



Highlights of [GAO-07-426T](#), a testimony before the Committee on Oversight and Government Reform, House of Representatives

## Why GAO Did This Study

The Department of Defense (DOD) has relied extensively on contractors to undertake major reconstruction projects and provide support to its deployed forces, but these efforts have not always achieved desired outcomes. Further, the Iraqi government must be able to reduce violence, sustain reconstruction progress, improve basic services, and make a positive difference in the daily lives of the Iraqi people.

This statement discusses (1) factors affecting DOD's ability to promote successful acquisition outcomes on its contracts for reconstruction and for support to deployed forces in Iraq, (2) the deteriorating security situation and the capabilities of the Iraqi security forces, and (3) issues affecting the Iraqi government's ability to support and sustain future reconstruction progress.

The testimony is based upon our work on Iraq reconstruction and stabilization efforts, DOD contracting activities, and DOD's use of support contractors spanning several years. This work was conducted in accordance with generally accepted government auditing standards.

## What GAO Recommends

GAO is making no new recommendations in this testimony. GAO has previously made numerous recommendations to improve DOD's management and use of contracts. DOD has generally agreed with these recommendations and has taken some actions to implement them.

[www.gao.gov/cgi-bin/getrpt?GAO-07-426T](http://www.gao.gov/cgi-bin/getrpt?GAO-07-426T).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Katherine V. Schinas at (202) 512-4841 or [schinasik@gao.gov](mailto:schinasik@gao.gov).

# REBUILDING IRAQ

## Reconstruction Progress Hindered by Contracting, Security, and Capacity Challenges

### What GAO Found

The challenges faced by DOD on its reconstruction and support contracts often reflect systemic and long-standing shortcomings in DOD's capacity to manage contractor efforts. Such shortcomings result from poorly defined or changing requirements, the use of poor business arrangements, the absence of senior leadership and guidance, and an insufficient number of trained contracting, acquisition and other personnel to manage, assess and oversee contractor performance. In turn, these shortcomings manifest themselves in higher costs to taxpayers, schedule delays, unmet objectives, and other undesirable outcomes. For example, because DOD authorized contractors to begin work before reaching agreement on the scope and price of that work, DOD paid millions of dollars in costs that were questioned by the Defense Contract Audit Agency. Similarly, DOD lacks visibility on the extent to which they rely on contractors to support their operations. When senior military leaders began to develop a base consolidation plan, officials were unable to determine how many contractors were deployed and therefore ran the risk of over- or under-building the capacity of the consolidated bases.

U.S. reconstruction efforts also continue to be hampered by a security situation that continues to deteriorate. Although the number of trained and equipped Iraqi security forces increased to about 323,000 in December 2006 and more Iraqi Army units have taken the lead for counterinsurgency operations, attacks on coalition and Iraqi security forces and civilians have all increased. Aggregate numbers of trained and equipped Iraqi forces, however, do not provide information on the capabilities and needs of individual units. GAO has made repeated attempts to obtain unit-level Transition Readiness Assessments (TRAs) without success. This information is essential for the Congress to make fully informed decisions in connection with its authorization, appropriations, and oversight responsibilities.

As the U.S. attempts to turn over its reconstruction efforts, the capacity of the Iraqi government to continue overall reconstruction progress is undermined by shortfalls in the capacity of the Iraqi ministries, widespread corruption and the inability to fund and execute projects for which funds were previously budgeted. Iraqi government institutions are undeveloped and confront significant challenges in staffing a competent, nonaligned civil service; using modern technology; and managing resources and personnel effectively. For example, according to U.S. officials 20 to 30 percent of the Ministry of Interior staff are "ghost employees" whose salaries are collected by other officials. Further, corruption in Iraq poses a major challenge to building an effective Iraqi government and could jeopardize future flows of needed international assistance. Unclear budgeting and procurement rules have affected Iraq's efforts to spend capital budgets effectively and efficiently, according to U.S. officials. At the Ministry of Oil, for example, less than 1 percent of the \$3.5 billion budgeted in 2006 for key enhancements to the country's oil production, distribution, and export facilities, had been spent as of August 2006.