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Statement
of

Mr. Thomas F. Gimble
Principal Deputy Inspector General
Department of Defense

before the

House Committee on the Judiciary
Subcommittee on Crime, Terrorism,
and Homeland Security

on

"War Profiteering and Other Contractor Crimes
Committed Overseas"

Mr. Chairman and Members of the Committee on the Judiciary:

I would like to thank you for the opportunity to appear before this committee. I also want to publicly thank the men and women who serve in our Armed Forces. Each visit I make to Southwest Asia, most recently in April 2007 to Iraq, Afghanistan, and Qatar, reminds me the importance of this office to provide oversight to ensure funds are being appropriately managed and are being used to support the warfighter and achieve Department of Defense (DoD) mission requirements.

As stated in our last Semiannual Report to Congress, the Global War on Terror is at the forefront of our nation's concerns, and continues to be a top priority for the DoD Office of the Inspector General (OIG). Currently we have over 180 OIG personnel providing oversight. To date, \$558 billion in DoD supplemental funds have been appropriated to support our fight against terrorism and to support the men and women of our Armed Forces in Southwest Asia.

OIG Strategy

To accomplish our oversight mission, we recognized that we needed a combination of initiatives, to include establishing an in-theater oversight presence, expanding oversight coverage of funds that are predominantly being executed in the United States, and improving interagency coordination and collaboration to minimize duplicative efforts within the oversight community.

We established an audit field office in Qatar with assistance from the Commander, U.S. Central Command, which is also where his forward headquarters is located. We use Qatar as a hub from which audit teams deploy into Iraq, Kuwait, and Afghanistan. The field office is staffed by auditors on a rotational cycle for tours of duty that range from 4, 6, or 12 months. That office has conducted command requested reviews of programs such as the Commanders' Emergency Response Program (CERP).

We have had auditors deploy from Qatar into Iraq to review the Status of Equipment Resources, Iraqi Security Forces Fund, and Potable and Nonpotable Water Quality. Also, we currently have investigators in Kuwait, and auditors and investigators in Iraq, some of whom are the initial staff for our established in-country presence in Iraq. In addition, we have advisors stationed in the International Zone in Baghdad. As of June 2007, we have 22 ongoing audits addressing issues that pertain to the Global War on Terror, including Operation Iraqi Freedom (OIF) and Operation Enduring Freedom (OEF).

We forward deployed to Iraq and established a field activity with assistance from the Commander, Multinational Forces-Iraq, where auditors and investigators support our oversight mission in theater. We are establishing an audit field activity in Afghanistan this month, with auditors who will support our continued oversight of contract surveillance and funds management.

We established a Joint Planning Group on oversight activities in the Southwest Asia Region so that oversight work performed by this organization, the Military Inspectors General and Auditors General, the Department of State and the U.S. Agency for International Development Inspectors General, the Special Inspector General for Iraq Reconstruction, and the Combatant Commands Inspectors General can better coordinate and deconflict oversight activities in the region. Through the Southwest Asia Joint planning Group, we will lead the coordination of oversight required to identify and fix critical mission support problems so military operations can better focus on “the fight.” We held the first Southwest Asia Joint Planning Group meeting in April 2007.

In-Theater Presence

We continue to move forward in expanding OIG in-theater presence in Southwest Asia. In March 2006, we established our first forward field site, in Southwest Asia which is collocated with U.S. Central Command Air Forces on Al Udeid Air Base, Qatar. In February 2007, through coordination with the Commanding General, Multinational Force-Iraq, we established our second forward field site at both Camp Victory and the International Zone in Iraq. This month, we are establishing our third forward field site at Bagram Air Base in Afghanistan. We have also dispatched to Afghanistan the Defense Criminal Investigative Service (DCIS) Resident Agent in Charge for Southwest Asia to assess the level of criminal activity targeting DoD resources and to evaluate the logistics and environment implications in establishing a DCIS office in Afghanistan.

Our organization continues to actively conduct audits, investigations, inspections, and intelligence oversight in the Continental United States (CONUS) and Southwest Asia that support the war efforts in Iraq and Afghanistan. Our oversight mission covers DoD funds appropriated for the Global War on Terror, and is conducted by DoD OIG personnel in Southwest Asia to obtain the essential documentation or evidence to support audits and investigations. Each OIG component, Audit, Investigations, Inspections and Evaluations, and Intelligence, is actively involved in oversight efforts in Iraq as well as Afghanistan.

Audits

Of the 22 on-going Global War on Terror-related audits, we have 19 on-going Iraq-related audit projects involving mission-critical support issues that directly impact the warfighter, such as contract surveillance; funds management; personnel and operational equipment readiness; and resetting ground vehicles and equipment with the combatant commands. Our audits include oversight of contracts, cash, and other monetary assets within Iraq, as well as the execution of supplemental funds to train and equip the Iraq security forces.

Many of our audits are initiated in response to identified high-risk areas, and to requests from DoD management and Congress. Examples include audits pertaining to funds management, such as the Iraq Security Forces Fund and the Afghanistan Security

Forces Fund; the implementation of CERP funds in Afghanistan; procurement policies for armored vehicles; and water quality for U.S. forces serving in Iraq.

With respect to our audit of the CERP in Afghanistan, we concluded in our final report issued February 2007 that the Commander, Combined Forces Command – Afghanistan established controls over the CERP; however, those controls were not effective in all cases. The other audits are ongoing. We provided an interim response to Congress in May 2007 on the results of our audit of the four contractor-operated water production sites for nonpotable water. In June 2007, at the request of the Senate Armed Services Committee, we agreed to perform additional audit work on water production in Iraq. Additionally, we have initiated a review of the process for issuing, reverifying, and recovering Common Access Cards provided to contractors working in Southwest Asia. We will also review the Department's procedures to account for the number of contractors working in Southwest Asia.

Investigations

The Defense Criminal Investigative Service (DCIS), the criminal investigative arm of the DoD Inspector General, has been engaged in investigating DoD-related matters pertaining to the Iraqi theater, to include Kuwait, since the start of the war. From May 2003 through October 2004, DCIS had teams deployed to Baghdad. In addition, from October 2004 to present, the DCIS European office as well as multiple CONUS DCIS offices have continued to investigate Iraq-related matters. In September 2006, DCIS re-

deployed special agents to offices in Iraq and Kuwait. Both offices are conducting criminal investigations and examining matters that pertain to the Department.

The presence of DCIS in the region has led to 93 investigations into areas such as corrupt business practices; the loss of U.S. funds through contract fraud; and the theft of military equipment. Our investigations are focused on matters such as bribery, theft, gratuities, bid-rigging, product substitution, and conflicts of interest. These alleged crimes expose U.S. and coalition forces to substandard equipment and services, or shortages that aggravate an already harsh and harmful environment. DCIS is currently conducting 78 investigations related to the war effort (war profiteering, contract fraud, and contract corruption); 14 of these investigations are being conducted by DCIS special agents in the Iraqi theater. The remaining 64 investigations are being conducted by special agents in CONUS and DCIS offices based in Germany.

DCIS seeks to protect America's warfighters by assuring the readiness of U.S. and coalition forces through the vigorous investigation of alleged thefts, anti-trust violations, and other breaches of public trust that affect programs and services with critical security applications.

The investigation of criminal activity in Iraq involves members of the U.S. Armed Forces, U.S. contractor personnel, and indigenous and foreign contractor personnel. In January 2004, an investigation was initiated on information from the Defense Contract Audit Agency (DCAA) concerning allegations of kickbacks and gratuities solicited

and/or received by Kellogg, Brown & Root (KBR) employees and KBR overcharging for food, meals and fuel.

Since the referral, a Federal investigative task force was formed at Rock Island, IL, comprised of DCIS, Army Criminal Investigation Command, the Federal Bureau of Investigation, the Internal Revenue Service Criminal Investigation Division, and the Office of the United States Attorney for the Central District of Illinois. The task force continues to examine criminal allegations involving the execution of the U.S. Army's Logistics Civil Augmentation Program (LOGCAP) III contract by KBR. Some prosecutions have occurred, and others are anticipated.

As a result of the magnitude of alleged criminal activity within the Iraqi theatre, a group of Federal agencies has agreed to formalize their partnership to combine resources to investigate and prosecute cases of contract fraud and public corruption related to U.S. government spending in Iraq reconstruction. The participating agencies in the International Contract Corruption Task Force (ICCTF) are DCIS, the U.S. Army Criminal Investigation Command's Major Procurement Fraud Unit, the Department of State Office of the Inspector General, the Agency for International Development Office of the Inspector General, the Federal Bureau of Investigation, and the Special Inspector General for Iraq Reconstruction.

The ICCTF has established a Joint Operations Center. The Joint Operations Center is a more formal case-coordination cell and criminal intelligence capability to

ensure maximum interagency cooperation to successfully prosecute fraud and corruption cases in support of the war effort. All participants have acknowledged that the ICCTF is a joint operation and all are partners in the operation of the task force. The mission and objectives of the ICCTF are a shared responsibility of the participating agencies. Case information and criminal intelligence will be shared without reservation and statistical accomplishments will be reported jointly. The agency heads or their designees meet regularly to provide policy, direction, and oversight.

In addition, DCIS has initiated a project and committed resources to review documents associated with payments made by the U.S. Army in Iraq. Payment records are currently stored at Defense Finance & Accounting Service, Rome, NY (DFAS-Rome). The DCIS project is designed to proactively detect fraud involving payments made by the U.S. Army to support the war effort in Iraq and ongoing investigations related to the Global War on Terror and Southwest Asia. This is expected to be a long-term effort, and DCIS is working with the ICCTF partners and coordinating its activities with the U.S. Attorney's Office, Northern District of New York. The Deputy Inspector General for Auditing is conducting a concurrent review of the records. Although the project is still ongoing, several questionable transactions have been discovered and referred for further investigation.

Since the Global War on Terror began, DCIS has pursued criminal, civil, and administrative remedies against U.S. contractors and their personnel; U.S. Forces personnel; and foreign entities and persons. Fourteen DCIS investigations that have been

adjudicated fall within the prohibited activities of the legislation sponsored by Representative Abercrombie, the War Profiteering Prevention Act of 2007.

As a result of both closed and ongoing investigations, four Federal criminal indictments, nine Federal criminal informations, and two Article 32 hearings under the Uniform Code of Military Justice. As a result of the investigations, nine U.S. persons and one foreign person were convicted of felony crimes, resulting in a total of approximately fifteen years of confinement and eleven years of probation; four individuals and one company were debarred from contracting with the U.S. Government; 19 companies and personnel were suspended; and two contractors signed settlement agreements with the U.S. Government.

In all, \$9.84 million was paid to the U.S. in restitution; \$323,525 was levied in fines and penalties; \$3,500 was forfeited; and \$61,953 was seized.

Inspections and Oversight

Our Policy and Oversight component continues to play a key role in developing and promoting the establishment of effective oversight and security organizations in Afghanistan and Iraq. Currently we are working with the Multinational Security Transition Command in Iraq (MNSTC-I) in Baghdad to assist the Iraq Minister of Defense (MoD) and Minister of Interior (MoI) establish, coordinate and develop a viable, self-sustaining Inspector General system to help combat corruption, fraud, waste, and mismanagement. We also continue to work jointly with other Federal Agency Inspectors

General to conduct critical assessments. For example, we recently completed the Department of State led assessment of the counter narcotics program in Afghanistan along with the Department of Justice OIG and are working with Veterans Affairs OIG to assess the policies, processes, and procedures of the transition of care for wounded soldiers between DoD and VA.

Intelligence

Our intelligence component has two on-going projects related to improving intelligence support to the Combatant Commanders and the warfighter, including one directly focused on support from the Joint Intelligence Task Force for Combating Terrorism. In addition, this component continues to review the U.S. Government's relationship with the Iraqi National Congress that will answer concerns of the House Appropriations Committee and recently completed a review of congressional concerns regarding DoD contracts with the Rendon Group, a public relations firm that provides strategic communications planning and media analysis.

Interagency Coordination

We are committed to remaining an active player in improving interagency coordination and collaboration to minimize duplication of efforts. I'm confident that my colleagues within the oversight community will attest that continuous interagency coordination and collaboration is essential for our mission. To minimize the impact on forward command operations, deconflict overlapping and duplicative oversight requests,

and facilitate the exchange of oversight information in Iraq, we participate in the Iraq Inspectors General Council chaired by the Special Inspector General for Iraq Reconstruction.

We also recognize that the Joint Staff and Combatant Commands Inspectors General are key players in helping us achieve our oversight objectives. To highlight the importance of collaborative oversight responsibilities, we held the Joint Staff and Combatant Commands Inspector General Conference in April 2007 and the first meeting of the Southwest Asia Joint Planning Group, which coincided with the conference. Using this forum, we will conduct oversight efforts to mitigate high-risk areas that are key to the success of OIF and OEF operations. Specifically, we want to leverage and focus joint and interagency efforts on key high-risk areas.

Interaction with Department of Justice

The National Procurement Fraud Task Force (NPFTF) was formed in partnership with U.S. Attorney Offices and Federal law enforcement agencies to strengthen the government's efforts to fight procurement fraud by marshalling resources at all levels of government to increase and better focus law enforcement for maximum impact.

The NPFTF includes the FBI, Federal Inspectors General, defense investigative agencies, Federal prosecutors from United States Attorneys offices across the country, as well as the Criminal, Civil, Antitrust and Tax Divisions of the Department of Justice.

The NPFTF has seven committees: International, Legislative, Intelligence, Training, Grant Fraud, Information Sharing, and Private Sector Outreach. The DoD OIG is represented on each of the seven committees, or their sub-committees, by OIG employees from DCIS, Auditing, Investigative Policy and Oversight, and Data Mining.

Operational Constraints

Operational constraints, such as travel restrictions, impact oversight efforts including the DoD Inspector General. Operational tempo requirements may present operational challenges for us to enter Southwest Asia; specifically in Iraq and Afghanistan. We recognize that the surge of personnel and Army's Relief In-Place Transfer of Authority (RIPTOA) also present a challenge for the commands. Accordingly, our in-country presence serves to facilitate CONUS-based and temporary duty travel oversight efforts that require information from commands in Southwest Asia and responds to in-theater command requests for assistance in mitigating areas of high-risk to successful military operations.

Although a significant number of our reviews are conducted in the "green zone" areas, we must enter the "red zone" or high threat areas to assess claims or allegations. Therefore, we actively engage with the combatant command to ensure that the coordination, timeliness, and force protection measures for movement in and out of "red zone" areas are reasonable enough to minimize or manage the risk to the auditor or investigator as well as force protection staff.

In closing, we recognize that the men and women of the U.S. armed forces are facing enormous challenges ahead for the defense of our nation's goals. We offer our commitment in ensuring that the DoD resources that are appropriated and provided to those men and women of the U.S. Armed Forces are used effectively in the Global War on Terror in Southwest Asia.

Thank you for the opportunity to appear before the committee today to address our ongoing oversight work regarding Iraq.