oversight projects that may overlap, and helps to ensure the least impact on operations.

Within the Department, DOD IG coordinates and works closely with other DOD oversight organizations. The Army Audit Agency, Naval Audit Service and Air Force Audit Agency provide critical oversight of operations. The Defense Contract Audit Agency (DCAA) also plays a critical oversight role not only for the Department but also for other Federal agencies such as Department of State and U.S. Agency for International Development as requested. The Service IGs also have a significant oversight role as does the Defense Contract Management Agency (DCMA), and the Defense Logistics Agency (DLA). As part of a comprehensive Department oversight community, the DOD IG coordinates and works closely with all of those oversight agencies.

Our Auditing and Investigations components collaborate extensively with their counterparts. My Deputy Inspector General for Auditing meets with the Service Auditors General and the Director of DCAA on a quarterly basis to discuss current issues within the Department, including coordinating, deconflicting, and identifying areas for oversight or impacting oversight. This collaborative effort provides a highly effective oversight approach which consists of a combined oversight force of 6,500 auditors within these five primary audit organizations. Similarly, DCIS uses task forces to coordinate their investigative efforts. The International Contract Corruption Task Force (ICCTF) combines the resources of nine investigative agencies, when there is overlapping investigative jurisdiction, to effectively and efficiently investigate, deconflict, and prosecute cases of fraud and corruption in SWA. DCIS

also supports Task Force 2010 in Afghanistan, a military led task force that utilizes intelligence analysts, criminal investigators, auditors, and forensic financial analysts to focus on the flow of contracting funds in order to prevent the U.S. government from doing business with insurgents, corrupt officials, and criminal groups.

The DOD IG strives to ensure effective and efficient coordination and collaboration within the DOD and between other Federal oversight organizations. Within the Federal oversight community, the DOD IG has a well-deserved reputation for engaging in interagency collaboration with our Inspectors General colleagues. This includes critical efforts in export control, interagency purchases, Guam realignment, and numerous SWA-related activities. It is especially important to note that with regard to SWA-related efforts, the collaboration and coordination with the DOS IG and USAID IG remains particularly robust, and has been recognized by the Council of the Inspectors General on Integrity and Efficiency with an award for excellence.

A recent and highly successful example of interagency collaboration and coordination is the series of joint DOD IG/DOS IG audit reports on the Afghan National Police (ANP) Training Program. The DOD IG and the DOS IG determined that performing joint oversight of the building efforts of the ANP was essential to respond to the requirements of Section 1235 of the National Defense Authorization Act for Fiscal Year 2011, Public Law 111-383. The law required, among other things, that the DOD IG, in consultation with the DOS IG, report to Congress within 180 days of the transition of ANP contract from the DOS to the DOD. As a result, a joint interagency team was formed to provide comprehensive oversight of the ANP training efforts that crossed agency authorities.

This joint team consisted of over 20 financial and performance auditors and management analysts. The team issued three reports and made 25 recommendations. The joint effort revealed that DOS officials did not appropriately obligate or return to DOD about \$249 million of Afghanistan Security Forces Fund appropriations that were intended for the ANP training program. The joint team identified potential monetary benefits totaling more than \$200 million that, when recovered, could be used for valid ANP training programs or other DOD requirements. If not corrected, obligations of approximately \$75 million could result in potential

Antideficiency Act violations. Also DOD and DOS had not developed a comprehensive plan or memorandum of agreement to guide, monitor, and assign transition responsibilities.

Specifically, the report noted that the incoming contractor did not have 428 of the 728 required trainer and mentor positions in place, placing the overall mission at risk. DOD also did not have 136 of the 170 contracting officer representatives (COR) in place to provide the necessary review of contractors' activities. Based on information I gathered last week while in Afghanistan, DOD has made progress in filling these COR vacancies but still struggles to have well qualified CORs consistently in place.

Lead Inspector General for Overseas Contingency Operations.

I would now like to discuss S. 2139, the Comprehensive Contingency Contract Reform Act of 2012. I support the proposed legislation recently introduced by Chairwoman McCaskill and Senator Webb, and generally endorse the provisions of Section 103 of the bill, which call for a lead Inspector General for overseas contingency operations to provide effective, independent, and comprehensive oversight of overseas contingency operations in coordination with other agency Inspectors General.

We strongly support the goal of the proposed legislation. However, we do not believe it is necessary for the chair of the Council of Inspectors General on Integrity and Efficiency (CIGIE) to designate a lead IG for contingency operations. Given that the bill defines an overseas contingency operation as “a military operation outside the United States and its territories and possessions...,” we believe the lead IG should be the DOD IG. Based on the strong working relationship and the history of coordination and cooperation between the DOD IG, DOS IG and USAID IG, including the CIGIE chair in the process would not be necessary to enhance the oversight of overseas contingency operations. An alternative approach could be to identify the lead IG based on the amount of funding appropriated for the contingency operation to the respective agencies. This would provide flexibility as the contingency operation evolves. Using Iraq as an example, the DOD IG would have served as lead IG, but DOS IG would become the lead IG as the majority of the funding transitions to DOS, as was the case in FY12.

Quarterly Reporting Requirement. We would like to work with the Committee further to refine the quarterly reporting requirement. Periodic reporting to Congress enhances

transparency and oversight of contingency operations and is contingent on management providing sufficient reliable data. However, the compilation of data on obligations and disbursements is primarily a management function of each Department. To maximize the benefit of this reporting requirement, the data needs to be analyzed. An IG adds value by independently assessing the quality of the data and identifying trends. Therefore, the requirement for compilation of the data should be assigned to each Department, with a requirement for the IGs to review the quality of the data as part of the oversight plan.

Compilation and analysis of the data on a quarterly basis may also become overly burdensome. An annual or semiannual, rather than quarterly, compilation and reporting requirement would provide Congress with transparency and more meaningful data analyzed by the reporting IGs.

Development of a Comprehensive Oversight Plan. Congress mandated in Section 842 of the National Defense Authorization Act for FY 08, Public Law 110-181, that the DOD IG, in coordination with multiple federal IGs and DOD oversight agencies, issue the Comprehensive Oversight Plan for Southwest Asia. This plan includes the planned and ongoing oversight efforts of the IGs of the DOD, DOS, and USAID; the Special Inspector General for Iraq Reconstruction; the Special Inspector General for Afghanistan Reconstruction; and the ongoing efforts of the Government Accountability Office. The plan also includes the planned and ongoing audit work of the U.S. Army Audit Agency, Naval Audit Service, and Air Force Audit Agency. A similar requirement to develop a joint oversight plan under the direction of the lead IG would enhance Congressional oversight.

Using the existing cooperative planning model as a road map, we also believe Congress would benefit from an IG reporting requirement focusing on planning for, and identification of, oversight of relevant strategic issues for contingency operations oversight. This plan, developed through a joint planning group, would identify strategic issues for future projects, for example, reconstruction; the operations of U.S. forces; training, equipping, and capacity building; and security cooperation and assistance; and humanitarian assistance. The plan would include audits, evaluations, and inspections of U.S. government operations related to the particular overseas contingency operation. In fact, Congress has used this approach with respect to DOD

realignment efforts involving Guam. The DOD IG is the chair of the Interagency Coordination Group of Inspectors General for Guam Realignment and produces an annual report detailing the oversight of Guam realignment efforts by various IGs, as required by Section 2835 of Public Law 111-84.

Special hiring authority. The provision in the bill authorizing the lead IG to employ annuitants and other personnel on a temporary basis, when necessary, is essential to provide for an oversight surge capability at the beginning of a contingency operation. Getting the right people in-theater as quickly as possible establishes an immediate and effective oversight presence and capability. However, we believe that for the hiring authority to be most effective there should be no time-limit associated with special hiring authorities. An imposed time limit on the hiring authorities will result in a disruption for the IGs, as their surged staff will need to find new employment opportunities prior to the expiration of the hiring authority. In addition, there should be a funding mechanism added to the bill to resource the hiring of additional staff.

I am confident that establishing the DOD IG as the lead IG for Overseas Contingency Operations will be an efficient, effective way to ensure independent and comprehensive oversight of future overseas contingency operations. The IG community has learned important lessons regarding oversight of contingency operations over the past 10 years, and we have incorporated those lessons into our strategic planning process.

Closing

The key to comprehensive oversight is planning and coordination among IGs with jurisdiction over the issues associated with a particular contingency operation. Within the Inspectors General community, as well as the Defense oversight community, we maintain close, effective cooperation, collaboration and partnership. We look forward to working with this Subcommittee and the Congress in refining and developing the use of the statutory Inspectors General community to provide effective oversight of contingency operations. We also note the importance of Congressional oversight. In closing, I would like to thank the Subcommittee for the opportunity to discuss our work, and I look forward to answering any questions you may have.