

Statement of
Stuart W. Bowen, Jr.,
Inspector General,
Office of the Special Inspector General for Iraq Reconstruction
before the
Subcommittee on National Security, Homeland Defense, and Foreign Operations
of the
Committee on Oversight and Government Reform,
United States House of Representatives
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Chairman Chaffetz, Ranking Member Tierney, and members of the Subcommittee, thank you for the opportunity to discuss mechanisms currently in place to oversee spending of taxpayer dollars in Iraq and about how oversight might be further enhanced.

Oversight in Iraq Today

Ensuring effective oversight of the expenditure of taxpayer dollars in Iraq is the paramount focus of SIGIR's mission. Although we will conclude our work at the end of 2012, we have much yet to do to protect the taxpayers' interests. Billions of dollars are still being spent, and my auditors and investigators, though diminished in number, have a substantial menu of substantive jobs before them designed to promote the efficient and transparent expenditure of those dollars.

As we execute this work, we will continue to coordinate closely with our fellow Inspectors General at State, DoD and USAID, particularly through the regular meetings of the Southwest Asia planning group. This process will be especially important in effectively transferring any remaining investigations to sister agencies 12 months from now.

Notwithstanding SIGIR's brisk level of activity, the drop in dollars dedicated to Iraq's relief and reconstruction and the departure of U.S. forces by the end of this month are fundamentally reshaping all aspects of the Iraq mission, including oversight. Given that reality, this hearing wisely shines a light on the continuing need for accountability and transparency in Iraq. This need broaches several pertinent issues.

First, I am concerned about maintaining SIGIR's ability to get the information we need to complete ongoing audits and investigations and to continue to provide the kind of comprehensive Quarterly Report coverage that the Congress has come to expect from us. The State Department recently instituted a new bureaucratic process, requiring the channeling of information that we request from the Embassy through Foggy Bottom offices. This process inevitably will cause delays, impede our capacity to deal directly with the individuals in Iraq responsible for providing the necessary data, and thus reduce our responsiveness.

Symptomatic of this bureaucratic development, one of my investigators, working jointly with the FBI on a criminal case, recently was refused information by the State Department regarding a potential subject. State directed my investigator to use the “audit process” to obtain this investigative information. Worse, he was challenged as to whether the information, which he had requested in good faith, was even related to “reconstruction funding.” This development is just the latest quandary in a predicament-filled year, during which the State Department has repeatedly raised fallacious objections to varying SIGIR requests. I thank the Chairman and Ranking Member – and the full Committee’s leadership – for their steadfast support of our oversight mission; but these recent issues underscore the reality of the continuing oversight challenges that confront us.

Regarding oversight of Defense Department activities, the departure of the United States military from Iraq means that the residual accounting for DoD’s programs rests with CENTCOM. Regarding SIGIR’s ongoing reviews and investigations involving DoD assets, the changes that 2012 brings means that access to individuals and data will certainly become more difficult. DoD is archiving its Iraq reconstruction data, frequently at remote locations. Moreover, those persons with primary knowledge of DoD’s work in Iraq have mostly moved on to new callings.

The military’s departure from Iraq will further affect our mission in another particularly acute fashion – SIGIR’s capacity to move about the country. I and my staff have spent the past eight years literally covering Iraq. The relatively easy means of travel we enjoyed in the past departed with our military. But we still have information that we can only obtain outside the safe confines of the Embassy compound in Baghdad. We are seeking to remediate this limitation, as USAID-IG has done, by using local contractors. That is, we hope to be able to use an in-country capacity to gain access to information that we otherwise could not obtain.

Despite these varying and fluid challenges, SIGIR will continue to produce timely, accurate, and comprehensive reporting on the billions in taxpayer dollars yet to be spent in Iraq. In so doing, we will coordinate and collaborate fully with State, USAID, Defense, and all other agencies operating in Iraq. As our mission draws to a close at the end of next year, we will provide the Congress with a capping report that captures the results of eight years of oversight work in Iraq.

Let me turn now to the important issue of enhancing oversight in future overseas contingency operations.

Oversight in the SRO Context

The stabilization and reconstruction operations (SRO) in Afghanistan and Iraq exposed weaknesses within our national security structure, including SRO planning, execution, and oversight, which stimulated a series of substantive responses that fundamentally altered the U.S.

approach to contingencies. Most recently, the State Department stood up the Bureau of Conflict and Stabilization Operations (CSO), first proposed in last December's Quadrennial Diplomacy and Development Review. The CSO subsumes and succeeds the State Department's Coordinator for Reconstruction and Stabilization (S/CRS), which was created in 2005 through National Security Presidential Directive 44 to provide a greater civilian SRO response capacity. On the Defense side, DoD recently issued its first Joint Doctrine for Stability Operations, carrying forward the Pentagon's "stabilization revolution" begun in 2005 with the issuance of DoD Directive 3001.05. These developments punctuate an evolution in national security thinking within the federal government toward a more integral approach to planning and executing SROs. But this evolutionary process has yet to address the oversight piece. Integral SRO planning and execution is crucial; but so is integrated oversight.

The recently-issued Commission on Wartime Contracting's Final Report proposed a solution that would promote integrated oversight in SROs: the creation of a Special Inspector General for Contingency Operations (SIGOC). The Congress now has legislation before it proposing the creation of such. I believe the Iraq experience –specifically, the success of SIGIR's work – supports SIGOC's creation.

SIGOC would constitute an experienced, cross-jurisdictional, and scalable expeditionary oversight organization that would serve as an economic, efficient, and effective tool in fighting waste, fraud, and abuse in overseas contingency operations. Further, it would be an effective means for ascertaining which new SRO systems and policies are working and which are not, so that the government could better target limited resources in carrying out contingencies.

While these institutional and policy-based arguments substantiate a sound basis for creating SIGOC, there is one rationale that transcends even these important considerations. SIGOC would have a net cost of zero. The savings SIGOC would obtain over time would vastly outpace the relatively modest investment necessary to stand up its operations.

Why SIGOC?

GAO has been around for 90 years, statutory civilian Inspectors General for just over 30. The first Special Inspector General – my office – was created in 2003 by a Congress that recognized the unique vulnerabilities inherent in prosecuting an SRO in Iraq that involved billions of taxpayer dollars. This new tool was usefully employed to combat fraud waste and abuse, in a manner that was complementary not contradictory to the existing oversight regimes.

Now, eight years having passed since SIGIR's creation, I believe I can safely say that the dedication and expertise of SIGIR's staff combined with our unique mandate and structure, allowed us to make a positive difference by improving outcomes, imposing accountability,

expanding transparency, and saving taxpayer dollars (through more than 400 reports that generated nearly \$1.5 billion in financial benefits). We deterred fraud and punished theft, securing to date 61 convictions and dozens of contractor suspensions and debarments.

The SIGIR experience underscores several important oversight advantages that SIGOC would provide:

- **Interagency Jurisdiction** – SROs are inherently interagency operations. The IG overseeing them should have the authority to review the operations and accounts of any agency involved. SIGIR has had that authority in Iraq. But no permanent executive branch IG has the authority to audit the work of another. Thus, absent SIGOC, oversight in future SROs would require “joint jobs,” an imperfect, complicated, and *ad hoc* solution.
- **Focus and Speed** – A Special IG can focus quickly on a relatively small number of matters of great importance. It can generate reporting at a faster pace than permanent IG’s. For example, SIGIR and SIGAR report to the Congress quarterly. SIGOC’s leadership would usually be engaged in one or two contingencies. They would not have to also be engaged in reviewing the operations of a world-wide Department or Agency.
- **Applying Lessons Learned** - A special IG’s continuous SRO engagement would ensure the retention of institutional knowledge, the maintenance of a lessons-learned database, and the development of best practices, all of which would strengthen the planning and execution of future SROs. This means that SIGOC’s work would strengthen our national security interests and not just save money .
- **Scalable for Efficiency** – At the height of the Iraq engagement in 2007-08, SIGIR had more than 160 employees, with over 50 assigned to Iraq. Today, we stand at 85 total employees and plan to be down to 50 by the middle of next year. We match our workforce to the workload through enhanced hiring and contracting capabilities. SIGOC would have a similar approach.
- **Commitment to Deployment** – SIGIR ’s staff knows that they have signed up for overseas deployment to a conflict zone. This issue was a problem for permanent IG’s in 2003-04, whose staff did not join their respective organizations expecting long tours in unstable areas. Further, given this clarity of mission, SIGOC would be able to deploy from the start of a contingency, which would yield crucial cost savings through better accountability and stronger transparency.

- **Surge Capacity** – Permanent agency IG’s have a critically important job in overseeing their large departments. Cherry-picking top talent “out of hide” to rush forward to a crisis impairs their primary mission and burdens limited resources. SIGIR complemented the work of the DoD, State, and USAID IGs in a coordinated way, allowing them to maintain focus on their substantial primary missions.
- **Experience and Expertise** – SIGIR’s ability to hire retired annuitants kept its staff-size low but its level of experience and expertise high. More than 60% of SIGIR’s staff is at level GS-15 or above, which means a broader range of well-trained abilities from which to draw, allowing rapid results from small and agile teams. Hiring flexibilities also permitted the employment of cultural experts, strengthening our audit and investigative capacities in Iraq.

Our sister agency, the Special Inspector General for Afghanistan Reconstruction (SIGAR), was established in 2008, well after the Afghanistan SRO began. While SIGAR’s dedicated staff worked hard from the start to make a difference, its early struggles help substantiate the need for establishing a permanent Special IG. It takes time to build an effective organization, and you simply don’t have much time once a contingency has begun.

SIGAR faced several disadvantages that SIGIR did not, including:

- SIGAR was established with a budget of just \$2 million, while SIGIR was given \$75 million in “no-year” money at its creation.
- SIGAR was created more than seven years into the Afghan operation, while SIGIR was created within a year of the Iraq operation’s inception.
- SIGAR was peer-reviewed (by its own invitation) before it had the chance to fully develop necessary policies and procedures that would allow it to withstand such reviews.

SIGIR assisted in the stand-up of SIGAR, providing it a broad spectrum of personnel and back-office support. Having one administrative office would be a huge money saver. Likewise, a single, experienced office would provide quality assurance and streamlined, proven processes. The United States will face more SROs in the future. Thus, there is an inherent wisdom in retaining the experience and expertise attained by the existing special IG offices. Perhaps the most compelling point supporting the creation of SIGOC is the amount of fraud, waste, and abuse that would have been averted during the first year in Iraq had SIGOC then existed (the same rationale applies to Afghanistan). Those savings alone would have paid for a SIGOC for our lifetime and beyond.

SIGIR testified previously that it would take approximately \$5 million per year to maintain a core SIGOC staff, with add-on options per contingency ranging from \$8 million to \$25 million. We have attached a draft notional budget that lays out these financial considerations, keeping in mind that an IG should recover much more than it spends in program efficiencies and outright cost savings.

Some have questioned what a permanent special IG would do during the times when no contingency was active. But this question's premise is rebutted by the fact that we have been involved in SROs nearly every year since the 1980. Further, as the Wartime Contracting Commission pointed out in its recent Final Report, a small standing oversight capability would be able to train its planning and oversight capabilities such that when deployed they could make a substantial difference from the start of a contingency.

Other sound bases for establishing SIGOC include:

- **Independence.** Truly independent oversight allows difficult truths about volatile issues to be clearly told. This promotes transparency and thus better government. One of the keys to such transparency would be the special IG's detailed Quarterly Reports, which provide the Congress and taxpayers a full accountability for the myriad programs ongoing in a contingency environment.
- **Efficiency.** In a time of dwindling resources and decreasing budgets, a singularly focused oversight mechanism for SROs would reduce waste, deter fraud, and stop abuse in every program.
- **Judgment.** In a time of increasing national security threats, the government must improve its capacity to evaluate program results, so that it can make good judgments about what works best in SROs. An established oversight agency for contingencies would promote better planning and improved execution for SROs.
- **Capacity.** A standing oversight capacity that could react quickly to an SRO would better protect the taxpayers' interests. Moreover, the SIGOC would be a vehicle for improving the tools for effective oversight across the board, which might be transferable to the IG community at large.
- **Deterrence.** Effective oversight from the start of an SRO will save taxpayer dollars by deterring those less-than-stellar contractors who might cut corners or pad an invoice. Ensuring tight oversight from the start would better protect our national security interests, because it would increase the likelihood of project and program success.

Mr. Chairman, Ranking Member Tierney, members of the Committee, the SIGIR experience tends to substantiate the benefits of focused oversight for SROs. Permanently establishing such a mechanism would save taxpayer dollars, improve mission performance, and strengthen the protection of our national security interest. Finally, permanizing an SRO oversight office would avert the repetition of the *ad hoc* approaches of the past and better advance the well-accepted principles in accountability and transparency so necessary to successful contingency operations.

Thank you for the opportunity to present my statement to the Committee. I look forward to your questions.

Special Inspector General for Contingency Operations Model

****** DRAFT/NOTIONAL BUDGET FOR DISCUSSION PURPOSES ONLY ******

Description	MODEL A (i.e. Iraq/Afghanistan - Large)				MODEL B (i.e. Iraq/Afghanistan - Medium)				MODEL C (Non-War Zone - i.e. Haiti - Small)			
	Back Office Support 25 FTE's	Forward 30 FTE's	Rear 75 FTE's	Grand Total Model A	Back Office Support 25 FTE's	Forward 20 FTE's	Rear 45 FTE's	Grand Total Model B	Back Office Support 25 FTE's	Forward 10 FTE's	Rear 20 FTE's	Grand Total Model C
FTE's	25	30	75	130	25	20	45	90	25	10	20	55
Annual Base Salary	122,003	132,425	122,003		122,003	132,425	122,003		122,003	132,425	122,003	
Personnel Compensation	4,215,021	9,266,863	11,363,985	24,845,869	4,215,021	6,244,374	6,818,391	17,277,786	4,215,021	2,989,010	3,030,396	10,234,427
Travel	160,240	442,620	499,200	1,102,060	160,240	316,120	345,600	821,960	20,800	59,920	211,200	291,920
Conus-Based Facilities	244,400	0	840,715	1,085,115	244,400	0	594,360	838,760	244,400	0	389,064	633,464
COMMS/IT	127,314	7,351	584,319	718,984	127,314	4,901	425,207	557,422	127,314	2,450	311,201	440,966
Printing - Quarterly Reports	0	0	220,227	220,227	0	0	152,465	152,465	0	0	134,583	134,583
Operational/Consultant Services	0	24,504	552,275	576,779	0	24,504	382,344	406,848	0	24,504	337,502	362,006
Administrative Support Services	0	0	478,811	478,811	0	0	331,485	331,485	0	0	292,607	292,607
Training/Misc Contracts	30,000	36,000	253,966	319,966	30,000	24,000	171,536	225,536	30,000	12,000	125,604	167,604
Supplies/Equipment	15,674	18,808	47,021	81,503	15,674	12,539	28,212	56,425	15,674	6,269	12,539	34,482
SUBTOTAL OPERATING EXPENSES	4,792,649	9,796,147	14,840,518	29,429,314	4,792,649	6,626,438	9,249,600	20,668,686	4,653,209	3,094,154	4,844,695	12,592,058
CIGIE	70,630			70,630	49,605			49,605	30,221			30,221
TOTAL OPERATING EXPENSES	4,863,280	9,796,147	14,840,518	29,499,944	4,842,254	6,626,438	9,249,600	20,718,291	4,683,430	3,094,154	4,844,695	12,622,279
Forward + Rear (Back Office not included)			24,636,665				15,876,037				7,938,848	
ICASS (based on Iraq support @ \$343.2K per person)		10,296,000				6,864,000				3,432,000		
GRAND TOTAL (INCLUDING ICASS)	4,863,280	20,092,147	14,840,518	39,795,944	4,842,254	13,490,438	9,249,600	27,582,291	4,683,430	6,526,154	4,844,695	16,054,279

****** DRAFT/NOTIONAL BUDGET FOR DISCUSSION PURPOSES ONLY ******

Stuart W. Bowen, Jr.
Special Inspector General for Iraq Reconstruction

Stuart W. Bowen, Jr. was appointed Inspector General for the Coalition Provisional Authority in January 2004, and, since October 2004, he has served as the Special Inspector General for Iraq Reconstruction. As the “taxpayer’s watchdog” in Iraq, Mr. Bowen oversees more than \$63 billion in U.S. funds, including the Iraq Relief and Reconstruction Fund, the Iraq Security Forces Fund, the Economic Support Fund, the International Narcotics Control and Law Enforcement funding, and the Commander’s Emergency Response Program.

Over the past 7 years, Mr. Bowen has made 31 trips to Iraq, managed the production of 364 audits and inspections, issued 5 comprehensive lessons learned reports, and provided 31 quarterly reports on Iraq reconstruction to the Congress. His oversight work has produced financial benefits to the U.S. Government in excess of \$1.5 billion and has yielded 57 convictions for fraud and other crimes. In 2006, the President’s Council on Integrity and Efficiency awarded Inspector General Bowen the Gaston L. Gianni, Jr. Better Government Award for “demonstrating integrity, determination, and courage” in providing independent oversight and unbiased review of U. S. reconstruction efforts in Iraq. And in May 2010, the National Intergovernmental Audit Forum presented him with its David M. Walker Excellence in Federal Government Performance and Accountability Award for outstanding oversight work.

Inspector General Bowen’s public service career includes service to President George W. Bush as Deputy Assistant to the President, Deputy Staff Secretary, Special Assistant to the President, and Associate Counsel. From 1994 to 2000, he held a variety of positions on Governor Bush's staff in Texas, including Deputy General Counsel. Prior to that, Mr. Bowen served as an Assistant Attorney General of Texas and as Briefing Attorney to Texas Supreme Court Justice Raul Gonzalez. Mr. Bowen is a military veteran, having served four years on active duty as an intelligence officer in the U.S. Air Force, earning the rank of Captain and the Air Force Commendation Medal.

Licensed by the Texas State Bar, Mr. Bowen is Board Certified in Administrative Law by the Texas Board of Legal Specialization and admitted to practice before the United States Supreme Court, lower federal courts, and all Texas state courts. He holds a B.A. from the University of the South and a J.D. from St. Mary's Law School, where he served on the Law Journal’s Editorial Board.