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Office of Inspector General

Middle East Regional Office

Performance Evaluation of Embassy Baghdad's Transition Planning for a Reduced United States Military Presence in Iraq

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KEY FINDINGS

- Planning for the relocation to the new embassy compound and the movement toward normal diplomatic relations with the Government of Iraq have taken precedence over Embassy Baghdad planning for downsizing of the U.S. military.
- Although the U.S. military drawdown will have a significant impact on Embassy Baghdad, at the time of OIG's evaluation (December 2008-June 2009), the Embassy had not formulated a unified transition plan to anticipate the military's departure, and there was no single office or point of contact to direct these efforts. However, in mid-July 2009, the Embassy reported that a transition plan had been developed and was under final review. The Embassy had also created a central planning cell in the political/military section.
- The security situation in Iraq remains unstable, and U.S. military drawdown will affect protection of the new embassy compound in Baghdad, as well as convoy security provided by the military for goods brought into Iraq to support embassy operations.
- The Iraq Transition Assistance Office (ITAO) is managing 216 infrastructure projects valued at more than \$700 million. Only 25 of 46 authorized positions have been filled in ITAO, and nine of 11 military staff members have been reassigned. This staffing shortage has already affected ITAO's effectiveness in carrying out these projects, and will need to be addressed in the transition.
- Embassy Baghdad has relied heavily on the Logistics Civil Augmentation Program managed by the U.S. Army to provide services such as food, fuel, and transportation. The Embassy will need to examine other potentially more costly options for service provision.
- Department budget officials are identifying costs associated with the U.S. military drawdown as requirements are identified, and they believe sufficient funds have been budgeted through FY 2011 to meet projected embassy operational requirements as currently defined. However, OIG has identified several areas in which the military drawdown may result in additional costs. These areas include requirements for: (1) enhanced security around the new embassy compound; (2) convoy security for fuel, food, and other supplies; (3) commercial air travel as an alternative to military transport; and (4) private sector design, contract preparation, and contract oversight to replace U.S. Army Corps of Engineers' support services.

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INTRODUCTION

The United Nations mandate for the Multi-National Force-Iraq (MNF-I) to remain in Iraq expired on December 31, 2008. On January 1, 2009, two agreements came into force, the Security Agreement between the United States and Iraq which provided the legal basis for the U.S. military's continued presence and operation in Iraq, and the Strategic Framework Agreement covering the overall bilateral relationship between the two governments. Under the Security Agreement, the U.S. military was to withdraw from Iraqi cities by June 30, 2009, and all U.S. forces will withdraw from Iraq by December 31, 2011.

U.S. military reduction and transition, and normalization in Iraq are active and changing processes. Planning milestones are subject to uncertain and unanticipated events and will most likely change as the situation in Iraq evolves and the Department of State's (Department) requirements become known. Effective implementation of the Security Agreement and the Strategic Framework Agreement will require a strong and coordinated transition effort between the Department and the Department of Defense (DoD), and with other agencies. The downsizing of the U.S. military presence and normalization of embassy operations are high stakes dynamic processes. For these reasons, OIG will conduct a series of evaluations to monitor Department transitions efforts and continually assess progress. This report covers the time period from December 2008 to June 2009.

The Middle East Regional Office (MERO) of the Office of Inspector General (OIG) initiated this work under the authority of the Inspector General Act of 1978, as amended,^{*} to evaluate Embassy Baghdad and other Department plans and activities associated with U.S. military downsizing in Iraq. The objectives of this review were to determine: (1) transition planning mechanisms within the Department, and between the Department and DoD; (2) the key transition issues identified by the Department; and (3) the expected costs associated with increased Department roles and responsibilities following the U.S. military drawdown.

OIG began its work in December 2008, and subsequently met with senior officials involved in transition management at Embassy Baghdad. In addition, OIG examined Department program and planning documents and met with operational-level officials at the Embassy, MNF-I, and logistical support contractors. OIG also visited and met with Regional Embassy Office (REO) and Regional Reconstruction

^{*} 5 USC App. 3

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Team (RRT) officials at REO Basra, REO Hillah, and RRT Erbil. OIG is in the process of completing a report on the role, staffing, and effectiveness of the REOs in Iraq and will report these findings in mid-2009.

EXECUTIVE SUMMARY

RESULTS

U.S. Government (USG) officials in Iraq depend on the U.S. military's support to help carry out many aspects of their mission. Thus, the U.S. military drawdown will have a profound effect on the USG's presence in that country, and planning by Embassy Baghdad for this transition is essential. At the time of OIG's review, although several sections of the Embassy were involved in planning at the operational level, there was no overall transition plan anticipating the U.S. military drawdown and no senior level coordinator for these activities. However, in commenting on a draft of this report in mid-July 2009, the Embassy noted it had developed a draft transition plan that was undergoing final review, and that it had established a central planning cell in the political/military section. Embassy Baghdad has also formed, and is participating in, several working groups and committees addressing various aspects of the changing military environment. Finally, embassy officials report that it is still early in the U.S. military drawdown planning process and much will depend on the military's final plans and implementation of its departure. These officials noted they are working to lessen civilian dependence on the military, but are also examining joint use of assets and support structures that will be in place to support the remaining military presence.

The departure of the U.S. military raises some key issues that should be resolved during this transition period. The military currently provides protection around the new embassy compound (NEC), in the International Zone, and for convoys supplying goods to the Embassy. USG officials need to examine how to continue meeting these security needs. ITAO is involved in 216 infrastructure projects worth more than \$700 million. The shortage of personnel, some of whom were reassigned members of the U.S. military, and the relocation of the U.S. Army Corps of Engineers (USACE), is already affecting the progress of these projects. The Embassy needs to develop plans to manage and complete these vital undertakings. Housing, food services, and other life support services are provided under a shared cost arrangement with DoD through the Logistics Civil Augmentation Program (LOGCAP). Alternatives, which could potentially incur higher costs, need to be found. Embassy Baghdad has begun looking at other means of air travel in and out of Iraq for USG officials who currently use military-supplied transport. Finally, U.S. military personnel have

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been working on Provincial Reconstruction Teams (PRT), and with their departure, the Embassy must determine how to replace these important staff members, as well as continue to provide support to the PRTs.

Department and embassy officials are in the process of identifying costs associated with the U.S. military drawdown in Iraq. Thus far, most identified costs are associated with a new U.S. Army-based contract to provide food service, water, fuel, vehicle maintenance, transportation, and convoy support, as well as decreasing KBR's role in the International Zone. Department officials told OIG that initial estimated budgets for FY 2010 and FY 2011, with an increase of \$314 million and \$324 million over FY 2009 levels, respectively, are sufficient to meet projected embassy operational requirements. OIG has identified several areas in which the U.S. military drawdown may result in additional, as yet unplanned for, costs including costs related to: (1) enhanced embassy compound security; (2) protection for embassy supply convoys; (3) viable commercial air travel for chief of mission personnel; and (4) private sector contract design, preparation, and oversight of large projects managed by the U.S. military. The relocation of 291 U.S. military personnel to the NEC as part of its downsizing in the International Zone should have limited impact on embassy operations, except for food service, since the new temporary military housing complex is self-sustaining and does not rely on Embassy Baghdad infrastructure.

RECOMMENDATIONS

Recommendation 1: Embassy Baghdad should develop a unified transition plan in anticipation of the U.S. military drawdown in Iraq and assign a senior level official to serve as overall transition planning coordinator. (Action: Embassy)

Recommendation 2: Embassy Baghdad should develop a workforce plan for the Iraq Transition Assistance Office to provide effective management and oversight of contractors and ensure the timely completion of projects. (Action: Embassy)

Recommendation 3: Embassy Baghdad should develop plans to determine what Logistics Civil Augmentation Program (LOGCAP) services will be required and ensure adequate qualified contract management personnel are available to manage and oversee the LOGCAP contract. (Action: Embassy)

Recommendation 4: Embassy Baghdad should verify resource needs to meet the expected increase of logistical and program support requirements stemming from the downsizing and departure of U.S. military resources, and should request additional funds as necessary to efficiently and effectively manage embassy operations and Department programs in Iraq. (Action: Embassy)

MANAGEMENT COMMENTS AND OIG RESPONSE

Embassy Baghdad provided written comments on a draft of this report, which appear in their entirety in Appendix III. Technical comments and updates from Embassy Baghdad and the Bureau of Resource Management have been incorporated throughout the report, as appropriate.

Embassy Baghdad believes the OIG review of the embassy's transition planning for a reduced U.S. military presence in Iraq was ill-timed, citing the announcement of the new Administration's policy on Iraq in February 2009, the arrival of the new ambassador in April, a 90 percent embassy staff turnover in June and July, and the U.S. military's briefing on some of its transition planning in mid-June. Embassy Baghdad also indicated that it strongly disagreed with the report's statement that the current planning situation is being conducted at the operational level without senior level input or direction, stating that the current and former Management Counselors have provided significant leadership and planning for the withdrawal of the military.

OIG fully understands the fluid nature of present-day Iraq and the difficulty of planning for future programs and contingencies. OIG initiated this review at the end of 2008 due to concerns that the Embassy was not adequately planning for the anticipated U.S. military drawdown. A concurrent evaluation of embassy planning efforts in a fast-changing environment such as Iraq presents reporting challenges. This report presents a "snapshot" in time on the status of embassy planning efforts from December 2008 through June 2009. OIG plans to continue monitoring the situation in Iraq and the effect of the U.S. military drawdown on embassy operations to inform and assist the Administration, Congress, and the Department in these important developments.

Based upon numerous interviews with embassy, U.S. military, and other agency officials, and review of embassy program and planning documents, OIG stands by its conclusion that the transition planning effort was being led at the operational level without senior level input or direction. OIG did observe instances in which some senior level embassy officials were involved in some aspects of transition planning;

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however, these efforts were ad hoc and of limited duration. Furthermore, OIG observed that the previous management team was focused on the embassy move from the Republican Palace to the NEC and the negotiation and implementation of the Security Agreement, which took priority over planning for the U.S. military draw-down. Finally, as is common with concurrent evaluations, the presence of the OIG team and OIG's requests for interviews and documents prompted increased embassy focus and attention on the transition planning effort. OIG is pleased by recent actions taken by the new embassy management team and the increased focus on the normalization of embassy operations related to the eventual U.S. military withdrawal.

Embassy Baghdad did not respond to Recommendation 1 to develop a unified transition plan and assign a senior level official to serve as overall transition planning coordinator. Regarding Recommendation 2, Embassy Baghdad noted that a team from Washington, DC is studying ITAO management and how to proceed with existing projects. Embassy Baghdad stated it is exploring options that may involve extending USACE contracts or re-obligating monies from infrastructure projects. OIG commends the Embassy for reviewing ITAO operations and addressing known management problems that extend beyond the scope of this report and OIG's recommendation to address staffing shortfalls.

Regarding Recommendation 3, Embassy Baghdad suggested restating the recommendation to develop plans for the provision, through new contracting mechanisms, of support services currently provided by LOGCAP. OIG does not disagree with this formulation and believes a new contracting mechanism to replace LOGCAP is desirable. Nonetheless, for the near future, the Embassy will continue to receive services under LOGCAP. OIG remains concerned that the Embassy lacks adequate qualified contract management personnel to manage and oversee the LOGCAP contract as it presently exists.

Finally, regarding Recommendation 4 which calls for verifying resource needs, Embassy Baghdad stated that there are two program areas that will greatly impact the embassy platform in 2011 and beyond: (1) a Department program to take over training Iraqi police from the U.S. military, and (2) the possible stand-up of an Office of Military Cooperation under chief of mission authority to assume some of the support and assistance now provided by U.S. military units. Embassy Baghdad noted that neither of these two programs has yet been defined in terms of scope, numbers of personnel and their deployment to different Iraqi sites, or the duration of their missions or support needs. Therefore, the Embassy cannot yet begin the necessary planning. The purpose of this recommendation is to inform decision makers in the Department and Congress of Embassy Baghdad's resource needs to ensure the Embassy can effectively carry out its mission. As noted in the "Associated Costs

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of Transition” section of this report, Department budget officials believe sufficient funds have been budgeted through FY 2011 to meet projected embassy operational requirements, as currently defined. OIG encourages Embassy Baghdad to proceed with this resource planning exercise once these two new programs, and any other programs, are defined and developed.

OIG considers all the comments received responsive to the intent of the recommendations.

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BACKGROUND

The Administration is committed to the downsizing of the U.S. military in Iraq, which took place in the cities at the end of June 2009 and nominally, will take place throughout Iraq by the end of 2011. The U.S. military currently provides support services to more than 1,000 personnel under chief of mission authority, primarily through LOGCAP support services and personal protection for PRT members,* military air transport in and out of Iraq, security, and other program support. Thus, the reduction in military forces will have an impact on Department programs, support plans, and activities.

The Embassy Baghdad mission strategic plan for FY 2010 states, “As the security situation improves and our military presence diminishes we will: accelerate the transition to normalized diplomatic operation and evolve Embassy staffing and programs to more traditional lines of diplomatic engagement; continue the process of evolving REOs/PRTs into traditional diplomatic presences; establish a fully independent Embassy operation through the aggressive use of competitive sourcing and regionalization/off shoring with concomitant reduction in reliance on military assets for security augmentation, communications and logistical support.” The mission strategic plans for FY 2010 and FY 2011 note that the Embassy will be required to provide adequate logistical and operational support during the transition.

The Embassy’s mission strategic plans also suggest that the management section take the lead in coordinating with the U.S. military to ensure continued and effective support during the transition period. The embassy’s management section is its primary support mechanism and is led by two senior Foreign Service Officers. The management section, through a contracting officer’s representative, also manages the LOGCAP contract. LOGCAP is a military-managed program that provides support to chief of mission personnel for housing, ground transportation, food service, laundry service, communications, postal services, and facilities management. Embassy Baghdad reimburses DoD for 40 percent of the total cost of these services which are provided by a contractor, KBR.

* The PRT program was established in October 2005 to support Iraqi provincial governments in reconstruction and development assistance. The PRTs are integrated and multidisciplinary teams composed of U.S. civilian and military personnel who teach, coach, and mentor provincial and local government officials in governance and economic development.

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Other key offices involved in managing the Department's transition during the military drawdown transition include:

- Bureau of Near Eastern Affairs (NEA) manages a large portion of funds designated for Embassy Baghdad. NEA, on behalf of the Embassy, provides direct funding and manages large services contracts such as the Pacific Architects and Engineering, Inc. contract for facilities maintenance, funding for Overseas Building Operations leases, and for embassy construction. NEA also negotiates the Department's 40 percent reimbursement to the military for the LOGCAP contract (DoD funds 60 percent). In all, NEA manages approximately 20 major contracts on behalf of the Embassy.
- Iraq Transition Assistance Office (ITAO) provides oversight of the expenditure of \$20.8 billion for the Iraq Relief and Reconstruction Fund and more than \$3.7 billion in Economic Support Funds. In coordination with the USACE, ITAO is responsible for successfully completing the remaining large and complex infrastructure projects and also participates in building Iraq's governing capacity in such areas as strategic and policy planning, finance, information technology, and human resource management.
- Office of Provincial Affairs (OPA) coordinates the programs of the 23 PRTs (including one coalition PRT) and an REO. OPA is headed by a senior Foreign Service Officer who manages 517 Department personnel. OPA works closely with MNF-I, coalition partners, and the Government of Iraq.
- Regional Security Office (RSO) is composed of 88 special agents whose primary responsibility is ensuring the safety and security of Department and other USG personnel operating under chief of mission authority. The RSO is responsible for managing the approximately 1,290 personal security specialists under the nearly \$2 billion second Worldwide Personal Protective Services contract. The RSO also monitors the performance of the approximately 1,900 guards in the Baghdad Embassy Security Force who maintain the embassy's perimeter security.
- Financial Management Office is responsible for supporting the financial efforts for chief of mission personnel, as well as, providing Department resources as required for institutional contract and shared financial issues with the U.S. military and other coalition partners. Budget analysts within the Financial Management Office and NEA are responsible for identifying costs and developing budget estimates for embassy operations, including the associated costs related to the military's drawdown.

TRANSITION PLANNING

Embassy Baghdad does not have a unified transition plan in anticipation of the U.S. military drawdown in Iraq. Several embassy sections are engaged in aspects of transition planning, and several committees have been formed; however, no single office or person is responsible for coordinating overall transition planning efforts. Furthermore, OIG noted that senior embassy officials and the embassy's Executive Office were not fully engaged in the transition process. However, recent statements and actions by newly-arrived embassy officials indicate there will be increased attention on the effect of the military drawdown on embassy operations in the future. Additionally, in mid-July 2009, the Embassy noted that it had taken action on transition planning.

PLANNING CONTEXT AND GOALS

According to embassy officials, the U.S. military drawdown will have a significant impact on many areas of embassy operations in Iraq. Since the arrival of USG civilians in Iraq in March 2003, the Department has depended on U.S. military support. The Embassy's close cooperation with the military and reliance on military operational support created the environment in which all embassy processes subsequently evolved. As the security and political situation in Iraq changes, and continues to change, aspects of operational, logistical, and security support for the diplomatic platform will be affected.

Embassy officials told the OIG team they have been "transition planning" for many years. These officials pointed to the embassy's move from the Republican Palace to the NEC as a significant product of this planning. This move resulted in the use of contract support not reliant on, or part of, the military support infrastructure. The objective of transition planning efforts is to wean the Embassy from military support and move towards "normalization" of embassy operations. Embassy officials stated that wherever possible and practicable in Iraq's difficult operating environment, the Embassy is promoting greater reliance on embassy and other Department assets including off-shore support.

Embassy officials noted that it is still early in the military drawdown planning process, and much will depend on the military's final plans and implementation of its departure. At the end of this transition, military assets and support structures will still be in place to support the remaining military presence. The possible joint use of these remaining assets, as well as requirements based on the security situation at that time, will significantly impact embassy operations.

PLANNING MECHANISMS

At the time of OIG's review, the Embassy did not have a unified transition plan, but only statements in its mission strategic plan related to reducing reliance on military assets for security augmentation, communications, and logistical support. Based upon numerous interviews with both current and former embassy and MNF-I officials, there was no single entity responsible for overall direction and coordination of embassy transition planning. OIG observed and confirmed with knowledgeable embassy officials that the current planning situation is being conducted at the operational level without senior level input or direction. In June 2009, in an effort to increase focus and improve overall coordination, the embassy's new management counselor appointed a management officer as the section's transition coordinator responsible for all management issues in response to military downsizing under the Security Agreement. Further, in mid-July 2009, the Embassy reported development of a transition plan that was in the final stages of review and establishment of a central planning cell in the political/military section.

As the Embassy works toward the goal of normalizing operations, it has formed and participates in several working groups and committees that independently address various aspects of the changing military footprint in Iraq, including:

- The Commercial Air Travel Working Group, composed of officials from Management, the RSO, the Office of Transportation Attaché, and the Department of Homeland Security, is exploring alternatives to military air transportation for embassy personnel in and out of Iraq.
- The Joint PRT Steering Group monitors military transition plans and coordinates the ongoing collocation of military and Department-led PRTs and REOs to ensure continued support in accordance with various memoranda of agreement between the Departments of State and Defense.

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- The management section participates in several MNF-I planning processes such as the International Zone Operational Planning Team and the Basing Board, and hosts bi-weekly meetings to focus on coordination with the military's Joint Area Support Group and MNF-I on issues related to planning for military transition.

The Embassy also works closely with the military's drawdown planning through its participation in the implementation of the Security Agreement with the Government of Iraq. According to documents obtained by the OIG team and discussions with participating officials, the Departments of State and Defense, and the Government of Iraq are at initial stages of transition planning. Article 23 of the Security Agreement established several bodies for its implementation and for the settlement of disputes arising from its interpretation and application. The Ambassador and embassy officials from various sections—political, management, security, political/military—serve as members on three implementing committees and 12 different coordinating subcommittees. The coordinating subcommittees deal with issues such as International Zone security; vehicle, vessel, and aircraft movement; import and export of goods; and entry and exit requirements. According to an embassy official, the handling of these and other issues as the military draws down will impact embassy operations.

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KEY TRANSITION ISSUES

The changing U.S. military footprint in Iraq will have a profound impact on Embassy Baghdad activities, operations, and personnel. The U.S. military provides security protection and quick response capabilities for USG civilian personnel. Greater Iraqi control and access to the area surrounding the NEC will present significant security challenges, as will the need to replace U.S. military convoy security support for food, fuel, and supplies brought into Iraq to support embassy operations. The departure and relocation of military personnel will affect the timely completion of large infrastructure projects being managed by the Embassy, as well as the governance and economic development work of the PRTs. The Department's reliance on the U.S. Army-based LOGCAP contract for operational support may be substantially different in terms of overall costs and services supplied when a new LOGCAP contract is awarded in 2010. Finally, limited military aircraft resources and a legal agreement not to carry non-DoD passengers into and out of Iraq on military aircraft will require the Embassy to find commercial air transport alternatives for chief of mission personnel.

SECURITY

Although lethal attack incidents in Iraq are down significantly since they peaked in 2006 and 2007, the security situation in Iraq remains very difficult. Chief of mission personnel benefit considerably from the protective security umbrella provided by the presence of U.S. military forces in Baghdad and other major cities in Iraq where USG personnel serve. Thus far, the RSO's protection mission and planning function has not been noticeably affected by the military drawdown. The RSO continues to rely on the approximately 1,300 personal security specialists and 1,900 perimeter security guards to protect chief of mission personnel. Nonetheless, security concerns exist.

The Government of Iraq assumed nominal control of the heavily guarded International Zone on January 1, 2009, in accordance with the Security Agreement with the Government of the United States. Since then, Iraqi security forces have assumed more control over the four-square mile area. Iraqi soldiers are responsible for perimeter security, conduct of vehicle and personal searches, and the badge clearance process at the International Zone's external checkpoints. The International Zone

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Police, staffed by U.S. military personnel, continue to patrol within the area. Chief of mission personnel are not allowed to move outside the NEC alone, and are urged to take precautions when traveling to the few remaining USG installations within the International Zone, including the U.S. Agency for International Development (USAID) compound, the USACE building, and the Baghdad PRT. The U.S. military is presently training Iraqi forces responsible for protection in the International Zone surrounding the NEC. As the International Zone transitions to greater Iraqi control and public access, the performance and reliability of these Iraqi forces to protect the NEC and personnel, especially from the real threat of kidnapping, will be paramount.

The U.S. military provides convoy security (armored vehicle motorcades) for equipment, supplies, food, and fuel brought into Iraq to support embassy operations. According to the embassy's management officer, the security situation in Iraq prevents the procurement of local food stuffs. Also, there is no "clean" (appropriately refined) fuel available in Iraq, so fuel must be transported by truck to the Embassy from Kuwait. As the military continues its drawdown, the smaller number of military personnel will likely reduce its ability to protect embassy supply convoys.

IRAQ TRANSITION ASSISTANCE OFFICE

ITAO was created as a temporary (three-year) organization to advise the Ambassador on the strategic direction of assistance programs; provide the Embassy with senior subject matter experts in such areas as oil, electricity, and water; and develop Iraqi government ministerial capabilities. ITAO is currently responsible for managing 216 ongoing projects, including large infrastructure projects, valued at more than \$700 million. ITAO's mandate is set to expire on May 10, 2010. Table 1 provides information on ITAO's ongoing projects by sector of activity, number of projects, and funds obligated.

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Table 1: Ongoing ITAO Projects as of June 10, 2009 (Dollars in millions)

Sector or other expenses	On-going projects	Funds Obligated
Iraq Relief and Reconstruction Funds		
Building/Education/Health	\$4	\$43.2
Electricity	7	116.9
Water	15	108.5
Security and Justice	9	31.1
Transportation/Communication	6	60.5
Grants (non-construction) ^a	12	23.8
Contracts (non-construction) ^a	12	17.6
Subtotal	65	401.6
Economic Support Funds		
Building/Education/Health	55	111.9
Electricity	2	12.3
Oil	3	7.1
Operations, Maintenance, Sustainment	6	16.7
Water	25	47.5
Security and Justice	3	4.1
Transportation/Communications	12	16.1
Grants (non-construction) ^a	1	1.6
Contracts (non-construction) ^a	8	10.9
Infrastructure Security Program Water	1	.9
Infrastructure Security Program Oil	3	10.2
Targeted Development Program	32	58.5
Subtotal	151	297.8
Total	\$216	\$699.4

Source: OIG analysis of ITAO data

^a These contracts and grants are for other than “brick and mortar” projects and include funding for a wide variety of activities such as consultant fees, legal services, public awareness campaigns, and salaries.

ITAO is led by a senior Foreign Service Officer who manages a staff authorized for 46 positions. However, as of May 31, 2009, only 25 staff positions were filled—23 civilian and two military staff members. In April 2008, nine of 11 authorized military personnel were reassigned from ITAO back to their military units. According to the ITAO director, the staff shortage reduces the ability to visit construction sites and meet with Iraqi government and contractor officials, resulting in project delays, diminished performance, and less effective contract management and oversight. The pending relocation of USACE in the summer of 2009 from the International Zone

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to Camp Victory near the Baghdad International Airport (BIAP) will add to ITAO's management problems. ITAO relies on and is heavily engaged with USACE engineers to manage ITAO's projects, and staff members from the two organizations meet daily to discuss the status and execution of ongoing projects. Travel between the International Zone and Camp Victory is time-consuming, and involves arranging secure transport. ITAO officials told the OIG team they expect USACE's move to Camp Victory to disrupt the close working relationship between the two organizations and affect the timely completion of their ongoing projects.

On May 10, 2009, ITAO submitted a report to senior embassy officials with information on the status of the more than 200 ongoing projects and the plan to complete these projects before ITAO's May 2010 closure date. ITAO officials told the OIG team that they expect the majority of projects will be completed before May 2010, but a number of projects will extend beyond that date. The ITAO officials stated that timely completion of all projects would be aided by filling vacant staff positions, a smooth USACE transition to Camp Victory, and a stable political and security environment in Iraq. Nonetheless, these officials noted the Embassy should develop plans to assume management control of incomplete ITAO projects.

LOGISTICS CIVIL AUGMENTATION PROGRAM

The Embassy has relied heavily on the U.S. Army-based LOGCAP contract to provide food service, water, fuel, vehicle maintenance, transportation, and convoy support, all supplied by the private services contractor KBR. LOGCAP falls under a contingency contract considered "a contract of last resort" for customers, due to its potential additional costs.*

As of June 2009, the Department and the U.S. Army were working under a memorandum of agreement that expired on February 5, 2009. This agreement provided for a cost allocation arrangement whereby DoD paid 60 percent and the Department paid 40 percent of costs for shared services. This percentage was based on the approximate level of use of services by the U.S. military and the Department. Moreover, the agreement stipulated each agency would pay 100 percent for services that it alone utilized. Table 2 provides information on the amount of funds NEA reimbursed DoD in FY 2008 under the LOGCAP agreement.

* Contingency contracts are primarily designed for situations in which requirements are unknown, rapid response is essential, and/or conditions are such that normal sustainment type contracts are not competitively available. Under contingency contracts, the government typically assumes the financial risk with the use of cost-plus award fee contracts. Once the situation stabilizes and a reasonable determination can be made as to the quantity and type of work to be performed to support the mission, customers should transition out of contingency contracts into contracts that are more standard and cost-effective.

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Table 2: Department Reimbursements under LOGCAP in FY 2008

Services Provided	Reimbursement
Logistical support – food, fuel, maintenance, transportation	\$75,127,000
PRT operations and support	18,782,000
Temporary housing and New Embassy Compound dining facility	10,000,000
Total	\$103,909,000^a

Source: Department of State, Bureau of Near Eastern Affairs

^aDoes not include funds provided directly to administrative change letter for chief of mission task orders.

The current LOGCAP task order (known as TO151) has been extended several times, and is scheduled to be replaced in 2010 by a competitively awarded task order under the new LOGCAP IV contract. A Department budget official noted as the Embassy begins to rely less on the U.S. military for support, the new task order may be substantially different in terms of overall costs, cost sharing percentages, and services supplied. This official added that future costs may be higher than the Department's current 40 percent share.

According to embassy officials, the next steps for normalizing embassy operations will include examining possibilities to contract separately for food, fuel, and vehicle maintenance. However, a senior embassy official noted that the Department will face several challenges in lessening its dependence on the LOGCAP contract. First, the Embassy relies on military security for its truck convoys supplying food and fuel. Contracts with private security providers for movement protection will substantially increase the cost to the Department. Second, approximately 40 DoD Defense Contract Management Agency staff members currently oversee and monitor the actual provision of services under the LOGCAP contract in Iraq. As the military draws down and the Embassy takes on additional contracting and oversight responsibilities, the Department will need to provide qualified personnel to assume those duties.

AIR TRANSPORTATION

The U.S. military provides air transportation for chief of mission personnel into and out of Iraq from Amman, Jordan and Ali Al Salem Airbase in Kuwait to BIAP on a non-reimbursable basis. However, military resources are limited and the Administration's emphasis on military and civilian support in Afghanistan is shifting these limited aircraft resources. As a result, the Embassy is now supported by older, less

reliable C-130 aircraft rather than the newer and larger C-17s. Furthermore, under the Security Agreement, military aircraft cannot carry non-DoD passengers into and out of Iraq. Thus, according to the Embassy, its current use of military aircraft technically violates the Security Agreement. According to embassy officials, while the Government of Iraq has not yet objected, MNF-I has expressed concerns about this technical violation.

Over the past year, the Embassy has explored alternatives to military aircraft transportation for its personnel. Initially, the Embassy considered charter aircraft services but, upon review of the Strategic Framework Agreement and consultation with the Department, decided to shift from chartering to using commercially available flights. To this end, the Embassy established a Commercial Air Travel Working Group composed of representatives from the management office, RSO, Office of Transportation Attaché, and Department of Homeland Security. The Embassy is also partnering with MNF-I to work toward identifying and using viable commercially available air transportation services. Embassy officials noted that the embassy's mission strategic plan emphasizes normalization of operations, and the beginning of commercial flights will help develop Iraq's commercial air travel industry.

As of late May 2009, the Commercial Air Travel Working Group was conducting security assessment visits to BIAP and monitoring and working with Iraqi airport personnel to improve standards. Issues still to be resolved include whether to stage commercial flights from the military or civilian side of the airport; whether chief of mission personnel should be authorized to fly routinely on aircraft with countermeasures equipment; developing passenger and baggage screening mechanisms; establishing a BIAP badging system; and identifying processes to fund, book, and logistically support commercial travel.

PROVINCIAL RECONSTRUCTION TEAMS

The Embassy, through the Office of Provincial Affairs, and with the active support of the U.S. military, currently operates 23 PRTs and one RRT throughout Iraq. The embassy's mission strategic plan indicates a gradual reduction in PRTs from 16 teams in August 2010 to six teams by December 2011. As the military plans its drawdown throughout Iraq, OPA and the military will need to coordinate the continued collocation of military personnel and PRTs to ensure continued support in accordance with the various memoranda of agreement that support the field unit program.

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PRTs are integrated and multidisciplinary teams composed of USG civilian and military personnel from the Departments of State, Justice, and Agriculture; USAID; the U.S.-led MNF-I and its subordinate element, the Multi-National Corps-Iraq; and the Gulf Region Division of USACE. To compensate for the lack of civilians in the early years of the PRT program, DoD provided numerous military civil affairs personnel to fill many PRT positions, such as local government, economic, and agricultural advisers. As the PRT program evolved, the military's civil affairs teams have become vital members of the PRT's workforce and activities. As U.S. military personnel leave Iraq, the PRT program will need to adapt and compensate for the loss of these staff members.

Embassy officials told OIG that MNF-I has pledged to provide security and support to PRTs as long as the PRTs remain in existence. According to MNF-I officials, the military still needs to determine how to provide movement security for PRT personnel after its scheduled departure at the end of 2011, using residual military trainers, special forces, and force protection units.

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ASSOCIATED COSTS OF TRANSITION

Embassy Baghdad receives operational support funding from NEA and the Bureau of Resource Management. According to bureau and embassy budget officials, identifying costs associated with the U.S. military drawdown is an ongoing process and costs are being identified as requirements arise. Many of the costs are still being quantified, but they relate to the new LOGCAP IV contract as well as KBR's transition to a smaller presence in the International Zone. These officials told the OIG team that there are sufficient funds in the embassy's current FY 2009 budget (\$1.55 billion) and the estimated budgets for FY 2010 (\$1.86 billion) and FY 2011 (\$1.87 billion) to adequately meet the embassy's projected operational requirements, including those associated with the U.S. military drawdown. Table 3 contains information on actual and estimated funding for Embassy Baghdad. Appendix 1 provides more detailed budget information on mission operations, logistical support, and security.

Table 3: FY 2007-2011 Actual and Estimated Program Funding for Iraq

Dollars in millions

	FY 2007 Actual	FY 2008 Actual	FY 2009 Estimated	FY 2010 Estimated	FY 2011 Initial Estimate
U.S Mission Operations	\$113	\$175	\$184	\$294	\$213
Logistics Support	194	256	258	244	322
Security	577	319	603	674	712
Information Technology	23	17	21	15	15
Provincial Reconstruction Teams	336	217	484	636	611
Total^a	\$1.245	\$0.986	\$1.551	\$1.865	\$1.875

Source: Bureaus of Near Eastern Affairs and Resource Management

^aNumbers may not add due to rounding.

According to the Department's Iraq operations spending plan for FY 2009, the size and scope of Embassy Baghdad operations will be impacted by three major considerations: (1) continuation of the move into the NEC; (2) ongoing support requirements for security and capacity-building efforts to stabilize Iraq; and (3) and the potential effect on operations associated with new agreements with the Government of Iraq related to the future U.S. presence in Iraq.

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The OIG team observes that the Department's budget planners prepared for potentially higher costs to assume housing, food services, and other life support services under the shared-cost LOGCAP arrangement. However, as noted in the previous "Key Transition Issues" section, costs for increased static and convoy security for the Embassy do not yet appear to be factored in. Furthermore, there will be direct and indirect costs associated with use of commercial rather than military-supplied transport. Other possible costs related to the U.S. military drawdown to consider include:

- USACE supports the Department in design, contract preparation, and contract oversight of large infrastructure projects that the Department cannot manage with Embassy staff. All of USACE's contracts in Iraq are awarded from the Department in Washington, DC. USACE currently charges the Department a design and oversight service fee of approximately seven percent of the cost of projects. If the military drawdown includes USACE, the Department will need to hire private engineering contractors for management support. Contracted services could cost significantly more due to start up costs, salaries, and support services, which, based upon industry standards, would likely exceed fees charged by USACE.
- The U.S. Army Center of Excellence provides the food served in the embassy dining facility. An earlier USG audit revealed that the Department was not paying the U.S. Army for the cost of this food.* According to a Department budget official, the Department was not required to reimburse the U.S. Army in the original memorandum of agreement between the two entities. However, the Department is in the process of reimbursing the U.S. Army for food costs incurred in FY 2009. As the military drawdown continues, the Department must continue to budget for the continued cost of food for embassy employees.

Finally, the facilities management section is responsible for living and work environment support to embassy personnel. These services are provided by USG direct-hire management and contracted support from several companies including KBR, Pacific Architects and Engineering, Inc., Kaseman Corporation, and TeleTech. Since the completion of the move to the NEC, the facilities management section has been responsible for facility support to all agencies with staff assigned to the Embassy, including the U.S. military. Currently, there are 197 containerized housing units under construction in the NEC for 291 military personnel. The NEC is already at maximum capacity for water and sewer service and near capacity for electricity, but the

* *Logistics Civil Augmentation Program Task Orders 130 and 151: Program Management, Reimbursement and Transition, SIGIR-08-002 (October 30, 2007)*

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new military housing complex will be self-sustaining and will not rely on Department resources. Therefore, the military relocation to the NEC as part of its downsizing in the International Zone should have little impact on the embassy's facilities operations.

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ABBREVIATIONS

BIAP	Baghdad International Airport
Department	Department of State
DoD	Department of Defense
ITAO	Iraq Transition Assistance Office
LOGCAP	Logistics Civil Augmentation Program
MERO	Middle East Regional Office (Office of Inspector General)
MNF-1	Multi-National Force-Iraq
NEA	Bureau of Near Eastern Affairs
OIG	Office of Inspector General
OPA	Office of Provincial Affairs
PRT	Provincial Reconstruction Team
REO	Regional Embassy Office
RRT	Regional Reconstruction Team
RSO	Regional Security Office
USACE	U.S. Army Corps of Engineers
USAID	U.S. Agency for International Development
USG	U.S. Government

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**APPENDIX I: FY 2007-2011 ACTUAL AND ESTIMATED
PROGRAM FUNDING FOR IRAQ**

Dollars in thousands

	FY 2007 Actual	FY 2008 Actual	FY 2009 Estimated	FY 2010 Estimated	FY 2011 Initial Estimate
U.S Mission Operations					
General Mission Operations	\$68,428	\$129,327	\$127,900	\$210,810	
ITAO Operational Costs	36,070	18,418	27,000	46,500	
REO Operational Costs	15,000	6,826	6,800	6,600	
Offshore Support Units	3,818	13,191	16,146	23,280	
Public Diplomacy Programs	3,527	7,387	6,200	7,500	
Subtotal	113,343	175,149	184,046	294,690	\$213,220
Logistics Support					
Operations and Maintenance	30,244	78,161	143,790	137,810	
Contracts	159,989	75,911	114,798	106,200	
Temp. Housing	12,500	102,595	0	0	
Subtotal	194,733	256,667	258,588	244,010	322,232
Security					
Static (Local) Guards	55,217	50,699	82,678	112,585	
Compound/Guard Camp		89,397	14,250	1207	
Regional Security	151,976	3,820	23,849	25,000	
Personal Security Details	275,600	49,785	273,254	356,488	
Armored Vehicles	43,176	40,707	17,519	18,000	
Physical and Technical Security	12,750	7,165	48,300	19,695	
Equipment	7,500	6,156	25,390	19,095	
Other Support/Operations	31,050	22,616	55,560	72,895	
Overhead Cover		49,000	62,740	49,700	
Subtotal	577,269	319,345	603,540	674,665	712,767
Information Technology					
Radios, Phones, Other Support	7,229	6,955	8,141		
Bandwidth	4,467	10,501	12,900		
Non-Baghdad Support; USG Cell ^a	11,883				
Subtotal	23,759	17,456	21,041	15,300	15,300
Provincial Reconstruction Team					
Salaries	2,100	82,022	86,600	157,300	
Operations	32,000	21,635	76,071	41,860	

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Support	10,200	36,000	40,372	39,140	
Communications	37,579				
Security	255,034	78,296	281,125	398,035	
Subtotal	336,913	217,953	484,168	636,335	611,784
Total		\$986,570	\$1,551,383		\$1,875,303

Source: Bureaus of Near Eastern Affairs and Resource Management

^a Items moved into U.S. Mission Operations in FY 2008

APPENDIX II: PURPOSE, SCOPE, AND METHODOLOGY

The Middle East Regional Office (MERO) in the Office of Inspector General (OIG) initiated this evaluation on December 3, 2008, to determine: (1) joint transition planning mechanisms within the Department, and between the Department and DOD; (2) the key transition issues identified by the Department; and (3) the expected costs associated with increased Department roles and responsibilities following the U.S. military drawdown.

OIG reviewed embassy program planning, staffing, budget documents, and reporting cables, including the Embassy's mission strategic plans for FY 2009-2011. OIG analyzed the Strategic Framework Agreement and the Security Agreement between the U.S. military and the Government of Iraq and held extensive discussions with senior and operational level officials at the Embassy and MNF-I, including officials from the office of the Deputy Chief of Mission, Office of Provincial Affairs, the management section, General Services Office, Regional Security Office, the Joint Strategic Planning and Assessment team, MNF-I CJ (planning cell), DOD's Defense Contract Management Agency, and USACE. OIG obtained budget information and discussed associated transition costs with officials from NEA. The OIG team also met with various transition-related working groups, such as the Commercial Air Travel Working Group.

The OIG team traveled to Regional Embassy Offices in Basra and Hillah and to the Regional Reconstruction Team in Erbil. At these sites the OIG team interviewed directors, management officers, RSO security agents, principal REO officers, and PRT/RRT team leaders and their staffs. The OIG team also obtained and reviewed cables and other reporting documents from officials in the field.

OIG conducted this evaluation from December 2008 until June 2009. OIG did not use computer processed data to perform this evaluation. OIG conducted this evaluation in accordance with the quality standards for inspections and evaluations issued in January 2005 by the Council of Inspectors General on Integrity and Efficiency.

The report was prepared under the direction of Richard "Nick" Arntson, Assistant Inspector General for MERO. The following staff members conducted the evaluation and/or contributed to this report: Patrick Dickriede, Kelly Herberger, Hugh Iwanicki, Richard Pemberton, and James Pollard.

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APPENDIX III: EMBASSY BAGHDAD COMMENTS

Management Comments to OIG Report MERO-A-09-10, August 2009 Performance Audit of Embassy Baghdad's Transition Planning for a Reduced United States Military Presence in Iraq *

The new administration's policy on Iraq was announced by President Obama on February 27, 2009. The new U.S. Ambassador to Iraq arrived in Baghdad in late April. A ninety percent turnover in U.S. Embassy staff, including nearly all senior staff, took place in June and July. NSC and Department guidance was received June 17. MNF-I began briefing the Embassy on some of its transition planning in mid-June and continues to brief as plans are refined. Therefore, the Embassy feels that the OIG Performance Audit of Embassy Baghdad's Transition Planning for a Reduced U.S. Military Presence in Iraq which ended in June 2009 was ill-timed.

Comments and Clarifications:

The Embassy's planning unit, the Joint Strategic Planning and Assessment (JSPA) office, has had the lead on all Embassy planning since the Embassy was established. It was recently moved from the Executive Office to the Political/Military Section as a part of the Embassy's rightsizing efforts

A significant transition planning effort took place in 2008. The U.S. – Iraq Security Agreement and the Strategic Framework Agreement are plans developed jointly by the U.S. Embassy's JSPA and MNF-I with the GOI to ensure plans are in place for the orderly withdrawal of U.S. forces and for the assumption by the U.S. Embassy and the GOI of functions and programs previously carried out by MNF-I.

Simultaneously, beginning in January 2009, the U.S. Embassy undertook a number of planning activities that address the withdrawal of U.S. forces. These include normalization of diplomatic relations under the Vienna Convention and transitioning from LOGCAP to direct contracts for many operations and maintenance functions.

The statement on page 4 about a possible mid-2009 referendum on the Security Agreement is no longer accurate. The earliest such a referendum could be held is January 2010 with the earliest possible full withdrawal date being early 2011 (one year after announcements of referendum results).

**This report is now the Performance Evaluation of Embassy Baghdad's Transition Planning for a Reduced United States Military Presence in Iraq.*

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A correction should be made on page 15. According to the operative text of the Security Agreement, the military departure is at the end of 2011, not 2010.

The Management Counselor strongly disagrees with the report's statement on page 9 that "...the current planning situation is being conducted at the operational level without senior level input or direction." The current and former Management Counselors have provided significant leadership and planning for the eventual withdrawal of the military, the assumption of functions, the transition of property, and the normalization of the Embassy operations.

In addition, at the instruction of the DCM, OPA has established a planning team which includes RSO, MGT and other Mission offices to develop plans for the continued USG provincial presence from August 2010 into 2012; these plans will be based on the guidance received in mid-June from the NSC and the Department and will be reviewed by the DCM and Ambassador once complete.

Comments on recommendations:

Regarding recommendation 2 on ITAO management, the embassy notes that the OIG report assumes that the only way to handle the on-going projects is to fill/hire ITAO slots. The embassy, however, is exploring other options and is currently hosting a visit from NEA/I budget, OMB, and F Bureau personnel to review how the embassy will proceed with existing ITAO projects and whether the embassy will extend GRD contracts for FY-06 and FY-07 projects. The embassy may decide to re-obligate monies from infrastructure projects (handled by GRD) to capacity-building projects (perhaps monitored by USAID) or return the money. To provide senior-level leadership for management of all non-DoD transition assistance, the Ambassador recently moved the Coordinator for Economic Transition in Iraq (CETI) position to the Front Office, establishing a second DCM position to focus exclusively on assistance-related matters.

Recommendation 3 is not clear. The Embassy Mgt/C had previously suggested that the recommendation state: The Embassy should develop plans for the provision, through new contracting mechanisms, of support services currently provided by LOGCAP.

Regarding recommendation 4: There are two program areas that will greatly impact the Embassy platform in 2011 and beyond: 1) the INL program to take over training Iraqi police from the U.S. military, and 2) the possible stand-up of an Office of Military Cooperation under CoM authority to assume some of the support and

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assistance now provided by U.S. military units. Neither of these two programs has yet been defined in terms of scope, numbers of personnel and their deployment to different Iraqi sites, or the duration of their missions or support needs. The Embassy cannot, therefore, yet begin the necessary planning.

Drafted and Cleared: DCM: RFord; MGT: JJackson; MShields

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