

# Strategy Research Project

## Financial Management in a Drawdown

by

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USAWC STRATEGY RESEARCH PROJECT

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## **Abstract**

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While financial management (FM) is not usually discussed in a major combat retrograde operation, it is an important element in concluding a campaign. Drawing on the experiences of Iraq, Afghanistan, and other operations is important to develop doctrine and techniques for success in the future. This paper looks at these experiences and recommends that FM operations must be well-planned and deliberate. The main themes are planning, budget execution, closure of the Commander's Emergency Response Program (CERP), and the stand up of an office of security cooperation. Fiscal austerity usually comes with drawdown/retrograde operations, thus making financial management all the more important.





## Financial Management in a Drawdown

Before doing battle, in the temple one calculates and will win, because many calculations were made; before doing battle, in the temple one calculates and will not win, because few calculations were made; many calculations, victory, few calculations, no victory, then how much less so when no calculations? By means of these, I can observe them, beholding victory or defeat!

—Sun-Tzu, The Art of War, 400-320 BCE<sup>1</sup>

The United States military has conducted numerous drawdown operations in its long history and such operations can be difficult and protracted undertakings, especially after a lengthy conflict. However, America's complete and deliberate withdrawal of forces from Iraq after eight years of war was unprecedented for our nation. Some parallels can be drawn to the full withdrawal of American forces from Viet Nam, but in contrast, the post war drawdowns in Germany, Japan, and Korea involved leaving a significant American military presence that continues to this day. The departure of nearly all American troops from Iraq in December 2011 required significant planning and coordination, and the resulting withdrawal operation was executed purposefully and according to plan. This deliberate conclusion of Operation New Dawn contributes many lessons to American strategists and planners and should serve as the template for planning for the withdrawal of forces from future conflicts. One of the critical components of any troop withdrawal is the planning and executing the fiscal closeout or transfer of financial management operations to other appropriate resource owners. This is a complicated process that requires significant cooperation and collaboration with the host nation and other U.S. governmental partners. Resource managers must conduct thorough and careful planning well in advance to conserve resources, maximize efficiency, and ensure this coordination meets success despite the mounting political

pressure to bring troop numbers down as quickly as possible. Effective management of the financial aspects of a withdrawal operation is critical to the success of the overall mission, especially in these days of financial austerity for our nation and the military, although the US has faced austerity after most wars.

Financial management in a drawdown operation must be a well-planned process that includes planning and execution from all elements of the military and interagency team. This process requires extensive coordination, and should begin immediately after the decision to redeploy forces, and well before initial withdrawals of units. Programs managed by uniformed personnel must either be concluded and fiscally closed out or management responsibilities passed to Department of State (DoS) or other appropriate agencies.

The military personnel responsible for financial management in theater must identify, program by program, which activities will conclude and which activities will be transferred to other resource owners such as the State Department or the theater executive agent. Planning for the transfer process requires these resource owners to accept responsibility by identifying new procedures for program administration, and to further identify and resolve any issues relating to the planned transfer. All parties must agree to a timeline for transfer and planning for this transition must occur well in advance of the actual transfer of responsibility.

In Iraq, the financial management drawdown process began with thorough planning among all appropriate units and agencies leading to budget execution, closeout of programs such as the Commanders Emergency Response Program (CERP), and the closing of contracts and retrograde of contractors. The process ended

with transfer of military programs such as security assistance programs to the United States Embassy's country team's Office of Security Cooperation (OSC). Emphasis must be placed on timely planning and execution of these steps, and adequate time and manpower must be allocated to these efforts. The deliberate planning and execution of the financial management drawdown in Iraq contributed many lessons to American strategists and planners that should serve as the template for financial management for the withdrawal phase of future conflicts.

### Planning

Planning is key to the successful accomplishment of a financial drawdown operation. As the commander's principle staff officer responsible for Financial Management (FM), the J8 serves a key role in the planning process. When the commander issues the drawdown order, the J8 initiates mission analysis as soon as possible and ensures the planning team includes all pertinent players. BG Thomas Horlander, the Army Central Command (ARCENT) G8 during the withdrawal of American forces from Iraq at the end of 2011 emphasized a term that identifies several military teams critical to planning. General Horlander's "Fiscal Triad," referred to the Theater Resource Management/ J8 Comptroller (J8), the Financial Management Support Units (FMSUs), and the Theater Contracting Command: all professionals who are gathered with a common goal to support the commander with accurate resourcing solutions. This Fiscal Triad supervises auditing, records management, database reconciliation, closing the financial books, and the transfer of security cooperation financial duties to the OSC, under the DoS.<sup>2</sup> The team plans and coordinates with representatives from the organizations (e.g. CENTCOM, ARCENT, DoS, and OSC) who will accept responsibility for managing activities that will continue after the military

withdraws. Such activities include managing existing financial books and contract closure, which may be transferred to the theater executive agent (EA) after the mission. In “an operation as complex and cumbersome as resourcing warfighters in a highly contracted environment like Operation Iraqi Freedom or Operation Enduring Freedom, it is unavoidable that some work must be accomplished after end of mission.”<sup>3</sup> The Fiscal Triad must identify such work and plan for the accomplishment of this work by others.

In accordance with the commander’s guidance, the Fiscal Triad makes some assumptions, gathers facts, and identifies key principles and processes that will guide subordinate elements through planning for and execution of the drawdown. First, the Triad must establish the desired fiscal end state after the deployed formations depart. Second, they must conduct cross-functional planning early, which will circumvent extensive extra work. Third, they establish goals and metrics early and track them to completion. Fourth, the team establishes a common operating picture early and conducts a standard recurring briefing as the mission develops, and lastly, the team should expect a lot of discovery learning especially in the initial stages of the drawdown operation.<sup>4</sup> With this vision and structure, the team can approach the planning process deliberately.

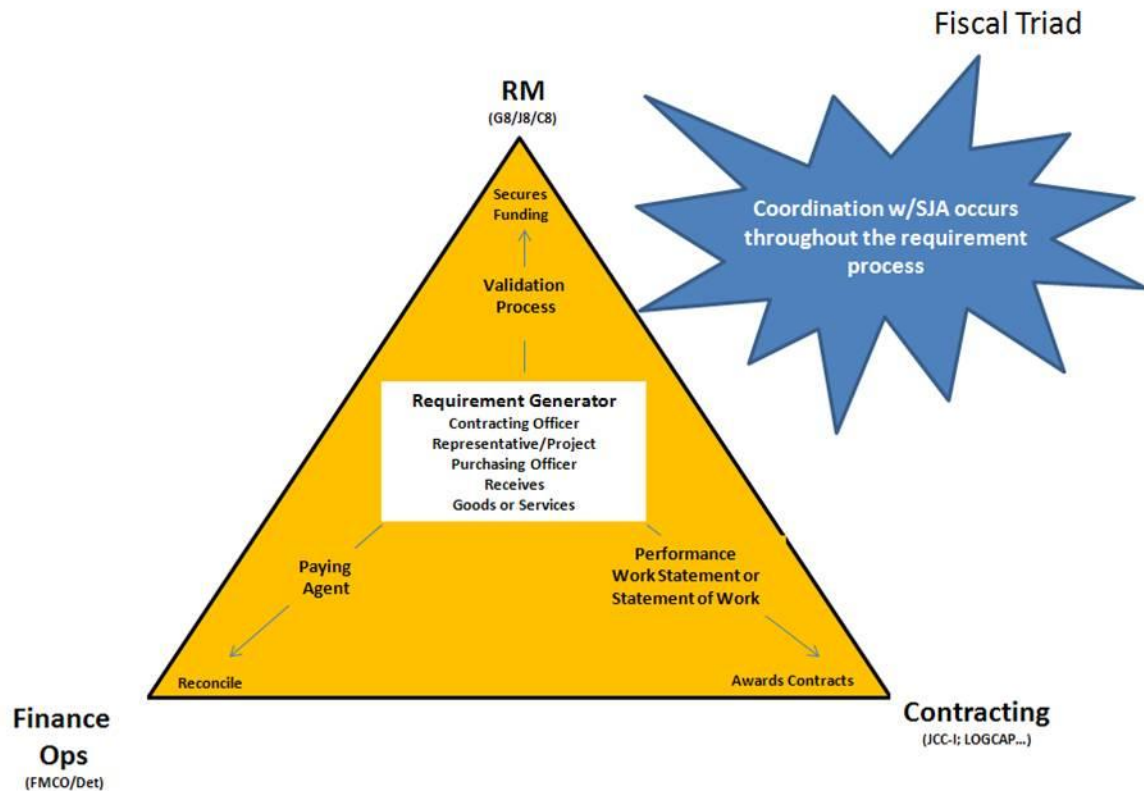


Figure 1 Fiscal Triad<sup>5</sup>

The Fiscal Triad establishes the processes required to plan and execute the financial management (FM) drawdown. Perhaps the most fundamental of all these processes is the establishment of a recurring meeting with multiple organizations to share information and track progress. Communication and coordination with key partners is essential to developing an effective common operating framework. The Triad conducts monthly or periodic meetings with these partners to identify resource management, contracting, and financial operations closeout requirements. The Fiscal Triad ensures that the right partners are present at these meetings, to include the Expeditionary Support Command (ESC) support operations officer (SPO), the

sustainment brigade (SBDE) SPO, the financial management support unit (FMSU), the financial management center (FMC), and contracting command.<sup>6</sup> Though the Fiscal Triad should strive for inclusiveness to ensure all organizations are represented, the theater J8 should serve as the lead facilitator to preclude organizational confusion.

In an optimal FM drawdown operation, the theater J8 serves as the single point of entry for financial operations in the theater. An After Action Report published by a financial task force recently deployed in Afghanistan stated “another positive lesson learned was establishing the J8 as the single point of entry for operations in Theater. Although there were many noteworthy benefits, most important was the increased situational awareness across the FM spectrum.”<sup>7</sup> The J8 is the senior FM advisor to the theater commander and should possess in-depth situational awareness of all FM issues and operations to adequately advise the commander. The commander looks to his J8 for advice and recommendations in all FM matters pertaining to current operations and drawdown.

In addition to serving as the single point of entry for FM operations, the J8 also serves as the theater’s senior financial management leader, and in this role provides proper guidance and standard operating procedures (SOPs) to all subordinate units and sections. In Operation New Dawn (OND) and Operation Enduring Freedom (OEF), the publication “*Money as a Weapon System*” (MAAWS) was the primary FM SOP.<sup>8</sup> The J8 updated this SOP twelve months out from the anticipated withdrawal from OND to ensure all forces received proper guidance for the fiscal close out.<sup>9</sup> Additionally, the J8 ensures that all theater operation orders (OPORDS) and fragmentary orders (FRAGOS) contain an FM annex detailing proper financial drawdown procedures. The J8, as the

commander's primary staff officer, takes advantage of the orders process to issue fiscal guidance and to ensure this direction is given with the weight of a command order.

Publication of the FM annex to the withdrawal order is the culmination point of the planning process, and represents the collective efforts of all FM entities operating in theater. The J8, in conjunction with the other members of the Fiscal Triad, must act early to establish a vision and supporting plan, create the coordination network required to support the process, and provide clear guidance through the publication of proper guidance and standard operating procedures. To be effective, the J8 must carefully orchestrate the collaborative efforts of planners from the host nation, the Department of State, and other entities remaining in country.

#### Budget Execution During Phased Retrograde

Financial management in a drawdown is a complex process, and requires comptrollers to continue day to day budget execution until the very end of the operation. Even while devoting significant time and attention to the planning the drawdown process, the J8 and Fiscal Triad must simultaneously focus on budget execution. As the withdrawal date approaches, the J8 must relook how he executes his day-to-day operations, and make modifications to accommodate changed requirements, circumstances, and resources. He must consider a phased approach to executing the FM mission as battle rhythm events, personnel numbers and locations, the command structure, and reporting requirements change as troops begin to withdraw. Added requirements to budget, execute, and track the funding of the withdrawal operation itself may levy new FM requirements in the final phases of the drawdown. The J8 monitors budget execution to maintain holistic awareness of the state of FM in theater, and as the forcing function to manage all aspects of the FM drawdown.

Routine battle rhythm events assist the commander and the Fiscal Triad in managing drawdown budget execution. These events include weekly meetings or video telephone conferences (VTCs) with resource owners and the chain of command (e.g. contract review boards (CRB), Fiscal Triad, DCG-S Update), providing opportunities to identify and resolve emerging issues during the withdrawal process. As the withdrawal operation progresses, these battle rhythm events become increasingly important. The staff validates all requirements through a Joint Plans and Operations Decision Support Process. In the late stages of an operation, the staff should subject new requirements to extra scrutiny as each additional expenditure requires further staff effort to track and close. Routine Fiscal Triad meetings continue, though the J8 may schedule these more frequently in the final phases of an operation or elect to augment these sessions with weekly meetings or video conferences with division G8s<sup>10</sup>. Information gleaned in these sessions give the J8 a holistic view of the state of FM in theater, the pace of withdrawal, and permits quick identification of any issues that require resolution. In the final phases of an operation, the J8 should focus extra attention on the commander directed Contract Review Board, which reviews and authorizes high dollar or special interest contracts for initiation or renewal. Though some new contracts are required to maintain the pace of withdrawal operations, the J8 must carefully consider the impact of new contracts to the withdrawal plan, as each additional contract must either be closed out or transitioned to another resource owner as the troops withdraw.

As the drawdown begins to affect troop structure, military personnel across the theater will begin to contract to centralized bases and hubs in preparation for leaving the theater. The personnel conducting financial management are not necessarily exempt



from impact. Command structures, personnel numbers and locations of J8 elements, contracting offices, and FMSUs may change. Though personnel numbers required to conduct operations will decrease as force levels drop and numbers of supported bases decrease, the FM community must conduct a thorough mission analysis to determine personnel needs and locations to support the total force drawdown. As for the theater J8 section, it is helpful to keep the organization together and avoid split operations as keeping the J8 personnel in one location ensures better command and control.<sup>11</sup>

Contracting offices and finance companies need to let each other and the J8 know their move/retrograde plans and must deconflict these moves with FM operations. Failure to do so has a significant impact on the ability to conduct contracting and financial actions.<sup>12</sup>

The command structure of FM elements in theater plays a significant role in the ability of the J8 and Fiscal Triad to effectively execute the budget during the drawdown. It is essential that the theater J8 have oversight and staff planning authority over the FMSUs. These units are companies, commanded by a major, each with three to six detachments, commanded by a captain, that perform traditional finance duties in-country. The FMSUs routinely provide pay support, cash management, Eagle Cash support, etc., to personnel in a given geographical area. The FMSUs are under command and control of the sustainment brigade commander who may not have the experience to best employ the FMSU, or orchestrate their withdrawal. It is critical to the command's ability to successfully execute the withdrawal mission to maintain the right personnel resources in the right locations to conduct day to day budget execution. To

that end, clear and open coordination between the J8, the Sustainment Brigade, and the FMSUs is essential.

In addition to communication with in-country FM players, it is essential for the J8 to maintain open and effective contact with the Financial Management Center (FMC) and the theater EA. The J8 must occasionally overcome some organizational structure challenges to effect this communication. The FMC, commanded by a colonel, is usually located at the theater level and is responsible for developing policy and guidance for FM operations. However, the FMC is not in the FMSU's chain of command, which occasionally may be an issue.<sup>13</sup> The FMSU, as a participant in a deployed joint task force, has a chain of command that reports through the sustainment brigade to the JTF and ultimately to the Geographic Component Command. The FMC, on the other hand, is typically organized at the service component command level. No direct command authority exists between FMC and FMSU. As successful withdrawal hinges on effective cooperation, the FMC may consider placing a liaison officer at the theater J8 and at the sustainment brigade to alleviate coordination problems.

In the case of OND and OEF, this awkward financial management command structure triggered some unique challenges. For both operations, the ARCENT G8 located in Kuwait was designated the theater EA. At the end of any theater operation, the financial books and ledgers are passed to the EA, so continuous coordination between the Fiscal Triad and the EA is useful. In OND and OEF, the theater EA was part of the Army Service Component Command, in this case ARCENT. USF-I, on the other hand, reported directly to CENTCOM. The Government Accountability Office (GAO) cited this situation as a cause of problems and concern as guidance and orders

issued from ARCENT did not have the authority of a command order.<sup>14</sup> In any FM operation, especially a drawdown, executive agency and command authority should remain combined.

Though FM personnel resources, locations, and structures may change as the drawdown commences, some FM requirements may actually increase in the final phases of the drawdown. The J8 must plan to retain sufficient personnel in the correct locations to manage this new workload. Examples of such budget execution considerations include tracking the costs of the drawdown, implementing automated pay agent procedures (small value transactions involving cash or credit card), and assisting the J4 in analyzing the costs and benefits for equipment to be retrograded or left behind for host nation use.

In the case of OND, FM personnel assiduously tracked the cost of the drawdown itself, isolating these costs from other warfighting expenses. Using accounting codes to track specific drawdown costs may seem unnecessary and onerous, but by doing so, the J8 gleaned information that may prove vitally important to plan future drawdowns such as the U.S. military departure from Afghanistan. Implementation of automated pay agent procedures is initially labor intensive, but theater automation and software is available alleviate some personnel requirements by reducing paperwork and file storage requirements.

In the final phases of an operation, J8 personnel will assist the J4 by analyzing the relative costs and benefits to leaving equipment in place or retrograding it to the US or elsewhere. Drawdown costs can be decreased significantly by conducting cost benefit analyses to assist the commander in deciding whether or not to retrograde

equipment, or leave equipment in-country and passing it to other government agencies or to the host nation. The J4 is the lead agent for property disposal, but FM analysis is key as significant transit costs may be avoided if low-value or high-bulk items are left in place. The J8 supports the J4 in this effort, and although cost avoidance has no impact on the financial books, the J8 maintains visibility and provides the personnel resources required to inform the command's decision.

In Operation New Dawn, the Foreign Excess Personal Property (FEPP) program delivered to the Iraqis such items as containerized housing units, AC units, generators, T walls, non-tactical vehicles, etc., at a cost avoidance over retrograding out of country of almost two billion dollars.<sup>15</sup> Policy should dictate that the priority for this "left behind" equipment and facilities should go to US agencies first, and then to the host nation if legal and appropriate. The theater executive agent develops these policies in conjunction with higher authority guidance.

As the timeline for the redeployment of American forces progresses, the J8 is challenged to execute increased and varied responsibilities with fewer personnel resources, and may be subjected to additional complications such as internal and external command structure coordination requirements, personnel movements, and additional reporting requirements. Successful execution of the drawdown plan requires the FM team to orchestrate all aspects of the ongoing budget execution while simultaneously conducting their own retrograde actions and maintaining holistic awareness of the state of FM in theater.

## Contractor Accountability and Contract Closeout

During the planning phase of a drawdown operation, the FM team must design an exit strategy for each contract. As the drawdown is executed, some of these contracts will be downsized and many will reach fiscal closure. As troops begin to leave the country, many support contracts, and the contractors who provide the manpower to execute those contracts, will no longer be required. In both OEF and OIF, and continuing into OND, the commanders responsible for the troop presence in Afghanistan and Iraq wanted to closely monitor the number of contractors in country. A major part of any large drawdown operation is contractor retrograde and contract closure, and commanders can gauge progress by tracking these statistics as they decline. However, this data is not always readily available to commanders.

The physical accountability of all contractors in theater including US contractors, third country nationals, and local nationals, is a government responsibility as is the conscientious repatriation of these contractors. Although the US Congress mandates tracking contractors in theater, a GAO report in 2011 stated that accounting and personnel systems in Iraq and Afghanistan were still not effectively tracking contractors.<sup>16</sup> Death and injury of contractors attracted significant attention in both theaters of conflict. Concern for the safety of our contractors prompted our nation's leaders to demand better accountability for these individuals. Accountability for contractors during retrograde operations always warrants significant command emphasis, especially since these wars proved the loss of a contractor, especially a US citizen, was newsworthy and frequently strategic in nature. To effectively track the retrograde of contractors from Iraq, the commander required firm numbers of how many contractors were actually in country, supporting which contracts, by location. This

information was not immediately available, in part due to the accountability deficiencies noted by the GAO in 2011. Although tracking numbers of contractors is not doctrinally a FM or J8 function, the J8 section in OND leveraged the resources of the FM community and conducted the initial contractor census. At the beginning of OND, the J8 determined there were approximately 50,000 troops from all services remaining in Iraq and over 75,000 contractors supporting these troops, which conclusively proves the import of tracking contractor withdrawal as well as troop withdrawal.

Though the J8 conducted the initial contractor census in Iraq, this is neither doctrinally correct nor is it an efficient solution. Tracking personnel is inherently a command function, with responsibilities in both the personnel and operations areas. The requirement to track contracting personnel and plan for their withdrawal cannot be effectively executed solely by FM leaders. At the beginning of OND, the US commander directed his staff to track the number of contractors authorized to accompany forces (CAAF) for demobilization operations. To comply with this directive, the OND staff formed a Contracting Fusion Cell (CFC) manned by personnel from the Senior Contracting Office-Iraq (SCO-I). The CFC verified the initial census data, and monitored the demobilization of contractors, relieving the USF-I J8 of this census duty.<sup>17</sup>

This organization was successful in its mission, but the USF-I staff could have supervised the contractor retrograde more effectively. Arguably, contracting personnel are not best suited for managing the demobilization of personnel. Contractor management and retrograde is an operational issue, and responsibility for these functions should reside with the J3 as the integrator of operational contract support (OCS) for the theater. The J1 is responsible for establishing the Joint Manning

Document (JMD), which should establish coded positions for contracting officers to serve in the Joint Operations Center (JOC) to perform this function and issue guidance. Additionally, the J1 should include the contractor population in the daily Personnel Status (PERSTAT) report which tracks the military and government civilian population.<sup>18</sup>

The contracting command should ensure all contracts include a demobilization clause that requires the contractor parent company in its performance requirements to include a plan for retrograde of all employees. Finally, the J3 should require contractor retrograde and accountability reporting requirements to be included in all theater and task force orders and rehearsal of concept (ROC) drills to ensure this phase of the drawdown is fully embedded into the operational plan. The Joint Contracting Command should serve as an advisor in this process, but as stated, contractor retrograde planning and control should reside in the J3.

Along with physical contractor retrograde, contract closure is an essential piece of an FM drawdown operation. Contract closure requires a cooperative effort from many parties, and cannot be effectively accomplished without significant planning and input from outside the contracting command. As part of the Fiscal Triad, the FM and contracting communities must partner together to effectively and efficiently close contracts and ensure that goods and/or services are delivered and contractors paid. In 2009, the U.S. government realized that there were tens of thousands of unclosed wartime military contracts backlogged and created a task force to reduce this queue. A senior contracting official stated that “contract closeout is perceived as a lower priority to contract execution and resources are inadequately assigned to prevent contract closure backlog.”<sup>19</sup> A possible solution to this problem is to centralize contract closure at the

senior contracting office in theater, thereby allowing the subordinate contracting offices to concentrate on contract award and execution. This centralized contract closure clearing house would require an FM cell to ensure payment is made for each contract closed. Toward the end of Operation New Dawn, an FM cell was embedded with the contracting command to assist in contract drawdown and this proved to be a successful effort.<sup>20</sup>

An experienced contracting official stated, “the ability to track contractor payments is integral to closing out a contract because it links the acceptance of the goods or services to contractor payment. Payment to a contractor is a finance responsibility and the contracting officer has no visibility over the transaction.”<sup>21</sup> Obviously, contract payment and closure is a significant event in any drawdown operation, especially operations as large and complex as OIF/OND and OEF. Contract disputes from the first Gulf War still linger in litigation and the final resolution of contracts from more recent conflicts is likely to haunt government contracting professionals for years to come.

A centralized, coherent, and efficient contract closure process would do much to alleviate additional work required to resolve lingering disputes. Plans produced by the command J3 and J5 should include planning for contractor retrograde and contract closure, rather than relegating these critical components of the withdrawal operation to an obscure additional duty for just the contracting and financial management community. Contracting and FM personnel must be integral parts of the J3 and J5 staff to synthesize these requirements. Chain of command interest at the general officer



level is necessary to ensure proper planning and execution of contractor retrograde and contract closure.

#### Commander's Emergency Response Program (CERP) Closure

The FM community must plan to close out many special programs when conducting a drawdown operation. This paper will use the example of the special program CERP, as an example due to the large scale and complexity of the program. The CERP was a major program in OIF/OND and OEF and will probably continue in some form in future long-term contingency operations. The closure of CERP in OND was a major effort for the Fiscal Triad and consumed considerable effort.<sup>22</sup> Along with other efforts listed in this paper, the same planning and execution considerations apply to CERP. CERP gave commanders "walking around money" to do small-scale humanitarian or civil programs in their areas of operation. Commanders at all levels and their financial managers, including the author of this paper gained extensive experience with the program in Afghanistan and Iraq.

The U.S. military use of CERP during this past decade of conflict generated much controversy and discussion of the program's positive and negative aspects. To put in simple terms: CERP was designed as a counter-insurgency (COIN) tool to give commanders funding to do local projects in their area of operations, generating peace, stability, and goodwill amongst the local populace and support for U.S. intent. CERP's critics, on the other hand, claimed the program got out of control by militarizing foreign aid, which many believe should be the exclusive domain of either private entities alone, or some combination of private entities and other governmental organizations. In particular, critics decried the military's execution of large projects (including multi-million dollar roads, etc.) deeming such projects are best accomplished with funding streams

from other entities, such as the Department of State or US Agency for International Development (USAID). Full exploration of the efficacy of CERP is not within the scope of this paper; rather, this paper addresses closure of the CERP program from a FM perspective, and techniques and procedures for managing the final phases of the execution of an exemplary special program.

Planning for closure of special programs such as CERP should begin as soon as possible in the process of a drawdown operation. Each CERP project must be closed physically, administratively, and fiscally; and a responsible host nation government representative must formally accept the completed project, preferably with written documentation.<sup>23</sup> Operationally, the need for CERP is phased out during a drawdown as U.S. forces shift their concentration from COIN to the physical departure of their troops from the host nation. In accordance with the withdrawal plan, the command sets a termination date for any new starts for CERP projects. The intent is for all commanders to complete their projects prior to physical departure from country, and permit fiscal closeout of the projects and the overall CERP program. Despite this guidance, the command may consider some exceptional needs for CERP funds right to the very end. The chain of command should approve these projects on a case by case basis to achieve critical goals linked to the withdrawal plan and long term strategy.

Command involvement and commander's guidance are critical to successful closure of the CERP program during the military drawdown; therefore, it is essential that the command issue proper authoritative orders early in the process and that such guidance is clear. This guidance should include limitations for the magnitude and scope of projects by project categories. Additionally, this guidance should require units to

submit project proposals that include a risk mitigation plan to limit size and establish an end date for project completion well before end of mission (EOM). These limitations allow for the gradual drawdown of the CERP program in preparation for troop withdrawal, paving the way for program closure.

Proper preparation for program closure by command guidance will allow units to obtain a better understanding of the mission, commander's intent, current status of existing projects, and close out requirements. Program managers must have a clear definition of the closure objectives and the timeline to achieve success.<sup>24</sup> As CERP is a commander's program, general officer involvement, such as the theater support deputy commanding general, could be very beneficial in issuing initial guidance and in monitoring progress of CERP closure, and establishing battle rhythm events and reporting procedures.

An important consideration for CERP closure is the responsibility for JTF staff program management. In USF-I, the program manager for CERP was the J8, which is not the logical choice for routine management of the program or for planning its eventual closure. The J8 procures and monitors funding for the program, but lacks visibility of program requirements and objectives on the ground.<sup>25</sup> A more appropriate staff element for program management is the J9 Civil Affairs section which has better understanding of the intent, the requirements and the collective impact of these projects on the overall mission. During a drawdown operation, the J9 is best suited to lead the CERP closeout, supported by the J8 and other applicable staff sections.

Records management is a less interesting and tedious aspect of CERP closure. Numerous records for CERP projects may exist, especially during an extended

campaign (OIF/OND/OEF) and records from the early part of a campaign may be paper documents only, due to lack of theater maturity at the time. Proper recording of projects into a reliable database to record administrative and fiscal closeout is important to show proper stewardship of these funds to auditors and to the American taxpayer. CIDNE, the database used to track CERP in Iraq, was not fully implemented until late in OIF, and even after implementation, many units failed to properly enter projects into the CIDNE database. USF-I created a special task force to properly enter these files and to ship years of paper CERP files found stored in country in shipping containers to CONUS.<sup>26</sup>

Planners for future withdrawal operations can draw some clear tenets for closure of special programs. To ensure special programs are closed effectively, units conducting a withdrawal must begin planning early; get command involvement from the start, and issue clear guidance and orders early. Commands should set realistic milestones and establish goals to end the program with allowance for “discovery learning” and delays in the timeline. A phased approach to project closure is helpful by setting goals for numbers of projects closing in an elapsed time period. The command should consider inviting an independent audit agency such as the Army Audit Agency, the Government Accountability Office, or the Special Inspector General for Iraq Reconstruction to review and audit the program. Planning and executing the effective closure of large special programs such as CERP is critical to the success of the drawdown operation.

## Stand-up of the Office for Security Cooperation and Transfer of Duties

As planning for a military drawdown begins, the theater commander needs to conduct mission analysis to determine which military tasks will endure, which will be terminated, and which tasks should be handed off to other agencies, primarily the U.S. Department of State (DoS). In preparation for assumption of these tasks, the U.S. Department of Defense, in conjunction with the Department of State, may elect to stand up a security assistance program under the Office of Security Cooperation (OSC) at the U.S. Embassy. Although standing up this office is not inherently a financial management function, there are significant financial management requirements the departing command must meet.

To stand up a new OSC, the military in conjunction with State must find financial authorities for numerous logistical requirements such as personnel, base living facilities, force protection, etc. This task is uniquely challenging for the military financial manager, as many of these requirements must be funded with new financial authorities or funding streams with which he may not normally work. The military must identify personnel to fill the new billets. FM personnel in charge of conducting the military drawdown may simultaneously be charged with standing up the OSC, as in the case of USF-I in OND.<sup>27</sup> Finally, as the OSC will work under the auspices of the U.S. Embassy and with multiple funding streams, planning effective oversight is critical. The success of the military drawdown requires smooth transfer of responsibility to the U.S. Embassy's country team, which requires a functional, well-funded, and well-staffed OSC, which should be stood up as early as possible at full operational capacity.

As drawdown workload increases for financial managers, personnel available to execute the mission supplied through the JMD usually decreases with the drawdown,

making the transition to OSC all the more challenging. Given the requirement to balance the various workloads, the composition of an OSC J8 office is usually small and austere. In the OSC-Iraq office, the J8 staff consisted of five military officers.<sup>28</sup> These personnel must concentrate on meeting financial requirements for the main force leaving during the drawdown while at the same time conduct planning and mission analysis for the enduring military presence in-country under the OSC. Their physical departure from the JTF to the OSC must be carefully planned to ensure the unrestricted continuance of both missions.

Planning the standup of a large OSC requires coordination with numerous higher headquarters and agencies not normally encountered by a JTF J8 such as the Global Combatant Commander (GCC) J8, the Office of the Secretary of Defense Comptroller (OSD-C), and financial managers from DoS. Coordination with State is uniquely challenging, as financial management in the DoS is usually very centralized and managed from Washington DC. FM personnel planning to resource the OSC will also encounter fiscal authorities not normally found in a theater FM environment by a J8 financial manager. These include funding from DoD and DoS including Title 10 (traditional DoD), Title 20 (security assistance), and Title 22 (DoS), each with specific caveats and limitations.

The GCC directs the stand up of an OSC by publishing definitive planning guidance, which is preferably in the form of a revised Theater Campaign Plan (TCP), or a Theater Security Cooperation Plan (TSCP), which now includes a directive to stand up the OSC. If the GCC does not issue this guidance formally, or if this guidance is delayed, the ability of the new OSC to operate effectively will be significantly

hampered.<sup>29</sup> In the financial arena, the J8 must prepare funding requests in different authorities to go through the military and interagency bureaucracies to reach Congress in time for approval and appropriation. Without the TCP or TSCP guidance, these funding requests lack formal authority.

The timeline for planning transition of responsibilities to State, especially financial planning with cost justifications to Congress, is normally compressed in a drawdown environment. MAJ Omar Garcia, one of the original members of the OSC-I J8 in December of 2011, describes the compressed timelines and the complexities of the various funding streams he experienced.

We've just completed the annual process of projecting and justifying organizational requirements, priorities, and funding needs-otherwise known as the Program Budget Review (PBR). For the typical government organization, this process should take about six months, with three months spent on strategy and another three on financial planning and budgeting. For the OSC-I, the process was compressed into two months and took the efforts of five organizations to complete: DoS, OSC-I, USF-I, U.S Central Command (USCENTCOM), and the Office of the Secretary of Defense (OSD). We made many assumptions about the end-state U.S. footprint, or lack thereof, in conducting the PBR, since the GoI had not decided whether to retain U.S. military trainers within its borders beyond 2011. This was a key factor identified during budget formulation, since mistaken initial assumptions could lead to exponential cost growth during the year.<sup>30</sup>

Planning and executing the stand up of an OSC is an unusual and difficult task, requiring extensive interagency cooperation and the determined efforts of many FM personnel.

With the transition from DoD to DoS, there may be blurred requirements requiring innovative solutions that draw upon converging Defense and State funding streams. Rarely is there a clear line between a requirement and a single funding stream, so quite often planners must develop interagency solutions to meet the requirements of the

mission. Adding to this complexity for the JTF J8 is the variety of different funding streams required to carry out diverse missions, which may be complicated by different appropriations and the timing of these appropriations.

In the USF-I experience, the U.S. Congress issued funding authorities in regular operations and maintenance (O&M), Iraqi Security Forces Funding (ISFF), Title 22 (DoS), and special funding for the OSC standup; and these authorities were spread over three fiscal years, including 2010, 2011, and 2012.<sup>31</sup> In a fiscal environment such as this, the financial manager requires thorough knowledge of their craft, strong critical thinking skills, a good understanding of fiscal law, and a strong partnership with the JTF fiscal lawyer. DoD and DoS require a supportive Congress to obtain special authorities and funding for a well planned and effective stand-up of the OSC, including authorities in military construction (MILCON) for facility construction and force protection requirements. A timely and current Theater Security Cooperation Plan is useful to determine proper funding authorities and limitations.

Conversely, in anticipation of a military drawdown situation, DoS should start planning and budgeting early for a reduced military presence, especially in the areas of base support and force protection. The State general budget is much less than Defense and State must identify new funding requirements to Congress in a timely manner. A State Department IG report in 2009 stated that “Embassy Baghdad should verify resource needs to meet the expected increase of logistical and program support requirements stemming from the departure of U.S. military resources, and should request additional funds as necessary.”<sup>32</sup> Though the impact of the military drawdown



was anticipated, the Embassy struggled to quantify the requirements and meet State budget submission timelines.

The impact of complicated fiscal conditions combined with unfilled FM positions in the OSC, a lack of experience in dealing with the special fiscal authorities given, and the uncertain security environment of a country like Iraq or Afghanistan limits the capacity for financial oversight in the stand-up and operation of an OSC. Reduced oversight risks possible waste and mismanagement, especially with regard to special congressional authorities and limitations. Security cooperation can be difficult even under normal circumstances, but non-standard interdepartmental relationships and the variety of special funding streams and authorities make drawdown and transition to an OSC more difficult. Despite limited personnel resources, leadership cannot afford to fail in the area of oversight. Close monitoring is necessary to prevent fraud, waste, and abuse of funds and other resources and ensure mission success.<sup>33</sup>

In the case of Iraq, the Department of Defense adopted measures to aid success in the financial transition from DoD to DoS control via the OSC. Defense designated the Under Secretary for Defense Policy as the OSD point of contact for Iraq transitions. This proved to be a good move that ensured the transition effort received proper OSD coordination and focused attention. USF-I provided increased engineer, financial and other senior staff support to the Deputy Commanding General for Advising and Training, who was overall responsible for the OSC creation. CENTCOM formed a committed Iraq Transition Team made up of cross-functional experts to serve as the GCC's single point of contact for all Iraq transitional issues.<sup>34</sup> The amount of staff coordination required within the FM military community and with other agencies is extensive and probably not

in the experiences of most DoD financial managers. Discovery learning is common and flexibility and agility are essential.

During the drawdown and transfer of functions to DoS and other agencies, planners must anticipate factors and situations beyond the JTF or DoD control. There may be uncertainty about the size of the post-drawdown US force presence, a lack of a security agreement with the host nation, a lack of status of forces agreement (as in Iraq), lack of approval for the OSC, a lack of land-use agreements for the OSC and DoS. Issues may arise not just with the host nation, but also internally within the US government, such as the acquisition of necessary State Department funding to assume DoD missions or planned transition of specific functions and congressional approval for authorities to support the OSC.<sup>35</sup> These issues must be identified early in the planning process and quickly resolved to avoid hindering the transition to DoS.

### Conclusion

The U.S. military has conducted several drawdown operations in its military history, but a complete drawdown and troop retrograde such as the operation USF-I conducted to conclude OND in Iraq is uncommon. Planning and executing a military drawdown and troop retrograde must provide for the accomplishment of the many financial management variables and tasks discussed in this paper. The tasks and specific recommendations provided in the paper include:

- Use the Fiscal Triad to guide the process.
- The J8 should be the single financial management theater focal point.
- Increase contract scrutiny toward the operational end point.
- Conduct thorough mission analysis.
- Avoid splitting J8 operation.

- Insert a Financial Management Center liaison at the J8.
- Assist the staff with cost/benefit analysis.
- The J3 should manage contractor retrograde.
- The senior contracting office (SCO) should manage contract closure.
- Plan early for CERP closure.
- The J8 should not be the CERP program manager.
- An independent third party should conduct a final audit on CERP closure.
- Begin early planning for the OSC stand-up.

Future planners would do well to remember the examples of Iraq and Afghanistan to maximize efficiency and thereby get the most value for the American taxpayer. America's current fiscal situation demands leaders of future military operations have a clear exit strategy, with reasonable ability to predict the costs of executing and concluding the operation. In times of future national austerity, the country's leaders must have the clearest possible picture of all costs of war. Comprehensive understanding and acceptance of definite end states and goals between military and civilian leaders is essential to the future financial integrity of the nation.

Drawdown planners must include accomplishment of financial management requirements while planning the greater retrograde mission, and planners must include input from all players of the military and interagency team. Within the financial community, responsibility for core planning and execution rests with the Fiscal Triad, consisting of the J8 for resource management, the FMSU for traditional finance support, and the Theater Contracting Command for contracting support. The J8 is the theater

commander's primary financial advisor and should be the focal point for all aspects of financial management affecting the mission in and out of theater, to include coordination with the FMSU, the FMC, and with the Theater Contracting Command on policy and guidance for the theater.

In the same manner, the Fiscal Triad must serve the commander and units in execution of the drawdown plan by determining how to best support the drawdown and retrograde operation. The Triad should determine FM force structure and reduction and locations that are suitable to support forces as they withdraw. During the execution process, the J8 and FM community must maintain contact and coordination with many diverse organizations at both higher and subordinate levels.

Military strategists normally do not consider the responsible retrograde of contractors and the proper closure of contracts while planning a military drawdown. Commanders in both Iraq and Afghanistan realized the critical nature of this formerly neglected task. Planners must include the resolution of theater-wide special programs such as CERP in the greater drawdown plan, as the close out of these special programs is complicated and requires commanders to conduct thorough planning and follow-up in execution. In the case of CERP in Afghanistan and Iraq, program close out is, in fact, directly tied to the ability of the command to conduct responsible close of mission.

A final financial management consideration for future planners is the transfer of functions and missions from DoD to DoS. The largest part of planning this fiscal transition will likely be the creation and stand-up of the Office of Security Cooperation (OSC). Proper execution of this task requires early guidance from DoD and the GCC, and early and rigorous planning. Planners must work through many financial

management details with the host nation and the US legislative and executive branches. Transition to DoS is fiscally complicated and usually beyond the experience level of most DoD financial professionals. As a result, successful mission accomplishment requires education, significant lead times, and thorough coordination. Planning and execution of a military drawdown can be a professionally unique and rewarding experience if done with diligence and forethought. The financial management aspect of the withdrawal operation is an important component of the overall military mission that history and the nation will use to judge overall operational success.

#### Endnotes

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<sup>2</sup> BG Thomas A. Horlander, unpublished article, "The Fiscal Triad at the End of Mission," March 2012, p. 1.

<sup>3</sup> Ibid, p. 2.

<sup>4</sup> Ibid, p. 3.

<sup>5</sup> LTC Robert Phillips, "Operation New Dawn FM Drawdown", briefing slides, Fort Bragg NC, XVIIIth Airborne Corps, March 2012.

<sup>6</sup> US Army Soldier Support Institute, "XVIII Airborne (ABN) Corps G8, Reverse Collection and Analysis Team (R-CAAT) After Action Review (AAR).

<sup>7</sup> 13th Financial Management Center After Action Review, Operation Enduring Freedom, April 2010.

<sup>8</sup> U.S. Forces Iraq, *Money as a Weapon System*, (U.S. Forces Iraq, Camp Victory, Iraq, March 1, 2011).

<sup>9</sup> USF-I J8 Operation New Dawn (OND) Lessons Learned, December 2011, p. 4

<sup>10</sup> LTC Robert Phillips, "Operation New Dawn FM Drawdown", briefing slides, Fort Bragg NC, XVIIIth Airborne Corps, March 2012.

<sup>11</sup> USF-I J8 Operation New Dawn (OND) Lessons Learned, December 2011, p.5.

<sup>12</sup> Ibid, p. 10.

<sup>13</sup> “FMCO working relationship with FMC, SBde, and STB,” briefing slides, 374<sup>th</sup> FMCO R-CAAT, November 2011.

<sup>14</sup> U.S. Government Accountability Office, *Actions Needed to Enhance DOD Planning for Reposturing of U.S. Forces from Iraq* (Washington D.C.: U.S. Government Accountability Office, September 2008), 16.

<sup>15</sup> COL Ken Dyer, “OIF/OND Foreign Excess Personal Property (FEPP),” briefing slides, Fort Bragg, NC, Dec, 2011.

<sup>16</sup> U.S. Government Accountability Office, *Iraq and Afghanistan: DOD, State and USAID Cannot Fully Account for Contracts, Assistance Instruments, and Associated Personnel* (Washington DC: U.S. Government Accountability Office, September 2011), 24.

<sup>17</sup> Observations for OIF/OND Phases IV/V OCS Related Activities, 30 June 2012, p. 14.

<sup>18</sup> Ibid.

<sup>19</sup> Ibid, p. 16.

<sup>20</sup> BG Horlander, “The Fiscal Triad at the End of Mission,” 2.

<sup>21</sup> Ibid.

<sup>22</sup> USF-I J8 Operation New Dawn (OND) Lessons Learned, December 2011, p.1.

<sup>23</sup> LTC Robert Phillips, “Operation New Dawn FM Drawdown”, briefing slides, Fort Bragg NC, XVIIIth Airborne Corps, March 2012, Slide 7.

<sup>24</sup> USF-I J8 Operation New Dawn (OND) Lessons Learned, December 2011, p.1.

<sup>25</sup> USF-I J8, interview by Center for Army Lessons Learned, October 2011.

<sup>26</sup> USF-I J8 Operation New Dawn (OND) Lessons Learned, December 2011, p.2.

<sup>27</sup> USF-I J8, interview by Center for Army Lessons Learned, October 2011.

<sup>28</sup> Major Omar Garcia, “Funding a New Dawn in Iraq,” *Armed Forces Comptroller*, Fall 2011, 33.

<sup>29</sup> DoD IG Report, *Assessment of the DoD Establishment of the Office of Security Cooperation-Iraq*, DoDIG-2012-063, March 16, 2012; p. 5.

<sup>30</sup> Ibid.

<sup>31</sup> LTC Robert Phillips, “Operation New Dawn FM Drawdown”, briefing slides, Fort Bragg NC, XVIIIth Airborne Corps, March 2012, slide 10.

<sup>32</sup> US Department of State Office of the Inspector General, *Performance Evaluation of Embassy Baghdad’s Transition Planning for a Reduced United States Military Presence in Iraq* (Middle East Regional Office, Report Number MERO-A-09-10, August 2009), 7.

<sup>33</sup> DoD IG Report, *Assessment of the DoD Establishment of the Office of Security Cooperation-Iraq*, DoDIG-2012-063, March 16, 2012; p. 7.

<sup>34</sup> Ibid, p.5.

<sup>35</sup> Ibid, p. 6.

