

TRANSITION IN IRAQ: IS THE STATE DEPARTMENT PREPARED TO TAKE THE LEAD?

HEARING

BEFORE THE

COMMITTEE ON OVERSIGHT
AND GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED ELEVENTH CONGRESS

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TRANSITION IN IRAQ: IS THE STATE DEPARTMENT PREPARED TO TAKE THE LEAD?

THURSDAY, SEPTEMBER 23, 2010

HOUSE OF REPRESENTATIVES,
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,
Washington, DC.

The committee met, pursuant to notice, at 10:07 a.m. in room 210, House Visitor Center, Hon. Edolphus Towns (chairman of the committee) presiding.

Present: Representatives Towns, Maloney, Cummings, Kucinich, Tierney, Clay, Watson, Connolly, Quigley, Norton, Cuellar, Speier, Driehaus, Issa, Duncan, McHenry, and Luetkemeyer.

Staff present: John Arlington, chief counsel—investigations; Kwame Canty, senior advisor; Craig Fischer, professional staff member; Linda Good, deputy chief clerk; Katherine Graham, investigator; Carla Hultberg, chief clerk; Marc Johnson and Ophelia Rivas, assistant clerks; James Latoff, counsel; Amy Miller and Gerri Willis, special assistants; Brian Quinn, investigative counsel; Jenny Rosenberg, director of communications; Leneal Scott, IT specialist; Ron Stroman, staff director; Larry Brady, minority staff director; John Cuaderes, minority deputy staff director; Rob Borden, minority general counsel; Adam Fromm, minority chief clerk and Member liaison; Moly Boyd and Mark Marin, minority professional staff members; Justin Lorrance, minority press assistant and clerk; Ryan Little, minority legislative assistant; Ashely Callen, minority counsel; Tom Alexander, minority senior counsel; Jon Skladary, minority chief counsel; and Jennifer Safavian, minority chief counsel for oversight and investigations.

Chairman TOWNS. The committee will come to order.

Good morning and thank you all for being here.

For the past 7 years, the military has led the charge in Iraq. In addition to providing security, the military has trained and equipped Iraq's security forces and has overseen billions of dollars of reconstruction projects. The military has also provided vital support to the other U.S. agencies operating in Iraq: food, housing, transportation, and medical evaluation services have all been managed or carried out by the Defense Department.

All that is about to change. Under President Bush's agreements with the government of Iraq, U.S. military forces are to complete their exit from Iraq by December 31, 2011. As a result, we have reached a new phase in Iraq, a phase that places less reliance on our troops and more on our civilian agencies. This new phase has been called, "Operation New Dawn," but from where I am sitting it should have been called, "Operation New Challenges."

As we reduce the number of troops in Iraq, many duties now performed by the military will be transferred to the State Department. The size and complexity of State's new role in Iraq is unprecedented. Numerous important issues appear to be unresolved. The State Department will take over many functions that are inherently military, for which State has little or no expertise.

This raises important practical questions. Who will provide security for State Department employees? Who will recover personnel who are wounded or killed? Who will provide convoy security? Who will provide counter-fire in rocket artillery and other mortar attacks? Who will recover damaged vehicles and downed aircraft? Who will provide explosives disposal? Even basic questions of what military equipment will be transferred to the State Department and who will apply rules for the use of force have still not been settled.

Without the State Department having the expertise or the staff to carry out these functions, State will be forced to turn to contractors to fill this gap. For example, the Wartime Contracting Commission estimates that State will need more than double the number of security contractors it currently has in Iraq, to as many as 7,000.

The State Department must also grapple with how it intends to provide basic life support services. Despite poor past performance by KBR, the Army recently made the highly controversial decision to extend KBR's sole source contract under LOGCAP 3 instead of competing it under LOGCAP 4. The implications of this Army decision are unclear.

With the huge increase in the number of contractors and contracting costs, the State Department will need to closely monitor these contracts. Unfortunately, providing effective contract oversight has not been the State Department's strongest suit.

The State Department Inspector General, the Special Inspector General of Iraq Reconstruction, and GAO have all found significant weaknesses in the State Department's contract management in Iraq. Even the State Department's Assistant Secretary of Management has acknowledged a lack of contract experience and expertise within the agency.

Six months ago Ambassador Patrick Kennedy wrote to the Defense Department outlining these issues and requesting help. Defense has still not fully responded. This apparent lack of cooperation is unacceptable.

These issues cannot be ignored. We cannot sit on the sidelines and hope these problems take care of themselves. The risks are too high to botch the transition and we cannot turn a blind eye to reckless contractors. We cannot afford to lose the gains our service men and women have fought so hard for over these years.

I look forward to hearing testimony from the Commission on Wartime Contracting, as well as the Special Inspector General for Iraq Reconstruction. Both the Commission and the IG have completed important work in these areas and continue to be an important asset to the Congress.

[The prepared statement of Chairman Edolphus Towns follows:]

HOUSE COMMITTEE ON OVERSIGHT & GOVERNMENT REFORM

OPENING STATEMENT OF
CHAIRMAN EDOLPHUS TOWNS

**“TRANSITION IN IRAQ:
IS THE STATE DEPARTMENT PREPARED TO TAKE THE LEAD?”**

September 23, 2010

Good morning and thank you for being here today.

For the past 7 years, the U.S. military has led the charge in Iraq. In addition to providing security, the military has trained and equipped Iraq’s security forces and has overseen billions of dollars of reconstruction projects. The military has also provided vital support to other U.S. agencies operating in Iraq—food, housing, transportation, and medical evacuation services have all been managed or carried out by the Defense Department.

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This new phase has been called “Operation New Dawn.” But from where I am sitting, it should have been called “Operation New Challenges.”

As we reduce the number of troops in Iraq, many duties now performed by the military will be transferred to the State Department. The size and complexity of State’s new role in Iraq is unprecedented.

Numerous important issues appear to be unresolved.

The State Department will take over many functions that are inherently military and for which State has little or no expertise. This raises important, practical questions.

Who will provide security for State Department employees? Who will recover personnel who are wounded or killed? Who will provide convoy security? Who will provide counter-fire in rocket, artillery, and mortar attacks? Who will recover damaged vehicles and downed aircraft? Who will provide explosives disposal?

Even basic questions of what military equipment will be transferred to the State Department and who will apply rules for the use-of-force have still not been settled.

Without the State Department having the expertise or the staff to carry out these functions, State will be forced to turn to contractors to fill this gap. For example, the Wartime Contracting Commission estimates that State will need more than double the number of security contractors it currently has in Iraq, to as many as 7,000.

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I look forward to hearing testimony from the Commission on Wartime Contracting as well as the Special Inspector General for Iraq Reconstruction. Both the Commission and the IG have completed important work in these areas and continue to be an important asset to the Congress.

###

Chairman TOWNS. At this point I would like to yield 5 minutes to the ranking member of the committee and say to him that these digs over here are just temporary. We will be moving back to our regular quarters after the completion.

Mr. ISSA. Mr. Chairman, on so many things we find common ground. We find the ability to come together and to agree. Today's hearing is an example, leaving these digs is not. [Laughter.]

Mr. Chairman, today's hearing is important and it is bipartisan. Now, we use the words bipartisan, nonpartisan, all these other things, pretty often around here. It is pretty clear that the Iraq and Afghanistan wars, although supported for the troops, have not always been equally supported on both sides.

But as we are nearly 2 years into a new administration and America's vital national interests have fully transitioned from one President and one administration to another, and persistent problems remain, as the Commission on Wartime Contracting issues its report, the Special Inspector General's reports have been keenly looked at by this committee, it is pretty clear that 7, 8 years of one President in war and 2 years of another President at war look a lot the same.

We are going to hear today about a number of needs in the transition. These are not new needs. Certainly, this committee has staked out a great deal of jurisdiction over the question of outsourcing of inherently governmental activities. In fact, no committee owns more of the responsibility to get it right in the future than this.

The Diplomatic Security Service is woefully understaffed. Now, 9 years ago when that was the case, nobody was surprised. First one and then another war in which diplomats in great numbers were deployed while we were still at war and/or in an occupation created a unique need. We never intended our diplomatic services to need attack helicopters, overhead eye in the sky, predator drones, and the like, but they did.

Now, nearly a decade later and two Presidents into two wars, we realize that there is an ongoing elevated need for a level of security to be provided for our diplomats that is not appropriate to provide by uniformed services. It is not that the U.S. Army, Navy, Air Force haven't done a great job. They have. But they are not, in fact, the appropriate people to stand by a diplomat as he goes in saying, this is about peace.

Our Marines, and I represent Camp Pendleton, have for virtually our entire time as a country guarded embassies. But as the diplomats go out, they need to go out in civilian clothes with, to the greatest extent possible, a peacetime look. This is not currently possible through Government employees. And the contracting system has been controversial. One, because it costs a great deal to employ somebody in these areas, and because it has been viewed as temporary, and as a result the high cost and the lack of a systematic approach for what the rules of engagement will be have caused us diplomatic problems time and time again. This committee has held hearings on many of those diplomatic problems.

Although this committee often looks at waste, fraud, and abuse through the eyes of dollars, and the projected costs and overruns that we will discuss today are huge and need to be addressed, I

think this committee has an obligation to bring light today on the fact that, after 7 years in Iraq and a declared mission accomplished twice, we have to make sure that the powers that remain remain with the assets they need and appropriately, when inherently governmental, use governmental assets.

Over the years I have met with contractors who provide security services. Of course, they do it for compensation, but time and time again they have said, this is not our company's core requirement. This is not what we do. These companies very rightfully would give that up in a transition, and that transition is long overdue.

So as we talk to two panels of learned experts, I hope that we will focus on what we don't have today but should have had several years ago, a transition that in many cases has not really begun, and how we go forward from here on a bipartisan basis.

Mr. Chairman, I know we can do this together. I know that the cost overruns and the sins of the past are just that, but we now have it on our watch and I look forward to working together on this.

I yield back.

[The prepared statement of Hon. Darrell E. Issa follows:]

EDOLPHUS TOWNS, NEW YORK
CHAIRMAN

DARRELL E. ISSA, CALIFORNIA
RANKING MINORITY MEMBER

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Statement of Rep. Darrell Issa, Ranking Member

“Transition in Iraq: Is the State Department Prepared to Take the Lead?”

September 23, 2010

Thank you, Chairman Towns, for holding today’s important hearing about the diplomatic and military transition efforts underway in Iraq. Despite debate about the overwhelming bipartisan Congressional support for the Iraq war – I hope we all recognize that a stable, secure, and independent Iraq is in America’s vital national security interest.

Today’s hearing allows us to evaluate an important recent report of the Commission on Wartime Contracting. That report raises concerns that the government is inadequately prepared to ensure that our diplomatic personnel are properly supplied and protected now that our combat troops are withdrawn from Iraq. The gravity of this report and the magnitude of the sustained and intensified training and diplomatic effort required in Iraq, warrant this Committee’s robust oversight.

Indeed, this Committee has primary jurisdiction over the efficiency and effectiveness interdepartmental and interagency collaboration. Likewise, it is our immediate concern to prevent – where possible – waste, fraud, and abuse of taxpayer dollars, whether committed by government agents or by government contractors.

As the State Department increases its reliance on security and logistical contractors in Iraq, it is important for this Committee to monitor these efforts closely and to enact legislative reforms – where necessary – to mitigate wasteful spending.

Of course, I fear that too much money has been squandered already.

Many of us are keenly aware that the massive U.S. embassy in Iraq – which is the largest U.S. diplomatic mission in the world – was projected to cost \$592 million, but overran that budget by more than \$144 million. On top of that, this rambling 21-building compound now cost U.S taxpayers about \$1.8 billion this year, more than \$300 million over budget. And the Iraq Transitional Office is still only half-staffed, according to a report by the Inspector General.

The lessons we have learned in Iraq over the past seven-plus years deserve the careful attention of this Committee, this Congress, and this Administration lest we repeat mistakes nurture a culture of corruption and fraud, and waste taxpayer money – and more importantly – sacrifice American lives.

*Statement of Rep. Darrell Issa, Ranking Member
Page 2*

Thank you, Mr. Chairman. I look forward to a vigorous discussion with today's witnesses, and I yield back the balance of my time.

###

Chairman TOWNS. I thank the gentleman for his statement. I look forward to working with him.

At this time I would like to ask the witnesses to please stand and raise your right hands. We swear all of our witnesses in.

[Witnesses sworn.]

Chairman TOWNS. Let the record reflect that both witnesses answered in the affirmative.

Mr. Michael Thibault is co-chair of the Commission on Wartime Contracting. Before being appointed to the Commission, Mr. Thibault spent his career in public service at the Defense Contracting Audit Agency. From 1994 until his retirement from DCAA, Mr. Thibault served as the Deputy Director for the Agency. Mr. Thibault is also a decorated Vietnam veteran, serving in the U.S. Army from 1965 to 1968.

We welcome you this morning.

Mr. Grant Green is one of the six Commissioners who served with the two chairs of the Commission on Wartime Contracting. Highlights from Mr. Green's career include appointment as Under Secretary of State for Management and Assistant Secretary of Defense. Mr. Green also spent 22 years in the U.S. Army and is currently the chairman of a business consulting firm.

We welcome you.

At this time I ask the witnesses to deliver their 5-minute testimony. I understand that you, Mr. Thibault, will be delivering testimony on behalf of the Commission. Let me just say that, even in our new digs, I understand that when you start out the light is on green, and then all of the sudden it moves to yellow, caution, which means that you have 1 minute to summarize from that point. And, as everywhere in the United States of America, red means stop. Of course, when the red light comes on, that means stop, which will, of course, allow us an opportunity to raise questions with you.

Let me thank both of you for being here this morning. Of course, at this time, Mr. Thibault, you have 5 minutes to give your testimony.

STATEMENT OF MICHAEL J. THIBAUT, CO-CHAIRMAN, COMMISSION ON WARTIME CONTRACTING IN IRAQ AND AFGHANISTAN, ACCOMPANIED BY GRANT S. GREEN, COMMISSIONER, COMMISSION ON WARTIME CONTRACTING IN IRAQ AND AFGHANISTAN

Mr. THIBAUT. Thank you, Chairman Towns, Ranking Member Issa, and other members of the committee. I am Michael Thibault, co-chair of the Commission on Wartime Contracting in Iraq and Afghanistan. Beside me is Commissioner Grant Green. Thank you for inviting us to testify today.

I will briefly summarize our joint statement and request the full statement be entered into the record.

Chairman TOWNS. Without objection, so ordered.

Mr. THIBAUT. Thank you.

First, I would like to state that my co-chair, Chris Shays, who has worked with me extensively, as well as with this committee in his past, very graciously asked Commissioner Green, because of the background that you recognized, that he sit in and provide testimony. I am not sure I could have done that, but he did. Commis-

sioner Shays is, as you mentioned, bipartisan and absolutely in synch with our efforts today.

Chairman TOWNS. We were looking forward to seeing him because he served on this committee for a number of years. I am happy to know that he didn't feel it was a conflict of interest.

Mr. ISSA. We had a few questions for him from his time here that we are still hoping to ask.

Mr. THIBAUT. Thank you.

Chairman TOWNS. And we wanted to show him our new digs.

Mr. THIBAUT. The future of the new Iraq is unsettled. This past Sunday, as the Washington Post reported, six car bombings in Baghdad and a suicide bombing in Fallujah killed 37 people and wounded more than 100. Iraq remains a dangerous place. The combination of a military withdrawal, a persistent security threat, and a return to customary intra-governmental relations brings us to our concerns for this hearing.

The U.S. Embassy will remain after U.S. troops withdraw from Iraq. These circumstances combine to create what may be a unique situation in American history: a diplomatic presence re-established and expanding in a country that appears unable to provide normal host country security and services, while the U.S. military withdraws.

The scheduled withdrawal of the U.S. military forces leaves State very little time to arrange for the alternative provision of functions. One example best highlights the many challenges facing the State Department. When insurgents attack U.S. bases, they often include rocket and other indirect fire as part of that attack.

Presently, the U.S. Army has a sophisticated and highly effective system to provide immediate warning for these rocket attacks. This system is called the counter-rocket and mortar system. Within seconds of an enemy rocket or mortar launch, there is a warning for all base occupants. This system has saved countless lives.

Also included is a counter-battery system where military indirect fire experts locate and return fire onto enemy insurgents. This counter-battery effort takes 6 to 8 seconds and is critical. As a result, enemy insurgents seldom fire more than one rocket, as they know they will be targeted.

The State Department recently received an unsolicited contractor proposal and now has identified a commercial variant to replace the current system. They are presently evaluating how this system can be acquired.

Even more troubling in this example, State Department executives informed us this week that the counter-battery effort will be terminated. Enemy insurgents will be delighted when they learn and experience that they will not be immediately targeted and brought under fire by the military. Where our enemies work very hard to launch a single rocket, there will be little reason to not launch entire batteries of rockets. There will be no military consequences for them.

Commission concerns were recently validated by a June 21, 2010 Capitol Hill hearing. Among the troubling testimony we heard that day was what you have previously mentioned, Mr. Chairman, the Department of State estimates that without U.S. military support

it will need to raise its private security force from 2,700 to almost 7,000.

Under Secretary of State Patrick Kennedy wrote to the Department of Defense almost 6 months ago to request a substantial amount of military information plus continued access to the Army's LOGCAP logistics contract and continued food and fuel supply through the Defense Logistics Agency, and we found that DOD's joint staff at that time had not forwarded that request with a recommendation to the Office of the Secretary. We have been informed informally that they have, but we attempted to reach confirmation on that and we were unable.

In summary, State Department program leaders have been dealt a hand that includes unknown contract and program support from the Department of Defense, funding limitations likely to impact their mission capability, and the need to contract for and perform functions that have never been done by their Department. We believe that the State Department has been placed in an unfair position as they work to deliver on critical mission requirements in the continuing effort to stabilize and reconstruct Iraq.

That concludes our joint statement, Mr. Chairman and Ranking Member Issa. We thank the committee for its attention and welcome your questions.

[The prepared statement of Mr. Thibault and Mr. Green follows:]

Statement of

Michael Thibault, Co-Chairman and Grant Green, Commissioner

Commission on Wartime Contracting in Iraq and Afghanistan

Before the Committee on Government Oversight and Reform

United States House of Representatives

September 23, 2010

Chairman Towns, Ranking Member Issa and other Honorable Members of the Committee:

I am Michael Thibault, Co-Chairman of the Commission on Wartime Contracting in Iraq and Afghanistan. Beside me is Commissioner Grant Green. Thank you for inviting us to testify today. I will very briefly summarize our joint statement and request that the full statement be entered into the record.

Congress created our bipartisan, eight-member Commission in 2008 to study America's contingency contracting operations in Iraq and Afghanistan. Commissioners and staff have subsequently taken a total of 11 extended fact finding trips to Iraq and Afghanistan to evaluate potential opportunities to improve current contracting processes and oversight. The Commission's charter requires that it report findings and recommendations on matters including: the extent of government reliance on contractors; contractor impact on logistics, security, and

reconstruction operations; the extent of and accountability for contract waste, fraud, and abuse; government organizational structure and practices; and lessons learned. The Commission made an interim report to Congress in June 2009 and will submit a final report in July 2011.

While the calendar is running on the Commission's work, it is also running on United States military involvement in Iraq. The 2008 Security Agreement with the Government of Iraq requires that all U.S. forces be out of the country by December 31, 2011. That is just over 15 months away and will mark the end of more than eight years of U.S. military presence in that former dictatorship.

But the future of the new Iraq is unsettled. Six months after national elections, a new Iraqi government has yet to be formed. American troops have been involved in sharp-fire fights three weeks after the announced end of the U.S. combat mission in Iraq. This past Sunday, as the Washington Post reported, six car bombings in Baghdad and a suicide bombing in Fallujah killed 37 people and wounded more than 100 others. Iraq remains a dangerous place under constant threat of insurgent terror attacks. While American, allied, and Iraqi forces have reduced insurgent activity compared to four or five years ago, the current security threat persists and is unlikely to disappear anytime soon. As a consequence, the contracting environment in Iraq continues to be impacted greatly by security considerations.

This combination of a military withdrawal, a persistent security threat, and a return to customary intra-governmental relations brings us to our concern for this hearing. The U.S. State Department closed the American Embassy in Baghdad before the first Gulf War, leaving a U.S. interest section at the Polish Embassy. After the overthrow of Saddam Hussein's regime, the American Embassy was reopened on July 1, 2004, in one of Saddam's former palaces in Baghdad. In January 2009, the staff relocated to a new Embassy, America's largest, in a 21-building complex along the Tigris River in Baghdad's so-called "Green Zone."

The U.S. Embassy, reestablished during an insurgent uprising, will remain after U.S. troops withdraw from Iraq. In addition, the State Department plans to operate four other geographically dispersed posts—two as Consulates General and two as Embassy Branch Offices. These locations include Mosul, Erbil, Kirkuk, and Basrah. Initially, the State Department identified a critical need for an office in Diyala, but funding limitations resulted in that workload being absorbed by the other four posts.

These circumstances combine to create what may be a unique situation in American history: a diplomatic presence reestablished and expanding in a country that appears unable to provide normal host-country security and services, while the U.S. military withdraws.

The concern is not just for security, important as that is. The State

Department also relies on the Department of Defense for logistical support, for food and fuel, and for literally hundreds of other functions. The scheduled withdrawal of U.S. military forces leaves State very little time—even if it had the financial and management resources—to arrange for the alternative provision of functions including, among other things:

- Emergency medical evacuations;
- Removal of improvised explosive devices (IEDs)
- Counter battery fire
- Downed vehicle and aircraft recovery;
- Personnel recovery;
- Convoy security; and
- Fire prevention and life-support services.

This unusual and troubling situation was underscored by recent Commission travel in Iraq. Commissioner Green, as you may know, is former Under Secretary of State for Management, a former Assistant Secretary of Defense, and a former staff member of the National Security Council. In other words, he understands issues and practical realities in both departments. Commissioner Green's concern for the Defense-to-State transition in Iraq was validated by our June 21, 2010,

Capitol Hill hearing, “Private Security Contractors in Iraq: Where are we going?”

Among the troubling testimony we heard that day were these data points:

(1) The Department of State estimated that, without U.S. military support, it would need to raise its private-security contractor force in Iraq from 2,700 to between 6,000 and 7,000 people;

(2) Under Secretary of State Patrick Kennedy had written to the Department of Defense on April 7, 2010, to request a substantial amount of military equipment, plus continued access to the Army’s LOGCAP logistics contract and continued food-and-fuel supply through the Defense Logistics Agency; and

(3) DoD’s Joint Staff had not yet forwarded that request with a recommendation to the Office of the Secretary of Defense.

These facts troubled us for several reasons. First, even if State could obtain the funds for more than doubling its private-security force, it is not clear that it has the trained personnel to manage and oversee contract performance of a kind that has already shown the potential for creating tragic incidents and frayed relations with host countries. Second, Ambassador Kennedy’s request highlighted the enormous reliance that State was obliged to place on the U.S. military in a wartime setting—14 critical security-related functions, logistical support, food and fuel, and about 1,000 other detailed tasks. Third, any DoD delay in processing State’s request could prolong uncertainties, promote reliance on contractors for work

previously performed by the U.S. military and DoD, and potentially create unacceptable safety risks to American government and contractor personnel as military capabilities disappear in the drawdown process.

As we reviewed the results of our hearing and the supplemental information that flowed in afterwards, our concerns rose. On July 12, 2010, the Commission released a unanimous, bipartisan Special Report #3, "Better planning for Defense-to-State transition in Iraq needed to avoid mistakes and waste." We submitted the report to Congress, distributed it widely to interested parties within and outside of government, discussed its findings with print and broadcast media, and posted it on the Commission's Internet site, www.wartimecontracting.gov. We have included a copy of the report with this statement, and we respectfully request that it be made part of the record of today's hearing.

Unfortunately, the advent of autumn has not eased the concerns we reported in the summer. We appreciate that the transition issues in Iraq are vast, complicated, and not amenable to quick and easy fixes. We are aware of and assured that working groups have been busy here and in theater discussing these issues. Lieutenant General Kathleen Gainey, the Director for Logistics, J4 of the Joint Staff, tells us that a decision package has been forwarded to the Office of the Secretary of Defense through the Under Secretary for Policy.

Nonetheless, it is now nearly six months since Ambassador Kennedy's

formal request for assistance to the Department of Defense. When we checked earlier this week, no decision had yet been communicated. Specifically, State Department leadership informed us two days ago that their request for DoD support remained outstanding and that they have been compelled to pursue two separate contracting strategies simultaneously—one that assumes the requested DoD support, while the other develops a separate and greatly expanded contractor workforce to replace functions previously performed by DoD. The need to develop two separate plans is simply the result of the Department of Defense's reluctance to articulate where and how they can best support the Defense-to-State transition in Iraq.

Senior level leadership, at the State and DoD Secretarial level, needs to engage and provide direction on this process. It is simply too important to do otherwise.

Compounding the challenge of transitioning this work is the need for the State Department to build-out and support at least five, and more likely nine, other separately located sites for the Department of Defense's Organization for Security Cooperation, which will manage foreign military sales activities in Iraq.

This transition limbo has other deep implications. It raises the serious risk that State will be required to undertake a very large, hurried, expensive, and unprecedented exercise in contracting unless some change is negotiated in the

Security Agreement or unless the Government of Iraq demonstrates serious capability and intent to provide the normal array of host-nation security and commercial services. Further, even if State meets the resource and funding challenge of greatly enlarging its security contractor forces, it still risks the policy and political consequences of having private companies performing potentially inherently governmental functions that have been previously performed by the U.S. military.

Another significant implication is that the great, lingering uncertainty about the Defense-to-State transition indicates a failure to take a “whole-of-government approach” to contingency operations. Activities in Iraq and Afghanistan involve hundreds of thousands of U.S. military and federal civilian employees from Defense, State, the Agency for International Development, Treasury, Justice, Agriculture, and other departments; American, host-country, and third-country contractors; and a variety of non-governmental and international organizations. But as we and other organizations have observed, a lack of transparency, visibility, and basic data—not to mention the lack of a lead coordinating agency for contingency operations—has caused or contributed to duplication, gaps, and cross-purposes, and has permitted unnecessary incidents of waste, fraud, and abuse.

We are now entering into an unprecedented phase of contingency transitioning between Defense and State, and there is no clear guiding policy. As a

result, planning is taking the form of what can be called a “pick-up game.” Well-intentioned State Department and Defense Department employees are attempting to transition future requirements without a game plan. This approach stands to lead to organizational confusion, poor planning, the potential for contract overruns and waste, and an entirely new role for contractors on the battlefield. Executive leadership and decision-making is critically needed at this point in time.

Last of all, and perhaps most critically, due to State Department program funding limitations, there stands to be a 50 percent reduction in staffing levels at the planned consulate offices in Basrah and Erbil and the Embassy Branch Offices in Kirkuk and Mosul. There are insufficient funds to staff the known requirements for the planned diplomatic presence in Iraq’s provinces. There are now four posts where five were required. There is now half the State Department program staff to carry out known mission objectives, including:

- Balancing foreign interference;
- Mitigating and mediating Arab-Kurd, Sunni-Shia, and provincial-Baghdad tensions;
- Strengthening the capacity of provincial institutions along key flashpoint locations;
- Providing a platform for the United Nations (UN) and other organizations;

- Promoting the safe return and resettlement of displaced persons;
- Encouraging foreign investment and economic development;
- Reporting on strategic trends, events, and drivers of Iraqi instability;
- Presenting American policy and promoting mutual understanding and respect for American values; and
- Providing limited services to American citizens.¹

In summary, State Department program leaders have been dealt a hand that includes: unknown contract and program support from the Department of Defense; funding limitations likely to impact mission capability; and the need to contract for and perform functions that have never been done by their department. The State Department has been placed in an unfair position as they work to deliver on critical mission requirements in the continuing effort to stabilize and reconstruct Iraq.

Our comments today in no way detract from the tremendous efforts that the men and women of America's military have made in Iraq, including the protection and support they have extended to other federal departments. But the lingering concerns raised by the Defense-to-State transition in Iraq should serve as a clear call to improve coordination arrangements in the event that we are ever again called upon to fight insurgents, conduct diplomacy, and rebuild a country all in the

same place, at the same time.

That concludes our joint statement. Mr. Chairman and Ranking Member Issa, we thank the Committee for its attention and welcome your questions.

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¹ This list originally contained in the State Department's August 25, 2010 presentation entitled "The U.S. Government's Future Presence in Iraq."

Chairman TOWNS. Thank you very much for your testimony. We will now start the questioning period. Each Member, of course, will have 5 minutes. I will begin.

Your July report highlights very significant problems with transition planning for the Defense Department handoff to the State Department. Are we facing a potential disaster at this point?

Mr. THIBAUT. Mr. Chairman, I am not sure if I would refer to it as a potential disaster. We certainly are facing the potential for significant contract cost overruns, inefficiencies, and potential fraud, waste, and abuse if this transition occurs in the form of what might be called a pick-up game.

Chairman TOWNS. What do we need to do to fix this problem?

Mr. THIBAUT. Well, in our statement senior executive leadership needs to address this. Our recommendation is at the Secretarial level. There has been some coordination in theater now as a result of our concerns and concerns raised by others, but it is at the middle management level. This needs to be pushed up to the highest levels within State and Defense, because it is that important.

Chairman TOWNS. Right. Your report lists 14 security-related tasks currently performed by DOD that will soon be transferred to State. Functions such as recovering killed and wounded soldiers will become a State Department responsibility. Who will be performing these functions?

Mr. GREEN. Mr. Chairman, some of those 14 functions will probably fall off the table. It will not be necessary to do them, but the majority of them will. In most cases there will be contractors performing those functions. There is a lot of coordination currently being done now between the State Department and the Defense Department on what equipment can be left behind, for example, medical support. There is a dialog ongoing now to see what medical support could be left behind by DOD to support the State Department.

But some of these missions, for example, route clearance, which had heretofore been done by the Department of Defense, will fall principally to either contractors, and they plan on using UAVs to perform that mission.

The main question and the answer is that these functions will essentially be done by contractors. I think that obviously creates difficulties. You mentioned them in your opening remarks, inherently governmental functions. There is great concern here in this Body and across America, in some cases, about personal security contractors, but we forget about all these other things that are military or quasi-military that will now be done by contractors.

One of the most extreme examples that I can think of is the State Department has asked for MRAPS. The Defense Department has, at least verbally, indicated they will provide those vehicles. They will be driven by contractors, and if there are occasions when they go into high-threat areas and they have weapons mounted, those weapons will, as it stands right now, be manned by contractors.

Chairman TOWNS. I am thinking about all these security contractors. One of the problems that we face, in terms of the Department, is managing all of these security contracts. I mean, it seems to me

that you are going to probably double or even maybe triple the amount that is in there now.

Mr. THIBAUT. Right. Mr. Chairman, the management of security contractors for the Department of Defense and the Department of State has been a challenge. There have been numerous instances that we have reported where they are not providing the kinds of quality and background investigation that many of the security officials or contractors should have.

In the case of the State Department, they are going to be challenged with potentially tripling the size of their security force. It is unprecedented. They acknowledge it is unprecedented.

The other item I think that is important that Commissioner Green brought up is many of these inherently governmental items that are being transitioned to State from the military represent items where this Commission feels that the U.S. military is the superior performer, and many of them relate to security. With no disrespect for contractors, those items that are inherently governmental, where professional military best performs it, should and could remain with the military.

Chairman TOWNS. Let me be very basic. What can we do to make this transition work?

Mr. GREEN. I think two things come to mind, and that is the increased, expanded, and continuing dialog and coordination between the State Department and the Defense Department. As Chairman Thibault mentioned in his opening remarks, there has been a dialog. It has mostly been at the middle management level. They have certainly progressed from the time that I was in-country the end of May and spent a week with the State Department talking about the transition. U.S. forces Iraq has been very forthcoming in providing liaison people and advisors to the Embassy, but that has to continue.

Where I see a void is, and I go back to my time in the State Department when I was responsible on the State side for the transition from the Coalition Provisional Authority, Ambassador Bremmer, to the new embassy. I had a counterpart from the Defense Department, a retired Army lieutenant general that worked directly for the Secretary. He was that "belly button," and he came over there with a gaggle of colonels and helped us through that process. That process was nothing compared to what we are facing today.

Where I see a hole is that we don't have or I don't know of a person, we don't have a single person from the Defense Department that can run interference and make things happen.

We mentioned the LOGCAP contract and the request for equipment and support for LOGCAP DLA that went to the Defense Department in April. As far as we know, it is still sitting there. We need somebody that can walk into the Deputy's office or even the Secretary's office and say, sir, we have to move this. We have to make a decision. If it is yes, great. If it is no, let's make a decision. Because much of the planning that State has to do today in-country cannot be done until they know the status of LOGCAP, as an example.

Chairman TOWNS. OK. My time is up.

Mr. THIBAUT. And, Mr. Chairman, one simple add-on to that is anything that this committee can do to compel the Department of Defense to provide support to the Department of State where it is needed and where they have that kind of expertise and can influence the criteria for providing that support is needed.

Chairman TOWNS. OK.

Mr. GREEN. I only answered part of your question, because you said, Mr. Chairman, what else can we do.

Chairman TOWNS. Right.

Mr. GREEN. I think the other key element here is a stable and reliable funding stream to State. I can tell you from my 4 years there, budget is always a problem. Today it is more of a problem. We have already seen some decrements in the supplemental for Iraq's support to both State and Defense. I am concerned that when the spotlight is off this transition and it is forgotten about and State is doing their thing and they have taped this thing together. And I am confident it will happen. It will work. But a lot can fall through the cracks.

We have to have stable funding when no longer is this the top priority after Afghanistan.

Chairman TOWNS. And it seems to be a big crack.

Mr. GREEN. It is a big crack.

Mr. THIBAUT. That is right.

Mr. GREEN. It is a big crack.

Chairman TOWNS. And I yield 5 minutes to the gentleman from California, the ranking member of the committee.

Mr. ISSA. Thank you, Mr. Chairman. I am going to stay right along your line of questioning.

Let me start off by reminding all of us on this side and informing you, a while back we did a good and important hearing that sort of was sad, and that was on how the Coast Guard decided it was going to create its fleet of blue water naval ships, if you will, and they didn't know how to do it. The end result is we have ships that are going to break in half sooner than they normally do. It boils down to less life because they didn't have the right designers. And they were designing a ship that was substantially similar to ones that were designed by the Navy successfully for years.

That taught all of us something, which is that procurement doesn't belong just to the agency doing it; it belongs to this committee to find and ensure that, if the skills exist in one part under one stovepipe of Congress and one stovepipe of the administration and the need is in another, we have an obligation to either assist or de-conflict. I think we have that here today. I think we can all agree on that.

Let me start by asking a question for the record, which is: does State Department have the acquisition skills, by any stretch of the imagination, to acquire 7,000 people and commensurate hard assets to do the type of security, protection, and missions in Iraq that we see for at least the next year?

Mr. THIBAUT. I would answer that, Mr. Congressman Issa, that they do have acquisition skill sets to award contracts.

Mr. ISSA. That is not my question, though.

Mr. THIBAUT. I think the contract oversight and the management of that is absolutely strained to the max now. They have been

providing some additional support for contract oversight based on need. If you triple the force, for example, of private security contractors, the inference is clear: if you want to have boots on the ground to take a look and make sure that they are complying with use of force criteria, you have to have the people to do the oversight. That is going to be a challenge.

Mr. ISSA. OK, but let us break it down a little differently. Do they know how to buy predator aircraft, to figure out which one?

Mr. THIBAUT. No. Not presently.

Mr. ISSA. Do they know how to buy armored vehicles?

Mr. THIBAUT. They do not have experience.

Mr. ISSA. OK. They do not know how to buy anti-mortar or anti-missile systems?

Mr. THIBAUT. They are going to have to learn how.

Mr. ISSA. Do they?

Mr. THIBAUT. No. They do not have that experience.

Mr. ISSA. Mr. Green, if they don't have that experience and if 100 percent of the skills exist in the U.S. military, both for acquisition and among our uniformed men and women, and they have historically done a big part of the job, as distasteful as it is to say we are going to break with long tradition of having military not standing next to Ambassadors as they go in to heads of state and so on, aren't we just arguing over the uniform?

And let me just give you a hypothetical, because it is beyond the jurisdiction of this committee, but not beyond our imagination.

If we look at our 50,000 men and women already there and we segment or ask the administration to consider segmenting this role on a seconded basis to where they would assume those additional duties as they have in the past, if we do that, don't we save money, save trying to train, and, in the case of men and women in uniform who have been doing much of this job, save using private contractors who ultimately, as patriotic as they might be, are, in fact, more alien to the process of protecting our Diplomatic Service than the military itself is?

Mr. GREEN. State would be thrilled to have that support and, in fact, will need it and have asked for it.

Just go back to LOGCAP as an example. If DOD in their wisdom says, OK, we will support you with LOGCAP for the next one, two, or whatever years, and we will provide also that oversight and management, that mechanism that is in place today to oversee those contracts, they also would want, and you mentioned, UAVs and CRAM. They also will need help and will ask for help and have asked for help as they begin to develop those requirements.

Mr. ISSA. So, to put it short, this is a gaping hole which we are deeply concerned about and the time is ticking down to zero, and yet it is, by definition, a self-inflicted wound if it is not necessary to move it, but rather a decision for the military to shed something, for whatever reason, when, in fact, the most capable, most cost-effective support might, in fact, already exist with our military and have no justification for the long run for most of the rest of the world for our men and women in the Diplomatic Service?

Mr. GREEN. Believe me, State Department knows where their weaknesses are and has reached out and I hope will continue to

reach out to the Defense Department in those areas where Defense obviously has the expertise.

Mr. ISSA. Well, as we continue to look at it, I am going to close with one question. I know we are talking and your specific expertise is in Iraq, but we have Iraq and Afghanistan. We also have the Horn of Africa, and we have other areas around the world that are hot, can become super-hot, and could fit the same model. Don't we have an obligation to have an answer that isn't simply, go look for recently departed from the military personnel to bring in contractors, but rather have an in-sourced, in-Government group of people who can meet those responses which could escalate as quickly, I shouldn't say as they de-escalate, because they don't seem to de-escalate quickly, but they do escalate quickly. Isn't that true?

Mr. THIBAUT. Mr. Congressman Issa, we would absolutely agree with that. The fact that the U.S. Army now has a core capability, they have more than 200 individuals on a team in Iraq right now doing LOGCAP, for example. There are no State employees doing LOGCAP. The only alternative is contractor or our contractor employees.

Your reference to other theaters is spot on. There is an absolute need to be able to respond quickly and effectively.

Mr. ISSA. OK. Thank you, Mr. Chairman. I hope we have a second round. I think this is a good line of questioning, and I appreciate your time and yield back.

Chairman TOWNS. Right.

I now yield 5 minutes to the gentleman from Ohio, Congressman Kucinich.

Mr. KUCINICH. Thank you, Mr. Thibault.

Going over your testimony which you read and didn't read that is in your prepared statement, and I see phrases like: no clear guiding policy; a pick-up game; lack of transparency, visibility, and basic data; transition limbo; State required to undertake a very large, hurried, expensive, and unprecedented exercise in contracting; functions falling off the table; diplomatic presence re-established and expanding in a country that appears unable to provide normal host country security and services.

There is another way to caption this: fiasco. I mean, this is not about fault; it is a fiasco. That is what you have described.

Now, I think when you hear about this discussion about Department of Defense and State it is like we are talking about two different countries here. This is within the same government, so what is really going on here? I think this is a teachable moment, Mr. Chairman.

Let us look at the Washington Post's account yesterday, Bob Woodward's new book. Here's a quote. I want everyone to think about this. Woodward quotes General Petraeus as saying, "You have to recognize also, I don't think you win this war. I think you keep fighting. It is a little bit like Iraq, actually." He's talking about Afghanistan, but then he says, "Yes, there has been enormous progress in Iraq but there are still horrific attacks in Iraq. You have to stay vigilant. You have to stay after it. This is the kind of fight we are in for the rest of our lives and probably our kids' lives."

The Washington Post, same Washington Post article, also tells of a real struggle inside the administration where President Obama kept asking for an exit plan to go along with any further troop commitment and is growing increasingly frustrated with the military hierarchy for not providing one.

So I think what is going on here, based on what this testimony is, is that the Department of Defense isn't getting its way. The top military commanders like Petraeus want to stay in Iraq, and so it is OK with them if the State Department's mission collapses, because then that opens the door for them to come in and to stay. This is so clear to see, and this testimony has to be put in the context of a desire of certain top military commanders to thwart, frustrate, delay, and otherwise impede an exit strategy from Iraq.

I mean, this Woodward book is an important book that is coming out, but you have to look at the struggle that has been going on within the administration to try to end the war. They might be good soldiers, they might be fine individuals, but they should not be making the policy for the United States of America. That is up to the President of the United States.

We see this report. It is a very disturbing report and Woodward's book. And when you hear this testimony today and you put it together with this emerging view of what is going on, there is just no question that the Department of Defense will do anything it can at this point to thwart the mission of the State Department to try to achieve a peaceful transition. Very clear that is what is really going on here.

It is just so clear I am amazed, but you can't say it, Mr. Thibault, but you have said it in so many words or less. I have numerous questions to ask you, but after I read your report and I am thinking about what I read yesterday, Mr. Chairman, what we really ought to be doing is calling the Secretary of Defense in front of this committee and General Petraeus and get them to explain why they are not cooperating with the State Department. That is what we really need to do. The State Department has been given a mission impossible, given the fact that the Department of Defense is not cooperating. And we know why: they don't want to leave. Why don't they want to leave? That is a subject for another hearing.

I don't have anything more to say.

Chairman TOWNS. I thank the gentleman for his statement.

I now yield 5 minutes to the gentleman from Missouri, Mr. Luetkemeyer.

Mr. LUETKEMEYER. Thank you, Mr. Chairman.

The title of the hearing today is Transition in Iraq: is the State Department prepared to take the lead? And in your summary, Mr. Thibault, you list a list of concerns here: unknown contract and program support from DOD, funding limitations likely to impact mission capability, need to contract for and perform functions that have never been done by the Department, and feel the Department has been placed in an unfair position to be able to deliver on their mission.

I guess my question is: you sort of prefaced in your summary here the reason for failure of the State Department to be able to lead and/or its concerns about leading, and I wish you would elabo-

rate on that because I would like to know, is the State Department prepared to lead on this?

Mr. THIBAUT. Our assessment, my assessment, is they are prepared to lead if they must. Their preference is to do as has been discussed here earlier, which is those organizations that can best provide support would provide them the support. That is the request. And the point is the request has been out there almost 6 months, and so they are going with a dual approach of planning, which doesn't make a lot of sense to us.

Their approach is: if the Department of Defense gives us support, here is what we can do, but if they don't give us support—and they have begun solicitation planning to use contractors for the many items introduced in our statement and in our prior report simply because they may not have a choice. And the points that have been made here, what we are trying to force out is a decision and then a debate on that decision, and the decision just is not forthcoming.

Mr. LUETKEMEYER. OK. So you delineated the concerns and the problems, and obviously there is some give and take here on what is going on. Let me back up a little bit to a couple things. During your testimony you raised some questions. One of the things you talked about is the MRAPS are going to be allowed to be used by the contractors. How much equipment are we going to be leaving behind or reassigning to the contractors? Do we give up ownership of this as the United States, or is it going to be ours and going to be utilized by the contractors? How does that work?

Mr. THIBAUT. Right. This would be still be government-owned equipment. The State Department provided a page-long, very detailed request for various equipment items, to include MRAPS and aviation transport and other types of critical equipment. That is also part of the request that is out there that hasn't been forthcoming. But the government would own it.

But I think the example of Commissioner Green, MRAPS go where there are security issues.

Mr. LUETKEMEYER. Right.

Mr. THIBAUT. Everyone here knows that there is a gunner on top of an MRAP, and the gunner's job is to provide safety. And we can say it is defensive, but it is really offensive. It is to take down insurgents. That is the great example of government-owned equipment that is going to be operated by contractors unless this coordination process evolves into something more meaningful.

Mr. LUETKEMEYER. What do you believe the mission to be for the transition here over to the State Department? Do you believe it to be a military operation yet, or is it turned completely into a political operation, or is it a combination of both?

Mr. THIBAUT. Well, I would say their mission that they would see is a diplomatic mission in an environment that is absolutely not secure. So by default, if they are providing all services, it has to be a combination of both.

Mr. LUETKEMEYER. OK. Well, during your testimony you also made a comment, something about the military was unable to respond to an attack under the new guidelines here, or did I misunderstand that?

Mr. THIBAUT. No, sir.

Mr. LUETKEMEYER. OK. Can you elaborate on that just a little bit?

Mr. THIBAUT. I am drawing a blank on the military unable. Oh, what I would elaborate on in my testimony was that now, within 6 to 8 seconds, the military puts indirect fire on top of insurgents who mount rockets or mortars and the like. The State Department has said, well, we would have difficulty obtaining that service from contractors, and therefore we don't have any plans to replace them.

The difficulty becomes, if you are one of the bad guys and there is no one raining fire down on your head immediately, you are liable to, rather than take one rocket and run, which is bad enough, you are liable to take many rockets and fire them all off into the area. And rockets are very random and the potential for security risks are amplified.

Mr. LUETKEMEYER. The contractors don't have the ability to respond?

Mr. THIBAUT. The contractors don't run indirect fire mortars.

Mr. LUETKEMEYER. OK. So our mission there then is it transitions over to the State Department, would be less military then?

Mr. THIBAUT. It would have to be the use of contractors if the military was not available to do counter-battery. The only other option would be the Iraqi forces providing that support, but to date that is not considered an option.

Mr. LUETKEMEYER. OK. I see my time is up. Thank you, Mr. Chairman.

Chairman TOWNS. I recognize the gentleman from Massachusetts, Congressman Tierney, for 5 minutes.

Mr. TIERNEY. Thank you, Mr. Chairman. And thank you, gentlemen.

When I wrote this bill that formed your Commission on Wartime Contracting in the House with my colleague Jim Leach, Republican, and then Jim Webb took it up in the Senate, it was our intention to give you the authority to go in and look at just these types of matters, and I want to thank you for doing that. I wish we had gotten the bill as a bipartisan bill through the House earlier so you could have gotten an earlier start.

But the important aspect of that was, in fact, identifying exactly what is an inherently governmental function and then giving us a course of how to remedy the current situation. So I am assuming that your report, either an interim report or a final report, is going to give us a path of recommendation as to what are the inherently governmental functions, how we ought to get to the point where government does them. And then if the correct government agency can't do it immediately, then how are we going to arrange for a proper government agency to do it in the interim, and then have a path of training people and bringing people on board for the right government agency to eventually do those functions?

And in the interim, if, perchance, some of it has to be done by contractors, and hopefully not, how they are going to get right management and oversight personnel and the right number of them in place to carry out those activities with insight not just into the subcontract but the sub-subcontracts. That kind of insight has been terribly missing, like our Subcommittee on National Security

and Foreign Affairs cited in Warlord, Inc. Report, for just one example on that.

Am I right about this expectation for your report?

Mr. THIBAUT. You are absolutely correct, Congressman.

Mr. TIERNEY. OK. Then I think we have here a real issue about funding on that, and the State has been hollowed out. I think you point that out very well on that. We have had a number of hearings in our subcommittee, as well.

Now, Secretary Gates has indicated in the past that he thinks he is going to save about \$100 billion in his cuts in Department of Defense with things that are redundant or ought not to be continued on. The problem as I see it is he has made some rhetoric in the past about thinking that the State Department ought to be beefed up.

I would hope that your recommendations go to how some of those savings for our national security interests would be transferred into the Secretary of State's agency to allow us to have a better national security posture by beefing up the Secretary of State. I don't know if you are going to go there or not, but I would recommend that you take a look at that.

It is all under the national security umbrella. It is not just a situation we have to stay in silos any more. If we are going to have a good national security posture, then it has to be one that puts the right people out front in the right places and it all has to be perceived as national security. It really shouldn't matter where the money comes from on that.

I think, you can correct me if I am wrong, that this is something we can look at not just in Afghanistan and Iraq, but in all of the places where Mr. Issa indicated that we may be posturing in the future, whether it be Yemen, Somalia, Sudan, or whatever, is to look at the right mix of people, what is inherently governmental there, and how we get those personnel in place.

Are you going to have time to do all of that by the time your report needs to be issued?

Mr. THIBAUT. Well, we are challenged and we are putting out a report this December with our legislative proposals so that they can be considered, or very early January, so they can be considered by the Congress.

In answer to your point, which is accurate, and Commissioner Green may want to amplify, if the State Department doesn't receive the kinds of funds that they are not receiving now, no matter what their capability is they are not going to get the job done, because they are not going to have the staff, the people, the resources to award and oversee contracts.

If part of that mechanism is to utilize funds that have been saved in Defense or have Defense provide certain functions that they already do, that will greatly contribute to the State's objectives.

Mr. TIERNEY. I would think that is basically accounting. If, in fact, you take the money that is saved in Department of Defense and it goes to Secretary of State and temporarily they can't do it themselves, then just subcontracting back to the Department of Defense. Maybe they have to work some major memorandum of agree-

ment or something where the resources are at least put in the right place.

Mr. THIBAUT. Right.

Mr. TIERNEY. And then temporarily spent back on that basis to cover it, because I know there is a lot of maneuvering between the Secretaries here who is going to pay for what, what budget this comes out of.

But the fact of the matter is we somehow, Mr. Chairman, have to transcend that and say, look, if you can save X amount of dollars, it ought to be in the Secretary of State's division, and if temporarily DOD has to fulfill it, then let them do a subcontract or something on that basis, but at least set up the mechanism where we are transitioning on a long-range plan, we have a plan to get where we eventually need to be. Because we cannot have the number of private contractors out there doing inherently governmental functions, because it is not the right message to send, because there is no check on liability, there is no accountability, and, frankly, it is rife for fraud and abuse and over-spending and inefficiency.

It is a big challenge that you have. It is one that we put in the legislation for you to do. I thank you for starting off on that way. We will support you any way we can, I suspect.

Thank you. I yield back, Mr. Chairman.

Chairman TOWNS. Let me thank the gentleman from Massachusetts, and also to thank him for his work in this area. Of course, we still have a long way to go, but I want him to know he has really got us going, and I think the serious questions are being raised, which is why I think this hearing is so important.

I now yield to the gentleman from Virginia, Congressman Connolly.

Mr. CONNOLLY. Thank you, Mr. Chairman.

Welcome, gentlemen. If I may, let me pick up where Mr. Tierney just left off. I find that sometimes the definition of inherently governmental is deceptively simple. Let me ask you both, for example, is the provision of security, ongoing security for U.S. personnel in Iraq, an inherently governmental function, in your view?

Mr. THIBAUT. Well, the simple answer, and I do not mean to be vague, is our perspective, and we have not come down formally on this because it is that important, is to recognize the different types of security, because you have convoy security, you have distinguished visitors security, and you have static or base security. There haven't been substantial issues or country concerns about base security. There have been issues about convoy security, very significant issues about the use of private security contractors and the like.

Mr. CONNOLLY. Well, your answer certainly comports with my own view that, again I repeat, deceptively simple. The answer is: it depends.

Mr. THIBAUT. That is correct.

Mr. CONNOLLY. There are some security functions that it may be perfectly proper for the Government to take over. There may be others we want to continue to contract out for various and sundry reasons. It depends.

Mr. THIBAUT. That is accurate.

Mr. CONNOLLY. Mr. Green, you would concur?

Mr. GREEN. I would concur. I think the difficulty here—and we haven't talked much about this—is we are really in a box. We have until December 2011 to get all troops out of country, and there really is no alternative, if that is the way we are going. There is no alternative to contractors, whether they are doing inherently governmental things or they are running a mess hall. Until when and if that decision is modified, we are going to do it with contractors.

Mr. CONNOLLY. Let me ask on contracting, one estimate of the number of security folks we are going to need, the State Department is going to need in taking over new responsibilities is they probably need somewhere in the vicinity of 6,000 or 7,000 contractors.

Mr. THIBAUT. Correct.

Mr. GREEN. Correct.

Mr. CONNOLLY. You would agree with that number?

Mr. GREEN. Yes.

Mr. THIBAUT. Yes, sir.

Mr. CONNOLLY. And how are they coming along in securing contracts to secure 6,000 to 7,000 private contractors for security?

Mr. GREEN. I don't know.

Mr. THIBAUT. I think I can assist with that. They have several solicitations that are in the works because of the growth, and the solicitations generally go toward existent companies with a proven record, contractors, because they have confidence in working with them, and in a very short turn-around you tend to go with those organizations. They try to utilize competition, but it is not as broad a base as might be desirable simply because of the expedient nature of the mission.

Mr. CONNOLLY. Are we confident that there won't be any holes in the security apparatus because of contracting mechanisms, or delays in the signing of contracts and the execution thereof?

Mr. THIBAUT. Well, the execution is interesting, because the way they are aligning is right now, using Iraq, it could fit Afghanistan I guess, but there are about 50 military bases, forward bases and military bases. That will go to maybe 14 or 15, counting those that are there for the Department of Defense for foreign military sales.

By necessity, what they have done is cut back their diplomatic capability to travel throughout the country, so one of the implications and outcomes—

Mr. CONNOLLY. They being our State Department?

Mr. THIBAUT. State Department.

Mr. CONNOLLY. Yes.

Mr. THIBAUT. They will not do the diplomatic mission to the extent they would like to because, even with 7,000, they have cut back dramatically. For example, the number of what they call PRTs, or the provincial teams that build diplomacy and build relationships and provide assistance, that has been totally pulled back to their four existing bases because of security. That is with 7,000 additional security individuals.

If they tried to keep it the way that they had it, I have no idea what that number would be, but it would be substantially more, maybe double.

Mr. CONNOLLY. At least speaking for this Member, Mr. Thibault, what you just said is stunning.

Thank you. I yield back, Mr. Chairman.

Chairman TOWNS. I thank the gentleman for yielding back.

I now recognize the gentleman from Illinois, Congressman Quigley.

Mr. QUIGLEY. Thank you, Mr. Chairman.

I suppose this is as good a time as any and as good an issue and location as any to say that I have a hard time disagreeing with my colleague, the gentleman from Ohio, about this issue. It is extraordinarily frustrating. And we should care about the issue, wherever it is in the United States, the fundamental issue of that which makes our country safer. And the fact is this transition has to work, and the Department of Defense has to help, because we are forgetting the issue closer to home here.

If I might indulge, we have heard of threats everywhere and would-be bombers. Well, the most recent one was in Chicago, and the would-be bomber placed the bomb a block from my house, so I can't help notice that the work that really matters first and foremost is taking place right here in this country. The success that has taken place in stopping this is good police work right here in this country. So you will have to forgive me if I am frustrated that the Department of Defense seems to have the mindset that staying in Iraq for a lifetime is going to somehow make us safer.

This has to work. The current strategy of stalling and making this difficult is counterproductive and in the long run makes us less safe.

But to the extent you gentlemen are willing to chime in, in the end, even if this transition works to the extent that you are talking about, do you really think the dynamics inside Iraq are going to be different 5 years from now or 10 years from now so that someone else from the outside won't have to play a big role?

Mr. GREEN. That is certainly a question that intellectually I am sure all of us have thought about. It is not within our charter, certainly. One of the great frustrations that State feels and that Defense feels, the chairman has remarked to it, as well as Secretary Gates and folks within the State Department, is the unsettled nature of the Iraqi government. There are many, many decisions that cannot be made until there is a government.

I can speculate until the cows come home when that might happen and the difficulties in achieving that, but the fact remains until that government is settled there are many, many decisions that cannot be made between State and the Defense Department.

I don't want to leave the impression that Defense is being uncooperative. We talked the one issue, the LOGCAP memo, I will call it. We do not understand why that has taken so long, but in other areas there has been significant cooperation. In fact, I briefed General Austin about 3 days before he left here to take over command in Iraq, and I told him, I said, "You know, if this fails it is not State failing, it is the country failing," and that is what it is.

So we have to work together. State, Defense, USAID, and any other departments and agencies that have a stake in this have to lean forward in the foxhole and make sure it happens the way our country has set up for it to happen.

Mr. THIBAUT. And I might add that, as part of your question, I think it is reflective today of the environment related to security as we pull out, which is in some cases increased, given the fact that we are at fewer locations. There is no indication that is going to cease when we turn simply to a diplomatic approach in 2011. We would all like that.

I think everyone would like that, but there is no indication; therefore, the State Department, as a good steward of safety, contracting, and the like. If you look at the numbers now on their four permanent locations they are building out right now, and they are building it out somewhere between two-thirds and 75 percent of each one of those locations are security people. The number of diplomats in two of them, because they had to cut them in half because of budget, you can't cut the security, are 20. So you have at embassy branch offices or consulates 20 people doing what State Department would like to do, and several hundred individuals doing security. That is, I think, reflective of your concern.

Mr. QUIGLEY. I agree.

Thank you. I yield back.

Chairman TOWNS. Thank you very much.

I now recognize the gentlewoman from California, Congresswoman Speier.

Ms. SPEIER. Thank you, Mr. Chairman.

Thank you, gentlemen, for your service. I am somewhat dumbfounded by what you have presented to us today. In some respects, we are just rearranging deck chairs, it would appear, and substituting a group of contractors to do what our military has been doing, and the contractors will be overseen by a State Department that doesn't have the oversight authority or capacity to do the job. Is that a fair analysis?

Mr. THIBAUT. Well, I think the State Department would say they are working very hard to try to build that capability, but I think that would be a concern that they have that, because historically, to call it just like it is, they have been slow to provide the kinds of contract oversight. They have been very responsive, but it has been a situation where their staff limitations have created challenges, and to pry out four or five additional contracting officer representatives to do the kind of work they do, which is to make sure a security company is satisfying their contract requirements, has been a challenge. So it will continue to be a challenge.

Ms. SPEIER. Has the State Department ever had similar responsibilities in any other country?

Mr. GREEN. No. Not like this. I mentioned early on that I participated in the transition from the Coalition Provisional Authority to the new embassy in 2004. And obviously when the Soviet Union went down and the State Department created a number of new embassies, those were big jobs, but they have never in my estimation, and I think others would support this, they have never faced this kind of a task in such a hostile or I will say non-benign environment. So you are in a high-threat area.

We do not know what is going to happen in December 2011 with the insurgency. What are they going to do? We have already seen periodic upticks in threats. In fact, the embassy compound took some rockets not long ago, and I was told that one of them clipped

the DCM's residence. So it is a high-threat environment complicated by the fact that they are going to have to take over many, many, many missions which they have no experience doing.

Ms. SPEIER. No core competency. That is not their job.

Mr. GREEN. Well, it is not their job.

Mr. THIBAUT. It is not their job.

Mr. GREEN. No.

Ms. SPEIER. We are giving State Department a job which they don't have core competency in, that they don't have the experience or expertise, and we are telling them to go out and do the, and, by the way, you are going to have 6,000 or 7,000 contractors under the auspices of the United States operating in country.

Mr. THIBAUT. And you have to add to that, because we are talking security contractors. If they are left holding the logistical support bag, they don't have a present capability in theater. They have no experience. They have relied on the Army.

Right now, because in advance of this I pulled down the number, there are 36,300 KBR employees that are providing logistical support in Iraq.

Ms. SPEIER. Excuse me one moment. Let me interrupt you. I apologize. That is a sole source contract at KB.

Mr. THIBAUT. Exactly.

Ms. SPEIER. So no competitive bidding?

Mr. THIBAUT. Exactly. But there are 36,300. That number will come down from 50 bases to maybe 14 locations. But if you do the math, 30 percent times 40,000, I could come up with another 10,000 that they would have to manage if, in fact, the Army doesn't provide that support. And the Army has become, from a management perspective, not necessarily a contracting but from a management perspective they are much better than they were, but to take it away from them and have State Department start all over just doesn't make sense.

Mr. GREEN. And, in fairness—

Ms. SPEIER. I am sorry. My time is about up. Let me just ask one more question.

Mr. GREEN. OK.

Ms. SPEIER. Is this going to cost the taxpayers of this country more money per—

Mr. THIBAUT. Absolutely.

Ms. SPEIER. How much more money?

Mr. THIBAUT. It is really indeterminable, but very substantial amounts of money, because there is going to have to be some kind of a transition, especially if competition results in a different contractor. You might save some money in competition, but you are going to be introducing the need for the transition.

Our position is that, starting in 2011, they should use LOGCAP 4. They should award a solicitation, bring competition in. If KBR wins it, great. If DynCorp or Fluor wins it, great. But there is a mechanism. But the longer we draw this out, just like the continuation of LOGCAP 3, the longer you draw it out, the more likely you are going to get a letter from the Department of Defense or from State saying we don't have time to use competition, let us extend the sole source contract. That is the risk.

Mr. GREEN. And we had better get this right, because we are going to be doing it in Afghanistan in the not too distant future.

Chairman TOWNS. Thank you very much. The gentlewoman's time has expired.

I now yield 5 minutes to the gentleman from North Carolina, Congressman McHenry.

Mr. MCHENRY. Thank you, Mr. Chairman. At this time I would like to yield the balance of my time to the ranking member, Mr. Issa.

Mr. ISSA. I thank the gentleman.

I want to followup on something because I think it wasn't intended, I am sure, to be part of this hearing, but it now is.

The gentleman from Ohio I believe implied that he needed to get General Petraeus and the Secretary of Defense in here, if I understood correctly, because the military doesn't want to leave and they want the State Department to fail.

Mr. Green, you have been on both sides of this. Do you see any malice or any legitimacy to the thought that either DOD or State wants the other to fail?

Mr. GREEN. No. I do not. And somebody maybe can find it, but I see no evidence that the military wants to stay in Iraq. I just served two tours in Vietnam, and I was happy to leave.

Mr. ISSA. There is a reason you count down those days, isn't there?

Mr. GREEN. That is right. But I think that there is cooperation. Why LOGCAP, why this one request has been held up, I don't think we need to build everything, the whole relationship around whether that one request was held up or not. Yes, it is a major one, but there has been a lot of other cooperation at the working level between State and the commands, and certainly in-country. So the simple answer is no.

Mr. ISSA. Yes. And you would say no also, I am sure?

Mr. THIBAUT. I would say no also. No, no. I agree with that statement. There is no indication at all that the U.S. Army wants to remain. In fact, they are pulling troops out in a manner which we might say pause in terms of some of the support requirement that the State Department needs.

But in my mind and maybe others' minds I think there is a question about does the Army really want to provide the kind of support that State needs. That I think is the stovepipe situation that you have already talked about.

Mr. ISSA. And the gentleman from Massachusetts alluded to the question, and some of this seems to be funding fight and the question of nobody wanting to spend their resources unless they are fully funded, and so on. Let me just put it in a context.

You know, we have all been to other host countries. I will just use Japan as a good example. In Japan we have a large military presence, and that large military presence, they are not just our host but they are our financial host. And so when we view our military support there, we view it as fully funded by the host country.

In the case of Iraq and Afghanistan, because you are absolutely right, we are going down that road, should this committee look into that the funding should be, even if it is U.S. dollars, should be hosted there, so regardless of who goes there they must go there

to get the money. In other words, if the Army were looking at cycling through people, or the Air Force or anybody else, or State, the money is there. They tap that money in host country. If they don't provide the support, if it goes to a contractor or it goes to a State Department employee, they use those funds. Would that movement of dollars to be independent of who does it allow for all the agencies to maybe play better in the sandbox?

Mr. THIBAUT. If such a thing was remotely possible that they could fund it, I know in Afghanistan if you look at the moneys we are spending now, the country has no ability to fund it.

Mr. ISSA. And I am not suggesting for a moment that we expect that the money would come from the host country.

Mr. THIBAUT. Right.

Mr. ISSA. But when it comes from the host country, the Army, Navy, Air Force, everybody sort of competes for, OK, can I get a slot in there? Is that slot meaningful? And I know I am going to be paid for it.

If we move it, because we have an appropriations system, it is stovepipe, for the most part, by committees. But if we looked at Iraq and we had Iraq funding as a stand-alone and we made it independent of whether the Army or the State Department or the Department of Interior got the money initially but the money was there and we did an authorization for that. Now, it is basically still State Department money, but it wouldn't be State Department money in the large barrel, it would be Iraq funding for State activities. If we did that, wouldn't that eliminate some of this problem of people being reticent to pay for something unless they are going to get paid back because they see it as taking from other mission?

Mr. GREEN. I think, if I understand your premise, I think something like that was recommended by Secretary Gates to Secretary Clinton, and, as I understand the proposal, and I don't understand it terribly well, that each would put money in a pot commensurate with their responsibilities to do certain things.

As you know better than I, State's budget is minuscule compared to DOD. DOD rounds off more at the end of the year than State has to spend, other than in foreign assistance, which can't be touched for this.

I haven't given it a lot of thought, but if there were an appropriation, a pot of money, and the State Department didn't have to contribute to that, because that is where I think they have a difficulty, but if there were a pot of money I think it would eliminate some of this back-and-forth, because, as someone mentioned before, you know, Gates is going to save \$100 million but he is going to let the services keep that to apply it to new weapons systems and personnel increases. So unless somebody says, no, he can't do that, that is what his plan is.

Chairman TOWNS. The gentleman from North Carolina's time has expired.

Mr. ISSA. Mr. Chairman, I would ask that the witnesses expand on that in writing, and that perhaps we flesh out some of the possibilities together to recommend to the President.

Chairman TOWNS. Without objection, so ordered.

Mr. ISSA. Thank you.

Chairman TOWNS. I now recognize the gentlewoman from California, Congresswoman Watson.

Ms. WATSON. Thank you so much, Mr. Chairman. I am sitting here very, very frustrated because we got into a war that was not declared by Congress. The Secretary of State said if you break it, you own it. And there is no way, and I want this for the record, there is no way that we are going to win a war of a particular cultural and traditional quality with guns and bullets. Now we are discussing the State Department, whose mission is completely different. The mission of the State Department is to work on the foreign policy of our Government and the post we are in, the Nation we are in, diplomatically.

So I think the responsibility, and I am saying this to the Commission to deliver to your members and to the President, we need to have the military and this committee needs to do the oversight, provide for the military security and the security of our missions as long as we are there.

We have not won a war. We are trying to have a sovereign nation use a diplomatic system with their experimenting with, but we do not need to take on that burden through the State Department.

So what I am asking is: will you recommend strongly again in your next report that the military take over securing with the number of forces that are needed as long as we are there? And, my friends, we are going to be there forever. It is a completely different part of the world with different goals and different ways of running their own nations. We have to understand that.

So my question to you is: can we put forth a contingency plan for the State Department to be able to have the kind of security and to fulfill their mission that will be funded through the resources of DOD?

Mr. THIBAUT. Under the current budgetary and fiscal guidelines, you know, you are asking can we. That is not doable because there is—

Ms. WATSON. What is not doable?

Mr. THIBAUT. Separate streams of funds and the like. This committee or an organization—

Ms. WATSON. What are we asking the State Department to do? We are asking the State Department to take over the responsibilities of the military, correct?

Mr. THIBAUT. In many cases that is absolutely correct.

Ms. WATSON. Yes. I ran a mission. It was a tiny mission over in Micronesia. We contracted out our security. We hired a former Marine who headed up a security company, and because of the size of the mission it worked. But we are in a war zone, as determined by the last administration, and we still have troops there. So can we, using that kind of line of thinking, ask the Department of Defense to increase the budget for securing that mission that we are still involved in?

Mr. THIBAUT. We would support, and it is stated in our testimony, a requirement that the Department of Defense more timely and effectively sit with the State Department, go through those functions that they ought to be doing—

Ms. WATSON. Exactly.

Mr. THIBAUT [continuing]. And that there be a requirement that they do those functions. From a budgetary viewpoint, the question then remaining is who funds it.

Ms. WATSON. OK. Let me take that off the table and ask the chairman of this committee if we can develop a letter stating just what has been mentioned, and send it to the President, Commander in Chief, and to DOD, and to the State Department, because the State Department does not have the skill sets to provide the kind of security. They contract it out usually. So the subject matter of this whole hearing is the oversight responsibility that we have, and I think we ought to send a letter saying let DOD do what it is assigned to do so the State Department can carry out its mission and provide the funding.

Chairman TOWNS. I understand the lady's request. When we do hear from the second panel we will make a decision as to how we move from here.

Ms. WATSON. Thank you.

Mr. THIBAUT. Thank you.

Chairman TOWNS. The gentlewoman's time has expired.

I now recognize the gentleman from Tennessee, Congressman Duncan, for 5 minutes.

Mr. DUNCAN. Well, Mr. Chairman, because I was in other meetings I wasn't able to get here in time, and so I am going to yield my questioning period to Mr. Issa.

Chairman TOWNS. The gentleman is recognized for 5 minutes.

Mr. ISSA. I thank the gentleman from Tennessee.

I believe this is so important. Our staff has worked hard on more questions than we will ever ask, and I would ask if both of the gentlemen would be willing to answer some additional ones in writing.

Mr. THIBAUT. Absolutely.

Mr. GREEN. Certainly.

Mr. ISSA. They will probably be the ones less of interest to some people, but more of interest to the staff that, in detail, would like to produce a report afterwards.

I am on leave of absence from the Foreign Affairs Committee, so I have to know my limitations and I have to remember the jurisdiction of that committee, but we have 1,600 people in six major facilities in Iraq in the current plan roughly, is that right? That is the number that I have in front of me for the embassy and branches or consulates.

Mr. GREEN. The diplomatic side?

Mr. ISSA. The diplomatic side, yes.

Mr. GREEN. That is probably pretty close.

Mr. ISSA. So part of the need for a total of 7,700 people, or roughly 6,100 contractors if the fit doesn't hit the shan in the weeks after military begins pulling out, is because of the size of our mission, the largest mission anywhere in the world; is that right?

Mr. GREEN. It is both the static security of the embassy and the four other posts, plus the personal security details that would be there and available to escort and protect the diplomatic staff.

Mr. ISSA. Now, in my time going around nation world in the Foreign Affairs Committee, one of the things that I observed regularly was that USAID typically only goes if it is safe enough, and in the Horn of Africa and a number of other areas it usually begins phas-

ing over to the military to do AID projects if it is an insecure situation. Iraq has fit that. Afghanistan fits that. This is a place in which the military contributes far more to the construction projects and so on than the State Department.

Am I to understand that this plan envisions USAID taking over construction and activities of that sort, development, and the democracy movement, and doing so with this size force, as it does not do in most other areas?

Mr. GREEN. I think that certainly the AID mission when it comes to reconstruction and stability operations will increase because, to the degree that we would do SERP-like projects—

Mr. ISSA. Right.

Mr. GREEN [continuing]. They won't be SERP, but AID would take over those to the degree they have the capability and that their implementing partners have the capability you are absolutely right. The AID staff, if there are unsecured areas, they don't tend to go out, but they count on their implementing partners.

Very frankly, most of the implementing partners don't want that linkage with the Defense Department. They don't want a flag out there, because they believe it attracts the wrong kind of attention.

Mr. ISSA. Sure. I understand that. That is always controversial of whose sign goes up and who gets credit.

Mr. GREEN. Yes.

Mr. ISSA. There is always some sheik who would prefer the credit over anybody else.

Actually, I remember in the latter days of Jimmy Carter when we sent free wheat to Russia, to the Soviet Union, and they proceed to paint over anything that said United States and put good made in Russia on it so that their people would think they were being fed by themselves. I guess things never change.

The question I have goes back to that self-inflicted wound. We have missions of various size, Marines and seconded military personnel, military attaches. Egypt, for example, has a large amount of our military people that work in and for the Ambassador. Is there any inherent reason that Iraq is preventing military assets from being, I use the word seconded, but assigned to the Ambassador for purposes of many of these duties? Is there anything that has absolutely been negotiated away so that would be impossible?

Mr. GREEN. Not that I am aware of. In fact, plans are well underway to form the Office of Security Cooperation, and they are going to have several sites around the country and they will facilitate, through both active military and technical staff, facilitate sales to the country.

Mr. ISSA. So the idea that there are 50,000 troops and the 2011 deadline is actually a not-quite-true deadline because we are going to have a large amount of military personnel present for activities other than war fighting?

Mr. GREEN. Well, a large amount. Right now the number of military—

Mr. ISSA. Compared to Micronesia.

Mr. GREEN. Micronesia? Probably.

Mr. THIBAUT. There are going to be five locations for sure, and they are thinking an additional four to accomplish those duties.

The military footprint between 400 and 500, but if someone is thinking the military is all gone, that is not the case.

Mr. ISSA. Thank you.

Thank you, Mr. Chairman.

Chairman TOWNS. The gentleman from Maryland is recognized for 5 minutes, Congressman Cummings.

Mr. CUMMINGS. Thank you very much, Mr. Chairman.

Let me ask you this. Are the Departments of Defense and State considering re-negotiating the Status of Forces Agreement to allow the military task force to provide security and re-establish the lost functions that are critical for security and mission success?

Mr. GREEN. I think that the ball is really in the court of the Iraqi government such as it is, and once that new government is formed and solidified they will make the decision whether they want to request that the Status of Forces Agreement be modified. As I am sure you know, there have been calls by various folks in the Iraqi government, the vice president, the head of the military, the former vice president, to say, hey, troops need to stay longer. But that then will be a decision, a recommendation that will have to be considered by this administration, whose current position is that troops are out of there by December 2011.

Mr. CUMMINGS. Well, that leads me to my next question. Are the Department of State and Defense meeting regularly to develop strategies and contingencies in case Iraq does not form a government soon?

Mr. THIBAUT. Well, I think the point we try to make is at the middle management level, and by that I mean the coordination of colonels and senior State Department officials, is greatly improved in the last 4 or 5 months. It is somewhat robust. So are they developing a plan? I can't say that for sure, but they are discussing the alternatives that are there. But there is no guiding policy.

We would say that many of the areas that we are suggesting remain and are inherently Governmental, that those areas would probably require a change in the SOFA in order to effect that after 2011.

Mr. CUMMINGS. So if a government is not formed, then what happens?

Mr. THIBAUT. That is a problem.

Mr. CUMMINGS. You have to tell me more than that.

Mr. THIBAUT. Well, under the current policy and Statement of Forces Agreement we are out of there at the end of 2011. The military planning is we are out of there at the end of 2011.

Mr. CUMMINGS. No matter what?

Mr. THIBAUT. They lock step and salute when situations like that occur, and that may be part of this issue about them wanting to support the State Department. Hey, we are leaving. Now, we don't think that is a good idea.

Mr. CUMMINGS. Yes. Yes. Well, what is the Department of State's grand strategy for Iraq, and how do we define success?

Mr. THIBAUT. Well, I think their grand strategy they would tell you, and I can't speak totally for them, but they gave us a list of about a dozen diplomatic objectives and responsibilities. I think there would be to build a more effective, safer government environ-

ment and accomplish those areas consistent with the United States' policy.

Mr. CUMMINGS. So that is the document that you are talking about that I guess you are looking for right now. It is OK, you can look while I talk. So I take it that document is the measuring tool; is that right?

Mr. THIBAUT. Well, it certainly would be the objectives that are laid out there, and I thank you for giving me the time, but they are talking about areas. They would be successful if they mitigate and mediate Arab, Kurd, Suni, Shiian, Provincial, Baghdad tensions, so there isn't a sectarian war.

Mr. CUMMINGS. Right.

Mr. THIBAUT. I am going to call it like it is. Strengthening the capacity of provisional, the provinces' institutions at key flashpoint locations, in other words, where there is potential unrest, strengthen government, or whatever is needed. Those are the criteria under which they would be judged, not military criteria.

Mr. CUMMINGS. Mr. Green, I have 32 seconds. I want to hear what you have to say.

Mr. GREEN. Well, I can just run through a couple of the others here: balancing foreign interference, encouraging foreign investment and economic development, promoting the safe return and resettlement of displaced persons, providing limited services to American citizens, presenting American policy and promoting mutual understanding and respect for American values. That is kind of the laundry list of what they hope to achieve through the embassy and through these four other posts that they are planning to establish.

Mr. CUMMINGS. I see my time is up. Thank you very much.

Mr. GREEN. Thank you.

Chairman Towns. I would like to thank the gentleman from Maryland.

If there are no further questions, at this time I would like—

Mr. CLAY. Mr. Chairman.

Chairman Towns. I am sorry, the Congressman from Missouri, Mr. Clay.

Mr. CLAY. Thank you, Mr. Chairman. I will be as brief as possible. Let me thank both witnesses for being here. You both paint me a very troubling picture of Iraq's security realities and of the State Department's ability to handle this transition.

The State Department has requested over \$4 billion to fund its plans for a large civilian presence in Iraq during and after the draw-down of U.S. forces. Concerns have been raised that the State's budget request may not reflect the actual cost of its future civilian presence. Do you believe that the State Department is capturing the full cost of what it is going to take to fund this transition?

Mr. THIBAUT. I think that might be two parts in that answer. I think they are trying to capture the cost, but what they are doing is they are moving costs now under a plan to the right. In other words, the permanent construction of these new sites, it is an unfair word, but they are coddling together available resources to build T-walls and things they are bringing from a distance rather than building new sites, and they are moving that to the right.

There are several examples where fiscal management is requiring that they meet these challenges by delaying the application of the funds, because it is a zero sum gain and they don't have enough funds.

Mr. CLAY. Well, with the hiring of private contractors and civilian presence, are there enough safeguards to ensure that is transparent, that there is accountability? Mr. Green, you can try that.

Mr. GREEN. I believe it does. I think that there has been so much planning that has occurred relative to security that I think, under the current circumstances, that the DP believes they have the bases covered.

To answer your question about the \$4.7 billion or \$4 billion that they requested in the 2010 supplemental and the 2011 budget, is that enough? I don't know because it is like painting a moving train. As I mentioned in an earlier comment, until the Iraqi government is stood up and is able to make some of the decisions that they have to make, for example, the transfer of property. We can't get a final OK on the four sites for the consulates and the other two sites for the embassy offices. We can't get final approval on those until the Iraqi government gives a green light.

There have been discussions. The chief of staff to the Prime Minister and the DCM at the embassy have had detailed discussions. They get a wink and a nod. But until we know that real estate, as an example, is there for the State Department we don't know all of the costs associated with it.

Mr. CLAY. This is my final question. On the issue of transfer of power, is DOD dragging their feet because they don't support the change of policy in Iraq and the hand-over to the State Department?

Mr. GREEN. I would say no. I would say that DOD is probably the reverse: giving up when they shouldn't give up certain responsibilities that have been brought up here previously that they should be performing.

So maybe it is the opposite of it, to an extent. They have been told to get out, and they are in a hurry to get out. I mean, they know the date is December 2011 and they have saluted and they are making plans to turn over these responsibilities to the State Department, move equipment out, transfer equipment where appropriate.

Mr. CLAY. And you are comfortable with that?

Mr. GREEN. No.

Mr. CLAY. No, you are not?

Mr. THIBAUT. No, we are not. No, sir.

Mr. CLAY. OK. All right. I thank you both for your testimony and your answers.

Mr. Chairman, I yield back.

Chairman TOWNS. Thank you very much. Let me just say to the gentleman from Missouri, that is why we are having this hearing. We want to make certain that these questions are answered. I want to thank you for your questions.

Let me thank the witnesses for their work. Of course, we look forward to continuing our dialog. There will be some questions that we will submit to you in writing, hoping to get answers to them, as well.

Please convey our best to Congressman Shays.

Thank you very much.

Mr. THIBAUT. We will, and thank you, sir.

Mr. GREEN. Thank you, sir.

Chairman TOWNS. Thank you.

Let me just say to the Members that just before the vote coming up very shortly what I would like to do, there are five bills I think we can quickly pass, and then call up the second panel. Why don't we do that. If staff would make the transition, then we will go to the second panel immediately after that.

[Recess.]

Chairman TOWNS. Now we have a second panel that we would like to call up.

The second panel, Mr. Stuart Bowen, Jr., has served as the Special Inspector General of Iraq Reconstruction since 2004, and before becoming the Inspector General Bowen served President George W. Bush at the White House in roles including Deputy Assistant and Deputy Staff Secretary. Mr. Bowen also served on Governor George Bush's staff, and as an assistant attorney general of Texas Mr. Bowen spent 4 years on active duty intelligence U.S. Air Force.

As we do with all of our witnesses, we swear you in. Raise your right hand.

[Witness sworn.]

Chairman TOWNS. Let the record reflect that he answered in the affirmative.

Of course, I am sure you know the rules, that you have 5 minutes. Of course, as you know, after 4 minutes the yellow light comes on, and then after that minute the red light comes on. Of course, the yellow light means sum up, red light means stop, which will allow us an opportunity to raise some questions.

You may begin.

**STATEMENT OF STUART W. BOWEN, JR., SPECIAL INSPECTOR
GENERAL FOR IRAQ RECONSTRUCTION**

Mr. BOWEN. Thank you, Chairman Towns, Ranking Member Issa, members of the committee, for this opportunity to appear before you today on the critical issue facing our country in Iraq right now.

The title of the hearing captures it well: Transition in Iraq: Is the State Department ready to take the lead? Defining "ready" is a difficult task, as we heard from the first panel. There are structural challenges, funding challenges, core competency challenges inherent in analyzing this question. But let me put it in context by identifying three ongoing evolutions in Iraq affecting our program.

First, the U.S. effort is evolving from a large-scale contingency relief and reconstruction program to a more regular order and more regularized foreign aid package. That is not to say that this isn't still a huge funding initiative, a huge rebuilding effort still ongoing, one of the largest in the world today. Indeed, combining the supplemental and the fiscal year request, the State Department is seeking \$6.3 billion to spend in Iraq over the next year. Significant. One of the largest foreign aid packages operative today.

Second evolution is the departure of DOD down to 50,000 this past September, down to zero active troops on the ground by the

end of next year. It means that the security environment is fundamentally changing. The backdrop that DOD provided in movement across the country is disappearing, and as a result the State Department is requesting hundreds of millions, in fact, billions of dollars to fund continuing security. Without that security, doing the job of foreign assistance, foreign support, foreign aid will become virtually impossible.

And the third evolution is the changing nature of U.S. aid in the country. As was mentioned in the earlier panels, the Provincial Reconstruction Teams are going away, enduring presence posts will replace them, from 15 PRTs down to 4 enduring presence posts. The nature of our effort is also moving rapidly away from hard reconstruction. But we still continue to spend significant sums in the training of police and the training of Iraq's military.

This work raises several concerns about the readiness question regarding the State Department's operations in Iraq. We have conducted four audits of their police training program, the largest contract in State Department history, \$1.2 billion, managed by INL, not managed well. As our audits have shown, the need for strengthening oversight for better contract management for actual increased personnel, ensuring that the program goals are met, is essential to accomplish that critical task, bringing security to Iraq through its re-energized police forces.

Second, our audits have raised concerns about grants and contracts that the State Department manages, identifying specifically that the contracting practices are weak, the grants management practices have been weak. This year we have issued two audits, the third one coming out shortly, on the management of grants by NDI and IRI through DRL, Democracy Human Rights Office in the State Department, and we found excessive costs and inefficient management or oversight of the goals that were sought to be achieved through that program.

The other piece that is a huge part of the pending supplemental and the pending funding is providing life support and security. The supplement has already provided \$725 million for security, and Secretary Lute said that is only a quarter of the needs, so significant additional funding necessary for security.

Finally, the State Department is going to need to address an issue that our office has repeatedly highlighted, and that is the oversight of asset transfer, the transfer of projects completed by the United States and transferred to Iraq, and the sustainment of those projects. Real waste, in fact, may continue to occur in Iraq if those assets aren't effectively managed through a coordinated asset transfer program, and if they are not sustained.

The truth is that over the last couple of years hundreds and hundreds of projects that the United States has funded and built have been transferred unilaterally to the government of Iraq. That is no way to run a rebuilding program.

Ultimately I think that the considerations that we recommend in our report, which echo those that I sent in a letter a year ago to the Ambassador and the commanding general in Iraq, need to be applied to the continuing State Department program; namely, strengthening contract, program, and grant management controls,

and continuing to invest or resource the State Department's capacity to carry out those missions.

It is a fact that their overall contract effort has been identified as weak by the State Department IG, by the GAO, and by our reports. I think it is time for reform in that area, but there is a larger reform. Let me close with that point that I think was expressed by the first panel and I think is evident as a lesson learned, the hardest lesson learned from Iraq and, frankly, from Afghanistan, and that is the lack of an integrated system for managing contingency relief and reconstruction operations overseas.

This is not a new issue. We experienced it in the Balkans, Panama, Somalia, but Afghanistan and Iraq are the biggest ever in history, of course. Combined, over \$100 billion spent. Combined, tens of billions wasted. That is not acceptable, notwithstanding the security challenges in both countries. And the path to reform, one of the mandates of this committee, Oversight and Government Reform, is reforming the U.S. approach to structuring, executing, and being held accountable for contingency relief and reconstruction operations.

Mr. Chairman, thank you for the opportunity to appear. I look forward to your questions.

[The prepared statement of Mr. Bowen follows:]

Testimony of

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

At a Hearing on
“Transition in Iraq: Is the State Department Prepared to Take the Lead?”

Before the
Committee on Oversight and Government Reform,
United States House of Representatives

September 23, 2010

Chairman Towns and Ranking Member Issa, thank you for inviting me to address the ongoing transition in Iraq from one where a predominant role has been played by the Department of Defense to one where that role will be played by the Department of State.

At the outset, I should say that, as our lessons learned work has shown, previous organizational transitions in Iraq have been the occasions of significant waste; so it is appropriate you are giving attention to the question of how this transition is being handled. I also applaud the valuable work of the Commission on Wartime Contracting. I agree with its analysis on this issue and concur with its recommendations.

The leading transition issues that we at SIGIR are concerned about are shaped by the fact that the major reconstruction program, as we have known it, is ending, and the United States is now embarking on a more traditional foreign aid program to provide assistance to Iraq and to promote its democratic and economic development. The civilian agencies, led by the Department of State (State), will have the lead on these programs.

The leading challenge is the hard reality that our program will continue to be conducted in a dangerous environment. The U.S. military’s role as a provider of significant support for civilian agencies has been reduced; and the military’s remaining force-presence will gradually disappear as our troops execute their scheduled withdrawals from Iraqi territory over the next year. These challenges are set out starkly in the Commission’s July 2010 report.

The United States’ continuing assistance program, which could cost around \$1.5 billion annually for the foreseeable future, will be among the largest aid efforts the United States is now or has ever been engaged in – even though it is significantly smaller than the funding numbers we have seen for seven years in Iraq. The Department of State has responsibility for all continuing foreign assistance to Iraq, as well as for ensuring that previous reconstruction projects, and those ongoing, are properly transferred to Iraqi control and are sustained (so that past U.S. investment is not wasted). This is a large task, one that will require serious assessments and applications of the past lessons learned.

My office's previous reporting on State's management practices in large Iraq programs raises concerns about whether State will be able to effectively manage both the very significant life support and security tasks (many of which have been provided by the Department of Defense (Defense)) and the diverse ongoing assistance programs, without risking the loss of taxpayer dollars to waste.

I do not have in mind simply the potential losses that could arise from weak program, contract, or grant management, which SIGIR audits previously uncovered. It may prove wasteful to keep civilian employees in Iraq and fund assistance programs simply because, if security conditions prevent civilian travel, then oversight of assistance programs could become impossible.

We recognize that State is relatively new to large-scale program, contract, and grant management. The projects it has undertaken in Iraq – and the projects it will inherit from other agencies, as they leave – are many times greater than those it has traditionally managed. It takes time to nurture an organizational culture that respects the need for planning and to develop a workforce with appropriate skills. State needs to promptly address this issue. It does seem clear that a relatively modest adjustment of State's budget priorities could make an enormous difference in the quality of State's project, contract, and grant administration. That is, spend more on oversight.

State Needs to More Effectively Manage Programs, Contracts and Grants

SIGIR has looked at a variety of State's management of programs, contracts, and grants in Iraq and found weaknesses in several areas.

Program Management. It is important to recognize that State historically was a relatively limited player in the *direct management* of U.S. civilian foreign assistance programs. The U.S. Agency for International Development – structurally part of State, of course – has been the principal conduit for most forms of development assistance, while Defense has administered military assistance programs under the aegis of State.

In recent years, State's direct management role increased, particularly regarding democracy development issues such as anticorruption, development of political parties, police training, and counternarcotics matters. State's responsibilities in these areas became significant in Iraq.

Unfortunately, the support made available to manage these programs effectively did not increase correspondingly. As a result, some programs lacked sufficient oversight, were poorly coordinated with other agencies, and failed to receive the management attention necessary to best ensure that goals were met in the most efficient and effective manner. SIGIR reporting revealed instances wherein contracts and grants did not receive the required oversight necessary to ensure that funds were not vulnerable to waste or abuse or that costs were appropriately charged.

These problems could become more pronounced as State assumes the key management responsibility for all foreign assistance efforts in Iraq.

One such example of problems in managing large development programs was the State-led democracy-building program in Iraq. In 2008, SIGIR reported on problems in implementing the effort.¹ We found that the strategy did not clearly assign accountability for implementing the program's key components and failed to address how U.S. goals and objectives would be integrated with the Government of Iraq (GOI) and international organizations. We also concluded that there were insufficient means to measure progress on projects managed by a number of non-governmental organizations.

SIGIR found that State was not providing the level of oversight needed to ensure that its grantees meet set goals. An insufficient number of trained personnel coupled with insufficient travel budgets to enable more frequent oversight were major contributors to this problem. SIGIR's reviews raise questions about whether State will be in a position to efficiently prioritize, assess, and develop its future democracy-building efforts.

Another area of concern raised by SIGIR reporting has been State's anticorruption programs. SIGIR issued four reports on these between 2007 and 2008, finding that State had difficulty in effectively supporting and leading U.S. efforts in this area.² To illustrate, State was running its own programs but could not develop a listing of all anticorruption efforts the U.S. government was engaged in, and it was not effectively coordinating all activities. While we noted improvements over time and a positive shift toward supporting the larger U.N. anticorruption effort, the recognition and response to these problems was too long in coming, which raises questions about the capacity of the Department to quickly and effectively respond to identified management problems.

Contract Management. Difficulties in managing contracts have been most clearly demonstrated in the Department's deficiencies in managing its police training contracts. In January of this year, we reported that State's Bureau of International Narcotics and Law Enforcement Affairs (INL) continues to exhibit weak oversight of the DynCorp task orders in support of the Iraqi police training program.³

Because INL lacked sufficient resources and controls to adequately manage the task orders with DynCorp, SIGIR concluded that over \$2.5 billion in U.S. funds had been vulnerable to waste and fraud. Specifically, we found that the In-country Contracting Officer Representatives, who are critical to overseeing DynCorp's performance and expenditures under the current task order, did not perform adequate reviews and tests to ensure that: (1) the costs submitted by DynCorp on invoices were allowable under the contract/task order, supported by appropriate documentation, and correct; (2) U.S. government property managed by DynCorp was adequately controlled; (3) lease agreements negotiated on behalf of the U.S. government protected the U.S. government's

¹ *Opportunities to Enhance U.S. Democracy Building Strategy for Iraq*, SIGIR-09-001, October 22, 2008.

² *Status of U.S. Anticorruption Efforts in Iraq*, SIGIR-07-007, July 24, 2007; *U.S. Anticorruption Efforts in Iraq: Sustained Management Commitment is Key to Success*, SIGIR-08-008, January 24, 2008; *U.S. Anticorruption Efforts in Iraq: Progress Made In implementing Revised Management Plan*, SIGIR-08-016, May 24, 2008; *Anticorruption Efforts in Iraq: U.S. and Iraq Take Actions but Much Remains to be Done*, SIGIR-08-023, July 30, 2008.

³ *Long-Standing Weaknesses in Department of State's Oversight of DynCorp Contract for Support of the Iraqi Police Training Program*, SIGIR-10-008, January 25, 2010.

interests; and (4) the government received the services at the performance standards specified in the task order. These were not new problems.

In 2005, the Department of State Inspector General told INL that its staffing had not increased commensurate with its workload and that it needed to strengthen its oversight of the contracts for Iraq. In 2007, SIGIR, jointly with the State OIG, told INL that its poor oversight of the contract for Iraq had put millions of dollars at risk. In a hearing and in responses to audit reports, INL officials have repeatedly stated they recognized the problems and had begun initiatives to increase staff and improve management and oversight of the contract for Iraq.

But this year's review revealed that INL had not sufficiently followed through on those initiatives. As State begins to take full responsibility for the police training program from Defense in 2011 and continues to oversee contracts costing the American taxpayers hundreds of millions of dollars, it will be critical for it to have in place effective management and controls to ensure that U.S. funds are effectively and efficiently spent.

Grant Management. State's management of grants has not been immune to the problems confronting its management of programs and contracts. Here again, the lack of sufficient numbers of skilled personnel hurt the ability of the Department to ensure that grants are meeting their intended purpose and are being implemented in the most efficient and effective manner. Oversight requirements for grants differ somewhat from oversight requirements for contracts in that grants are used when it is anticipated that there will be no substantial involvement between the agency and the recipient during performance. Moreover, Federal oversight requirements of grants are less stringent than those for contracts.

These differences, however, do not relieve State from adequately overseeing its grantees. Unfortunately, we found that the Department did not meet the required level of oversight. In several reviews executed this year, SIGIR has looked at the Department's efforts to manage grants awarded by the Bureau of Democracy, Human Rights and Labor (DRL) to the International Republican Institute (IRI) and the National Democratic Institute (NDI). We found that the Department did not provide the level of oversight necessary to ensure that it was not paying for excessive charges and to know exactly what was being achieved. As a result, SIGIR has questioned some of the costs incurred by these organizations. Again, we can attribute some of these problems to an insufficient number of skilled personnel to oversee the grants. Because DRL does not have dedicated Grants Officers, it relies on the Department's Office of Acquisitions Management to award, amend, and manage its grants. However, each grants officer who had been in charge of these democracy grants was also responsible for managing up to 250 grants at the same time.⁴

⁴ *Department of State Grant Management: Limited Oversight of Costs and Impact of International Republican Institute and National Democratic Institute Democracy Grants*, SIGIR-10-012, January 26, 2010; *Improved Oversight Needed for State Department Grant to the International Republican Institute*, SIGIR-10-022, July 29, 2010. SIGIR will soon be releasing an audit of State's largest democracy grant to the National Democratic Institute.

State Needs to Determine How It Will Provide Life Support and Security for Its Employees and Contractors

As discussed by the Commission in its report, the U.S. Embassy in Iraq has been relying on the Defense Logistics Civil Augmentation Program (LOGCAP) contract to provide its employees necessary life support. The contract is a U.S. Department of the Army (Army) program that preplans for the use of private resources in support of worldwide contingency operations. In the event that U.S. forces deploy, contractor support is available to commanders on a cost-plus-award-fee basis.

As SIGIR reported in October 2007, LOGCAP is a *contingency contract* and thus is considered “a contract of last resort” for customers (because of the potential additional costs arising from its noncompetitive aspects). We noted that contingency contracts are primarily designed for areas where emerging requirements are the norm, rapid response is required, and/or conditions are such that normal sustainment contracts are not competitively available. We noted that, once conditions stabilize and a reasonable determination can be made as to the quantity and type of contract work that will be required to support a mission, customers should transition from contingency contracts to a more normal, cost-effective contract.

We recommended that, when security conditions in Iraq allow, the Department should consider transitioning from the Army’s LOGCAP contract for life support of the U.S. Embassy-Iraq mission to a State-managed life support contract. Such a change would allow for more competitive contracting in the longer term and may be desirable from the standpoint of cost effectiveness.

We believe that when security conditions permit, State should take the step we recommended. However, at this time, for the reasons that the Commission recommends, State and Defense should continue to employ the LOGCAP contract to support State in Iraq; if Congressional action is needed to facilitate this eventuality, it should be taken.

We have not analyzed the question of how State would acquire the range of security services the Commission believes may be necessary for Iraq, but our review of other aspects of State’s business practices raises concerns about capacity. In broad terms, State’s contract administration and enforcement efforts need strengthening. State should plan to expand its efforts by employing the most qualified contracting professionals in government for help on these acquisition projects, at least in the near term.

State Will Need to Address Project Transfer and Sustainment Issues

State Department officials have reiterated that the U.S. must maintain its focus on Iraq to ensure that the billions of reconstruction dollars spent in Iraq are not wasted. To that end, the Embassy is currently conducting a review of ongoing projects to determine if any are no longer needed and should be terminated. It is also determining what more should be done to ensure that the GOI is sustaining completed reconstruction efforts. Both are positive efforts aimed at avoiding waste which we strongly support.

State will be inheriting a multitude of construction and other projects planned and implemented by the U.S. military, particularly those funded by the Iraq Security Forces Fund and the Commander's Emergency Response Program. State will likely face a number of problems in ensuring that these projects are used and sustained and the U.S. investment not wasted. Over the years, a major issue confronting Defense and State has been how to ensure that the GOI maintains facilities we constructed, once direct U.S. financial support has ended. Unfortunately, this process of transferring ownership to the GOI has not gone well, as documented in four SIGIR reports,⁵ and there are no indications that it will improve in the future.

Particularly problematic for State will be the inherent difficulty in determining what projects Defense has completed and whether they have been turned over to the Government of Iraq. For example, SIGIR found a troublesome practice whereby Defense would "unilaterally" turn over facilities to whatever Iraqi official was available because their efforts to get the Government of Iraq to formally accept ownership of projects failed. To illustrate, at one point in 2007, a Defense component "unilaterally" transferred over 350 projects valued at more than \$1 billion. By their very nature, unilateral transfers put the U.S. investment at greater risk of not being maintained. It will now fall upon the Department of State to determine if projects such as these are being used and sustained or if they are being wasted. Further exacerbating State's problems will be the lack of reliable data showing what projects were built and their status.

Finally, State will continue to need to actively engage with the Government of Iraq to ensure that U.S.-funded reconstruction projects are used and sustained. Over the years, SIGIR has repeatedly found instances where Iraqi officials were either unaware of the existence of projects, or when told of their construction, voiced their sentiments that the projects were not wanted and might not even be used. In such cases, State will need to engage in a serious dialogue with the Government of Iraq to ensure that U.S. reconstruction funds have not been and are not being wasted.

Considerations for State and Congress

SIGIR offers the following considerations for State and Congress:

- State should sharpen its focus on improving its program controls and business practices, including on-the-ground program oversight and contract and grant management.
- State should conduct an inventory of what has been accomplished in Iraq's reconstruction thus far and act, as best as it can, to assure that our investments are not wasted by neglect in the asset-transfer phase or by subsequent neglect to sustain the Iraqi government.

⁵ *U.S. Agency for International Development: Management of Iraq Relief and Reconstruction Fund Projects to the Iraqi Government*, SIGIR-06-007, April, 29, 2006; *Transition of Iraq Relief and Reconstruction Fund Projects to the Iraqi Government*, SIGIR-06-017, July 28, 2006; *Transferring Iraq Relief and Reconstruction Fund Capital Projects to the Government of Iraq*, SIGIR-07-004, July 25, 2007; *Transferring Reconstruction Projects to the Government of Iraq: Some Progress Made but Further Improvements Needed to Avoid Waste*, SIGIR-08-017, May 28, 2008.

- The Congress should continue to focus attention on these questions and closely monitor the plans and actions of State and other civilian agencies. If resources for improved business practices are required, they are likely to prove to be a bargain compared with waste that may occur if State's program management and acquisition efforts continue to be under-resourced.

Mr. Chairman, Ranking Member Issa, and members of the Committee, thank you for your attention. I will be happy to try to answer any questions you may have.

Chairman TOWNS. Thank you very much, Mr. Bowen.

Let me just announce before I start my questioning that the business meeting will reconvene at 2 p.m., so staff, make certain that the Members are aware of the fact that we will have the final meeting at 2 p.m.

Thank you very much, Mr. Bowen, for your statement.

Where do you see the major areas of fraud, waste, and abuse? Where do you see these?

Mr. BOWEN. Well, we have identified egregious examples of fraud through the course of our work over the last 6 years, 34 convictions to date, 50-plus indictments. The latest phase of our work has involved a forensic review of all the money that is being used in Iraq, using a variety of electronic tools. I can't go into the details, but I can tell you that because of the excessive emphasis and use of cash on the ground to pay contractors, which still occurs in Iraq, especially through the Commander's Emergency Response Program, there has been those that have taken advantage of that situation and stolen the money through various means. We are catching some of them, holding them accountable, and the DOJ is prosecuting them.

On the waste front, much more significant problem. We have estimated \$5 billion that has been wasted in the overall Iraq reconstruction enterprise. That is symptomatic of a variety of factors. One, the security challenges that force delays in projects and programs; two, the changing policies that changed emphases in those projects and programs; three, the use of inappropriate contracting vehicles at the outset, namely very, very large cost-plus programs that paid for failure, frankly, for too long until we moved away from cost-plus to fixed price contracts, partly through our lessons learned report and our identification of that unwise contracting vehicle.

Chairman TOWNS. Could you go into detail in terms of some of the things you found, specific kinds of things that you found?

Mr. BOWEN. Sure. The prison 60 miles north of Baghdad, \$40 million U.S. taxpayer money spent, will never hold a prisoner. It is less than half built. The subcontractor was not properly overseen, repeatedly failed in accomplishing goals set, and finally the contract was terminated with the prime contractor and finally all the subcontracts were terminated because it was a failure.

This is emblematic, or perhaps the poster child of poor planning in Iraq, in that the Deputy Minister of Justice told us when we interviewed him on this inspection that the Iraqis never wanted that prison up in Diyala Province anyway and it should never have been started.

So a failure in planning, a failure in contract management, a failure in program oversight, and ultimately \$40 million wasted.

Chairman TOWNS. Right. What do we need to do to fix some of these problems?

Mr. BOWEN. Well, I think first and foremost is developing a system within our government that is capable, has that core competency for executing contingency relief and reconstruction operations. We heard from the first panel that these matters are diffused among a number of agencies, most pointedly Department of

Defense and Department of State. We heard about silos mentioned. People are operating in silos.

Departmental lines, departmental funding differentials, weak core competencies that aren't suited to the missions that we are asking those departments to execute, indeed, the very question of today's hearing, is the State Department ready, implies a competency question, because it is happening, as Mr. Thibault articulated, but are they capable. As Ambassador Watson pointed out, this addresses a core competency issue within the State Department. State Department, as the Ambassador identified, is in the mission of diplomacy, not relief and reconstruction operations. This is a new development.

The DOD has also expanded its capacity over the last 5 years. It is my view, and we articulated it in a report of this past January or February, that the United States needs to develop an integrated entity that brings together the capacities at State, Defense, AID, Treasury, AG, Justice, all who play a role in these operations, into something called the U.S. Office for Contingency Operations that actually is in charge of relief and reconstruction operations.

There is no focused responsibility, and thus you don't have people to call and hold accountable here at this table for outcomes in the contingency operations in Afghanistan and Iraq. There is no one person involved.

The Commission identified that when it called representatives from DOD, State, and AID and said, who is running the reconstruction program in Afghanistan, and they were not able to get a clear answer. It is frustrating for them, frustrating for you all, I know, and frustrating for the taxpayer, most significantly, in that it results in waste.

Chairman TOWNS. What more do we need to do, I am talking about now Members of Congress, to make certain that this waste, fraud, and abuse and stupidity is eliminated?

Mr. BOWEN. Well, I think there is the larger reform issue that is still hanging out there and needs to be addressed, something that achieves integration in planning and execution, and that is an important long-term solution that could make a difference in Afghanistan today. We are going up to \$70 billion in Afghanistan next year, the largest contingency operation in history.

But I think in the short term in Iraq, which is what this hearing is about, I think bringing to the table not so much the secretaries but the managers, the chief financial officers, the Director of Acquisition Management, State Department, the Director of Diplomatic Security, I mean, \$725 million has already been approved by the Congress for security in Iraq. I think it is an important question, how is that going to be managed? They will have 7,000 new contractors. You have raised concerns in your first panel about whether they have capacity to manage that. Well, those are tough questions to ask those who are going to manage that money.

The second question is we have identified largest contract in State Department history, most important continuing issue, police training in Iraq. Largest single chunk of funding that they are going to be spending over the next year. Are there enough in-country contracting officers on the ground to oversee the execution of that program? Our audits speak for themselves. The answer in the

past has been no. The Director of INL in-country assured me that there would be. I think it is a fair question for you to ask is there.

Chairman TOWNS. I yield to the gentleman from California for 5 minutes.

Mr. ISSA. Thank you, Mr. Chairman.

Mr. Bowen, I want to thank you for your service, for your many trips to a very dangerous place in the world, and for your diligence in bringing one after another failures to our attention. I also want to thank you for the many times you have brought some potential sanity and solutions to the process.

I would like to dwell into sort of mixing that first panel and the problems that we focused on, mostly the transition and the absence of certain expertise at State, and your concerns today.

Some years ago, before my time. Goldwater Nichols was passed, but I was a soldier before and I have seen the military after. The military today plays better in the sandbox. They have officers who have gone to each other's war colleges and senior staff officers. They have had assignments in each other's back yards whenever possible. As a result, my observation has been if we have to do joint activities we have people who have comfort and experience in doing that.

Would you say, from your time of watching State and DOD and the various people contracted to do various functions in Iraq, that we need to look at exactly that? We need to look at building up an interoperable culture between different agencies and in situations like Iraq and Afghanistan have to work together?

Mr. BOWEN. Absolutely. As a matter of fact, the reform proposal that I have discussed we termed "Beyond Goldwater Nichols." This is a civilian version of it. It is a rough analogy, but it seeks the same outcome, jointness, because integration, not coordination—there are coordinative meetings all the time in Iraq, but coordination lasts usually as long as the meeting does.

You go out, you go down the hall, you go out into the field, it is difficult to operate on agreements. You need to have it trained. You need to have it authorized. You need to have it appropriated and overseen—in other words, driven by this Congress shaping an administration structure that can achieve our national security goals. This is about protecting our national security interests in a very unique setting, something new that is not Defense, not development, not diplomacy. The Fourth D is what we call it.

Mr. ISSA. Earlier on in the first panel—and the chairwoman here brought it up as a former Ambassador—we sort of begged those questions of do we need a new entity with direct authority, do we need direct funding, do we need to make sure that what is asked for is then delegated or assigned to the most efficient source, not simply each one trying to get the money but not spend it to do the job because that is inherent when you have other issues.

Would you comment on how you view us doing that, recognized Iraq is, to a certain extent, yesterday's story, but Afghanistan is still today's story, and likely tomorrow's.

Mr. BOWEN. You began to address that with Mr. Green about the joint funding mechanism that Secretary Clinton and Secretary Gates are coming to agreement upon. Secretary Gates proposed it last December. It is a dual key approval process, and it is a step

in the right direction toward this integration in management, in execution, but it is only funding and funding is only a piece of it. You just can't pour more money into the State Department or into the coordinator for reconstruction and stabilization or into the security pool, it is really a funding pool, and expect it to get executed and integrated.

The other pieces of the puzzle have to be put in place to ensure that you get the performance you expect. Funding is a good step. It is what the United Kingdom has done through their conflict pools, but they have also taken steps further that have sought to bring personnel, IT, contracting, oversight, planning into one executive system, which is what we are proposing, so that there is accountability, there is responsibility, so that planning is done ahead of time.

Mr. ISSA. When you envision this within the U.S. system, the Ambassador in Baghdad is Presidentially nominated, Senate confirmed. The commander on the ground is Presidentially selected, Senate confirmed. Do you envision that in these situations, special but not unique, as we see them appear around the world, that we should consider having positions in which funding coming from multiple agencies goes to a designated person, whether it is directly appointed by the President or agreed on by the Cabinet officers, who then goes for confirmation and controls those funds and personnel based on, if you will, a congressional mandate?

Mr. BOWEN. Yes. That is exactly what we proposed in our latest report, that there ought to be someone who has been confirmed by the Congress, who is responsible for specific funds appropriated by the Congress for a specific mission, the contingency relief and reconstruction of Iraq, Afghanistan, or wherever, and that creates within our system, and that is how accountability happens.

You are able to identify clearly through authorization who is responsible, through appropriations responsible for what, and ultimately through oversight did you do it. That is a system that doesn't work well in this unique, relatively modern evolution in protecting our national security interests abroad.

Instead, we have a massive expansion of coin and stabilization opposite the Department of Defense filling a space, as General Petraeus has said, that wasn't being filled. And then you have the creation of new personnel centers over at State Department, SCRS, but not with program funds or with authorized missions that enable them to get out and execute that program or enough authority to operate in interagency fashion.

Mr. ISSA. I thank the gentleman and thank the gentlelady and yield back.

Ms. WATSON [presiding]. OK. Ms. Norton, you have 5 minutes.

Ms. NORTON. I thank you very much, Mr. Bower. What you had to say was, particularly after the last panel, disturbing but perhaps expected.

Besides the State Department, how is the consultation that you describe, with no central entity responsible, how is that consultation happening? Surely as they get together they understand that somebody has to be responsible for being in touch with the others, or are they all operating separately and independently? These var-

ious agencies, I think you have named them, are they operating independently without coordination, without consultation?

Mr. BOWEN. There is a NSC directive, the interagency management system, adopted in 2007 that created the integration planning cell. That does bring representatives from State and AID and other civilian entities together under the NSC's aegis to plan. However, the actual operations are less integrated, are less coordinated, and as a result less effective on the ground.

Ms. NORTON. They are operating now?

Mr. BOWEN. Yes.

Ms. NORTON. But the State Department isn't in charge now? I mean, you know, the Defense Department is still there and on the ground. Is the State Department considered the lead or the Armed Forces? Are they really giving the direction at this point?

Mr. BOWEN. Well, it is trifurcated, frankly, the oversight, and we are still operating under a Presidential directive, NSPD 36, which put the State Department in charge of overseeing civilians who are participating in the reconstruction program but left it to the Defense Department to manage police training and training of the Army.

The program has evolved beyond the framework and the ad hoc measures put in place back in 2004, but there is no governing law, so to speak, which is what I am proposing, that to provide clarity through specific authorization that identifies those duties outside the context of a particular situation, and it thus allows appropriations to be effectively executed and someone to be held accountable, ultimately, for their outcomes. That system is not current in place.

Ms. NORTON. Now, you believe this has to be statutory authority?

Mr. BOWEN. Yes, for it to endure and not be an ad hoc solution.

Ms. NORTON. Have you seen any indication that the administration agrees that there needs to be statutory authority?

Mr. BOWEN. They agreed with our identification of the problems that I have been articulating, but they have not endorsed the statutory solution.

Ms. NORTON. Thank you very much.

Ms. WATSON. Thank you.

We appreciate your being here today. There are many more questions we would like to ask, but there is a vote on the floor. Since Members are leaving to take part in the vote, we are going now to say that, without objection, the record shall be left open for 7 days so that Members may submit their questions for the record, and so there might be questions coming to you for written response.

We certainly appreciate you being here.

Mr. BOWEN. Thank you.

Ms. WATSON. So without objection I will enter the binder of the hearing documents into the committee record and the committee shall now stand adjourned.

Thank you so much.

Mr. BOWEN. Thank you.

[Whereupon, at 12:35 p.m., the committee was adjourned.]

[Additional information submitted for the hearing record follows:]

Briefing Book

**September 23, 2010 Hearing on
“Transition in Iraq: Is the State Department Prepared
to Take the Lead?”**

Chairman Edolphus Towns

Committee on Oversight & Government Reform
U.S. House of Representatives



**COMMISSION ON WARTIME CONTRACTING
IN IRAQ AND AFGHANISTAN**

CWC Special Report 3 July 12, 2010

AT A GLANCE

WHAT'S AT STAKE
Current planning for transitioning vital functions in Iraq from the Department of Defense to the Department of State is not adequate for effective coordination of billions of dollars in new contracting, and risks both financial waste and undermining U.S. policy objectives.

WE RECOMMEND

1. The Departments of Defense and State accelerate, intensify, and better integrate their joint planning for the transition in Iraq.
2. All levels of Defense and State immediately initiate and complete planning with the Government of Iraq to address critical security functions now performed by Defense.
3. State use, on a reimbursable basis, DoD's LOGCAP IV contract.
4. Congress immediately provide additional resources to State to support its increased contracting costs and personnel needs.

SPECIAL REPORT ON IRAQ TRANSITION PLANNING

Better planning for Defense-to-State transition in Iraq needed to avoid mistakes and waste

By agreement with the Government of Iraq, United States military forces are to complete their exit from Iraq by December 31, 2011. In the interim, U.S. government policy requires American troop strength in Iraq to be no more than 50,000 by the end of August 2010.

The troop drawdown and ultimate exit from Iraq pose special challenges for the U.S. Department of State (State), for U.S. policy objectives, and for stewardship of American taxpayers' dollars. Iraq's government is in transition, operating amid great uncertainties and threats, but State will continue to operate in the country after the U.S. military leaves.

In stable, peaceful countries, State can count on the host nation to meet emergency needs for security or other services. Iraq, however, is not stable or peaceful. More than three months after inconclusive parliamentary elections in March, Iraqi politicians are still working to form a coalition government. More than eight years since the coalition attack that toppled Saddam Hussein, suicide bombings and insurgent attacks continue, with loss of many American, Iraqi, and third-country-national lives.

In this turbulent setting, State relies heavily on the military units and capabilities under control of the U.S. Department of Defense (DoD). U.S. military units perform medical evacuations by helicopter, mount swift, computer-assisted counterattacks against incoming rocket, mortar, or artillery fire; send armed quick-reaction teams out to respond to attacks on U.S. facilities or convoys; clear improvised explosive devices; recover damaged aircraft and vehicles; and more.

The resources of State's Diplomatic Security Service are "inadequate to the extreme challenges in Iraq" according to an April 7, 2010, letter to DoD's lead acquisition officer from Ambassador Patrick Kennedy, Under Secretary of State for Management. The letter also said State has "a critical need" for logistical and life-support services provided under the Army's worldwide LOGCAP ("Logistics Civil Augmentation Program") contract.

As U.S. military forces leave Iraq—taking with them some vital services well ahead of the final exit target of December 31, 2011—State will have no practical alternative to meet its continuing security and support needs in Iraq than by greatly increasing its contracting.

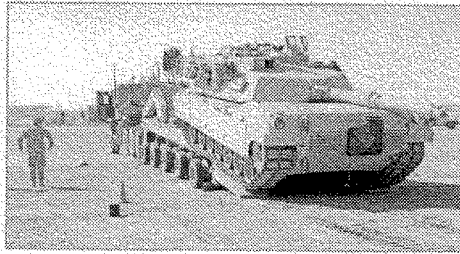
Unless and until the Iraqi government develops suitable capabilities for support, increased contracting by State would entail great increases in expenditures, challenges of executing and overseeing contracts, and possibilities for unneeded and wasteful spending. In addition, inadequately staffed and resourced oversight could multiply opportunities for contractor mistakes or misconduct that might alienate Iraqi opinion and undermine U.S. policy objectives.

State and DoD are aware of this challenge. They have established high-level interagency contacts. They have compiled lists of drawdown-affected functions.

Working groups are addressing many aspects of the transition, including aviation, personnel, medical support, and policing. State has created a concept for a Baghdad Life Support Services contract in case it must arrange its own logistics support, and has briefed industry on its needs.

The departments deserve credit for these steps. But much remains to be done, including better high-level coordination and timely decisions on key issues. Meanwhile, the relentless advance of the calendar steadily shrinks the maneuver space for planning effective action, reduces the number of available options, and magnifies the potential costs of mistakes and overlooked needs.

Commissioners and staff recently completed a fact-finding trip to Iraq to explore the challenges of the DoD-to-State hand-off. Based on discussions, briefings, and observations in Iraq, the Commission is concerned that the ongoing planning for State's operations in Iraq during the drawdown and after the U.S. military exit has not been sufficiently detailed. It has lacked input on key decisions needed to resolve policy issues and identify requirements, and has not fully addressed the contract-management



Drawdown duty: soldiers delivering a tank at the debarkation port in Kuwait. (US Army photo)

challenges ahead. Particularly troubling is the fact that State has not persuaded congressional appropriators of the need for significant new resources to perform its mission in Iraq.

BACKGROUND

A U.S.-led coalition attack in March 2003 toppled Saddam Hussein's Baathist regime and led to an American and allied military presence that persists to this day. The U.S. Embassy in Baghdad reopened on July 1, 2004, in one of Saddam's former palaces. Embassy personnel moved to a new compound on January 1, 2009. The embassy compound comprises 21 buildings on a 104-acre site on the Tigris River, with several thousand State, DoD, and contractor personnel on duty.

In addition to the embassy, State's current plans for Iraq include five "Enduring Presence Posts" or EPPs on portions of current U.S. military bases in Basrah, Diyala, Erbil, Kirkuk, and Ninewa. These EPPs will replace the 22 Provincial Reconstruction Teams currently operating in Iraq with U.S. military support. State officials have informed Commission staff that additional sites may be required, raising the level of required support.

Given the post-Saddam turmoil and security challenges in Iraq, plus the country's damaged infrastructure and lack of robust commercial and contracting sectors, State has relied heavily on DoD, as well as on its own Bureau of Diplomatic Security Service and on private security contractors, to support its mission. In June 2004, before the reopening of the U.S. Embassy in Baghdad, State and DoD officials executed two Memorandums of Agreement on DoD provision of security and support services (facilities management, plus support for administration, logistics, contracting, medical care, and information technology) for State's "Green Zone" presence in Baghdad and for its regional offices.

So far, the security and logistical functions provided by DoD have worked well in the volatile and dangerous environment of insurgent-plagued Iraq. Under the Administration's current plans, however, that DoD support infrastructure will shrink in irregular rather than proportional fashion as units with specific military capabilities leave Iraq.

The U.S.-Iraq Status of Forces Agreement that set the year-end 2011 date for the exit of U.S. military forces was signed on November 17, 2008, and swiftly ratified by Iraq's parliament and presidency council. On February 27, 2009, the President of the United States announced that the U.S. military presence in Iraq would be reduced to no more than 50,000 troops by the end of August 2010, with a total military pull-out by December 31, 2011.

"After the departure of U.S. Forces [from Iraq], we will continue to have a critical need for logistical and life support of a magnitude and scale of complexity that is unprecedented in the history of the Department of State."

—Amb. Patrick Kennedy,
Under Secretary of State
for Management

'LOST FUNCTIONALITIES'

The Departments of Defense and State have listed more than 1,000 tasks and functions that must be addressed in the DoD-to-State transition in Iraq. They range from real-estate management and portable toilets, to fire prevention and environmental clean-up. To complicate the transition further, most of the functions rely on long-standing DoD relationships with the Government of Iraq that currently have few parallels at State.

Of special concern is State's "lost functionality" list—presented in a briefing to the Commission—of 14 security-related tasks now performed by DoD that State must provide as the military drawdown in Iraq proceeds:

- ▶ Recovering killed and wounded personnel
- ▶ Recovering damaged vehicles
- ▶ Recovering downed aircraft
- ▶ Clearing travel routes
- ▶ Operations-center monitoring of private security contractors (PSCs)
- ▶ PSC inspection and accountability services
- ▶ Convoy security
- ▶ Explosive-ordnance disposal
- ▶ Counter-rocket, artillery, and mortar notification
- ▶ Counter-battery neutralization response
- ▶ Communications support
- ▶ Tactical-operations center dispatch of armed response teams
- ▶ Policing Baghdad's International Zone
- ▶ Maintaining electronic counter-measures, threat intelligence, and technology capabilities



Marine mortar crew preparing counter-battery fire in Fallujah, Iraq. (DoD photo)

State addressed some implications of the lost-functionality issue in Ambassador Kennedy's April 7, 2010, letter to DoD:

After the departure of U.S. Forces [from Iraq], we will continue to have a critical need for logistical and life support of a magnitude and scale of complexity that is unprecedented in the history of the Department of State. ... And to keep our people secure, Diplomatic Security requires certain items of equipment that are only available from the military. [Emphasis added.]

State's initial request for equipment included 24 UH-60 helicopters, four refueling trucks and trailers, 50 Mine-Resistant Ambush-Protected (MRAP)

vehicles, and security equipment for perimeter security and observation. Without the military equipment, Ambassador Kennedy wrote, State would "essentially have to duplicate the capabilities of the U.S. military" using less effective gear, so "As a result, the security of [State] personnel in Iraq will be degraded significantly and we can expect increased casualties." [Emphasis added.]

The Kennedy letter also requested that DoD allow State to continue using the military's LOGCAP contract and Defense Logistics Agency support. "[State] missions and their staff can normally obtain food and fuel on the local economy," the letter said; "however, this is not the case in Iraq." Ambassador Kennedy continued by noting that State, "on its own, does not have the resources or capability to provide life support either for the Embassy in Baghdad or for the EPPs" in the provinces.

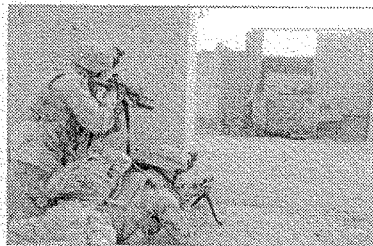
The military is analyzing State's request. Given the large uncertainties about the future threat environment in Iraq, the ultimate location, size, and nature of State's Enduring Presence Posts, and State's operational needs, evaluating the personnel and financial implications of the request pose a major challenge for the United States Government. For example, would DoD need to maintain contract-support personnel, most likely Army civilian employees, in Iraq? What level of support would be required from the Defense Contract Management Agency, the Defense Contract Audit Agency, and the LOGCAP Program Office? Until needs are clearly determined, both DoD's support tasks and the costs State must reimburse are uncertain.

THE CONTRACT-MANAGEMENT CHALLENGE

What does seem certain, however, is that State must greatly expand its contracting to prepare for the U.S. military's exit from Iraq.

The difficulties of that expansion would be mitigated if State continued to draw support services from the Army's LOGCAP contract, which ranges from equipment maintenance and laundry to dining halls and pest management. The LOGCAP Contracting and Program Offices have the capability of evaluating the planning and contracting for needed logistical support using its existing LOGCAP contracting mechanism. That support will, ideally, include an acquisition strategy centered on competition, using the proven LOGCAP IV process. But even if State had the resources and capability to reinvent the LOGCAP contract process, Ambassador Kennedy's letter notes that "It does not have within its Foreign Service cadre sufficient experience and expertise to perform necessary contract oversight."

Management and oversight challenges are not confined to State. As the Commission, the Government Accountability Office, and the Congressional



3rd Infantry Division troops on quick-reaction mission, Iraq (USAF photo)

Research Service have documented, the overall federal acquisition workforce has shrunk even as the scope and scale of acquisition activity has skyrocketed. Contracting officers, contracting officer representatives, subject-matter experts, auditors, and other acquisition personnel are in short supply, not always adequately trained, not always deployable to areas of need, and often overwhelmed with contract tasks. (See Chapter 1 of the Commission's June 2009 Interim Report to Congress for elaboration of this issue: www.warimecontracting.gov/docs/CWC_Interim_Report_At_What_Cost_06-10-09.pdf) Further, the Commission has established through research and hearings that serious weaknesses in contract management and oversight have occurred at DoD and the U.S. Agency for International Development, as well as at State.

SECURITY CONCERNS

Although State has about 2,700 private security contractors in Iraq and the Bureau of Diplomatic Security is hiring more security specialists, a State Department official testified at a June 2010 Commission hearing that the Department will need "between 6,000 and 7,000 security contractors" for the future—more than doubling its current PSC numbers. With such a large increase in contract employees, existing weaknesses in contract management and oversight, not to mention funding and hiring challenges, can only grow more troublesome.

An additional concern is presented by the nature of the functions that contractors might be supplying in place of U.S. military personnel. What if an aircraft-recovery team or a supply convoy comes under fire? Who determines whether contract guards engage the assailants and whether a quick-reaction force is sent to assist them? What if the assailants are firing from an inhabited village or a hospital? Who weighs the risks of innocent casualties, directs the action, and applies the rules for the use of force?

Apart from raising questions about inherently governmental functions, such scenarios could require decisions related to the risk of innocent casualties, frayed relations with the Iraqi government and populace, and broad undermining of U.S. objectives.

To a non-combatant Iraqi who has lost a family member or a home as "collateral damage" in a firefight, an armed State Department contract employee will not look appreciably different from an American soldier. While many private security contractors are highly trained, with military or



10th Mountain Division soldiers provide security for a medical clinic in Iraq. (U.S. Army photo)

police backgrounds, the Commission has found that some fall far short of professional standards of training, ethos, and discipline. The already daunting tasks of contract management will grow more daunting as new security, policy, and political challenges emerge from the transition.

FINDINGS

The Departments of State and Defense deserve credit for their efforts, amid the day-to-day challenges of operating in Iraq, to plan an orderly transition of responsibilities and functionalities as the U.S. military leaves the country.

Unfortunately, their efforts leave cause for concern.

State Department personnel worked with LOGCAP officials through 2009 to identify needs and issues. These working contacts led to the April 2010 formal request from State that it continue to receive support through LOGCAP and the Defense Logistics Agency.



Medical evacuation mission, Iraq (U.S. Air Force photo)

Despite these inter-departmental efforts, the current planning for the Defense-to-State transition of vital functions in Iraq is not yet adequate for effective coordination of the billions of dollars in new contracting that appears to be necessary. Continued weakness in planning risks both financial waste and undermining U.S. policy objectives.

There is not enough evidence of a thorough, timely, disciplined planning approach to the coming transition, such as developing clear requirements, devising plans for contractor support, obtaining additional funding and personnel, and identifying ways to make best use of competitive forces in securing contractor support.

The Administration and the Congress face a fast-closing window of opportunity to avoid unnecessary and tragic loss of life; to reduce the risks of unmet needs, weak oversight, and lost or misspent funds; and to avert damage to the U.S. mission in Iraq and to broader policy objectives.

Iraq, according to a May 2010 State briefing to the Commission in Baghdad, presents a "continued critical threat environment." In that setting, the need for rapid and effective action on the DoD-to-State transition is urgent.

The Commission's recommendations follow.

WE RECOMMEND

1. The Departments of Defense and State accelerate, intensify, and better integrate their joint planning for the transition to Iraq.
2. All levels of Defense and State immediately initiate and complete planning with the Government of Iraq to address critical security functions now performed by Defense.
3. State use, on a reimbursable basis, DoD's LOGCAP IV contract.
4. Congress immediately provide additional resources to State to support its increased contracting costs and personnel needs.



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August 18, 2010

Civilians to Take U.S. Lead as Military Leaves Iraq

By MICHAEL R. GORDON

WASHINGTON — As the United States military prepares to leave Iraq by the end of 2011, the Obama administration is planning a remarkable civilian effort, buttressed by a small army of contractors, to fill the void.

By October 2011, the State Department will assume responsibility for training the Iraqi police, a task that will largely be carried out by contractors. With no American soldiers to defuse sectarian tensions in northern Iraq, it will be up to American diplomats in two new \$100 million outposts to head off potential confrontations between the Iraqi Army and Kurdish pesh merga forces.

To protect the civilians in a country that is still home to insurgents with Al Qaeda and Iranian-backed militias, the State Department is planning to more than double its private security guards, up to as many as 7,000, according to administration officials who disclosed new details of the plan. Defending five fortified compounds across the country, the security contractors would operate radars to warn of enemy rocket attacks, search for roadside bombs, fly reconnaissance drones and even staff quick reaction forces to aid civilians in distress, the officials said.

"I don't think State has ever operated on its own, independent of the U.S. military, in an environment that is quite as threatening on such a large scale," said James Dobbins, a former ambassador who has seen his share of trouble spots as a special envoy for Afghanistan, Bosnia, Haiti, Kosovo and Somalia. "It is unprecedented in scale."

White House officials expressed confidence that the transfer to civilians — about 2,400 people

who would work at the Baghdad embassy and other diplomatic sites — would be carried out on schedule, and that they could fulfill their mission of helping bring stability to Iraq.

“The really big picture that we have seen in Iraq over the last year and a half to two years is this: the number of violent incidents is significantly down, the competence of Iraqi security forces is significantly up, and politics has emerged as the basic way of doing business in Iraq,” said Antony J. Blinken, the national security adviser to Vice President Joseph R. Biden Jr. “If that trend continues, and I acknowledge it is an ‘if,’ that creates a much better context for dealing with the very significant and serious problems that remain in Iraq.”

But the tiny military presence under the Obama administration’s plan — limited to several dozen to several hundred officers in an embassy office who would help the Iraqis purchase and field new American military equipment — and the civilians’ growing portfolio have led some veteran Iraq hands to suggest that thousands of additional troops will be needed after 2011.

“We need strategic patience here,” Ryan C. Crocker, who served as ambassador in Iraq from 2007 until early 2009, said in an interview. “Our timetables are getting out ahead of Iraqi reality. We do have an Iraqi partner in this. We certainly are not the ones making unilateral decisions anymore. But if they come to us later on this year requesting that we jointly relook at the post-2011 period, it is going to be in our strategic interest to be responsive.”

The array of tasks for which American troops are likely to be needed, military experts and some Iraqi officials say, include training Iraqi forces to operate and logistically support new M-1 tanks, artillery and F-16s they intend to acquire from the Americans; protecting Iraq’s airspace until the country can rebuild its air force; and perhaps assisting Iraq’s special operations units in carrying out counterterrorism operations.

Such an arrangement would need to be negotiated with Iraqi officials, who insisted on the 2011 deadline in the agreement with the Bush administration for removing American forces. With the Obama administration in campaign mode for the coming midterm elections and Iraqi politicians yet to form a government, the question of what future military presence might be needed has been all but banished from public discussion.

“The administration does not want to touch this question right now,” said one administration official involved in Iraq issues, adding that military officers had suggested that 5,000 to 10,000

troops might be needed. "It runs counter to their political argument that we are getting out of these messy places," the official, speaking only on condition of anonymity, added. "And it would be quite counterproductive to talk this way in front of the Iraqis. If the Iraqis want us, they should be the demandeur."

The Obama administration had already committed itself to reducing American troops in Iraq to 50,000 by the end of August, a goal the White House on Wednesday said would be met. Administration officials and experts outside government say, however, that carrying out the agreement that calls for removing all American forces by the end of 2011 will be far more challenging.

The progress or difficulties in transferring responsibility to the civilians will not only influence events in Iraq but will also provide something of a test case for the Obama administration's longer-term strategy in Afghanistan.

The preparations for the civilian mission have been under way for months. One American official said that more than 1,200 specific tasks carried out by the American military in Iraq had been identified to be handed over to the civilians, transferred to the Iraqis or phased out.

To move around Iraq without United States troops, the State Department plans to acquire 60 mine-resistant, ambush-protected vehicles, called MRAPs, from the Pentagon; expand its inventory of armored cars to 1,320; and create a mini-air fleet by buying three planes to add to its lone aircraft. Its helicopter fleet, which will be piloted by contractors, will grow to 29 choppers from 17.

The department's plans to rely on 6,000 to 7,000 security contractors, who are also expected to form "quick reaction forces" to rescue civilians in trouble, is a sensitive issue, given Iraqi fury about shootings of civilians by American private guards in recent years. Administration officials said that security contractors would have no special immunity and would be required to register with the Iraqi government. In addition, one of the State Department's regional security officers, agents who oversee security at diplomatic outposts, will be required to approve and accompany every civilian convoy, providing additional oversight.

The startup cost of building and sustaining two embassy branch offices — one in Kirkuk and the other in Mosul — and of hiring security contractors, buying new equipment and setting up two

consulates in Basra and Erbil is about \$1 billion. It will cost another \$500 million or so to make the two consulates permanent. And getting the police training program under way will cost about \$800 million.

Among the trickiest missions for the civilians will be dealing with lingering Kurdish and Arab tensions. To tamp down potential conflicts in disputed areas, Gen. Ray Odierno, the senior American commander in Iraq, established a series of checkpoints made up of American soldiers, Iraqi Army troops and pesh merga fighters.

But those checkpoints may be phased out when the American troops leave. Instead, the United States is counting on the new embassy branch offices in Mosul and Kirkuk. Administration officials had planned to have another embassy branch office in Baquba, but dropped that idea because of spending constraints.

"They will be eyes and ears on the ground to see if progress is being made or problems are developing," Mr. Blinken said.

But Daniel P. Serwer, a vice president of the United States Institute of Peace, a Congressionally financed research center, questioned whether this would be sufficient. "There is a risk it will open the door to real problems. Our soldiers have been out there in the field with the Kurds and Arabs. Now they are talking about two embassy branch offices, and the officials there may need to stay around the quad if it is not safe enough to be outside."

Another area that has prompted concern is police training, which the civilians are to take over by October 2011. That will primarily be done by contractors with State Department oversight and is to be carried out at three main hubs with visits to other sites. Administration officials say the program has been set up with Iraqi input and will help Iraqi police officers develop the skills to move from counterinsurgency operations to crime solving. The aim is to "focus on the higher-end skill set," Colin Kahl, a deputy assistant secretary of defense, told reporters this week.

But James M. Dubik, a retired Army three-star general who oversaw the training of Iraqi security forces in 2007 and 2008, questioned whether the State Department was fully up to the mission. "The task is much more than just developing skills," he said. "It is developing the Ministry of Interior and law enforcement systems at the national to local levels, and the State

Department has little experience in doing that.”

Mr. Crocker said that however capable the State Department was in carrying out its tasks, it was important for the American military to keep enough of a presence in Iraq to encourage Iraq’s generals to stay out of politics.

“We need an intense, sustained military-to-military engagement,” he said. “If military commanders start asking themselves, ‘Why are we fighting and dying to hold this country together while the civilians fiddle away our future?’, that can get dangerous.”

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UNDER SECRETARY OF STATE
FOR MANAGEMENT
WASHINGTON

APR - 7 2010

Dear Mr. Carter,

To meet the President's goal for an Iraq that is sovereign, stable, and self-reliant, the Department of State will continue to have a large civilian mission in Baghdad and key provincial locations after the U.S. military departs the country by the end of 2011. Our mission in Iraq has relied to date on the excellent cooperation and support received from the Department of Defense. After the departure of U.S. Forces, we will continue to have a critical need for logistical and life support of a magnitude and scale of complexity that is unprecedented in the history of the Department of State. In order to assure that the President's priorities can be achieved, I ask your consideration of this request to assist us in carrying out this mission.

Until such time as we can rely on the local economy as in other locations around the world, we must retain base life support for our Embassy and Enduring Presence Posts (EPP). The most efficient and operationally effective means to that end, in our view, would be to remain on the Logistics Civil Augmentation Program (LOGCAP) after the departure of the military. This would allow for a smooth transition at Embassy Baghdad and our provincial locations to a phased sustainment contract approach. And to keep our people secure, Diplomatic Security (DS) requires certain items of equipment that are only available from the military.

Attachments 1 and 1a contain our request and justification to secure military standard and nonstandard equipment for use by the Department in Iraq, and a list of desired equipment. These items of equipment will be vital to the continued security of mission personnel.

Attachments 2 and 2a contain our request and justification to continue to use the LOGCAP contracts administered by the Army Sustainment Command to support the Embassy and EPPs until 2015, unless alternative sources of support can be developed sooner, and a draft MOA.

Mr. Ashton Carter,
Under Secretary of Defense for,
Acquisition, Technology and Logistics,
Office of the Secretary of Defense,
Pentagon, Washington, DC 20001.

I extend my thanks for your cooperation on this important matter and look forward to your reply to this request.

Sincerely,

A handwritten signature in black ink, appearing to be 'Patrick F. Kennedy', written in a cursive style.

Patrick F. Kennedy

Attachments:

- Attachment 1 – Justification for DoD Equipment Transfer
- Attachment 1a – List of Military Standard and Non-standard equipment
- Attachment 2 – Justification for Continuation of LOGCAP and DLA
- Attachment 2a – Draft MOA

Justification for DoD Equipment Transfer to Support Enduring Presence Posts in Iraq

The President's strategies for responsible drawdown and political engagement in Iraq identify key priorities supported by U.S. civilian programs to mitigate some risks in the military drawdown which the President has said "should be continued as available resources and security permit." The pursuit of U.S. policy objectives in Iraq will be through "robust U.S. civilian efforts, via our Embassy and our PRTs (Provincial Reconstruction Teams)." The Department of State (DOS), Department of Defense (DoD), and the National Security Council (NSC) view our civilian presence in the Iraqi provinces as critically important. DoD and DOS have jointly agreed that by September 30, 2011, the current 22 PRTs will be replaced by five Enduring Presence Posts (EPPs) for which DOS will be responsible for all costs, support, and operations, including security.

The State Department's Bureau of Diplomatic Security (DS) will be required to assume security functions previously performed by the military. The security operations required to protect Chief of Mission personnel after the departure of US Forces in Iraq will be an unprecedented challenge for DS. Secure ground and air movements within Iraq, essential to DOS' current and proposed provincial presence, are now possible only because of U.S. military capabilities and availability of support. Without such support in the future, DOS will be forced to redirect its resources towards obtaining and supporting less-appropriate vehicles and airframes to allow the EPPs to function in an insecure environment. Given the uncertainties, and complexity of acquiring and maintaining non-standard civilian equipment, the civilian provincial presence will be put at great risk if "green" equipment, both standard and nonstandard, is not made available to the Department before December, 2011, the planned departure date for all military forces from Iraq.

DS personnel effectively protect Chief of Mission personnel in dangerous posts around the world. However, the technology, vehicles, and aircraft DS employs successfully in other areas of the world are inadequate to the extreme security challenges in Iraq, where DS will essentially have to duplicate the capabilities of the U.S. military. They cannot do so successfully without military equipment. If we do not acquire critical military assets before December, 2011, DOS will be forced to use less effective technology and equipment as DOS, on its own, does not have the resources or capability to provide this type of materiel support either for the Embassy in Baghdad or for the EPPs. As a result, the security of DOS personnel in Iraq will be degraded significantly and we can expect increased casualties. DOS recognizes the major effort required in supporting the

military's standard and nonstandard end items. However, we can maintain this equipment with contractors.

DOS does not envision a further request for military equipment beyond that requested at this time, as the expected lifetime of the EPPs is between three and five years, well within the useful life of any equipment and spare parts transferred from DoD to DoS.

Therefore, to minimize risk to the successful accomplishment of the DOS mission within the Presidential strategy for Iraq, DOS requires the standard and nonstandard equipment outlined in the attachment to support the Embassy and the EPPs. For these reasons, DOS hereby requests authorization of the transfer of the attached lists of military standard and nonstandard equipment from the Department of Defense to the Department of State at no cost.

**Military "Green" Standard and Non-Standard Equipment Requested by the
Department of State for Use at Enduring Presence Posts (EPPs) in Iraq**

Aviation Needs:

- 24 UH-60 helicopters—NSN: 1520-01-03500266 LIN K32293
- 1 - RT-41AA 4 Ton Grove Model (SCAMP)—NSN:3810-01-145-8288
- 4 -M-970 Re-Fuel Trailer--NSN:2330-01-050-5635
- 4 -M-931 Re-Fuel Trailer Truck--NSN:2320-01-047-8753
- 1 -ATC AN/TSQ 70A-T1 (Training Version)--NSN: unavailable
- 5 -M-978 Re-Fuel HEMMT--NSN:2320-01-492-8216
- Repair parts for the HEMMT mentioned above

MRAP Needs:

- 50 - CAIMAN BAE Systems-M&PS CAT 1 MRAPs with reactive EFP armor and auxiliary equipment

Perimeter Security and Observation Needs:

- 50 Ground Base Observation and Surveillance System (PS2) (Gen III)
TAMCN: A019-- NSN: 6650-09-000-4488
- 50 T-3000 Long Range FLIR cameras TAMCN: NL202--NSN: 5855-01-
DTQ-2789
- 50 BETSS-C--NSN: 5850001G00850 LIN: FA506Q
- 50 Unattended Transient Acoustic MASINT System (UTAMS)—NSN:
Unavailable (quantities in theater are unknown; DOS requests up to 50 units
if available)
- 50 Enhanced Tactical Automated Security System (ETASS)—NSN:
Unavailable

**Justification for Continuation of LOGCAP
and DLA services beyond December, 2011**

The President's strategies for responsible drawdown and political engagement in Iraq identify key priorities supported by U.S. civilian programs to mitigate some risks in the military drawdown which the President has said "should be continued as available resources and security permit." The pursuit of U.S. policy objectives in Iraq will be through "robust U.S. civilian efforts, via our Embassy and our PRTs (Provincial Reconstruction Teams)." The Department of State (DOS), Department of Defense (DoD), and the National Security Council (NSC) view our civilian presence in the Iraqi provinces as critically important. DoD and DOS have jointly agreed that by September 30, 2011, the current 22 PRTs will be replaced by five Enduring Presence Posts (EPPs) for which DOS will be responsible for all costs, support, and operations, including security.

This is an unprecedented challenge. DOS' current provincial presence is possible only because of the life support provided through the Logistics Civil Augmentation Program (LOGCAP) managed by the Army Sustainment Command. Without such support in the future, DOS will be forced to redirect its resources towards developing, implementing, and overseeing a massive new life support infrastructure throughout Iraq. Given the magnitude, uncertainties, and complexity of putting this new infrastructure in place, the civilian provincial presence will be put at risk if LOGCAP resources, already established and operating in Baghdad and at most of the five Enduring Presence Post (EPP) locations, do not remain available to us after December, 2011 and the departure of the military from Iraq. LOGCAP has proven abilities to provide a full spectrum of life support services. LOGCAP contract administration procedures and accountability measures are effective and well understood.

DOS recognizes that it does not have within its Foreign Service cadre sufficient experience and expertise to perform necessary contract oversight. If we are not allowed to remain on LOGCAP after the military departs Iraq, no later than December, 2011, DOS will be forced to divert significant resources to contract separately for life support services since DOS, on its own, does not have the resources or capability to provide life support either for the Embassy in Baghdad or for the EPPs. A similar situation applies with the support we receive from the Defense Logistics Agency (DLA) through LOGCAP, and we would strongly prefer to continue to receive food and fuel from DLA (for which we would reimburse) even if we are forced to contract outside LOGCAP for life support. DOS missions and their staff can normally obtain food and fuel on the local economy. However, this is not the case in Iraq. Near to mid-term, security conditions are not expected

to permit staff to leave either Baghdad or provincial facilities on a routine basis to obtain support services. Everything must be brought to the Mission, either from sources within Iraq or, more likely, from outside Iraq. The DLA support function is reliable and already in place. If DOS cannot continue to receive food and fuel from DLA, we will require our life support contractor to duplicate the DLA function and the mechanisms that already exist to ensure product integrity. Assuming a contractor could perform this function successfully, it would require a major investment of DOS resources to ensure that this function, which is not traditionally performed by DOS, is properly carried out.

DOS does not seek to remain on LOGCAP indefinitely. We would use LOGCAP either until local conditions improve sufficiently that we could supply and support our facilities through more traditional means, or successfully establish our own life support infrastructure through our own contractors. Three of the enduring presence locations have an expected lifespan of three to five years. Those posts could conceivably close before 2015 when the last option year of the LOGCAP IV program ends. If they should remain open past 2015, security and local conditions overall may have improved sufficiently to allow local supply options. If not, by remaining on LOGCAP for several years, the DOS will have time to solicit, negotiate and award contract(s) to support our own infrastructure in a through, appropriate manner that will ensure successful support for our mission and people. In either case, we would anticipate being off LOGCAP by the end of 2015 at the latest.

Therefore, to minimize risk to the successful accomplishment of the DOS mission within the Presidential strategy for Iraq, DOS requires that LOGCAP and DLA continue to support the Embassy and the EPPs. For these reasons, DOS hereby requests to be allowed to remain on LOGCAP in Iraq after December, 2011 and through the remainder of the LOGCAP IV BLS (Base Life Support Contracts for North and South Iraq) and CTP (Core Logistics Services, Theater Transportation and Postal Operations) contract option periods.

MEMORANDUM OF AGREEMENT FOR LOGCAP SUPPORT
OF EMBASSY BAGHDAD AND FIVE ENDURING PRESENCE POSTS

1. PURPOSE

This Memorandum of Agreement (MOA) provides for the continuation of services of the Logistic Civil Augmentation Program (LOGCAP) to the Department of State (DOS) by the Department of Defense (DoD) to the Chief of Mission (COM) in Iraq to support the official mission of the United States of America in Iraq.

The MOA supplements the agreements and authorities listed under "References" below and does not amend, revise, or change these agreements or authorities except as specified herein.

2. REFERENCES

- a. Memorandum of Agreement between Department of State and Department of Defense for Support Services in Iraq dated June 10, 2004.
- b. Memorandum of Agreement between Department of State and Department of Defense Regarding Physical Security, Equipment and Personal Protective Services dated June 10, 2004.
- c. Memorandum of Agreement between Department of State and Department of Defense for the support of Provincial Reconstruction Teams (PRTs) in Iraq dated February 22, 2007.
- d. The Economy Act (31 USC Section 1535).
- e. Title 22, United States Code, Sec. 3927: Chief of Mission Authority

3. GENERAL PROVISIONS

- a. Except as otherwise specified by this MOA, LOGCAP support furnished by DoD pursuant to this agreement will be provided on a reimbursable basis, subject to the availability of funds.
- b. This MOA is not intended to be comprehensive or to prejudice the ability of the Secretary of State to make requests for support not specifically stated herein. Except in emergency circumstances, requests for additional support beyond that provided herein will take the form of a written request, either from the Executive Secretary of the Department of State

to the Executive Secretary of the Department of Defense or from the Management Counselor to the COM in Iraq to Executive Director of LOGCAP.

- c. The responsibility for COM administrative and logistics services and support not specifically provided for in this agreement shall remain with the COM unless otherwise mutually agreed.

4. AREAS OF AGREEMENT

a. LOGCAP Services:

COM will identify its requirements for services to be provided by DoD in support of Enduring Presence Posts (EPPs) within Iraq, the US Embassy in Baghdad, and other locations as described by COM. The DoD will provide support for COM requirements through the LOGCAP contract.

b. Contracting Support:

- i. The Department of the Army (DA) will continue to provide contracting support for the LOGCAP contract to support COM on a non-reimbursable basis. This support will include issuing task orders and changes to the contract to fulfill COM requirements and other actions required in accordance with DA regulations, policies and procedures.
- ii. The Defense Contract Management Agency and the Defense Contract Audit Agency will provide continuing contract administration and contract pricing and audit services as required to support COM administrative and logistical requirements and in accordance with DoD and DA regulations, policies and procedures.

c. Logistics Support:

- i. The Defense Logistics Agency (DLA) will provide fuel and food to the LOGCAP contractor to the extent needed to satisfy COM requirements.
- ii. DoD will be reimbursed by DOS for the cost of the food and fuel required by COM.
- iii. The administrative support and transportation costs of DLA to acquire and ship the food and fuel to a location where it may be picked up and convoyed within Iraq will be on a non-reimbursable basis.

d. Convoys:

The LOGCAP contractor will have the responsibility of convoying the food and fuel safely and securely from the DLA distribution point in Kuwait (or another location

designated by DLA and agreed with COM) as part of its responsibilities under the LOGCAP contract.

e. SUPPORTED RECIPIENTS:

- a. Us Mission Iraq including Embassy Baghdad and the Enduring Presence Posts located in Kirkuk, Mosul, Erbil, Baqubah and Basrah
- b. Others, as specifically identified in the LOGCAP contract as agreed by the Parties.

5. EFFECTIVE DATE, MODIFICATION AND TERMINATION:

This MOA is effective as of the latest date of signature below, and will terminate as of December 31, 2015 unless extended by the Parties. DoD and DOS will review this MOA semi-annually, or more frequently as circumstances indicate, for currency and applicability. This MOA may be amended in writing as mutually agreed by the Parties.

Signed:

Signed:

Under Secretary of State for Management

Under Secretary of Defense for Acquisition,
Technology and Logistics

Department of State

Department of Defense

Date: _____

Date: _____