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Statement
of

Mr. Thomas F. Gimble
Acting Inspector General
Department of Defense

before the
Senate Judiciary Committee

on

"Combating War Profiteering:
Are We Doing Enough to Investigate and Prosecute
Contracting Fraud and Abuse in Iraq"

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 last November to Iraq and Qatar, reminds me of the importance of my 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 I 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 150 OIG personnel providing oversight on the \$463 billion in DoD supplemental funds 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: (1) establish an in-theater oversight presence, (2) expand oversight coverage of funds that are predominantly being executed in the United States, and (3) improve interagency coordination and collaboration to minimize duplicative efforts within the oversight community. First, we established an audit field office in Qatar under sponsorship of the Commander, U.S. Central Command, which is also where

his forward deployed base is located. We use Qatar as a hub from which teams deploy into Iraq, Kuwait, and Afghanistan. We currently have five auditors assigned to the Qatar office. 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 such as the Commander's Emergency Response Program. Separately, 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. Additional audit teams are planned to review reset of ground vehicles and equipment in Iraq. Also, we currently have two investigators in Kuwait, and two investigators and eight auditors in Iraq, some of whom are the initial staff for our established in-country presence in Iraq. In addition, we have two advisors stationed in the International Zone in Baghdad. Second, as of March 2007, we have initiated 22 ongoing audits staffed with about 123 auditors on issues that pertain to the Global War on Terror, including Operation Iraqi Freedom. Third, we are establishing a Joint Planning Group on oversight activities in the Southwest Asia Region so that oversight work by 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 Relief, and the Combatant Commands Inspectors General can better coordinate and deconflict oversight activities in the region.

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, Qatar, in Southwest Asia. Recently, through coordination with the Commanding General, Multinational Force-Iraq, we have established our second forward deployed field office in Southwest Asia, at Camp Victory in Iraq. We continue working towards increasing our presence in other Southwest Asia locations, specifically in Afghanistan and Kuwait, before the end of this year.

In the meantime, our organization continues to actively conduct audits, investigations, inspections, and intelligence oversight in the Continental United States (CONUS) and Southwest Asia that supports 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 Inspector General personnel in Southwest Asia to obtain the essential documentation or evidence to evaluate audits issues, allegations, or other claims. Each OIG component, Audit, Investigations, Inspections and Evaluations, and Intelligence, is actively involved in oversight efforts in Iraq as well as Afghanistan.

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 of two to three agents 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 four special agents to the theater – two special agents are assigned to Iraq and two special agents are assigned to 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 83 investigations into areas such as corrupt business practices; the loss of U.S. funds through contract fraud; and the loss of Iraqi 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 conducting 56 investigations related to the war effort (war profiteering, contract fraud, and contract corruption); 15 investigations are being conducted by four DCIS special agents in the Iraqi Theater. The remaining 41 investigations are being conducted by 31 special agents in CONUS and Germany-based DCIS offices.

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 taskforce 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, U.S. Army Criminal Investigations Division Major Procurement Fraud Unit, Department of State Office of the Inspector General, Agency for International Development Office of the Inspector General, Federal Bureau of Investigation, and the Special Inspector General for Iraq Reconstruction.

The ICCTF will staff and operate a Joint Operations Center at SIGIR Headquarters. The Joint Operations Center will create a more formal case-coordination cell and criminal intelligence capability in order to achieve maximum interagency cooperation to successfully prosecute fraud and corruption cases in Iraq. All participants have acknowledged that the ICCTF is a joint operation and all are partners in the operation of the task force. Accordingly, the mission and objectives of the ICCTF will be a shared responsibility of the participating agencies. Cases and criminal intelligence will be shared without reservation and statistical accomplishments will be reported jointly. The agency heads or their designees meet regularly to collectively provide policy, direction and oversight.

In addition, DCIS has initiated a project and committed resources to review paperwork 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 detect fraud involving payments made by the U.S. Army to support the war effort in Iraq. This is expected to be a long-term effort and DCIS is working with the FBI 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. While the project is still in its beginning stages, several questionable transactions have been discovered and referred for further investigation.

Since the Global War on Terrorism 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. Ten DCIS investigations with adjudication fall within the prohibited activities of the legislation sponsored by Chairman Leahy, the War Profiteering Prevention Act of 2007.

In total, these investigations resulted in 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, eight U.S. persons and one foreign person were convicted of felony crimes, resulting in a combined fourteen and one-half years of confinement and nine years of probation; two individuals and one company were debarred from contracting with the U.S. Government; 17 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, \$322,000 was levied in fines and penalties, and \$3,500 was forfeited.

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 business. 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 recently agreed to host the next Joint Staff and Combatant Commands Inspector General Conference, which will be held in April 2007. Further, the first meeting of the Southwest Asia Joint Planning Group will coincide with the Joint Staff and Combatant Commands Inspectors General Conference. It is our intent that this joint planning group will enhance supportive dialogue and minimize or eliminate operational constraints in gaining access to the theater of operation, which may potentially delay delivery of results of high-level interest.

Interaction with Department of Justice

The National Procurement Fraud Task Force (NPFTF) partnered with the Department of Justice with the Inspectors General offices across the federal government, with the purpose of identifying and litigating cases of fraud.

The NPFTF includes the FBI, the Department of Justice Inspector General and other 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 Task Force's mission is to increase coordination and strengthen partnership among all Inspectors General, law enforcement, and the Department of Justice to more effectively fight procurement fraud; assess existing government-wide efforts to combat procurement fraud; increase and accelerate civil and criminal prosecutions, and administrative actions, to recover ill-gotten gains resulting from the procurement fraud; and to educate and inform the public about procurement fraud.

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, Investigations and Policy Oversight, and Data Mining.

Proposed Legislation

As part of our statement, we were requested to comment on S.119, the "War Profiteering Prevention Act of 2007." The stated purpose of S. 119 is to strengthen the tools available to Federal prosecutors in order to combat war profiteering. While this legislation does not directly affect the operations of Inspectors General or Federal criminal investigators, in general, I believe that providing prosecutors with additional tools to combat criminal activity can be useful.

Operational Constraints

Operational constraints, such as travel restrictions, impact oversight efforts including the DoD Inspector General. Operational tempo requirements and the

anticipated surge of warfighters 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. Nonetheless, our in-country presence to conduct adequate oversight is imperative.

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.