

**U.S. FOREIGN ASSISTANCE: WHAT OVERSIGHT  
MECHANISMS ARE IN PLACE TO ENSURE AC-  
COUNTABILITY?**

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**HEARING**

BEFORE THE

COMMITTEE ON OVERSIGHT  
AND GOVERNMENT REFORM  
HOUSE OF REPRESENTATIVES  
ONE HUNDRED THIRTEENTH CONGRESS

FIRST SESSION

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## **U.S. FOREIGN ASSISTANCE: WHAT OVERSIGHT MECHANISMS ARE IN PLACE TO ENSURE ACCOUNTABILITY?**

**Wednesday, April 10, 2013,**

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,  
*Washington, D.C.*

The committee met, pursuant to call, at 9:34 a.m., in Room 2154, Rayburn House Office Building, Hon. Darrell E. Issa [chairman of the committee] presiding.

Present: Representatives Issa, Mica, Turner, Duncan, Jordan, Chaffetz, Walberg, Lankford, Amash, Gosar, DesJarlais, Gowdy, Farenthold, Lummis, Collins, Meadows, Bentivolio, DeSantis, Cummings, Norton, Tierney, Connolly, Speier, Duckworth, Welch, Horsford, and Lujan Grisham.

Staff Present: Alexia Ardolina, Majority Assistant Clerk; Kurt Bardella, Majority Senior Policy Advisor; Brien A. Beattie, Majority Professional Staff Member; Will L. Boyington, Majority Press Assistant; Molly Boyd, Majority Parliamentarian; Lawrence J. Brady, Majority Staff Director; Daniel Butcheli, Majority Assistant Clerk; Caitlin Carroll, Majority Deputy Press Secretary; Steve Castor, Majority Chief Counsel; John Cuaderes, Majority Deputy Staff Director; Adam P. Fromm, Majority Director of Member Services and Committee Operations; Linda Good, Majority Chief Clerk; Christopher Hixon, Majority Deputy Chief Counsel, Oversight; Mitchell S. Kominsky, Majority Counsel; Jim Lewis, Majority Senior Policy Advisor; Justin LoFranco, Majority Digital Director; Mark D. Marin, Majority Director of Oversight; Laura L. Rush, Majority Deputy Chief Clerk; Scott Schmidt, Majority Deputy Director of Digital Strategy; Rebecca Watkins, Majority Deputy Director of Communications; Sang H. Yi, Majority Professional Staff Member; Devon Hill, Minority Research Assistant; Jennifer Hoffman, Minority Press Secretary; Peter Kenny, Minority Counsel; Elisa LaNier, Minority Deputy Clerk; Dave Rapallo, Minority Staff Director; and Carlos Uriarte, Minority Counsel.

Chairman ISSA. The committee will come to order.

We exist to secure two fundamental principles: first, Americans have a right to know that the money Washington takes from them is well spent and, second, Americans deserve an efficient, effective Government that works for them. Our duty on the Oversight and Government Reform Committee is to protect these rights. Our solemn responsibility is to hold Government accountable to taxpayers, because taxpayers have a right to know what they get from their

Government. It is our job to work tirelessly, in partnership with citizen watchdogs, to deliver the facts to the American people and bring genuine reform to the Federal bureaucracy.

Today, the American people have a right to be outraged at how Government is managing their hard-earned tax dollars. Many times we have had hearings and investigations that center at how billions of dollars are lost here in the United States due to waste, mismanagement, duplication, and the structure of Government. As recently as yesterday we did just that.

But today we are talking about something more serious and much more egregious. Right now, billions of American tax dollars are being used to fund corruption in Afghanistan. In 2011, Afghanistan was the top recipient of U.S. foreign aid, with more than 40 percent of the U.S. aid being channeled directly into the Afghan government. A government of \$2 billion for their own operating was playing with \$12 billion of the American taxpayers money.

However, Afghanistan is tied with Somalia, North Korea, North Korea, as the most corrupt on the Transparency International Corruption Index and, quite frankly, that is not company anyone should want to do business with.

Unfortunately, also, the Obama Administration has given up the fight to hold President Karzai accountable for rapid corruption with U.S. tax dollars sent to the Afghan government. I do not hold President Obama to be the first to trust this corrupt man, but he has in fact trusted someone for four years in which we have had example after example of the kind of corruption that says there has to be a change.

The special inspector general for Afghanistan reconstruction has testified that the Afghan government does not appear to have the capacity to manage the \$8 billion pledged by the international community in direct assistance and that oversight is especially problematic because of a pervasive corruption in Afghanistan. And I might note corruption that includes immediate members of President Karzai's family.

The U.S. taxpayer dollars were used to build a hospital in Afghanistan to treat wounded soldiers, but doctors don't show up for work and materials and drugs are sold on the black market.

One point one billion dollars from U.S. taxpayer funded program was to go toward petroleum oil and lubricants, a very controversial program, for the Afghan National Army. One problem: there are no records from 2006 to 2011 of any fuel purchases. Why? Because all records were shredded.

The Afghan government is projected to receive another \$1 billion in direct U.S. aid. Our Government has an obligation to ensure that oversight mechanisms are put in place to hold the Karzai administration accountable for its use of taxpayers funds.

We have to establish the perfectly reasonable expectation that U.S. tax dollars sent to Afghanistan will be protected from corruption and abuse, or at least that all efforts are made to safeguard those dollars. U.S. taxpayers are effectively financing corruption that harms the people of Afghanistan and our own efforts to destroy Al Qaeda-linked extremists.

We have a distinguished panel today of inspectors general who will testify here today on and about oversight mechanisms needed to assure accountability.

I want to close with one piece of history. I am old enough to remember the corruption we witnessed at the end of the Vietnam War; gold bars being flown out. I am old enough to remember Imelda Marcos countless number of shoes. All of this was bought with taxpayer dollars. This is not new; it is not one administration. But, as my ranking member so often says, it is our time; it is our watch; it is our responsibility. That is what we are here today to discuss.

With that, I take pleasure in introducing our ranking member for his opening statement.

[Prepared statement of Chairman Issa follows:]

Mr. CUMMINGS. Thank you very much, Mr. Chairman. You are absolutely right, it is our watch. We are in Congress today. We are alive today. We are all the policymakers today and the people that are sitting in front of us have a lot to do with carrying out that policy, and I want to thank you for calling this hearing.

Let me first welcome John Sopko, the special inspector general for Afghanistan reconstruction. Since he was sworn in nine months ago, Mr. Sopko has drawn attention to critical issues affecting reconstruction in Afghanistan, leading to multiple appearances before our Subcommittee on National Security and improving the oversight and accountability of reconstruction funds.

I commend President Obama for appointing him, and it is especially nice to welcome Mr. Sopko back, given his previous service as the chief counsel for oversight on the House Energy and Commerce Committee under then Chairman John Dingle. We thank you for your service.

I would also like to welcome Paul Cooksey, the deputy special inspector general for Iraq reconstruction. Over the past decade, his office has overseen tens of billions of dollars in reconstruction assistance to Iraq.

The special inspector general, Stuart Bowen, has testified many times before our committee, including on his office's investigations during the previous administration, which identified approximately \$12 billion in reconstruction funding that was not properly accounted for.

As the chairman said, this is a situation where we have seen problems under Democrat and Republican administrations, and the question is how do we make sure that we address it effectively and efficiently.

I would also like to thank the other inspectors general who are joining us today from the Department of Defense, Department of State, and the U.S. Agency for International Development. We appreciate the critical work that you do in this particularly challenging environment like Iraq, environment like Afghanistan. We thank you for your service.

And I would be remiss if I did not mention our ongoing concern with the lack of Senate-confirmed IGs at three agencies. At the State Department in particular, the chairman and I have expressed in a bipartisan way our concerns to the President that he has never nominated an IG to fill that post in the five years he has been

President. Obviously, this problem needs to be addressed and it is unacceptable.

Today we will hear about challenges to delivering foreign assistance efficiently and effectively, and the lessons we need to learn in order to deliver that aid more effectively.

Over the past decade there have been enormous waste and abuse in Iraq, where the United States provided nearly \$61 billion in reconstruction funding. For example, when the United States set out to repair an oil pipeline over the Tigris River, planners tried to bury the pipe under the river, despite an engineering study concluding that the soil was too sandy. According to the IG, tens of millions of dollars were wasted on churning sand. The total cost of the project was \$100 million, more than 20 times the original estimate.

Last month the special inspector general for Iraq reconstruction released a very thorough and comprehensive report on the learned lessons from the many years conducting oversight of projects like this. This report includes key recommendations to help our Country avoid making mistakes of the past. For example, it recommends increasing coordination and accountability of reconstruction operations, focusing on small and more manageable programs and projects to build host country capacity, and ensuring buy-in from the host country for reconstruction activities. It just simply makes sense.

With respect to Afghanistan, there are special challenges with overseeing reconstruction funding provided through direct government-to-government assistance.

The chairman is right, I have my own concerns about President Karzai and his administration, and that administration creates some real serious problems when we try to address these problems and try to get aid to Afghanistan, and I am sure we are going to hear a lot about that today. Hopefully we will hear how we can still carry out the mission and make sure the money goes where it is supposed to go and that there is accountability. High levels of corruption and concerns about the Afghan government's capacity to manage its budget increase the risk of waste, fraud, and abuse. Although the purpose of this assistance is to help the Afghans learn how to improve their systems, they are not yet ready to handle the billions of dollars in assistance the United States provides without enhanced oversight mechanisms.

For example, concerns have been raised recently over plans to provide the Afghan National Power Utility \$70 million to install and manage hydroelectric turbines at Kajaki Dam. This is especially concerning given reports by the special inspector general that the power utility lacks the capacity to properly manage these aid funds.

Finally, in his most recent quarterly report, Mr. Sopko suggests seven key questions that decision makers should consider before spending foreign aid. And, again, this is not rocket scientist stuff, all due respect to you, Mr. Sopko; it just makes sense. These questions cover a range of issues, including our Nation's strategic objectives, the host country's needs, the host country's capacity to sustain the project once it is complete. I mean, that makes sense. In other words, you build something, you put all this money into it,



and then you leave it to the Afghans and it just sits there. I think that would make any American who is about to pay, by the way, their taxes on Monday very upset.

As with the examples from Iraq, these are lessons that can improve all foreign assistance programs. As I close, I want to express my strong support for the Food for Peace program, through which U.S. grown agricultural products have been carried on U.S.-flagged vessels to provide humanitarian aid around the world since 1954. Together with Duncan Hunter and 28 colleagues of my colleagues from both sides of the aisle, I have written to the President urging that we continue to support U.S. farms and the domestic sea lift capacity on which our military depends, while ensuring we get food to those most in need by maintaining this vital program.

With that, Mr. Chairman, I yield back.

Chairman ISSA. I thank you for your opening statement and we now recognize the chairman of the Subcommittee on National Security, Mr. Chaffetz, for his opening statement.

Mr. CHAFFETZ. Thank you, Mr. Chairman. I share your passion here for the idea that we need to root out the waste, fraud, and abuse. There is nothing more frustrating to the American taxpayer to see their hard-earned dollars taken from their wallet, given the U.S. Government, and then given away by the billions of dollars to the various countries around this Earth.

There are legitimate uses for these types of funds in certain cases, the disaster in Haiti, for instance, but here we have the single most corrupt nation on the face of the planet, known as Afghanistan, tied with North Korea, and we are giving them billions and billions of dollars.

We did \$50 billion in U.S. foreign assistance in fiscal year 2011 globally. But we are now rounding the corner to have given Afghanistan over \$100 billion in U.S. aid. That doesn't count the fighting, the bullets, the food, all the other things we did in the war effort. This is just building up Afghanistan, the most corrupt nation on the face of the planet.

What is the USAID suggestion on how we do this better? Let's use USAID Forward, a program introduced in 2010, where we give the money directly to them, with less oversight, less accountability. How can that be? Their goal is 30 percent just in direct payments.

Mr. Chairman, we have done extensive hearings, in conjunction with Mr. Tierney, who shares this passion as well, on petroleum oil and lubricants, where the Department of Defense wants to increase the direct payments from \$333 million to \$555 million, and don't have any receipts. In fact, they shredded the receipts to try to justify the increase in payments.

We investigated Dawood Hospital, \$150 million stolen. The list goes on and on.

We need to have faith in the process.

Now, Mr. Chairman, you and I very recently had a discussion about corruption in Afghanistan and the major impact of the Kabul Bank scandal. As you are aware, the Kabul Bank was the largest bank in Afghanistan that held a substantial amount of Afghan salaries. The bank's failures and subsequent bailout itself represented approximately 5 to 6 percent of Afghanistan's GDP. It is without

a doubt a very serious matter, especially as we sit here today, discussing the oversight of U.S. direct assistance.

According to a report by the Afghan Independent Joint Anti-Corruption Monitoring and Evaluation Committee, approximately \$935 million had been embezzled. This was a fraudulent bank. It was a Ponzi scheme at the very beginning. This report relied heavily on a forensic audit conducted by the investigative firm known as Kroll. During my travels to Afghanistan last November, I met with State Department officials who told me they had seen the Kroll report, but they did not have possession of it. Given the importance and gravity of the matter, I was able to use my own contacts and recently received a copy of the Kroll report from a non-American former senior Afghan Bank official. This official obtained a copy of the Kroll report through his role in the investigation into the Kabul Bank scandal.

So, Mr. Chairman, I want to provide you a copy of this report, I will give it to you and to the ranking member, in the hope that we can begin to get the American people the answers they deserve. We are different in this Country. We expose things; we talk about them publicly in the effort to have a more open and transparent government. It is what we are committed to do.

Mr. Chairman, I am so frustrated that the USAID, the group that is supposed to be out there sharing the wealth of the American people, the generosity of the American people, knowing, knowing that this is one of the most corrupt governments on the face of the planet, they want to increase the direct payments. There is no suggestion on more oversight, more responsibility. They want to increase the direct payments, and that is offensive and it is what we need to talk about here today.

Chairman ISSA. Would the gentleman yield?

Mr. CHAFFETZ. Yes.

Chairman ISSA. I appreciate that. We did talk about the Kabul Bank and I appreciate your gaining access to these reports. In that they were received in unclassified form, but they do say Privileged and Confidential, we will treat them that way.

I would ask the witnesses, would you be willing to accept a copy of this today? Then I would ask the staff to make copies for each of our witnesses. I must admit you will not scan through this during your idle time during this hearing, so we will have to follow up with additional work on the results of this rather thorough audit.

I thank the gentleman.

Mr. CUMMINGS. Mr. Chairman?

Chairman ISSA. Yes. The gentleman is recognized.

Mr. CUMMINGS. Thank you very much, Mr. Chairman. Mr. Tierney, who is the chairman of the subcommittee, is delayed at another hearing, but we would ask that his statement be entered into the record. As you know, Mr. Chairman, he and Mr. Chaffetz have approached these issues on a bipartisan way and I have been very impressed with that. Unfortunately, like I said, he could not be here, but I will enter his statement for the record.

Chairman ISSA. Without objection, his statement will be placed in the record.

Chairman ISSA. Also, all members will have seven days to submit opening statements and extraneous material for the record.

I want to echo that and thank Mr. Tierney and Mr. Chaffetz. They have traveled to the region, they have worked together, and I think they really make a difference on this kind of a bipartisan issue.

Chairman ISSA. With that, we now will recognize our panel of witnesses.

The Honorable John Sopko is the special inspector general for Afghanistan reconstruction; Ambassador Harold Geisel is the Department of State deputy inspector general. Already noted that you are the absolute best we have got and we appreciate all you do.

Mr. Michael Carroll is the U.S. Agency for International Development deputy inspector general; Ambassador Kenneth Moorefield is the Department of Defense deputy inspector general for special plans and operations; and Mr. Paul Cooksey, the giver of this wonderful book today, is the deputy special inspector general for Iraq reconstruction.

Pursuant to our rules, I would ask that you all rise, raise your rights hands to take the oath.

Do you solemnly swear or affirm the testimony you are about to give will be the truth, the whole truth, and nothing but the truth? [Witnesses respond in the affirmative.]

Chairman ISSA. Let the record indicate that all witnesses answered in the affirmative.

Please be seated.

Yesterday we had one witness. I told him to take as much time as he wanted. Today we have five. Please try, recognizing your entire opening statements will all be in the record, to use the five minutes to summarize that opening statement and to add additional input as you see fit. I always recognize that there is a degree of scripting when you serve as career people the way you do, but I would only ask that you use that time to the greatest extent over and above your opening statements.

With that, you are recognized, Mr. Sopko.

#### **STATEMENT OF THE HONORABLE JOHN F. SOPKO**

Mr. SOPKO. Thank you, Mr. Chairman, Ranking Member Cummings, and members of the committee. I am pleased to be here today to discuss the challenges affecting U.S. foreign assistance to Afghanistan, particularly the use of direct assistance.

The impending end of the U.S. combat mission has led some to erroneously believe that the Afghan reconstruction effort is also waning. On the contrary. Given the \$70 billion that the international community estimates Afghanistan will need through 2024, Afghanistan will remain the largest recipient of American foreign assistance for years to come.

In 2012 alone, the United States provided more than \$16 billion for Afghan reconstruction. That is twice the amount available to the next four top foreign assistance beneficiaries combined.

Additionally, a significant portion of the funds already provided by Congress have yet to be obligated or spent. Roughly \$20 billion of the more than \$90 billion appropriated have yet to be spent.

On my last trip to Afghanistan, senior USAID and DOD officials told me the U.S. Government will distribute a significant portion of the unspent funds through direct assistance, and have com-

mitted to provide over 50 percent of those funds in the future, all funds through direct assistance.

Now, despite its potential benefits, I have significant concerns about the use of direct assistance in Afghanistan, mainly for two reasons. First, the Afghan government may not have the capacity to manage and account for the billions of dollars pledged by the international community; and, secondly, pervasive corruption may pervert its intended use.

Now, these concerns have only been heightened recently by our discovery that USAID completed capability assessments of all 13 Afghan ministries scheduled to receive direct assistance. Now, after some difficulty in obtaining the copies of these assessments, we have done a preliminary review and that review has raised red flags about the Afghan government's ability to handle direct assistance in each of the 13 ministries.

For example, one of the assessed ministries had questionable costs that exceeded the ministry's entire budget. Its staff lacked minimal procurement training and it had no specific mechanism to check for ties to terrorists.

In another ministry the assessment found that the computers were vulnerable to hacking; that salaries were paid in cash, which could expose the ministry to the risk of theft; and then it had no way to verify the background of outside employees.

Now, SIGAR intends to continue its audit of these assessments to determine whether the Afghan ministries are capable to accept U.S. taxpayer dollars, and we are going to determine what, if anything, USAID is going to do with these shortcomings.

Now, corruption, as I said, is another serious risk that must be considered when providing direct assistance. Corruption threatens the entire reconstruction effort. We have found Afghan officials are still reluctant to prosecute corrupt officials, especially if high ranking or well connected. Corruption also erodes the hopes of honest Afghans and their loyalty to the central government. For example, Afghan businesswomen recently warned Secretary of State Kerry that they feel they will be marginalized by corruption. One of them told the New York Times that contracts will go only to the few people who are really connected to the government.

Accordingly, it is clear to me that direct assistance must be accompanied by strict mechanisms established by the United States and the international donors to protect funds and provide vigorous oversight in order to ensure that the monies given to the Afghan ministries go to the most qualified contractors, and not to the corrupt cronies of politicians in Afghanistan.

Funding should also be conditioned not on just meeting measurable outcomes, but on providing the United States and the international donors unfettered and timely access to the books, employees, records, and, most importantly, to the projects and programs financed by U.S. assistance.

In conclusion, Mr. Chairman, I am often asked what is going to happen after the drawdown of our coalition forces. Now, I cannot opine, today, on whether or not the Afghan military will stand up to their mission. But, based on my over 35 years as a prosecutor and an investigator, I can definitely assure you that without adequate security for the U.S. officials to manage and oversee our re-

construction budget, we run the risk of wasting billions of taxpayers dollars and ultimately wasting our hard-won successes on the battlefield and in the reconstruction up to date, and that would be the cruelest legacy to leave our brave Afghans and our brave troops.

Thank you.

[Prepared statement of Mr. Sopko follows:]



**SIGAR**

Testimony  
Before the Committee on Oversight and  
Government Reform  
U.S. House of Representatives

**Challenges Affecting U.S. Foreign  
Assistance to Afghanistan**

Statement of John F. Sopko,  
Special Inspector General  
for Afghanistan Reconstruction  
April 10, 2013

Chairman Issa, Ranking Member Cummings, and Members of the Committee,

I am pleased to be here to discuss the serious challenges affecting U.S. foreign assistance to Afghanistan. It is the mission of the Special Inspector General for Afghanistan Reconstruction (SIGAR) to provide effective oversight of what has become the most costly reconstruction effort of a single country in U.S. history.<sup>1</sup>

Since 2002, Congress has appropriated nearly \$93 billion to rebuild Afghanistan.<sup>2</sup> The Administration has signaled to the Afghan government and our coalition allies that it intends to request substantial additional assistance for Afghanistan through the transition period between now and the end of 2014 and during what the international community is calling the “Transformation Decade” following the withdrawal of U.S. and coalition combat forces through 2025. The World Bank estimates that Afghanistan will need more than \$7 billion each year for the next ten years to sustain reconstruction gains, fund Afghan security forces, and cover the large financial gap between Afghan government revenues and operations and maintenance costs.<sup>3</sup>

Congress and the Administration will determine how much of that projected cost the United States will pay. Whatever the amount, much of the new funding will be in the form of direct assistance that is programmed through the Afghan national budget.

Before 2010, the United States provided most of its assistance to Afghanistan through contracts, grants, and cooperative agreements that have been executed outside the Afghan budget and beyond the reach of Afghan officials. Since 2010, the United States and other donors have agreed in principle to provide more on-budget assistance to help Afghan government institutions build capacity to manage funds and deliver services. At the same time, the international donor community has made this aid conditional on the Afghan government tackling endemic corruption and demonstrating that it has the capacity to manage these funds in a transparent manner.<sup>4</sup>

Therefore, a successful security and political transition in 2014 and continued international support depend to a great degree on the ability of the Afghan government to allocate, manage, and account for direct assistance funds; and to put the money to good use for its intended purposes.

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<sup>1</sup> In FY 2012, Congress provided more than \$16 billion for the reconstruction of Afghanistan. That is almost twice as much as Congress made available in FY 2012 for the next four largest foreign assistance beneficiaries—Israel, Iraq, Pakistan, and Egypt—combined.

<sup>2</sup> This number includes FY 2013 appropriations for DOD reconstruction programs but not the appropriations for State and USAID which are still being negotiated within the continuing resolution.

<sup>3</sup> The World Bank, *Afghanistan in Transition: Looking beyond 2014*, 2013

<sup>4</sup> The International Conference on Afghanistan, London 2010; the Kabul Conference, Kabul 2010; International Conference on Afghanistan, Bonn 2011; Tokyo Conference on Afghanistan, 2012

This testimony will summarize the major problems SIGAR has identified with the U.S reconstruction program—whether funding is provided on or off budget—in Afghanistan, examine the additional challenges posed by direct assistance, and describe what SIGAR is doing to address these issues.

But before proceeding further, it is important to remember that independent and effective oversight is essential for safeguarding U.S. foreign assistance and ensuring that it achieves desired outcomes. This is as true for government-to-government aid as it is for U.S.-funded contracts and grants.

### **Ongoing Challenges to Foreign Assistance in Afghanistan Put U.S. Funds at Risk**

Since the end of 2008, when Congress created SIGAR to oversee the growing reconstruction effort in Afghanistan, our auditors and inspectors have completed 75 audit and inspection reports and made 245 recommendations. Federal agencies have implemented many of our recommendations to strengthen their ability to develop and execute programs, as well as to improve program management and quality control. SIGAR currently has 73 open recommendations. If all of them were accepted, the U.S. government could potentially save about \$450 million as well as achieve dozens of other improvements to the implementation of reconstruction projects in Afghanistan. Since I became the SIGAR, we have significantly increased our output. By the end of this quarter, the agency will have produced at least 31 products during my nine month tenure, three times what we produced in the previously nine months.

SIGAR has repeatedly identified a number of serious ongoing challenges to this historic reconstruction effort. These systemic problems, which apply to all U.S. assistance in Afghanistan, include the following five primary areas of concern:

- Inadequate planning
- Poor quality assurance
- Poor security
- Questionable sustainability
- Pervasive corruption

#### **Inadequate Planning**

SIGAR's audits and inspections have repeatedly found that inadequate planning and lack of coordination have led to waste, increased costs, delays, and unsustainable projects, as well as facilities that are not being used for their intended purposes. Some programs have failed



to achieve strategic objectives, such as supporting the counterinsurgency effort, promoting improved governance, and fostering economic development.<sup>5</sup>

Effective planning is especially important now, as the United States withdraws combat forces and prepares to transition reconstruction projects to the Afghan government. Last month, SIGAR announced an audit to determine whether U.S. government agencies have transition plans in place. This audit will examine whether U.S. plans adequately address the asset-transfer process and the Afghan government's ability to maintain those assets. It will also evaluate the extent to which a comprehensive inventory of all U.S.-funded projects and assets has been developed.

#### Poor Quality Assurance

Quality assurance, particularly of infrastructure projects, continues to be a major problem. SIGAR inspections have repeatedly highlighted structural problems, improper site grading, soil issues, and improper usage of facilities.<sup>6</sup> SIGAR is currently conducting 17 inspections of U.S.-funded infrastructure projects—Afghan security force facilities, schools, and clinics—in Afghanistan's northern provinces to determine whether these facilities have been built in accordance with contract requirements and are being used for the purposes intended. Our inspections teams are also examining waste incinerators, designed to protect U.S. and coalition forces from the hazards of open pit burning of waste, and the Kajaki hydroelectric dam, which is key to providing sustainable power in southern Afghanistan.

#### Poor Security

Poor security poses a major challenge to every aspect of the reconstruction effort, from executing programs to providing oversight. SIGAR remains particularly concerned about two aspects of security relating to development projects.

First, because of the dangerous environment, contractors and nonprofit organizations must rely more and more on private security services. But as of a year ago, they have been required by Afghan law to contract with the government-run Afghan Public Protection Force (APPF) instead of private security companies. Last year, a SIGAR audit of the transfer of

<sup>5</sup> SIGAR Audit 13-2, *Afghanistan National Power Utility: \$12.8 Million in DOD-Purchased Equipment Sits Unused, and USAID Paid a Contractor for Work Not Done*, December 18, 2013; SIGAR Audit 12-12, *Fiscal Year 2011 Afghanistan Infrastructure Fund Projects Are Behind Schedule and Lack Adequate Sustainment Plans*, July 30, 2012; SIGAR Inspection 13-4, *Kunduz Afghan National Police Provincial Headquarters: After Construction Delays and Cost Increases, Concerns Remain About the Facilities Usability and Sustainability*, January 2013; SIGAR Inspection 13-5, *Imam Sahib Border Police Company Headquarters in Kunduz Province: \$7.3 million Facility Sits Largely Unused*, January 2013

<sup>6</sup> SIGAR Inspection 13-01, *Kunduz ANA Garrison: Army Corps of Engineers Released DynCorp from All Contractual Obligations Despite Poor Performance and Structural Failures*, October 2012; SIGAR Inspection 13-03, *Gamberi Afghan National Army Garrison: Site Grading and Infrastructure Maintenance Problems Put Facilities at Risk*, October 2012

security services of USAID-funded projects to the APPF found that the cost of security services could increase because of the APPF fee structure.<sup>7</sup> SIGAR has an ongoing second audit to identify the cost of security services for selected USAID projects and determine the impact of the APPF transition on reconstruction projects. APPF effectiveness is another issue of potential concern.

Second, as U.S. and coalition forces withdraw, it will become steadily more difficult for both the implementing and oversight agencies to monitor projects. With the military drawdown and transition to the Afghan security forces, it has already become harder for implementing agencies to effectively manage projects and for oversight agencies such as SIGAR to visit and inspect projects. This is because U.S. forces in Afghanistan have a policy of only providing security in areas within an hour by road or air travel of a medical facility. For example, recently SIGAR was unable to visit \$72 million in infrastructure projects in northern Afghanistan because they are located outside the security “bubble.” This will only get worse as more bases close or are handed over to Afghan units that lack medical-evacuation capability. SIGAR is examining ways to continue to provide vigorous oversight in this evolving security environment, including expanding the use of satellite imagery and hiring Afghans or other third-country nationals to conduct site visits.

#### Questionable Sustainability

SIGAR was among the first to highlight another great risk to the reconstruction effort: sustainability. The United States is building infrastructure and launching programs that the Afghan government has neither the financial nor technical ability to operate and maintain. The United States has provided tens of billions of dollars for infrastructure, everything from roads and electricity networks to schools, clinics, and security force facilities.<sup>8</sup> However, as we and the World Bank have pointed out, the Afghan government lacks the revenue, institutional capacity, and human capital to operate and maintain much of this infrastructure. In FY 2011, the most recent year for which the World Bank has complete data, Afghanistan’s budget included about \$335 million—or 10% of its core expenditures—for operations and maintenance (O&M). But, as the United States and other donors transfer these assets to the Afghans, future requirements are expected to rise to \$4.8 billion for total civilian and security O&M.<sup>9</sup>

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<sup>7</sup> SIGAR Audit 12-10, *Increases in Security Costs Are Likely under the Afghan Public Protection Force; USAID Needs to Monitor Costs and Ensure Unlicensed Security Providers Are Not Used*, June 29, 2012

<sup>8</sup> SIGAR Audit 13-1, *Afghan National Security Forces Facilities: Concerns with Funding, Oversight, and Sustainability for Operations and Maintenance*, October 30, 2012

<sup>9</sup> The World Bank, *Afghanistan in Transition: Looking beyond 2014*, 2013, p. 6

#### Pervasive Corruption

Corruption threatens the entire reconstruction effort in Afghanistan. It siphons funds away from vital programs, undermines the rule of law, and reduces popular support for the Afghan national government. For this reason, SIGAR has conducted a number of audits that assessed Afghanistan's anti-corruption bodies, has evaluated efforts to monitor bulk cash flows through the Kabul International Airport, and has deployed investigators to field offices in six locations in Afghanistan to identify individuals engaged in bribery and extortion. SIGAR's audit work has highlighted serious shortcomings in Afghan capacity and lack of political will to combat corruption.

More than two years ago, SIGAR recommended that the United States develop an integrated anti-corruption strategy.<sup>10</sup> Although the U.S. Embassy in Kabul produced a draft strategy, it was not adopted. SIGAR's Office of Special Projects is now conducting a review to evaluate the current U.S. anti-corruption strategy and its implementation, and the progress the United States has made in meeting its anti-corruption goals in Afghanistan. In addition, SIGAR's Audit and Inspection Directorate is currently reviewing a major State Department rule of law program. As noted above, the international donor community has stipulated that the Afghan government must demonstrate a commitment to deterring corruption as a prerequisite to receiving continued development assistance. It is our responsibility to hold the Afghan government accountable to their latest promises to improve their anti-corruption capabilities.

#### The Use of Direct Assistance in Afghanistan

Direct assistance, strictly defined, is aid provided through a host nation's national budget. This assistance can be delivered through multinational trust funds or by individual governments through bilateral agreements. International donors contribute to multinational trust funds that provide and oversee assistance to Afghanistan's national budget. Bilateral aid can consist of direct budget support for government salaries, all aspects of government functions, and earmarked projects to be managed by government institutions. For example, since 2005, the United States has given funding directly to the Afghan Ministry of Public Health to administer some basic health services. SIGAR has an ongoing audit of this program.

In January 2010, the United States and other donors at the International Conference on Afghanistan in London supported Afghanistan's request to increase the proportion of development aid delivered through the Afghan government to 50 percent over two years. However, they made this support conditional on the Afghan government's progress in

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<sup>10</sup>SIGAR Audit 10-15, *U.S. Reconstruction Efforts in Afghanistan Would Benefit from a Finalized Comprehensive U.S. Anti-Corruption Strategy*, August 5, 2010

strengthening its public financial management systems, reducing corruption, improving budget execution, and developing government capacity.<sup>11</sup> At the Kabul Conference six months later, the United States and other international donors restated their support for channeling at least 50 percent of development aid through the Afghan government's core budget within two years provided the Afghan government achieved the necessary reforms.<sup>12</sup>

USAID and the Department of Defense (DOD) are both providing direct assistance to Afghanistan using multinational trust funds and bilateral agreements.

#### Multinational Trust Funds

The United States is currently providing the most of its direct assistance to Afghanistan through two major multinational trust funds: the Afghanistan Reconstruction Trust Fund (ARTF) which is managed by the World Bank and the Law and Order Trust Fund for Afghanistan (LOTFA), which is managed by the United Nations Development Programme (UNDP).

The ARTF is the primary funding mechanism for direct international assistance to the Afghan operational and development budgets. The Afghan government uses these funds to pay recurrent costs such as salaries and O&M, as well as for national development programs. From 2002 through December 20, 2012, the World Bank reported 33 donors had pledged nearly \$6.18 billion, of which more than \$6.11 billion had been paid in to the ARTF. The United States, the single largest donor to the ARTF, has provided more than \$1.74 billion—or 28 percent—of the total that has been paid into the trust fund.<sup>13</sup> USAID draws from the Economic Support Fund (ESF) to contribute to the ARTF.

LOTFA supports the Afghan National Police (ANP), primarily by funding salaries. Since 2002, donors have pledged more than \$2.65 billion to the LOTFA of which nearly \$2.57 billion has been paid in. The United States has contributed nearly \$970 million—or 38 percent—of the total funding for LOTFA since the Fund's inception. Over the next two years, DOD expects to contribute an additional \$567 million which will bring the total U.S. LOTFA contributions to \$1.25 billion in 2014.<sup>14</sup> DOD supports the LOTFA from the Afghan Security Forces Fund (ASFF), which Congress established in 2005 to pay for programs to train, equip, and sustain the Afghan army and police forces.

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<sup>11</sup> Communiqué of "Afghanistan: The London Conference," January 28, 2010

<sup>12</sup> Communiqué, Kabul Conference on Afghanistan, July 20, 2010

<sup>13</sup> Based on USAID response to SIGAR data call, March 30, 2013

<sup>14</sup> Based on a chart provided by DOD/OSD-Comptroller to SIGAR on March 29, 2013

#### Bilateral Assistance

USAID and DOD also provide direct assistance to the Afghan government. Since 2002, USAID has obligated more than \$452 million from the ESF to 13 Afghan ministries and government agencies. Before providing direct assistance to government entities, USAID assesses whether a ministry or government institution has the capacity to manage and fully account for funds provided.

In 2009, USAID in Afghanistan completed pre-award assessments of the Afghan Ministry of Finance, the Central Bank, and Afghanistan's Control and Audit Office. However, in 2010, USAID's Office of the Inspector General concluded that these assessments were not reliable. Consequently, in 2011, USAID issued a new directive requiring that a public financial management risk assessment framework be completed prior to distributing direct assistance to another government entity.

Between 2011 and 2013, USAID contracted with two accounting firms to assess the capacity of Afghan ministries to manage and account for direct assistance. The firms have completed assessments of 13 Afghan ministries. Because of SIGAR's concerns about the Afghan government's capacity to administer and account for U.S. funding, a SIGAR audit is examining USAID's contracts with the accounting firms, summarizing the firm's findings, and evaluating how USAID plans to use the assessments in providing direct assistance. SIGAR is also evaluating the Afghan Ministry of Public Health's U.S.-funded program to deliver basic health care.

DOD provides direct assistance to Afghanistan's Ministry of Defense (MOD) and Ministry of Interior (MOI) from the ASFF. The Combined Security Transition Command-Afghanistan (CSTC-A), which is responsible for developing the Afghan security forces, oversees the direct contributions to the MOD and MOI. DOD guidance stipulates that direct assistance may be used to pay salaries; procure food, goods, and services; and fund minor construction in support of the Afghan army and police. In 2010, DOD began providing substantial direct assistance to the operating budgets of the defense ministries. In FY 2010 and FY 2011, DOD contributed a total of nearly \$900 million to the MOD for its operating budget to cover recurrent costs and more than \$230 million to the MOI.<sup>15</sup>

Earlier this year a SIGAR audit found accountability weaknesses in CSTC-A's process for ordering, delivering, and paying for fuel for the Afghan army.<sup>16</sup> CSTC-A, in coordination with the Afghan government, is trying to develop the ANA's capability to provide its own logistics and maintenance requirements and had been planning to provide direct assistance to the Afghan government to procure ANA fuel. Our report included six recommendations to CSTC-A

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<sup>15</sup> Based on a CSTC-A response to SIGAR data call, July 2012

<sup>16</sup> SIGAR Audit 13-4, *Afghan National Army: Controls Over Fuel For Vehicles, Generators, and Power Plants Need Strengthening To Prevent Fraud, Waste, and Abuse*, January 24, 2013

to address the problems we identified. CSTC-A concurred with all of these recommendations, including one of the most important: to revise its strategy for providing direct contributions to the Afghan government for future fuel purchases and make direct assistance contingent upon the Afghan MOD demonstrating it can manage and account for U.S. funds.

We are currently evaluating plans to provide direct assistance to purchase fuel for the Afghan police. Later this year, we will begin an audit of U.S. efforts to build the financial-management capacity at the MOI.

### **SIGAR Concerns about Direct Assistance**

As U.S. combat troops withdraw and the transition to the Afghan security forces proceeds, both USAID and DOD have told SIGAR they intend to provide more direct funding to the Afghan government.

SIGAR does not oppose direct assistance. But if the Administration and Congress proceed with plans to increase direct assistance, we believe it is critical that they focus on three issues that could dramatically threaten our reconstruction objectives:

- the lack of Afghan government capacity to manage and account for donor funds,
- the effect of pervasive corruption, and
- the need to ensure adequate, long-term oversight.

#### **Lack of Afghan Capacity**

Some studies indicate that direct assistance may have a more positive impact on Afghanistan's economy than "off budget" assistance. For example, the World Bank has urged international donors to increase on-budget aid and manage operations and maintenance through government systems to improve aid effectiveness. However, just this year, the World Bank also cautioned that the Afghan government "will need to overcome serious absorptive capacity constraints to be able to receive and effectively use additional donor money on budget."<sup>17</sup>

Budget execution remains a problem. In December 2012, the lower house of the Afghan parliament voted to impeach 11 government ministers for failing to spend at least 50 percent of their prior fiscal-year budgets.<sup>18</sup> According to the World Bank, Afghanistan has only been able to execute around \$1 billion of its core development budget annually since 2007/2008. The Bank attributes the low budget execution rate to a combination of

<sup>17</sup> The World Bank, *Afghanistan in Transition: Looking beyond 2014*, 2013, p. 20

<sup>18</sup> Tolo News (Afghanistan), "Parliament Rejects 2013 Budget," December 23, 2012, <http://tolonews.com/en/afghanistan/8815-parliament-rejects-2013-budget>

structural and capacity issues.<sup>19</sup> It concluded, “Over the next few years a concerted push by donors and government alike is needed to improve government capacity to spend its development budget.”<sup>20</sup>

SIGAR’s audits of the ARTF and LOTFA have raised questions about the Afghan government’s ability to account for funds. In its July 2011 assessment of the ARTF, SIGAR found that although Afghan ministries had increased their capacity to manage government finances, the Afghan government continued to face challenges in training and retaining civil servants able to administer and account for ARTF funds.<sup>21</sup> SIGAR’s audit of the MOI’s personnel systems concluded that the MOI’s payroll system provided little assurance that only those ANP personnel who are actually working are paid and that LOTFA funds are used to reimburse only eligible ANP costs. Furthermore, SIGAR’s auditors found that the UNDP could not confirm that LOTFA funds were used to reimburse only eligible ANP costs.<sup>22</sup>

#### Pervasive Corruption

Although the Afghan government has said it is committed to tackling endemic corruption, Afghan officials remain reluctant to take serious action to prosecute corrupt officials, especially if they are high-ranking or well-connected. In its latest report, the Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC) noted some government ministries—such as the Ministry of Mines and the Ministry of Finance—had made progress in implementing the Committee’s recommendations and meeting benchmarks to deter corruption. However, the MEC said the justice sector has not made similar strides and noted that the Attorney General’s office has not taken the steps needed to combat corruption.<sup>23</sup>

Given the widespread corruption in Afghanistan, direct assistance has some inherent risks that could see the funds benefitting only those with close ties to the government. Last month, during his visit to Kabul, Secretary of State John Kerry met with a group of Afghan businesswomen who underscored this concern. These entrepreneurs, who have carved

<sup>19</sup> The World Bank, *Afghanistan in Transition: Looking beyond 2014*, 2013, p. 12

<sup>20</sup> The World Bank, *Afghanistan in Transition: Looking beyond 2014*, 2013, p. 91

<sup>21</sup> SIGAR Audit 11-13, *The World Bank and the Afghan Government Have Established Mechanisms to Monitor and Account for Funds Contributed to the Afghanistan Reconstruction Trust Fund, but Some Limitations and Challenges Should be Addressed*, July 22, 2011

<sup>22</sup> SIGAR Audit 11-10, *Despite Improvements in MOI’s Personnel Systems, Additional Actions Are Needed to Completely Verify ANP Payroll Costs and Workforce Strength*, April 25, 2011

<sup>23</sup> Independent Joint Anti-Corruption Monitoring and Evaluation Committee, “3<sup>rd</sup> Six-Month Report of the Independent Joint Anti-Corruption Monitoring and Evaluation Committee (July-December 2012),” p. 30, 3/13/2013. The Joint Anti-Corruption Monitoring and Evaluation Committee (MEC) was created by Presidential Decree in March 2010 after the need for independent monitoring and evaluation of anti-corruption efforts was identified at a series of international conferences. The mandate of the MEC is to develop anti-corruption recommendations and benchmarks; to monitor and evaluate the government and international community’s efforts to fight corruption; and to report to the President, Parliament, people and the international community.

niches for themselves in an overwhelmingly male-dominated society, told the Secretary of State they were worried that they and others who are not politically connected to the Afghan government could be marginalized. Clearly we must ensure that everyone has a fair chance to compete for any Afghan government contracts funded by direct assistance.

#### **Ensuring Oversight is Vital to Protecting the U.S. Investment in Afghanistan**

The U.S. government plans to significantly increase its direct assistance to Afghanistan as the security transition progresses. It is imperative that the Afghan government has the capacity to execute and account for this money. The United States and other international donors must establish mechanisms to protect direct assistance from corruption and ensure that there is vigorous oversight of these funds. Implementing agencies are the first line of defense against waste, fraud, and abuse. They must have clear bilateral agreements with strong provisions for oversight. Accordingly, direct assistance should be conditioned on the Afghan ministries not only meeting measurable outcomes, but also providing unfettered and timely access to their books and records as well as to sites, offices, and staff of projects funded by U.S. assistance.

Let me close by observing that none of us knows exactly what kind of impact the transition to increased direct assistance is going to have on the political, economic, and social development of Afghanistan. On the one hand, a greater proportion of the funds will be going toward Afghans, rather than foreign contractors or NGOs, and this may result in increased government capacity and more sustainable development. On the other hand, capacity challenges in the Afghan ministries coupled with the difficulties of providing assistance in a conflict zone riddled with corruption will also put direct assistance funds at risk of being wasted. Whatever type of aid the United States provides, U.S. government officials must address the systemic problems inherent in every aspect of the reconstruction effort—inadequate planning, poor quality assurance, poor security, questionable sustainability, and pervasive corruption.

SIGAR intends to make certain that Congress is informed of safeguards needed to ensure that U.S. funds provided to the Afghan government are spent as appropriately and effectively as the risk environment allows. That is why SIGAR has several ongoing audits and special projects examining key aspects of direct assistance. Our reports, including the Quarterly Report to Congress, will document that work. We look forward to sharing our findings and recommendations on these timely concerns over the coming months.

Thank you for the opportunity to testify today. I look forward to answering your questions.



Chairman ISSA. Thank you, Mr. Sopko.  
Ambassador Geisel.

**STATEMENT OF THE HONORABLE HAROLD W. GEISEL**

Mr. GEISEL. Chairman Issa, Ranking Member Cummings, and members of the committee, thank you for the invitation to discuss our perspective on the oversight challenges to U.S. foreign assistance.

In fiscal year 2011, U.S. foreign assistance totaled \$32 billion, much of which was devoted to peace and security programs in Iraq, Afghanistan, and Pakistan, global HIV/AIDS programs and democracy promotion activities. However, foreign assistance coordination among agencies and department bureaus remains inadequate, including duplication among agency programs and staffing.

The oversight of government-to-government assistance in Southwest Asia is coordinated by the Southwest Asia Joint Planning Group, a coalition to eliminate redundant oversight of U.S. projects. In November 2011, OIGs for the Department of Defense, AID, and the State Department joined the special inspector general for Afghanistan reconstruction to convene the Joint Strategic Planning Subgroup for Oversight of Afghanistan reconstruction.

According to the Subgroup's October 2012 report, the State Department was responsible for only 3 percent of U.S. Government funds spent on Afghanistan reconstruction in 2012.

The International Narcotics Control and Law Enforcement program, operated by the Bureau for International Narcotics and Law Enforcement, received \$324 million in fiscal year 2012, 68 percent of the Department's total appropriation for Afghanistan reconstruction.

In December 2009, OIG reported on oversight impediments and the Afghan government's weak judicial system, internal corruption, economic uncertainty, financial fraud, religious conflicts, unstable security, and uncontrolled borders. This year we will review the Good Performers Initiative, a program designed to incentivize provincial governors' counternarcotics activities in Afghanistan.

In fiscal year 2011, Congress appropriated \$65 million to the Bureau of Population, Refugees and Migration for the Migration and Refugee Assistance program. In July 2011, our Middle East Region Operations Directorate reported that PRM's partnership with UNHCR and other NGOs had successfully provided assistance to returning Afghan refugees. However, the Afghan government's land allocation scheme to award land to returning refugees was mismanaged. UNHCR withdrew funding and supplanted reconstruction with infrastructure and revenue generating projects. Land disputes and security concerns imperil humanitarian aid, further complicating oversight.

In a 2011 compliance follow-up review of Embassy Kabul, we found that the coordinating director for development and economic affairs provided extensive oversight of an enormous assistance program and a complex civilian military process, the director's strength and discipline in the program and embodied our vision for chiefs of mission to serve as CEOs.

In May 2012, compliance follow-up review of Embassy Islamabad, OIG found that the U.S. mission in Pakistan annually

funds more than \$2 billion for development and security, but is challenged by insufficient capacity and pervasive corruption in government institutions. The mission decreased government-to-government programming in favor of Pakistani institutions with proven implementation records and trusted NGOs, civil society organizations, and public-private partnerships.

In late 2009, Embassy Islamabad created a position to monitor all assistance which oversees aid and the refugee affairs office.

During fiscal years 2011 through 2013, we completed 20 investigations related to fraudulent Afghan reconstruction, recovering \$7.6 million of a total of \$26.9 million in mismanaged funds, and we processed 32 of 81 suspensions and debarments.

Since 2008, it has been my privilege to lead an organization of dedicated oversight professionals. Our work has resulted in senior officials leaving posts; has identified waste in Kabul, Baghdad, and Islamabad; and has identified close to \$1 billion in monetary benefits. Corruption and complex development networks still plague foreign assistance, but I am confident that with sustained congressional support we are well prepared to attack these challenges.

Thank you, Chairman Issa, Ranking Member Cummings, and members of the committee for the opportunity to speak today. I would be pleased to take your questions.

[Prepared statement of Mr. Geisel follows:]

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TESTIMONY OF  
HAROLD W. GEISEL  
DEPUTY INSPECTOR GENERAL  
OFFICE OF INSPECTOR GENERAL  
U.S. DEPARTMENT OF STATE AND  
THE BROADCASTING BOARD OF GOVERNORS

BEFORE THE

U.S. HOUSE OF REPRESENTATIVES  
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

ON

U.S. FOREIGN ASSISTANCE: WHAT OVERSIGHT MECHANISMS  
ARE IN PLACE TO ENSURE ACCOUNTABILITY?

APRIL 10, 2013

Chairman Issa, Ranking Member Cummings, and members of the Committee, thank you for the invitation to discuss our perspective on challenges affecting the successful oversight of U.S. foreign assistance.

Corruption and complexity are fundamental challenges to any international assistance program, specifically those operations based on government-to-government transfers of funds to countries with unstable political climates, which, without explicit caveats to allow continued oversight activities, inherently limit the transparency of, accountability for, and accessibility to funds once control has been relinquished to foreign states. In a June 2011 report from the Senate Committee on Foreign Relations, Congress expressed concern over the potential threat of corruption amid the changing landscape of Afghanistan reconstruction and outlined that related U.S. direct foreign assistance projects should be “necessary, achievable, and sustainable.”<sup>1</sup> Your own Subcommittee on National Security, Homeland Defense and Foreign Operations, underscored this point with a followup hearing on the challenges of oversight in Iraq and Afghanistan on December 7, 2011. During that hearing, I had the honor to present our accomplishments in this area—more than \$200 million in questioned costs and funds put to better use, \$16.6 million in investigative recoveries, and 20 contractor suspensions during FY 2011<sup>2</sup>—as well as a preview of our detailed strategic plan to continue to monitor Department-funded programs in the region.

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<sup>1</sup> Staff of S. Comm. on Foreign Relations, 112<sup>th</sup> Cong., Evaluating U.S. Foreign Assistance to Afghanistan 21 (Comm. Print 2011).

<sup>2</sup> Oversight in Iraq and Afghanistan: Challenges and Solutions Before the H. Comm. on Oversight and Govt. Reform, 112<sup>th</sup> Cong. 2 (2011) (statement of Harold W. Geisel, Deputy Inspector General, Department of State, Office of Inspector General).

In FY 2011, U.S. foreign assistance totaled \$32 billion,<sup>3</sup> much of which was devoted to peace and security programs in Iraq, Afghanistan, and Pakistan, global HIV/AIDS prevention, and democracy promotion activities. Foreign assistance coordination among agencies and Department bureaus remains inadequate.<sup>4</sup> OIG has found duplication among agency programs and staffing. In the Quadrennial Diplomacy and Development Review (QDDR), the Department and the United States Agency for International Development (USAID) recognized the need to better coordinate programs and established a goal of empowering the Chief of Mission to better oversee all agency activities.

Given rapidly changing relationships and events in frontline states and at other missions, the need exists to regularly evaluate programs. Changes in the bilateral relationship between the United States and Pakistan, coupled with pervasive corruption and a lack of absorptive capacity in many levels of government, a daunting security environment, and a shortage of secure office space and staffing, had contributed to a large pipeline of unspent assistance funding. OIG recommended the Department review all staffing plans, requests, and construction projects with an eye to scaling them back. The mission completed a rightsizing review and reduced its projected 5-year staffing numbers by 200 positions, required project-based or time-specified positions to be re-evaluated in a timely manner, and identified problems that would jeopardize the viability of current and proposed construction projects if changes occur in the scale of foreign assistance to Pakistan.<sup>5</sup>

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<sup>3</sup> FY 2011 Congressional Budget Justification for Foreign Operations.

<sup>4</sup> *Inspection of Embassy Nairobi, Kenya* (ISP-I-12-38A, Aug. 2012); *Inspection of Embassy Pretoria, South Africa, and Constituent Posts* (ISP-I-11-42A, June 2011); *Compliance Followup Review of Embassy Islamabad and Constituent Posts, Pakistan* (ISP-C-12-28A, May 2012); *Compliance Followup Review of Embassy Kabul, Afghanistan* (ISP-C-11-53A, June 2011).

<sup>5</sup> Embassy Islamabad compliance correspondence (12 MDA 25018).

Consistent with QDDR goals, the Department recently added program evaluation guidance to the *Foreign Affairs Manual*<sup>6</sup> (FAM) to strengthen the way the Department measures performance. Additionally, to improve security and justice sector assistance, Department bureaus have started to develop Bureau Evaluation Plans in which they identify programs to be evaluated and the dates those evaluations will occur.

To increase efficiency and effectiveness, foreign assistance oversight in Southwest Asia is coordinated under the aegis of the Southwest Asia Joint Planning Group, an interagency coalition of OIGs that results in more effective oversight of U.S.-led efforts in the region by eliminating redundant oversight and maximizing the use of scarce taxpayer dollars. In November 2011, representatives from the Department of Defense (DOD), USAID, and the Department of State (Department) Offices of Inspector General joined the Special Inspector General for Afghanistan Reconstruction (SIGAR) to convene the Joint Strategic Planning Subgroup for Oversight of Afghanistan Reconstruction. Through an annual comprehensive oversight plan, the subgroup coordinates and manages oversight of Afghanistan reconstruction and allows the members to best leverage their limited resources.

According to SIGAR's October 30, 2012, quarterly report to Congress, the Department was responsible for approximately \$477 million (2.8 percent) of \$16.5 billion of U.S. Government funds spent on reconstruction programs in Afghanistan during FY 2012.<sup>7</sup> In terms of government-to-government assistance, I believe USAID is the primary agency currently providing direct assistance to Afghanistan.

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<sup>6</sup> 18 FAM 300, "Program Evaluation Policy."

<sup>7</sup> Special Inspector General for Afghanistan Reconstruction, *Quarterly Report to the United States Congress*, Oct. 30, 2012.

OIG has substantially expanded its oversight during the past 3 years to support the transition from a military- to a civilian-led U.S. mission in Afghanistan. OIG has appropriately sized its oversight of those programs and expenditures proportionate to the involvement of other agencies.

Of the seven Department-managed programs currently operating in Afghanistan, the International Narcotics Control and Law Enforcement (INCLE) program, operated by the Bureau of International Narcotics and Law Enforcement Affairs (INL), received approximately \$324 million in FY 2012, roughly 68 percent of the Department's total appropriation for Afghan reconstruction that year.<sup>8</sup> In light of the significant percentage of Department funding devoted to counternarcotics efforts in Afghanistan and the well-established link between the narcotics industry and insurgency support prevalent in the country, OIG's Middle East Region Operations Directorate (MERO) has already conducted several audits of INL programs and contracts.

In December 2009, OIG reported that "the Department of State lacks a long-term strategy and a clear end state for its counternarcotics programs in Afghanistan, which hinders planning and prevents an accurate assessment of effectiveness."<sup>9</sup> OIG found impediments to adequate Department planning and oversight in the form of the Afghan Government's weak judicial system, internal corruption, economic uncertainty, financial fraud, religious conflicts, unstable security, and uncontrolled borders. OIG recommended that INL establish clearly defined and measurable performance objectives, milestones, and benchmarks for a comprehensive counternarcotics plan; and increase coordination and communication between appropriate embassies, bureaus, industry experts, Provincial Reconstruction Teams, and Afghan officials and local citizens to garner support, knowledge, and skill for collaborative counternarcotics efforts.

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<sup>8</sup> Special Inspector General for Afghanistan Reconstruction, *Quarterly Report to the United States Congress*, Oct. 30, 2012

<sup>9</sup> *Status of INL Counternarcotics Programs in Afghanistan* (MERO-A-10-02, Dec. 2009).

Although INL and Embassy Kabul concurred with OIG's recommendations and made progress toward implementation, the same external obstacles to the oversight of government-to-government funding persist.

To focus more closely on this specific area of risk, OIG has planned a FY 2013 audit of INL's Counternarcotics Program that will include review of the Good Performers Initiative (GPI), a component of the program that is designed to incentivize provincial governors' counternarcotics and supply reduction activities in Afghanistan. The *FY 2012 Operational Plan Verification Statement*, prepared by the Coordinating Director for Development and Economic Affairs (CDDEA) at Embassy Kabul, dated May 10, 2012, estimated \$10 million in planned funding for GPI.<sup>10</sup> According to Embassy Kabul, the provincial governors are to receive a total of \$18.2 million in GPI funds for FY 2013; those payments were made on February 12, 2013. Additional plans for related FY 2014 audits currently are underway.

In FY 2012, Congress awarded the second largest portion of the Department's Afghan reconstruction appropriations, approximately \$87 million,<sup>11</sup> to humanitarian efforts in the form of the Bureau of Population, Refugees and Migration (PRM) Migration & Refugee Assistance (MRA) program. In a July 2011 MERO report<sup>12</sup> on reintegration assistance for refugees returning to Afghanistan, OIG found that the Department's partnership with the United Nations High Commissioner for Refugees (UNHCR) and other nongovernmental organizations had been generally successful in providing medical examinations, cash stipends, and shelter materials to returning refugees. However, OIG further stated that "[b]ecause of the Afghan Government's inability to provide adequate assistance to returnees, the international community mainly bears

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<sup>10</sup> Department of State, *FY 12 Operational Plan Verification Statement*, May 10, 2012.

<sup>11</sup> Special Inspector General for Afghanistan Reconstruction, *Quarterly Report to the United States Congress*, Oct. 30, 2012.

<sup>12</sup> *PRM's Reintegration Assistance Program for Refugees Returning to Afghanistan* (MERO-I-11-10, July 2011).



the burden.”<sup>13</sup> OIG identified an example of this inequitable distribution in the poorly administered Afghan Government’s Land Allocation Scheme, originally designed to award land plots to returning refugees. Citing mismanagement and failure to achieve intended goals, the UNHCR withdrew financial support from the program and attempted to supplement the absence of land awards with its own infrastructure projects and revenue generating programs. As land disputes and security concerns continue to jeopardize the delivery of assistance to returnees, PRM is often forced to enlist third-party proxies, which further complicate our ability to comprehensively monitor direct funds.

The third largest portion of the Department’s FY 2012 appropriations for Afghan reconstruction was dedicated to the Nonproliferation, Antiterrorism, Demining, and Related (NADR) programs, an estimated \$65 million<sup>14</sup> (9 percent) of the total \$711 million<sup>15</sup> NADR allocation from the Department’s FY 2012 foreign assistance budget. The fourth largest portion of the Department’s remaining security program in Afghanistan, International Military Education and Training (IMET), received approximately \$1 million<sup>16</sup> of the Department’s total FY 2012 IMET appropriation of \$106 million.<sup>17</sup> In a February 2013 report on key oversight issues in Afghanistan, the Government Accountability Office (GAO) anticipated that the Department would only require \$56 million in combined FY 2013 budgetary requests for NADR, IMET, and Voluntary Peacekeeping funds.<sup>18</sup> The GAO report expressed renewed concern that “high levels of corruption” in the Afghan Government continue to threaten U.S. and international assistance, but the report also highlighted positive steps taken by the Afghan Government to improve

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<sup>13</sup> Ibid.

<sup>14</sup> Special Inspector General for Afghanistan Reconstruction, *Quarterly Report to the United States Congress*, Oct. 30, 2012

<sup>15</sup> Department of State, *Fiscal Year 2012 Agency Financial Report*.

<sup>16</sup> Special Inspector General for Afghanistan Reconstruction, *Quarterly Report to the United States Congress*, Oct. 30, 2012

<sup>17</sup> Department of State, *Fiscal Year 2012 Agency Financial Report*.

<sup>18</sup> U.S. Government Accountability Office, *AFGHANISTAN—Key Oversight Issues* (GAO-13-218SP, Feb. 2013).

accountability after the 2012 Tokyo Conference, including presentation of the “anticorruption decree enumerating specific actions that the Afghan Government will take to improve governance and the rule of law.”<sup>19</sup>

Despite the limitations in continuous monitoring of funds transferred to foreign governments and managed by third-party entities, OIG’s Office of Inspections (ISP), in its 2011 Compliance Follow-up Review (CFR) of Embassy Kabul,<sup>20</sup> found that the embassy’s CDDEA provided extensive “oversight and coordination of an enormous assistance program and a complex civilian-military planning process.” The CDDEA’s oversight role, including the establishment of a unit to monitor program development and tighten financial controls, had considerable positive impacts, both in cataloging the myriad assistance programs and in identifying weaknesses and overlaps of the many U.S. agencies operating in Afghanistan. OIG found that the CDDEA successfully embodied the Department’s vision for chiefs of mission to serve as “Chief Executive Officers” of a multilateral organization, as outlined in the QDDR, a blueprint to elevate civilian capacities in foreign development and to improve the Department’s deliverable results through focused and measurable collaboration.<sup>21</sup> However, unresolved questions linger surrounding chief of mission authority and oversight responsibilities over direct assistance programs largely implemented by other agencies. In response to OIG recommendations, the embassy reported on a number of actions taken to clarify and improve oversight and managerial roles of various offices and agencies dealing with foreign assistance. We are planning to conduct another inspection of Embassy Kabul in the next fiscal year.

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<sup>19</sup> Ibid.

<sup>20</sup> *Compliance Follow-up Review of Embassy Kabul, Afghanistan* (ISP-C-11-53A, June 2011).

<sup>21</sup> Department of State, “The First Quadrennial Diplomacy and Development Review (QDDR): Leading Through Civilian Power,” <<http://www.state.gov/s/dmr/qddr>>, accessed on Mar. 29, 2013.

Similarly, ISP's May 2012 Compliance Followup Review of Embassy Islamabad<sup>22</sup> found that the U.S. mission in Pakistan faces the challenge of programming more than \$2 billion in annual funding for development and security assistance programs, a challenge made more daunting by the unpredictable security environment and by insufficient capacity and pervasive corruption at all levels of government. Given the prevalence of institutional weaknesses and corruption and the complexity of expansive multilateral networks of assistance, there is a consensus within the mission to move away from an artificial target of Government-to-Government programming. The U.S. mission has taken a pragmatic approach, only programming significant resources through Government of Pakistan institutions that have demonstrated implementing capacity. Where that capacity does not exist, the U.S. mission relies more heavily on nongovernmental institutions, civil society organizations, and the private sector, increasingly exploring public-private partnerships.

In late 2009, Embassy Islamabad created an assistance coordinator position, with the rank of minister counselor, to oversee all civilian assistance. The coordinator is one of two senior positions in the embassy above a section/agency chief that reports directly to the ambassador. OIG found that the coordinator and his office competently oversee USAID and the refugee affairs office. The realities of the extremely large aid program and the complex politics of the U.S.-Pakistani relationship require extensive oversight, yet the assistance coordinator in Islamabad does not have full supervisory powers over all assistance and economic entities, as the CDDEA has in Kabul. An inspection team recently returned from Iraq and is preparing a report that will address management and oversight of U.S. assistance programs there.

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<sup>22</sup> *Compliance Followup Review of Embassy Islamabad and Constituent Posts, Pakistan* (ISP-C-12-28A, May 2012).

OIG's Office of Investigations (INV) has also made significant contributions to the successful oversight of reconstruction programs in Afghanistan. During FYs 2011–2013, to date, INV has completed 20 productive investigations related to fraud, waste, and abuse in Afghanistan reconstruction programs, recovering \$7.6 million of a total \$26.9 million (28 percent) in mismanaged funds. Further, 32 of 81 (39.5 percent) suspensions and debarments processed by INV during FYs 2011–2013, to date, resulted from thorough investigation of suspicious Department-funded contracting activities in Afghanistan.

Since former Secretary of State Condoleezza Rice appointed me as Deputy Inspector General in June 2008, it has been my pleasure to lead an organization of excellent oversight professionals in pursuit of the most relevant concerns in the most volatile environments at the most critical times. Our work speaks for itself, but, among other achievements, our audits, inspections, and investigations have resulted in a number of deficient senior officials leaving their posts, have identified waste in places such as Kabul, Baghdad, and Islamabad, and have identified close to a billion dollars in monetary savings. In a February 2013 report, the Congressional Research Service noted that, despite our best efforts to preserve the integrity of international assistance, “[p]ersistent challenges to effective evaluation include unclear aid objectives, funding and personnel constraints, emphasis on accountability for funds, methodological challenges, compressed timelines, country ownership and donor coordination commitments, security, and agency and personnel incentives.”<sup>23</sup>

As evidenced through our inspections, audits, and investigations, enduring obstacles to direct U.S. assistance—such as government corruption in unstable regimes and complicated and redundant multilateral networks—may continue to plague our efforts, but I am confident that

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<sup>23</sup> Marian L. Lawson, Congressional Research Service, *Does Foreign Aid Work? Efforts to Evaluate U.S. Foreign Assistance* (R42827, Feb. 13, 2013).

moving forward, with sustained congressional support, we are eager and well-prepared to attack those systemic challenges in furtherance of our mission to promote “effective management, accountability, and positive change” in the international community.

Once again, thank you, Chairman Issa, Ranking Member Cummings, and members of the Committee, for the opportunity to appear before you today. I would be pleased to take any questions you have at this time.

Chairman ISSA. Thank you.  
Mr. Carroll.

**STATEMENT OF MICHAEL G. CARROLL**

Mr. CARROLL. Thank you, Chairman Issa, Ranking Member Cummings, distinguished members of the committee. I appreciate the opportunity to appear before you today to discuss the outstanding work of the dedicated men and women of the USAID and to answer the committee's question of what oversight mechanisms are in place to ensure accountability of U.S. foreign assistance.

In addition to having the responsibility for overseeing the activities of USAID, we are also responsible for overseeing the foreign assistance activities in Millennium Challenge Corporation, the U.S. African Development Foundation, and the Inter-American Foundation. Collectively, in fiscal year 2012, those activities totaled \$23 billion and were implemented in 97 countries around the world. So it is a large portfolio and a geographically diverse portfolio.

We employ 248 U.S. and foreign national employees assigned around the world at our 10 overseas offices and the headquarters in Washington, D.C.

The mechanisms we use to oversee that portfolio are the traditional OIG mechanisms. They include performance audits of agency programs; they include financial audits of the implementers of agency programs, whether they are U.S.-based or locally based in the countries that USAID does business in; and I think of interest to the committee, we also have oversight over the G-to-G work that USAID is implementing.

In addition to that, we have law enforcement responsibilities for those organizations and, again, I think that what the committee is going to be particularly interested in is jurisdiction. When the agency is using, I am not going to say traditional, but when the agency uses U.S.-based contractors and grantees, they operate under the authority of U.S. law and they are subjected to the jurisdiction of U.S. law enforcement and judicial enforcement.

When you deal with local implementers, when you deal with local governments on G-to-G, the one concern, the primary concern that I have in my ability to do my job and our ability to do our job collectively here is holding local citizens and local grantees and companies accountable when we find fraud. We are able to do the investigations, but, as I mentioned earlier, when you are dealing with 97 different countries, you are dealing with 97 different judicial systems, 97 different law enforcement systems, and 97 different degrees of political will in those governments to hold their people and their commercial entities and their own government employees accountable.

So that is the complexity that I think that everybody needs to consider as we are moving forward with direct assistance.

Now, that is not to say that direct assistance is inherently corrupt. As Mr. Sopko talked about, the agency is implementing what I think is a thoughtful pre-award assessment process. I agree with him that the critical aspect of that is going to be that when these assessments identify shortcomings, identify vulnerabilities, that the agency takes the time to work with those ministries to mitigate

those vulnerabilities and not make political decisions that sort of circumvent that process or move that process along and take a risk.

We do have oversight of the G-to-G programs, when it is appropriate and when it is practical, using the supreme audit institutions of those countries; and where we cannot use the supreme audit institutions for a number of reasons, we ensure that the agency inserts audit clauses in the G-to-G agreements so we can utilize local audit firms, local accounting firms, or regional accounting firms that we certify and train and supervise to conduct that financial oversight.

So I appreciate the committee's interest in our work and your support of our work, and I look forward to taking any questions that the members might have. Thank you.

[Prepared statement of Mr. Carroll follows:]

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TESTIMONY OF

MICHAEL G. CARROLL,

DEPUTY INSPECTOR GENERAL,

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

BEFORE THE

HOUSE COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

“U.S. FOREIGN ASSISTANCE: WHAT OVERSIGHT MECHANISMS ARE  
IN PLACE TO ENSURE ACCOUNTABILITY?”

APRIL 10, 2013

Chairman Issa, Ranking Member Cummings, Members of the Committee, I am pleased to appear before you to testify on behalf of the Office of Inspector General (OIG) for the U.S. Agency for International Development (USAID). Today, I would like to discuss challenges facing foreign assistance and the



oversight mechanisms we have in place to ensure accountability, with particular focus on direct assistance.

USAID OIG was established in 1980 to combat waste, fraud, and abuse and promote economy, efficiency, and effectiveness in USAID programs and activities. Our oversight mandate has since grown to encompass the full portfolio of programs and activities at USAID, the Millennium Challenge Corporation (MCC), the U.S. African Development Foundation, and the Inter-American Foundation. Last year, for USAID alone, we oversaw approximately \$22 billion in funds for development assistance in more than 80 countries. MCC's work with 19 partner countries added an additional \$898 million to our portfolio. This year, our oversight covers approximately \$21 billion in funding for USAID and \$853 million for MCC. Our oversight of how agencies use these funds extends far beyond frontline states like Afghanistan and includes a broad range of programs designed to promote improvements in health, education, infrastructure, governance, and other areas.

To oversee these foreign assistance activities, we employ 219 Foreign Service and Civil Service auditors, criminal investigators, and management and legal staff who are assigned to our ten regional and country offices and to our headquarters in Washington, D.C. We also draw on the skills and expertise of 39 Foreign Service National auditors, investigators, and administrative staff. OIG personnel have worked with great dedication to help improve stabilization, reconstruction, and development activities and reinforce program integrity. Our

personnel are frequently called to serve in challenging environments and many work in conflict zones and areas beset by natural disasters. Their commitment to our mission and firm resolve in the face of these challenges are to be commended.

Across our oversight portfolio, we conduct performance audits and reviews of programs and management systems, along with audits on grantees and contractors' financial accountability as well as agency financial statements. We supervise third-party audits of U.S.-based companies and grantees and work with local audit firms and host-government audit agencies to audit the expenditure of U.S. Government funds by local and host-government implementing partners. OIG oversees these audit activities by setting audit standards, determining the eligibility of local public accounting firms to perform financial audits of agency funds, ensuring that audits are conducted in line with established quality standards, and reviewing and approving resulting reports prior to issuance.

OIG also conducts investigations into possible violations of federal laws, rules, and regulations to preserve and protect the integrity of the programs and activities that we oversee. Domestically, our criminal investigators employ the full complement of law enforcement authorities in pursuing allegations of waste, fraud, and abuse of U.S. foreign assistance funds. Abroad, we do so subject to constraints of foreign law. We also work with host-country authorities to prosecute crimes in local courts when appropriate.

OIG's outreach and coordination are also important elements of the oversight process, and we engage extensively in these activities. We maintain

hotlines to gather information on alleged misconduct and other irregularities in foreign assistance activities, and conduct fraud awareness briefings to alert participants to fraudulent practices and schemes. Our auditors provide training to Agency personnel, host-government audit authorities, and local audit firms on cost principles and federal audit and accountability procedures and requirements.

We also participate in task forces and work with interagency groups to coordinate oversight efforts in key areas, such as U.S. assistance in Southwest Asia, global health, and procurement fraud. We have also begun working with a group of 11 bilateral donors to improve transparency and accountability of multilateral assistance efforts, and address other issues of mutual interest.

These oversight activities have yielded noteworthy results. Last year, we issued 686 audit reports, with 1,478 recommendations for improving foreign assistance programs. These audits identified \$154 million in questioned costs and funds to be put to better use, of which \$47.7 million has been sustained. We maintained a vigorous investigative program, opening 171 investigations. Our investigative efforts led to 26 referrals for prosecutorial consideration and 101 administrative actions (including 37 suspension and debarment actions) and yielded \$50 million in savings and recoveries. Our outreach efforts included 164 fraud awareness briefings in 31 countries for 4,144 participants.

In Afghanistan and Pakistan, our work over the last decade has also produced noteworthy results. To date, we have issued 223 audits of foreign assistance activities in these countries with 568 recommendations for

improvement. Our financial audit work has covered almost \$2.3 billion in expenditures and, together with our performance audit efforts, identified more than \$190 million in sustained questioned costs and funds to be put to better use. Our 307 investigations in Afghanistan and Pakistan have, in turn, yielded 161 administrative actions, 50 prosecutorial referrals, 13 convictions, and approximately \$267 million in savings and recoveries.

In addition to reinforcing the integrity and efficiency of foreign assistance efforts, our oversight work has highlighted significant challenges that USAID and MCC face in administering their programs and activities. These management challenges directly affect the agencies' ability to execute direct assistance programs and use local partners.

Implementing assistance programs in high-threat environments is a leading challenge for USAID. Programs in Afghanistan, Pakistan, Iraq, Haiti, and South Sudan face an operating environment characterized by instability, insecurity, weak governance, and corruption. Surging personnel needs and frequent staff rotations erode familiarity with the local operating environment and contribute to shortcomings in compliance, weaknesses in contract oversight, and diminished internal controls. Relations with host governments are often challenging and continued violence complicates staff recruitment and retention. Security conditions also often impede program implementation and complicate monitoring and evaluation efforts.

Despite difficulties in these settings, USAID programs have achieved some notable successes. In Pakistan, USAID-funded work on the Gomal Zam Dam has helped ease energy shortages and was on track to prepare the dam to provide water to irrigate more than 150,000 acres of farmland. OIG inspections of projects under the Pakistan Transition Initiative and interviews with community members and government officials confirmed that the program quickly and efficiently delivered projects that local communities needed to address basic needs. In Haiti, food assistance activities helped reduce the number of underweight and stunted children, increased crop yields, and improved hygiene and sanitation practices.

Notwithstanding the promise of these efforts, we frequently find that stabilization and development projects in high-threat environments fall short of expectations. Security problems alone have hampered a third of the programs we have examined in Afghanistan and South Sudan. Nearly all of the USAID implementing partner's staff working on the Afghanistan Stabilization Initiative for the Southern Region resigned after an attack in 2010 on their main office, delaying project activities. Other local challenges in high-threat settings have also caused setbacks. In late 2011, the Iraqi parliament evicted implementers carrying out USAID's legislative strengthening program from their office and reneged on the agreement with USAID authorizing the program to operate.

We have also encountered poor quality work, cost overruns, unimplemented plans, and well-intentioned initiatives that falter during implementation. The implementing partner for two capacity-building projects in

South Sudan valued at \$92.5 million failed to complete key deliverables and charged USAID for the cost of office compounds that it intended to use for other programs, including those for projects not supported by the U.S. Government. Meanwhile, a community health project in Haiti pressed to meet targets for opening 36 new community service delivery points even though sites were already competing to serve the same populations and enrollment was much lower than anticipated.

To help keep programs in high-threat environments on track and prevent waste and abuse, OIG quickly deploys personnel in response to emerging oversight needs and establishes dedicated country offices as soon as conditions permit. To spur greater awareness of fraud indicators, help mitigate risks, and increase knowledge of reporting requirements, we conduct aggressive fraud awareness campaigns. We have also launched national hotlines for reporting fraudulent activity. In Pakistan, the hotline we established in partnership with USAID receives complaints in six languages. The first of its kind in the country, the hotline received more than 2,000 complaints last year; all of which were initially vetted by OIG staff. We have recently extended this model to Haiti, launching an anti-corruption hotline through a similar arrangement with USAID.

In both high-threat environments and traditional development settings, we have frequently identified planning weaknesses and the need for improvements in documenting, monitoring, evaluating, and reporting on program performance as an additional challenge agencies face in delivering foreign assistance. More than half

of our recent performance audits have noted weaknesses in contract or project management, including problems with project planning.

For example, a program designed to encourage Pakistani farmers to replace their irrigation pumps with more energy-efficient models had little success because other new pumps were available at a lower price and installation of the energy-efficient pumps was too costly for farmers. Feasibility studies and designs for MCC-funded road and water projects in Mozambique were not completed until the third year of a 5-year compact, delaying all procurements and adding to the risk that projects would not be completed by the end of the compact. Because the implementer of a USAID HIV/AIDS program in the Democratic Republic of Congo did not properly forecast the need for HIV commodities, or budget for them, the health system faced significant stock-outs.

Project oversight and monitoring have also been problematic; foreign assistance agencies and implementers do not always conduct the site visits necessary to ensure proper project execution and compliance with requirements. In Côte d'Ivoire, a 2011 report noted that greater oversight by USAID might have both prevented the failure of implementing partners to carry out HIV/AIDS program activities and avoided potential acts of fraud. More recently, we found performance monitoring weaknesses in a program designed to promote trade and investment reforms in Vietnam.

Data quality deficiencies—and agencies' inability to report program outcomes accurately—can undercut the soundness of program and policy

decisions. Yet more than a third of our recent performance audits and reviews have noted data quality problems. In many instances, required data is not collected, data collection methods are improper or inconsistent, or definitions for what is to be collected are inadequate. In Haiti, loan information associated with USAID Development Credit Authority activities was outdated, incomplete, and inaccurate. In Ethiopia, the USAID mission lacked the baselines and targets necessary to determine whether Feed the Future activities were performed satisfactorily. In Tajikistan, an agriculture program had no measures for its most significant activity and had no targets for those indicators it did track.

To help address weaknesses in the management and oversight of development projects, OIG maintains an intensive focus on these issues. Last year, we conducted 93 performance audits and reviews of activities in more than 40 countries with the quality of agencies' program and project management in mind.

Sustainability also poses significant challenges for agencies delivering foreign assistance. Although the U.S. Government aims to create conditions that will eliminate the need for development assistance in the future, it has had difficulty designing and implementing projects that can be sustained by host countries after assistance ends. More than one in six of our recent performance audit reports have identified problems with project sustainability. For example, after USAID spent \$73.2 million on information technology systems for the Government of Iraq we found that most of the systems were either not completed,



not functional when delivered, or not used as intended. In a \$100 million infrastructure program in West Bank and Gaza, USAID did not assess a government ministry's ability to operate and maintain constructed and renovated schools and facilities after completion. We also found that long-term gains from work on a \$223 million road project in South Sudan were uncertain because of the host government's inability to maintain the road or address road safety problems that have led to high numbers of traffic fatalities.

To increase the likelihood that development gains are sustained, USAID is increasing its use of host-country institutions and partners. By using local systems to deliver foreign assistance, the Agency believes it can strengthen host countries' long-term capacity to manage and address their own development needs. USAID is therefore expanding the share of program funds it uses to provide direct support to host governments, local nonprofit organizations, and private businesses abroad.

USAID has provided assistance to host governments and other local entities for many years. In the recent past, however, the Agency more often relied on U.S.-based contractors and grantees. In many cases, these U.S.-based entities served as intermediaries between USAID and local implementers, and had primary responsibility for managing project risks and ensuring that assistance activities met U.S. Government standards and requirements. As we have noted, however, many of the risks to foreign assistance activities arise from the challenging environments in which USAID operates and from weaknesses in project planning and performance management that can occur across all types of foreign assistance

programs. Without effective management, strong controls, and a framework for solid accountability, foreign assistance programs of all kinds face significant risks, regardless of the type of implementing partner the Agency uses.

Increased use of host-country systems does, nevertheless, present several specific challenges. Host-government ministries and local private and non-profit organizations sometimes lack the capacity to manage and implement development activities effectively, or adhere to U.S. Government regulations and requirements. USAID systems and training may not be sufficient for identifying and cultivating viable host-country partners, monitoring projects, or ensuring that U.S. funds are committed to intended activities. Finally, U.S. Government options for remedying performance problems and seeking recourse in cases of fraud and abuse may be constrained.

Our investigative experience abroad, including our unique focus on fraud and other violations in local settings, highlights some of the challenges we may face to an increasing extent in promoting accountability in the use of foreign assistance funds delivered through host-country systems. Although we have developed effective relationships with local law enforcement in a number of countries, investigative cooperation is sometimes hampered by developments in local politics and the larger bilateral relationship with the United States. Certain foreign law enforcement agencies have required financial and logistical support to further investigations OIG has started. Because local implementers overseas do not always have U.S. ties and cannot be readily compelled to appear in our courts,

there are jurisdictional impediments to their successful prosecution in U.S. courts. Consequently, foreign court systems, some of which are still developing basic capabilities, are at times the only venues available for prosecuting the crimes we uncover. Moreover, while prosecuting cases overseas, certain foreign judicial systems have at times required documentation and testimony from U.S. Government employees that would subject them to partial waivers of diplomatic immunity from foreign law claims by prosecuted parties.

Despite these challenges, OIG closely monitors USAID's use of host-country institutions and partners to reduce risks to taxpayer dollars. We examine Agency assessments of prospective local partners to help improve information about their ability to manage U.S. Government resources. In Afghanistan, where the United States has pledged to provide 50 percent of development aid directly through the government, we found that ministerial assessments did not provide reasonable assurance of detecting significant vulnerabilities. In Pakistan, USAID did not prioritize or follow up on significant vulnerabilities identified in its preaward assessments and disbursed funds before verifying that the weaknesses had been addressed. Our work in this vein continues through a review of the two primary tools the Agency uses to inform preaward assessments in other parts of the world. We expect to complete this review in May.

We have also audited Agency efforts to improve the capacity of local organizations that are potential recipients of U.S. Government foreign assistance funds. Our audit of the Assessment and Strengthening Program (ASP) in Pakistan

found that the USAID office managing the program lacked experience designing, planning, and implementing programs that seek to build local institutions' capacity in areas other than finance. Some activities deviated from ASP's main purpose and, after a year-and-a-half, no capacity-building programs had been completed.

Beyond preaward activities, we examine host-country implementation of assistance programs. In Afghanistan, USAID's on-budget assistance to Afghanistan's Ministry of Public Health supported a program that increased the use of health facilities and reduced mortality. However, because 94 percent of the country's health-care expenditures were donor supported, the ministry's ability to sustain the current level of coverage over the long term was questionable. In Pakistan, where USAID provided cash payments to support a Government program to help alleviate poverty, the host government transferred U.S. Government funds into its general budget account without authorization from USAID. USAID was not aware that the Pakistani Government had transferred the funds because it did not receive needed information from the host government and therefore could not adequately monitor the program. In connection with a USAID cash transfer agreement with the Jordanian Government, USAID did not monitor funds spent on specified development activities and \$1.2 million in funds were used for prohibited activities, such as military spending.

USAID procurement reforms also hinge on the effective use of local nonprofit and private sector implementers. Our work in Pakistan illustrates the opportunities and risks of relying on local nongovernmental organizations. Local

implementers, with whom USAID worked to deliver flood relief in 2010 successfully distributed food and hygiene kits to more than 80,000 households and administered medical supplies and treatment to more than 150,000 people. In contrast, a recent audit of the work of a local implementer to combat gender-based violence concluded that activities were too short to have a lasting impact on beneficiaries and noted that USAID did not visit the site with the frequency sufficient to verify project progress. Instead, it relied excessively on results reported by the local implementer. In another case, financial audit and investigative work last year related to the Pakistan Children's Television Project revealed significant violations of procurement policies and standards on the part of the local nonprofit implementing the program.

The evaluation of foreign assistance provided through host-country systems will remain a key feature of our oversight work. In Afghanistan, we already oversee financial audits of all funds expended by local implementers. We will examine the Agency's activities to advance work at the Kajaki Dam and channel direct funding through DABS, the Afghan power company, to support the project. We also will assess on-budget assistance provided to the Afghan Ministry of Mines to promote the development of the Sheberghan gas fields. Meanwhile, in Pakistan, we will examine on-budget funding to the government of Sindh Province in support of basic education programs. These projects stand alongside other priorities beyond direct foreign assistance, such as our work on the transition in Afghanistan, which includes an ongoing audit on USAID electoral assistance

programs, and oversight of global health activities to combat HIV/AIDS, malaria, and tuberculosis, among others.

The success or failure of USAID's worldwide efforts to provide more development resources through host-country systems depends largely on local conditions. The planning, execution, and oversight of these efforts must account for country-specific and even community-specific factors. USAID's ability to address host-country and partner weaknesses at the local level will play an important role in the delivery of direct assistance and use of host-country partners, as will the success of efforts to work with local institutions to resolve disagreements and respond to problems that arise.

With this in mind, we have tailored our oversight to respond to local considerations. Where appropriate, we work with supreme audit institutions to strengthen their oversight of host-country financial and management systems that handle U.S. Government funds. When practical, we establish dedicated country hotlines to give local citizens an opportunity to report fraud, waste, and abuse and contribute to the accountability of organizations that serve their communities. When we find willing and capable law enforcement counterparts, we work with them to end fraudulent practices and bring perpetrators to justice. And when a local legal and regulatory framework is in place to reinforce accountability—as it is in Pakistan for procurement practices—we work with local authorities to help enforce it on U.S.-funded projects.

Proper stewardship of U.S. tax dollars requires a solid accountability framework and we are committed to ensuring that measures to support such a framework are in place. Taxpayers have a right to know that the foreign assistance funds they provide are administered with integrity and efficiency and we will continue to provide the necessary oversight.

Thank you for this opportunity to address the Committee. We appreciate your interest in our work and look forward to learning more about your views on these issues and perspectives on effective oversight. I would be happy to answer any questions you may have at this time.

Chairman ISSA. Thank you.  
Ambassador Moorefield?

**STATEMENT OF THE HONORABLE KENNETH P. MOOREFIELD**

Mr. MOOREFIELD. Good morning, Mr. Chairman, Ranking Member Cummings, and distinguished members of the Committee on Oversight and Government Reform. Thank you for this opportunity today to discuss our oversight efforts concerning DOD direct financial assistance to the government of Afghanistan.

The DOD IG has provided a substantial body of oversight work focused on DOD programs and operations in Afghanistan, particularly with respect to the \$50 billion appropriated since 2006 for the Afghan National Security Forces Fund used to mobilize, train, and equip the Afghan Army and police. Our oversight emphasis has been to enable the NATO training command, NTA--Alpha, to strengthen its own internal accountability systems concerning this funding, as well as to build the capacity of the Afghan security forces to manage responsibly and effectively these DOD-provided fiscal resources.

Most of the expenditures have been for FMS equipment purchases, contracting to build facilities and provide training and advisory services, and for salaries. Starting from a small base several years ago, however, CSTC--A has increasingly provided direct funding support to the Ministries of Defense and Interior, beginning with funds for local contracting for uniforms and foods, it has expanded to construction materials and is expected to include other classes of supplies such as POL in 2013.

In addition, the United States has donated significant funding to the International Law and Order Trust Fund, LOTFA. NTM--Alpha's financial controls over direct contributions include LOTFA, which it subjects to periodic Command financial reviews.

DOD IG has recognized that the Command's efforts to build capacity to manage fiscal resources was and is essential to establishing independent sustainable Afghan security forces, a key objective of U.S. policy. This observation is consistent with our own reporting on the NTM--Alpha's/CSTC--As metrics used to track MOD and MOI development. These metrics reflect that, although the ministries have progressively improved over the past two years, more capacity building still needs to be accomplished. NTM--Alpha has taken a number of initiatives to build MOD and MOI capacity to effectively manage the fiscal resources.

Lack of qualified Afghan personnel has been a major obstacle to ministerial institutional development. Recently, the Command stated that it partnered with the Ministry of Finance to provide MOD and MOI professional training in the areas of budget, planning and programming, and the acquisition, procurement and contracting to execute budgets.

NTM--Alpha has indicated it is committed to development of the Afghan security ministries and forces enduring financial resource management capacity. This is particularly important concerning direct funding, which is inherently more risky. Success in this endeavor will be essential to enable these forces to responsibly manage and protect the financial support received from DOD and the



U.S. Government, and sustain an independent operational capability in the future.

In closing, let me say that conducting oversight in Afghanistan will become increasingly challenging as U.S. forces withdraw. Nonetheless, in coordination with our oversight partners, SIGAR, Department of State, and USAID, and consistent with the Command's ability to provide support, DOD IG intends to maintain its commitment to provide appropriate and necessary oversight.

Thank you again, and I would be very pleased to take your questions.

[Prepared statement of Mr. Moorefield follows:]

April 10, 2013

Expected Release  
9:30 a.m.

Statement of  
Ambassador (Ret.) Kenneth P. Moorefield  
Deputy Inspector General for Special Plans and Operations  
Department of Defense Office of Inspector General

before the

Committee on Oversight and Government Reform  
on

"U.S. Foreign Assistance: What Oversight Mechanisms are in  
Place to Ensure Accountability?"

Chairman Issa, Ranking Member Cummings, and distinguished members of the Committee on Oversight and Government Reform: Good morning and thank you for the opportunity to appear before you to discuss DoD Direct Assistance to Afghanistan and our oversight efforts. I would also like to take this opportunity to thank the full Committee for convening a number of hearings to focus attention on the importance of maintaining strong and effective oversight of overseas contingency operations.

#### **DoD IG Oversight in Afghanistan**

The DoD IG has provided a substantial body of oversight work on DoD efforts in Afghanistan, particularly focusing on the \$51 billion appropriated since 2006 to the Afghan Security Force Fund (ASFF) for DoD to train and equip an Afghan National Security Force (ANSF) of 352,000 personnel. For FY 2012, Congress authorized \$10.2 billion for ASFF and \$5.12 billion for FY 2013. This reduced funding request may reflect the shift in emphasis from building the Afghan security forces, largely accomplished, towards professionalizing and sustaining them.

#### **Inter-agency Oversight Coordination for Southwest Asia**

DoD IG and other DoD military service and agency audits, inspections and assessments, along with those of the Department of State, the U.S. Agency for International Development (USAID) and the Special Inspector General for Afghanistan Reconstruction (SIGAR), are reviewed quarterly by the Southwest Asia Joint Planning Group (SWA JPG), led by DoD IG. This is the inter-agency coordinating body for U.S. government organizations conducting oversight of U.S. military and civilian activities in Southwest Asia. It meets quarterly to coordinate and de-conflict oversight activities and ensure that projected oversight coverage is complete.

In July 2012, the SWA JPG developed and issued the first Joint Strategic Oversight Plan for Afghanistan Reconstruction. The plan takes into consideration:

- U.S. and Afghan government strategic goals, objectives, initiatives and priorities related to reconstruction.
- The amount of funding requested, appropriated, obligated, and spent in various reconstruction sectors and programs.
- Congressional and other stakeholder concerns about reconstruction efforts.
- The risks the SWA JPG foresees in the next FY related to Afghanistan's reconstruction.

Signed by the inspectors general of DoD, Department of State, USAID and SIGAR, the FY13 plan identifies 22 strategic areas for oversight, of which 13 address reconstruction issues, to include the development of the ANSF. The plan specifically cites "Providing Stewardship of Direct Assistance Funds" as a strategic area.

The intention of the strategic plan is to guide the development of audits, inspections, and assessments to ensure comprehensive oversight for the U.S. Government's major reconstruction programs in the current and coming fiscal year. The plan enables the oversight community to better leverage its collective resources and capabilities to address issues most critical to Afghanistan reconstruction, and to provide Congress, U.S. implementing agencies, and the American people focused oversight that improves critical reconstruction programs and mitigates fraud, waste and abuse.

The inspectors general of DoD, Department of State, USAID, and SIGAR have initiated a strategic review to update the plan for FY14 and capture oversight community commitments for that year, including ASFF expenditures for equipment, contracting and direct contributions to the Government of the Islamic Republic of Afghanistan (GIRoA).

#### **Countering Fraud, Waste, and Abuse, and Corruption**

The DoD IG oversight emphasis has been to provide recommendations that would enable the NATO Training Mission – Afghanistan / Combined Security Transition Command – Afghanistan (NTM-A/CSTC-A) to strengthen its own internal systems for accountability and

control with respect to its oversight of ASFF-funded training, equipment purchases and services contracting. Starting from a small fiscal base several years ago, NTM-A/CSTC-A has increasingly provided direct funding support to GIRoA for ANSF development. NTM-A/CSTC-A has increased its emphasis on training, advising and assisting the Ministries of Defense (MoD) and Interior (MoI) in the development of their respective financial and supply management systems to prevent fraud, waste, and abuse, and related corruption.

Additionally, when allegations of the misuse of U.S. funding or supplies were reported to DoD IG, our Defense Criminal Investigation Service engaged on-the-ground with its deployed agents who conducted the appropriate criminal and civil investigations. Including Iraq and Kuwait, their work has led to 153 criminal indictments, filing of 122 criminal informations and 225 convictions of primarily corruption and procurement-related violations by U.S., host nation and third country personnel, along with 216 debarments and 307 suspensions of DoD contractors, subcontractors and contracting personnel. Currently, there are 31 open investigations still being pursued related to DoD operations in Afghanistan.

DoD IG has fully participated in Command and inter-agency anti-corruption task forces, the most prominent being the International Contract Corruption Task Force (ICCTF) and Task Force 2010. The ICCTF is a multi-agency coordination and de-confliction initiative designed to maximize U.S. law enforcement resources in SWA in order to aggressively investigate and prosecute DoD contract fraud. Task Force 2010 is a U.S. Forces - Afghanistan led endeavor aimed at essentially cutting off funding streams to the enemy.

In addition to the work of the investigative component of DoD IG, the DoD-supported Afghanistan Threat Finance Cell (ATFC) was formed to identify and disrupt insurgent and terrorist financial and material support networks in Afghanistan<sup>1</sup>. It has also focused on the development of an independent and sustainable Afghan financial investigative capability. The ATFC has reportedly identified and disrupted sources of insurgent funding throughout the country.

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<sup>1</sup> "Report on Progress Toward Security and Stability in Afghanistan," released by the Department of Defense in December 2012.

**Direct Contributions to the Ministries of Defense and Interior**

For several years, NTM-A/CSTC-A has directly financed MoD and MoI expenditures from the ASFF to support local procurement of ANSF requirements, beginning with uniforms and food. NTM-A/CSTC-A's intention has been to progressively develop the fiscal resource management capacity of these ministries.

From March 2012 – December 2012, NTM-A/CSTC-A allocated \$798.1M in direct contributions to the Afghan MoD to enable the MoD to procure items in its operations and acquisition accounts. The MoD executed \$471.2 M of direct contributions over these seven months to pay for salaries, goods and services, and procurement solely through Afghan financial systems, procurement systems, and its requirements process.

During the same time frame, NTM-A/CSTC-A also allocated \$380.8M in direct contributions to the MoI to expand its ability to procure items in its operations and acquisitions accounts. The MoI executed \$41.1M in direct contributions over seven months for payment of Afghan Local Police salaries, goods and services, and procurements solely through Afghan financial systems, procurement systems, and requirements process.

For U.S. calendar years 2013 and 2014, NTM-A/CSTC-A projects a further increase of direct funding contributions to MoD and MoI. Direct contributions to the MoD are planned to increase from \$798.1M in 2012, to \$1.26B in 2013, rising to \$1.54B by 2014. For the MoI, direct contributions are planned to increase from \$380.8M in 2012, to \$692.4M in 2013, rising to \$787.7M by 2014<sup>2</sup>.

**NTM-A/CSTC-A Initiatives to Build Ministerial Resource Management Capacity**

NTM-A/CSTC-A has taken a number of initiatives to further build MoD and MoI capacity to effectively and responsibly manage fiscal resources provided by the U.S. and other international partners.

On October 7, 2012, NTM-A/CSTC-A signed and issued standard operating procedures (SOP) for its “governance, documentation and oversight of Afghanistan Security forces Fund

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<sup>2</sup> Afghanistan Security Forces Fund Program Management Review, March 2013.

direct contributions donated by NTM-A/CSTC-A directly to the Ministries of Interior and Defense in support of the transfer of ISAF's security responsibility to GIRoA." The SOP lays out U.S. military and Afghan government responsibilities in an effort to ensure accountability and oversight of U.S. direct contributions, and the establishment of appropriate Afghan policy to maintain adequate fiscal controls and auditable records of all disbursements, including supporting documentation.

In October 2012, NTM-A/CSTC-A assigned personnel to establish Contracting Advise and Assist Teams (CAAT) composed of military and contracting personnel to build a requirements / acquisition / procurement / contracting capability within the five regional commands at the ANA Corps level and below, and ANP regional zone and provincial levels. In addition, the CAATs provide NTM-A/CSTC-A advisory oversight capability to develop transparent and accountable fiscal accounting and contracting processes. The CAATs also train ANA personnel to perform functions as Contracting Officers Representatives for those contracts under ANSF oversight responsibility.

NTM-A/CSTC-A has focused specifically on supporting ministerial capacity within the MoD and MoI in the area of resource accountability - especially in the development of Planning, Programming, Budgeting, and Execution (PPBE) systems - critical functional capabilities. The PPBE process is fundamental to the ability of the MoD and MoI to allocate, track, and account for financial resources, and to efficiently link military strategy and policies with available financial resources. In this regard, development of this MoD and MoI capacity has been recognized by DoD IG oversight as essential to ANSF development as an independent, sustainable force - a key objective of U.S. policy.

Previous DoD IG oversight on U.S. military and Coalition efforts to develop this capability includes an October 2008 report issued on the development of the Afghan MoI<sup>3</sup>. This assessment revealed a lack of training programs for developing a cadre of Afghan logistics and acquisition specialists and that the MoI was hindered in its ability to develop a self-sustaining logistics and acquisition system without formal specialty training.

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<sup>3</sup> "Assessment of Arms, Ammunition, and Explosives Control and Accountability; Security Assistance; and Sustainment for the Afghan National Security Forces," released October 24, 2008 (Report No. SPO-2009-001).

In December 2011, we reported on U.S. and Coalition efforts to develop the sustainment capability of the Afghan National Army (ANA)<sup>4</sup>. The report highlighted that due to immature MoD/ANA PPBE processes, MoD/ANA personnel were incapable of developing the budgeting requirements to identify and acquire the equipment/materials necessary to sustain ANA supply, maintenance, and logistics systems. This capability would be necessary to be able to progressively transition these functions from NTM-A/CSTC-A to the MoD/ANA. We recommended NTM-A/CSTC-A prioritize the importance of PPBE capability in its program of training and mentoring of MoD/ANA leaders and officers and enhance MoD commitment to developing these key functional skills.

The DoD IG has been tracking and reporting on NTM-A/CSTC-A metrics used to determine ministerial development with respect to the capability to make the transition to independent and sustainable Afghan government control by the end of 2014<sup>5</sup>. These metrics include development of the four phases of the PPBE process within the MoD/ANA and MoI/ANP. Although they indicate continued progress they also show that more still needs to be accomplished to address institutional weaknesses.

#### **Direct Contributions to Law and Order Trust Fund**

Recently, the Financial Management Office of NTM-A indicated that it was making specific progress in regard to oversight and reporting of U.S. direct contributions to the multilateral Law and Order Trust Fund for Afghanistan (LOTFA), which is primarily provided for police remuneration<sup>6</sup>. The responsibility for LOTFA fiscal oversight is vested in the United Nations Development Program (UNDP), which has the international responsibility on behalf of international donors to ensure accountability for LOTFA funding and to conduct periodic audits.

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<sup>4</sup> "Assessment of U.S. Government and Coalition Efforts to Develop the Logistics Sustainment Capability of the Afghan National Army," released December 9, 2011 (Report No. DoDIG-2012-028).

<sup>5</sup> "Assessment of Afghan National Security Forces Metrics." Five CONFIDENTIAL reports, alternating between the ANA and ANP, have been released within the last two years. The report number is DODIG-2012-034.

<sup>6</sup> "Report on Progress Toward Security and Stability in Afghanistan," released by the Department of Defense in December 2012.



Nonetheless, in 2011, in response to DoD guidance, CSTC-A established financial controls for its direct funding contributions made to the MoD and MoI, but also to LOTFA. The SOP the CSTC-A issued, which was updated and reissued in September 2012, covers the financial procedures to be followed in providing direct financial assistance. The first requirement is to perform a risk assessment. Also required are periodic financial reviews including for direct funding provided to LOTFA.

CSTC-A stated that it had identified inadvertent financial discrepancies in Ministry of Finance (MoF) accounting of LOTFA fiscal contributions, which led to the recovery of several millions of dollars of ASFF funding<sup>7</sup>.

#### **Ministry of Finance**

NTM-A/CSTC-A has reported that it has begun to work more closely with the MoF given its increasing responsibility concerning the Afghan government's use of international funding. The MoF has significant influence over coordination and management of international financial assistance and, due to the significance of ministry's role in developing Afghan government resource management capability, NTM-A/CSTC-A has indicated that it will establish a liaison presence within the MoF to ensure better visibility over U.S. funded transactions.

Further, CSTC-A reports it has established the Afghan Financial Management and Information System (AFMIS), a web-based software system installed in 2011, that connects the MoF to the other ministries, notably MoD and MoI. AFMIS increases budget oversight and efficiency by enabling MoD and MoI and NTM-A/CSTC-A with the visibility to track financial transactions, including those based on direct contributions. NTM-A/CSTC-A financial management office has an AFMIS computer terminal that provides it visibility over all MoF transactions with the MoD and MoI.

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<sup>7</sup> "Report on Progress Toward Security and Stability in Afghanistan," released by the Department of Defense in December 2012.

As part of its controls, the MoF certifies ministries that are capable of executing large procurements independently. Currently, only eight of the 50 ministries are certified; MoD and MoI are not yet among them.

NTM-A/CSTC-A already has partnered with the MoF to provide professional training to MoD and MoI in the areas of planning, programming, budgeting and contracting. Reportedly, additional resource management and acquisition training is planned for June, 2013.

#### **DoD IG Oversight in Monitoring Direct Assistance**

The DoD IG has issued several recent reports that provide perspective on U.S. direct assistance efforts and will focus on this issue in the FY 14 oversight strategic plan.

In February 2012, we issued a report that reviewed whether NTM-A/CSTC-A had adequate controls in place to ensure that it distributed DoD funds accurately and in a timely manner to the MoD for the ANA payroll<sup>8</sup>. DoD provides financial support for the ANA payroll through the Afghanistan Security Forces Fund (ASFF) appropriation. From July 2007 through January 2011, DoD provided \$467.4 million related to ANA payroll. We found that NTM-A/CSTC-A did not implement adequate controls to ensure that \$410.4 million of ANA payroll funds were properly advanced and reported to the MoD. In addition, we found that NTM-A/CSTC-A assigned only one part-time mentor, with no financial expertise, to visit the ANA Corps, and NTM-A/CSTC-A did not provide enough mentoring below the corps level.

In May 2012, another report reviewed whether the ANA pharmaceutical distribution process was effective, focusing especially on the Dawood National Military Hospital<sup>9</sup>. We evaluated ANA's processes for procuring, delivering, and taking inventory of a wide variety of pharmaceuticals. While the ANA's pharmaceutical distribution process had improved since a previous assessment in 2011, we found deficiencies in the procurement, delivery, and

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<sup>8</sup>"Distribution of Funds and Mentoring of Finance Officers for the Afghanistan National Army Payroll Need Improvements, released February 29, 2012 (Report No. DODIG-2012-058).

<sup>9</sup>"Additional Guidance and Training Needed to Improve Afghan National Army Pharmaceutical Distribution," released May 7, 2012 (Report No. DODIG-2012-083).

inventory control processes for pharmaceuticals at ANA medical facilities and depots. For example, four of the six medical facilities and depots reviewed did not properly account for pharmaceuticals. In addition, two of the six medical facilities and depots did not have adequate inventory controls in place. For example, controlled pharmaceuticals were left unattended and unsecured. Systemic issues included NTM-A/CSTC-A not effectively training personnel implementing the new distribution process and not developing specific instructions for medical facilities.

A DoD IG team recently returned from Afghanistan where it assessed U.S. and Coalition plans to develop and transition critical operational enabling force capability to the ANA. The team observed that the security ministries and ANSF's ability to plan, program and forecast resourcing requirements remained limited. Further, Afghan contracting management and oversight capability remains a significant weakness while the reliance on contractors to support ANSF equipment, maintenance and repair increases.

#### **Impact of Drawdown of U.S. and Coalition Forces**

U.S. and Coalition forces are conducting a phased withdrawal of personnel and equipment from Afghanistan. From a peak of roughly 100,000 U.S. personnel on-the-ground from 2009-2012, the U.S. military has withdrawn 34,000 troops to the current level of approximately 68,000. These personnel numbers will remain constant through the summer and fall of 2013 and then are projected to decline another 34,000 by February 2014, with the remaining U.S. combat troops leaving Afghanistan by the end of 2014.

Parallel to the withdrawal of military personnel is the complex withdrawal of DoD equipment. Approximately 35,000 vehicles, numerous helicopters and aircraft, and 95,000 shipping containers will have to be flown out by air or transported overland to seaports for return to the United States.

The withdrawal of U.S. forces and resulting base closures may impede the ability of U.S. Contracting Officer Representatives to visit project field sites to conduct oversight of service and construction contracts still being executed of ANSF facilities.

We also anticipate that conducting DoD IG oversight in Afghanistan will be challenging. Nonetheless, through the end of 2014, DoD IG intends to continue our oversight efforts consistent with the security posture of U.S. forces and the Command ability to provide support.

**DoD Way Ahead - Post-2014**

President Obama, in his February 2013 State of the Union address, said, “Beyond 2014, America’s commitment to a unified and sovereign Afghanistan will endure, but the nature of our commitment will change. We are negotiating an agreement with the Afghan government that focuses on two missions: training and equipping Afghan forces so that the country does not again slip into chaos, and counter-terrorism efforts that allow us to pursue the remnants of al Qaeda and their affiliates.”

The NATO and DoD strategy for achieving success in building an independent and sustainable ANSF relies on the advise and assist role played by our combat forces, combined with a continuing flow of financial resources to support the Afghan security forces through both direct and indirect fiscal mechanisms.

NTM-A/CSTC-A has indicated a commitment to maintain a priority emphasis on building the resource management capacity of Afghanistan's security ministries and forces. Success in this initiative will be essential to ensure the ANSF can responsibly manage the financial support received from the U.S. and other international partners in order to conduct independent operations after our combat forces withdraw.

**DoD IG Commitment**

DoD IG plans to continue to conduct audits, assessments, and investigations beyond 2014 contingent upon the presence of U.S. military forces with a train, advise and assist mission and the ability of these forces to support our oversight.

In closing, I would like to thank you for this opportunity to speak to you today and would welcome any of your questions.

Chairman ISSA. I always like it when a witness says he is going to be pleased to be here or pleased to take our questions. It is a good attitude.

Mr. Cooksey.

#### STATEMENT OF PAUL COOKSEY

Mr. COOKSEY. Chairman Issa, Mr. Cummings, other distinguished members of the committee, I appreciate the opportunity for SIGIR to testify today at your hearing.

As SIGIR nears the completion of its mission, I am grateful for this opportunity to present our views on the oversight mechanism necessary to ensure accountability in the use of foreign assistance and to offer lessons learned from Iraq that might lead to their strengthening.

It is particularly good for me to be here today. I spent three years living and working in Iraq, and met several times with members of this committee, Mr. Issa, Mr. Chaffetz, Mr. Tierney, when they came to visit Baghdad, and calling your personal attention to what was going on in Iraq was particularly important.

Every government manager has oversight responsibilities. The U.S. government's Code of Ethics charges all persons in Federal service to "seek to find and employ more efficient and economical ways of getting tasks accomplished and to expose corruption wherever it is discovered."

In the same vein, the United States must plan foreign assistance programs to ensure their efficient and economical administration and oversight by program managers, oversight agencies, and the Congress. That was not achieved in the Iraq program, and it is not all that clear that the United States has systems in place now to ensure that it would be achieved in future stabilization and reconstruction operations.

Matter of fact, yesterday we participated in a morning conference at the U.S. Institute of Peace, where Ambassador Bill Taylor, who has responsibility in the Middle East, testified that IGs often look backwards, and it is important to take the lessons learned and to move forward with them. This is all part of the planning process.

In Iraq, the U.S. Government employed five principal funds to provide direct assistance to the Iraqis. Let me underscore one important consideration for oversight that is engendered by the fact that our programs consisted of gifts of buildings, equipment, and services. At the same time we lacked leverage over Iraq. We could withhold aid for a particular object, but once money was spent, it was spent. Very little was required of Iraq. We had great difficulty enforcing the few conditions we tried to impose on the use of our aid. For these reasons, spending time tracking Iraqi performance was hardly something U.S. officials saw as worth the effort.

Aside from SIGIR, no U.S. agency made it a practice to go out and check on the status of a project after it was turned over to Iraqi control. The attempts in recent years to get Iraq to make financial contributions and match our aid, or, indeed, to even contribute financially in some meaningful way, were feeble at best.

There were three major funds that provided for this kind of direct aid. There was the Iraq Relief and Reconstruction Fund, or IRR, which obligated \$20 billion; there was the Commander's

Emergency Response Fund, CERP, which contributed another \$3.7 billion; and then there was the Iraq Security Forces Fund, or ISFF, which contributed nearly \$20 billion in obligations.

All of these funds were fraught with management problems. They were new programs undertaken in a war zone with limited established support. They were largely not created pursuant to authorization provisions but, rather, came into being through relatively brief passages contained in appropriations measures.

There was a total lack of planning before we went into Iraq. John Nagl, who is the Minerva professor at the U.S. Naval Academy, said at yesterday's USIP presentation that following the Vietnam War, after we got out, everyone in the U.S. Government said we were never going to do that again. And when it became time to go into Iraq, we were not prepared. We hadn't planned and we went in there without a plan and we started spending money through an ad hoc process. And as SIGIR has pointed out in the most recent publication, there is at least \$8 billion of wasted taxpayers dollars. In addition, there is hundreds of millions of dollars that was stolen by U.S. contractors and members of the military.

Corruption in Iraq is sophisticated and it has almost been art. Our past reporting notes Iraqi officials' views of the scale of corruption, money laundering, and looting of government assets derived from the sale of Iraq's petroleum wealth. This is consistent with the familiar oil curse that seems to daunt every government that exclusively manages oil and gas resources.

A significant degree of corruption is part of the everyday life in Iraq. First of all, there is weak attachment to rule of law. People seem relatively willing to convert government assets to private use. Equipment provided for a \$30 million business development project funded by CERP at the Baghdad Airport was taken soon after the project was turned over to the Iraqis. Given what we were learning in Iraq, we need to improve management oversight mechanisms to ensure that our efforts could be sustained. This is not being done.

In addition, our contracts are not being adhered to. Our inspectors found countless examples of work not being completed to specification. There was little oversight and little demands that it be done well.

Mr. Chairman, again, thank you for this opportunity, and I welcome your questions.

[Prepared statement of Mr. Cooksey follows:]

Prepared Statement of

Paul H. Cooksey

Deputy Special Inspector General for Iraq Reconstruction

Before the Committee on Oversight and Government Reform on

“U.S. Foreign Assistance: What Oversight Mechanisms are in Place to Ensure Accountability?”

April 10, 2013

Chairman Issa, Ranking Member Cummings, and members of the Committee, thank you for inviting SIGIR to testify today.

As SIGIR nears the completion of its mission, I am grateful for this opportunity to present our views on the oversight mechanisms necessary to ensuring accountability in the use of foreign assistance and to offer lessons learned from Iraq that might lead to their strengthening.

#### **Introduction**

Every government manager has oversight responsibilities. The U.S. Government’s Code of Ethics charges all persons in federal service to “[s]eek to find and employ more efficient and economical ways of getting tasks accomplished” and to “[e]xpose corruption wherever discovered.”<sup>1</sup>

In the same vein, the United States must plan foreign assistance programs to ensure their efficient and economical administration and oversight by program managers, by oversight agencies (such as Inspectors General and the GAO), and by the Congress. That was not achieved in the Iraq program; and it is not at all clear that the United States has systems in place now to ensure that it would be achieved in future stabilization and reconstruction operations.

The U.S. Government employed five principal funds in Iraq to provide direct assistance. There are important lessons about oversight to be learned from each of them. I will address each individually, although many of the problems arising from each relate across multiple programs.

Let me underscore one important consideration for oversight that is engendered by the fact that our programs consisted of gifts of buildings, equipment, and services. We lacked leverage over Iraq. We could withhold aid for a particular object but once money was spent, it was spent. Very little was required of Iraq. We had great difficulty enforcing what few conditions we tried to impose on the use of our aid. For these reasons, spending time tracking Iraqi performance was hardly something U.S. officials saw as worth the effort. Aside from SIGIR, no U.S. agency ever made it a practice to go out and check on the status of a project after it was turned over to Iraqi control. The attempts in

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<sup>1</sup> Pub. L. 96-303 (July 3, 1980).

recent years to get Iraq to make financial contributions and match our aid, or indeed to contribute financially in any meaningful way, were feeble at best.

The first three funds developed for Iraq were the Iraq Relief and Reconstruction Fund (IRRF), totaling \$20.3 billion in obligations, the Commander's Emergency Response Fund (CERP), with \$3.7 billion in total obligations, and the Iraq Security Forces Fund (ISFF), with \$19.6 billion in total obligations.<sup>2</sup>

These funds supported programs fraught with management problems. They were new programs undertaken in a war zone with limited established support. They were largely not created pursuant to authorization provisions but rather came into being through relatively brief passages contained in appropriations measures.

IRRF was guided and administered by temporary organizations under the Defense Department's general contracting aegis and, after May 2004, the State Department's policy direction. This meant that there were no established institutions, with established procedures, to run the programs. Instead, an adhococracy quickly evolved, with much dissonance between Defense and State.

ISFF was administered by a specially created Defense organization called the Multi-National Security Transition Command- Iraq. It operated for over seven years and provided substantial training and equipment for Iraq's Army and police. It did not suffer from the same operational dissonances that burdened the IRRF.

CERP was administered by military commanders but was referred to, in the first statute mentioning it, as "the ... Program established by the Administrator of the Coalition Provisional Authority."<sup>3</sup> The program completed thousands of projects, most of them comparatively small, to meet the urgent and humanitarian needs of the Iraqi people.

The problematic precedent of having funds supporting programs unanchored in institutions should be of particular concern as the United States plans for future stabilization and reconstruction operations. Institutionalizing what worked in Iraq through integrated planning and doctrine development is crucial to obviating the recurrence of Iraq-size problems in future operations.

The two other funds that supported large programs in Iraq were the Economic Support Fund (ESF), with obligations of \$4.6 billion, and the International Narcotics Control and Law Enforcement Fund (INCLE), with obligations of \$1.2 billion. These funds and the programs they supported, especially INCLE, had the advantage of arising from established institutions and mechanisms that, in principle, should have allowed for reasonable oversight and program success. However, effective management

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<sup>2</sup> At SIGIR's inception – as the Inspector General of the Coalition Provisional Authority – our task was to oversee the IRRF and the activities of the CPA (including its administration of Iraqi funds to which it gained access under the authority of the United Nations Security Council). Our responsibility to review the other U.S. funds came, in stages, some years later.

<sup>3</sup> See Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, 2004, Public Law 108-106 (Nov. 6, 2003), Sec. 1110.



oversight often did not occur, chiefly because of the unprecedented size of the contracts (for the State Department).

In the case of ESF, the USAID Office of Inspector General made very significant oversight contributions. A variety of factors, however, made overall program success and thorough program oversight difficult to achieve.

### **Five Oversight Lessons from the Five Major Iraq Funds**

#### **The Iraq Relief and Reconstruction Fund**

The IRRF was the chief source of funding for the largest taxpayer-funded projects undertaken in Iraq, providing substantial support for rebuilding Iraq's oil, electrical, and water systems. *The key lesson to draw from the IRRF experience is that a lack of security severely impedes oversight and prevents adequate program administration.*

In reviewing a series of contracts for the construction of security and justice facilities, SIGIR concluded that government managers needed to include reconstruction risk-guidance specific to the operation at hand. Managers should avoid initiating projects unless the strategic objective outweighed the risks of project failure. If government oversight and management of project activities are impeded by security concerns, senior management should be notified and previous decisions should be revisited.<sup>4</sup>

Because of instability in Iraq, neither government quality assurance nor contractor quality control staff was able to visit projects as often as necessary. Even SIGIR personnel were occasionally prevented from visiting sites because of security concerns. In our recent (and final) audit, we found that the U.S. government could not fully identify projects we financed with the IRRF and other funds; given that fact, it could scarcely have conducted appropriate oversight of their development, not to mention their outcomes.<sup>5</sup>

One of our concerns was the degree to which U.S.-funded infrastructure was being maintained, as agreed by the Iraqis, after we transferred projects to them; security conditions made sustainment reviews difficult. Thus, SIGIR could not fully conclude what was accomplished with U.S. rebuilding funds.

#### **The Iraq Security Forces Fund**

The ISFF was perhaps the most successful of the U.S. funds used to support the Iraq assistance program. Iraq now has an Army and police force better than any in its modern history. At the same time, SIGIR's audits found a lack of adequate data on the impact of our security assistance programs, making it difficult to track, as the programs progressed, which aspects were working and which were

<sup>4</sup> *Outcome, Cost, and Oversight of the Security and Justice Contract with Parsons Delaware, Inc.* (SIGIR 08-019), July 28, 2008, at viii.

<sup>5</sup> *Government Agencies Cannot Fully Identify Projects Financed with Iraq Relief and Reconstruction Funds* (SIGIR 13-006), March 6, 2013.

not. *The key lesson to draw from the ISSF is that you must have a robust in-county contract oversight and management staff to ensure transparency and accountability in the use of funds expended on the security and rule of law sectors.*

SIGIR found that the \$7.3 billion program to help Iraq train, staff, and equip Iraqi police forces suffered because no assessment of total force capabilities was accomplished.<sup>6</sup> This certainly was a failure of oversight, because, while inputs (expenses) and outputs (numbers of police nominally trained) were tracked, there were no adequate outcome measures.

Oversight of the ISFF program was further compromised by a decision to use a Department of State contract with Dyncorp to furnish much of the police training funded by ISFF, even though the program was managed by the Department of Defense. State failed to devote sufficient resources to oversee the contract and ensure that the government received the services at the specified performance standards.<sup>7</sup>

State and Defense should have realized the weaknesses inherent in this split responsibility and acted to remedy the situation, particularly after we began calling attention to the issue. We noted in our audit that the Defense Contract Audit Agency reviewed DynCorp's billing, labor accounting, and information control systems, finding significant internal control deficiencies.<sup>8</sup> State's Office of Inspector General also flagged contract administration problems at INL, when the entire Police Training Program was still a State responsibility (in 2005).<sup>9</sup> Not enough was done to address these problems once identified.

In 2009, SIGIR reported that the U.S. Army Contracting Command was performing inadequate reviews of Defense's Global Maintenance and Supply Services contract with AECOM. Our review of selected contract invoices showed AECOM potentially overbilled or could not support more than \$4.2 million in costs, or 14% of the \$30.6 million we examined. Given the billing issues identified during SIGIR's review, the weaknesses in invoice review procedures, and the size of the contract, we concluded the U.S. government was highly vulnerable to having paid other questionable costs.<sup>10</sup>

<sup>6</sup> *Iraqi Security Forces: Police Training Program Developed Sizeable Force, but Capabilities Are Unknown* (SIGIR 11-003), Oct. 25, 2010. Most funding came from ISFF, some came from IRRF, and a very small amount came from CERP.

<sup>7</sup> *Long-standing Weaknesses in Department of State's Oversight of DynCorp Contract for Support of the Iraqi Police Training Program* (SIGIR 10-008), Jan. 25, 2010.

<sup>8</sup> *Long-standing Weaknesses in Department of State's Oversight of DynCorp Contract for Support of the Iraqi Police Training Program* (SIGIR 10-008), Jan. 25, 2010, at 13, citing Defense Contract Audit Agency, *Report on Audit of Billing System*, Audit Report No. 03181-2009D11010001, 4/23/2009. *Report of Labor Accounting System and Internal Controls*, Audit Report No. 03181-2007D13010001, 3/18/2009. *Report on Audit of Contractor Information Technology (IT) General Internal Controls*, Audit Report No. 3311-2006Q11510001, 4/17/2007.

<sup>9</sup> Department of State, *OIG Report No. ISP-I-05-14, Bureau of International Narcotics and Law Enforcement Affairs*, July 2005, pp. 35-38.

<sup>10</sup> See *Iraq Security Forces Fund: Weak Contract Oversight Allowed Potential Overcharges by AECOM To Go Undetected* (SIGIR 10-005), Oct. 30, 2009

In 2011, our audit of Anham, LLC's contract for warehouse and distribution services showed that U.S. government personnel either did not review or only conducted limited reviews of Anham's invoices. The audit further found that the Defense Contract Audit Agency had not completed a review of Anham's incurred costs and that, in general, had a significant backlog in conducting such reviews. These incurred costs reviews determine if costs claimed for reimbursement are reasonable, allowable, applicable to the contract, or are in keeping with generally accepted accounting principles. Because of delays in conducting these reviews, Anham's unreasonable charges for items purchased under the contract (such as an \$80 PVC elbow that a competitor was selling for \$1.41) went undetected until our audit.<sup>11</sup>

Delays in such reviews in a contingency environment are potentially problematic. Whereas the government may be able to pursue remedies against Anham, if what we feel are unreasonable charges are finally determined to be so, the government will have trouble finding, much less obtaining satisfaction from some of the contractors we contracted with under our "Iraqi First" policies.

#### **The Commander's Emergency Response Program**

CERP was a highly decentralized program that operated almost entirely in cash, thus posing significant oversight challenges. *The key lesson to draw from the CERP experience is: don't flood an unstable zone with millions of dollars in cash, unless you have in place a well-trained cadre of personnel to oversee the funds, sufficient controls that ensure the money's careful handling, and staff that have experience in managing small, well-targeted projects that can be accomplished in a rapid fashion*

CERP suffered from several weaknesses. It lacked a program office; training was haphazard; and controls were lacking early on.<sup>12</sup> To some degree, these weaknesses were inevitable, given that the program was developed "on the fly" with funds initially treated as "walking-around money" for military commanders. As the program expanded, the opportunities for fraud and waste multiplied, while Defense lagged in implementing remedial measures. The Congress ultimately was required to crack down on CERP's excesses, e.g., restricting the size of any single project to less than a million dollars.

Large cash-based programs require close and carefully implemented controls, especially when they occur in insecure environments. The CERP-funded the "Sons of Iraq" program (\$370 million) is a case in point. It was intended to take potential insurgents off the street and put them to work providing security. SIGIR's audit found scarce documentation of who in fact was employed, what happened to the funds once they were paid out to Sheiks, and what impact could objectively be

<sup>11</sup> See *Poor Government Oversight of Anham and Its Subcontracting Procedures Allowed Questionable Costs To Go Undetected* (SIGIR 11-022), July 30, 2011.

<sup>12</sup> See *Lessons Learned on the Department of Defense's Commander's Emergency Response Program in Iraq* (SIGIR 13-005), Jan. 24, 2013.

attributed to the program.<sup>13</sup> The goals of the SOI program were sensible; but that does not obviate the need to exert strong oversight.

#### **The Economic Support Fund**

The ESF is a standard foreign aid account that was executed in an unprecedented environment in Iraq. It funded capacity-building for Iraqi ministries, community development, and other programs whose effects generally are difficult to measure in an objective sense, even under the best of circumstances. *The lesson to draw from the use of the ESF in Iraq is to start small and ensure that controls are in place before expending larger sums.*

SIGIR reviewed the Department of State's use of the ESF in its "Quick Response Fund" program, which was created by State in Iraq as an analog to Defense's CERP. We found weaknesses in State's management controls over the QRF, which State subsequently resolved in part, but project outcome reporting and fund-use documentation remained weak. We also found that the program was vulnerable to fraud, waste, and abuse. USAID used an "implementing partner" to administer its QRF program and generally demonstrated good management controls.<sup>14</sup>

#### **The International Narcotics Control and Law Enforcement Fund**

INCLE obligated about \$600 million of the total obligations of \$1.2 billion for the now-cancelled Police Development Program.<sup>15</sup> The PDP anticipated spending billions of taxpayer dollars over five years. SIGIR audits revealed that Iraq's Ministry of Interior did not want the program that State designed. Thus, State wisely cancelled the PDP. *The lesson to draw from the INCLE is to always consult fully with, and obtain authoritative buy-in from, the host country before embarking on ambitious and expensive capacity-building programs.*

Since 2003, State's Bureau of International Narcotics and Law Enforcement worked with the Department of Justice to help Iraq establish an effective corrections system, spending about \$209

<sup>13</sup> "[T]here was no comprehensive plan for SOI with specific goals, metrics or milestones from which to measure the individual or collective impact of the effort. Additionally, there was no requirement for commanders to document what SOI groups achieved or for any other organization to assess overall program impact ... . SIGIR is unable to draw reliably supportable empirical conclusions about the full extent of SOI contributions in this area. "Overall, SIGIR found the MNF-I exercised weak financial controls over its cash payments to the SOI. ... [P]ayments were often made directly to the SOI leader rather than to individual SOI members. In addition, in some files, the pay agent simply provided the same amount of money each month without determining how many SOI were actually working and for how many hours they ostensibly worked during the month." *Sons of Iraq Program: Results Are Uncertain and Financial Controls Were Weak* (SIGIR 11-010), Jan. 28, 2011, summary page.

<sup>14</sup> *Quick Response Fund: Management Controls Have Improved but Earlier Projects Need Attention* (SIGIR 11-011), Apr. 27, 2011; see also *Final Review of State Department's Management of Quick Response Funds in 2007 and 2008* (SIGIR 13-002), Oct. 26, 2012 ("While DoS took some measures to enhance its oversight and documentation of activities toward the end of the program, earlier activities appear to have suffered from a lack of sufficient internal controls. Specifically, DoS may never know what it got out of those micropurchases made in the early years because of the lack of documentation showing that the goods or services were delivered. Consequently, it is highly possible that some portions of QRF funds were not used as intended")

<sup>15</sup> *Iraq Police Development Program: Lack of Iraqi Support and Security Problems Raise Questions about the Continued Viability of the Program* (SIGIR 12-020), July 30, 2012.

million. Justice's end of mission report provided an extensive summary of its effort, documenting what was accomplished. SIGIR's interview with the Iraqi Deputy Minister responsible for the Iraqi Corrections Service corroborated Justice's assertions.<sup>16</sup>

INL spent about \$297 million during the same period to develop the Iraqi judiciary system, establish security for the judicial sector, and reform court administration. We found some evidence that INL programs contributed to a reasonably well-functioning judicial system. However, it produced no end-of-mission report like the one from Justice. There were no documented means to assess the success of the U.S. initiatives, such as the extent to which U.S. agencies completed the tasks they were given, how the funding was used, and what successes and challenges were documented as the program progressed. As a result, we were unable to conduct any meaningful analyses to determine the effectiveness of these programs.<sup>17</sup>

#### **Corruption and the Iraq Assistance Program**

Mr. Chairman, I understand that the Committee is interested in hearing about the impact of corruption on our assistance programs in Iraq.

In responding to this issue, I am going to set aside the problem of American criminality for a moment, because, as deplorable as it is, it was not the key problem on the American side: waste was. We estimate that at least \$8 billion in U.S. funds were wasted in the Iraq program.

Our past reporting notes Iraqi officials' views of the scale of corruption, money laundering, and looting of government assets derived from the sale of Iraq's petroleum wealth. This is consistent with the familiar "oil curse" that seems to daunt every government that exclusively manages major oil and gas resources. The resultant corruption produces a concentration of wealth and power in those running the government. That happened in Iraq.

A significant degree of corruption is part of everyday life in Iraq. First of all, there is a weak attachment to the rule of law. People seem relatively willing to convert government assets to private use. For example, equipment we supplied through the rebuilding program was sometimes stolen after we completed our work, e.g., a CERP project to develop a business center at the Baghdad International Airport had most of its movable assets removed.<sup>18</sup> Given what we were learning in Iraq, we needed to improve management oversight mechanisms to ensure that our efforts could be sustained. That was not done.

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<sup>16</sup> *Sustaining the Progress Achieved by U.S. Rule of Law Programs in Iraq Remains Questionable* (SIGIR 13-001), Oct. 25, 2012, summary page.

<sup>17</sup> *Sustaining the Progress Achieved by U.S. Rule of Law Programs in Iraq Remains Questionable* (SIGIR 13-001), Oct. 25, 2012, summary page.

<sup>18</sup> *See Commander's Emergency Response Program: Projects at Baghdad Airport Provided Some Benefits, but Waste and Management Problems Occurred* (SIGIR 10-013), April 26, 2010.

Second, contracts were not adhered to. Our inspectors found countless examples of work not being completed to specifications. The government's quality assurance efforts were simply inadequate to the task of contractor oversight. Given this failure, these mechanisms need to be rethought and redesigned for future SROs. Even if we never have another Iraq-sized SRO, we certainly should expect to find ourselves in an SRO where the kinds of problems encountered in Iraq are replicated.

Third, SIGIR regularly heard that Iraqi governmental positions and government contracts were allocated among the supporters of various political factions by secret committees. This limits our efforts to improve the operations of Iraqi ministries.

People who want hold government jobs are, as I mentioned, often nominated by political patrons. Given the need to maintain the ties with political or other groups responsible for their gaining their positions, they have less time and interest in doing their official jobs. This reduces the attachment of the population of to the government, and the cycle continues.

These problems are not so different, I would venture to say, from those found in other countries where foreign assistance is provided, but we saw insufficient effective attention devoted to dealing with endemic corruption in Iraq. *The lesson to draw on corruption in Iraq is that the United States must plan new systems that have the potential to improve a host country's capacity to fight its endemic corruption: don't under-invest in this area as we did in Iraq or you pay for it dearly in the long run.*

### Conclusion

SIGIR's oversight work on the five major funds used to support Iraq's reconstruction elicited these five important lessons:

1. *The key lesson to draw from the IRRF experience is that a lack of security severely impedes oversight and prevents adequate program administration.*
2. *The key lesson to draw from the ISSF is that you must have a robust in-county contract oversight and management staff to ensure transparency and accountability in the use of funds expended in the security and rule of law sectors.*
3. *The key lesson to draw from the CERP is don't flood an unstable zone with millions of dollars in cash, unless you have in place a well-trained cadre of personnel to oversee the funds, sufficient controls to ensure the money's security, and staff that have experience in managing small, well-targeted projects that can be accomplished in a rapid fashion*
4. *The lesson to draw from the use of the ESF in Iraq is to start small and ensure that sufficient controls are in place before expending larger sums.*
5. *The lesson to draw from the INCLE is to always consult fully with the host country before embarking on ambitious and expensive capacity-building programs.*

Thank you Mr. Chairman, Ranking Member Cummings, and members of the committee for this opportunity to present SIGIR's views on the important issue of ensuring effective oversight mechanisms for foreign assistance. I look forward to your questions.

Chairman ISSA. I love it when they say that. Thank you.

I will now recognize myself for a round of questions; and they will be brief questions, brief answers initially.

Mr. Cooksey, you and I, we have 10 years of Iraq. I have been here for a little over 12 years. I have had more than a decade of going to Iraq and Afghanistan. When I view Iraq, it view it through a prism of \$143 billion GDP. Nearly a third of that flows directly through the government in oil revenues. The government has a lot of money. You and I have been to Iraq long enough to know that Iraqi reconstruction, some of it actually was reconstructing a country, right? A lot of it is putting it back.

Mr. Sopko, Afghanistan is a little different: \$20 billion, if you are kind, in GDP, much of it generated by the money we spend there; about \$2 billion in revenue, most of it not through any—just sort of the accident of importation taxes and so on; but, as was previously testified, \$50 billion in military activity, \$10 billion in direct military assistance, \$2 billion to \$3 billion in economic aid. Basically, we are paying everything that that country runs on. It is \$2 billion of theoretical revenue doesn't go anywhere. Is that a rough statement?

Mr. SOPKO. You are absolutely correct. It is about \$2 billion for revenue collected by the Afghan government. That is their revenue. It is at least \$4 billion, \$4 billion to \$6 billion, depending how you look at it, to just cover the Afghan National security forces. Then to pay for the rest of the government is way beyond it.

Chairman ISSA. So the government doesn't have enough money, doesn't collect enough. But also—and I want to be as unkind as appropriate in this case. Iraqi reconstruction is an oxymoron, isn't it? We are not reconstructing a country, we are constructing a country that never was. Isn't that pretty much true?

Mr. SOPKO. You mean Afghanistan reconstruction.

Chairman ISSA. Afghanistan. I am sorry. Iraqi reconstruction is, to a certain extent, reconstruction. When I flew in the first time and flew over those dirt and rock buildings with no roofs, because they come and go and take the roofs, I saw Afghanistan as it is. When I went into the so-called palace, I thought of a middle class home in Cleveland, Ohio as the king's palace. This was never much of a country; it doesn't have much revenue and, in fact, we are funding this country in multiples of what they could possibly do themselves every day, isn't that true?

Mr. SOPKO. That is true, Mr. Chairman, but, as you know, since I come from Cleveland, I have to defend Cleveland, some of the houses where I lived in.

Chairman ISSA. What I am saying is you have been to the king's mansion. If you have been to Shaker Heights, you have seen better homes owned by individuals, and they were upper middle class.

Mr. SOPKO. And I lived on the west side, Mr. Chairman. I wasn't in Shaker Heights.

Chairman ISSA. You have my sympathies.

Mr. SOPKO. I was near Triskett and West 144th.

Chairman ISSA. I have been there. You should have been in Shaker or Cleveland Heights.

This is clearly a Cleveland thing, folks; you don't have to participate.



Mr. SOPKO. That is where my brother lives; he is the doctor.

Chairman ISSA. He is the doctor. He is probably in Beachwood.

But let's go through a little bit of that. Two billion dollars if what they really have of their own money. In the case of Kabul Bank, at least \$1 billion was lost. That is a big amount of money. That was their largest bank, is that correct?

Mr. SOPKO. That is correct, sir.

Chairman ISSA. And with that \$2 billion of their own money and \$50 billion or so of our money floating around, is there any likelihood that some of that money lost wasn't U.S. funds? Isn't it inevitable that some of that was our money flowing through that bank that was lost?

Mr. SOPKO. I am not certain of that, sir. We have never looked at it. But it was a major impact on the Afghan economy; it caused almost a crash of the economy when it fell. And obviously we had to put money back in. By we I mean it was the Afghan Central Bank, and that money had to come from somewhere, and that was probably U.S. money or international money.

Chairman ISSA. So ultimately a Ponzi scheme that included high-ranking people that are closely associated with the ruling folks of the country, including the president, takes out a bunch of money, spends it on luxury homes in Dubai and so on, goes bust; the Central Bank "bails it out," but we bail out the Central Bank, really. So ultimately the money really is our money flowing through their country. Ultimately, we bailed out the Kabul Bank; we ate that loss of that corruption.

Mr. SOPKO. Mr. Chairman, we haven't looked into that, but that is a logical assumption, that the recapitalization of the bank, which is required by the international banking community, did have some impact or could have had some impact on our reconstruction. The money had to come from somewhere and, since we were supplying most of the money to the Afghan economy, I think it is a logical assumption to make.

Chairman ISSA. Given that, and given Mr. Carroll's statement broadly about direct aid, do you have any confidence in one penny of direct aid to the country of Afghanistan's government? In other words, do you have any belief that you can in fact trust writing a check, transferring money to this government, and expecting it not to be all or part stolen through corruption?

Mr. SOPKO. Mr. Chairman, I may be accused of being the eternal optimist.

Chairman ISSA. Look, I am a Christian; I believe in the redemption of souls. I just haven't personally witnessed it yet in Afghanistan.

Mr. SOPKO. But, Mr. Chairman, I believe if you put in enough mechanisms on oversight, and that is our concern, make certain that you put it in and you hold their feet to the fire, they promised to clean up their act before we put money in. If you do that and you ensure that the AID officials, the State Department officials can get out there to look at the sites, I think it was a good point that the IG from SIGIR mentioned, that the SIGIR was the only oversight mechanism actually going out to see if the site was actually built. Was the school built, was the road built? Well, that is

what we are doing and that is what my compatriots here are doing in Afghanistan.

But if we don't have the security, we can't get out to look at the sites. We can't go out and see if the schools are built, the railroads are built, or whatever is spent. That is why it is so important that we don't negotiate this away as we are negotiating this money. So if we do have the oversight mechanisms in place and we hold their feet to the fire, I am optimistic the money will be spent appropriately, but it is a challenge.

Chairman ISSA. Well, my time has expired. What I would like to ask all of you to do, we have the Kroll report now; it is being provided to all of you. This was a report that, from what I can tell, was deliberately not provided to you, was deliberately not provided to the U.S. Government; was done, apparently, where ultimately there had to be an investigation, but the government in Afghanistan didn't want your forensic audit and your oversight. So I would ask you to look at it and come back to us with your comments. We will arrange both a public and/or private dialogue. I know this material is pretty thick.

We are very concerned that this is exactly the audit, Mr. Sopko, that you are saying we need to have, that in the case of Kabul Bank we never got. And I share with you that exact concern, that if we cannot have it and have it effortlessly each and every time our billions are out there, we have no business putting more billions from the American taxpayer.

With that, I go to the ranking member.

Mr. CUMMINGS. Thank you very much.

Mr. Sopko, I was listening to you very carefully. Tell me something. What is holding feet to fire? What does that mean and how do you—and then I am going to come to you in a minute, Mr. Cooksey. I am sitting here and I am listening to all this, and I agree with you, we have to hold their feet to the fire. The question is is after the fire, where is the hammer? So tell me, help me with that. Because President Karzai and his administration seems to not always do things the way we would hope they would do them, putting it lightly. So I am just wondering where is the hammer? There has to be a hammer behind all that.

And, Mr. Cooksey, be prepared, because I am coming right back at you.

Mr. SOPKO. Mr. Cummings, I think holding the feet to the fire is actually preconditioning giving the money to the Afghan government in a particular program, and we have to be strong enough to say no, we are not giving you the money. And I can cite at least a couple cases of that. When we referred to the Kabul Bank, initially there were supposed to be some stringent requirements on audits. They didn't do it and we stopped—we held back money from the Central Bank and all of a sudden they did the audit.

Now, the audit wasn't given, apparently, to the U.S. Government, but at least an audit was done.

Mr. CUMMINGS. So I got you. So, in other words, these would be what I would call more surgical types of things. In other words, you are dealing with project by project, putting in accountability markers and making sure that everything is kind of lined up so that there can be a check here, a check there, and I guess as you go

down the line of development of whatever is, or presentation of funds, that there are ways that you can make sure that the dollars are being spent the way they were supposed to be spent. Is that right?

Mr. SOPKO. Absolutely, sir.

Mr. CUMMINGS. Thank you very much.

Mr. Cooksey, I would like to ask you about the comprehensive report your office just issued, which is a culmination of what the special inspector general for Iraq reconstruction has overseen during the past decade. This report is impressive in its scope and its insight, and I believe this committee can learn a great deal from its finding, and hopefully it might even help us with Afghanistan. As the report explains, it provides countless details about the use of more than \$60 billion in taxpayer dollars to support reconstruction programs in projects in Iraq. Your office performed 390 audits and inspections, and conducted more than 600 investigations of Iraq reconstruction projects since 2003.

The introduction to your report says your primary job was to answer a very basic question: What happened to the billions of U.S. taxpayer dollars spent to rebuilt Iraq? And your report provides a very troubling answer. It finds that 15 percent of reconstruction funds were subject to waste. And I am assuming that that is not only waste, but some fraud there too. You will comment on that in a minute. And that is billions and billions of hard-earned taxpayer dollars.

Mr. Cooksey, based on your experience, what was the single biggest factor leading to that waste? Was it a lack of adequate planning ahead of time? I think you mentioned that. A failure to monitor projects after they began? In your view, what was the number one reason taxpayer funds were put at risk in Iraq? And do you see a parallel with regard to Afghanistan?

If you were giving advice to folks dealing with Afghanistan based upon your experiences—and I know we don't have the same thing, I got that, but you learned some things—what would you say? Because we don't want to keep doing the same thing over and over and over again, and wasting taxpayer dollars. And the thing I am most concerned about is that when we have situations like this, problems that you have talked about and Mr. Sopko is talking about, we paint a picture as if foreign aid is something really, really bad, when in fact it is just the opposite. And in many instances, because these are such big projects, all of the many projects that need to be funded to accomplish our goals, then they take a hit. But go ahead.

Is your mic on? I want to hear you.

Mr. COOKSEY. Yes, sir. It all starts with planning, and for the U.S. Government to have an integrated effort among all the participants from the U.S. Government in bringing foreign aid to a particular country. And there was no integrated effort; there was no planning. We weren't ready. We hit the ground initially with \$2 billion for the retired general, Jay Garner, who was there, and then that was replaced by the CPA with another \$18 billion. But there was no plan to spend it and they just started handing money out.

Another major problem was we did not consult with and get the buy-in from Iraqi government officials. We were giving them

projects they did not want, they did not ask for, they could not sustain, they could not manage it.

Third, we tried to build large projects during the time of very unstable environment, where there was much fighting going on. Fallujah wastewater treatment plant ended up being \$100 million project. First started plan in 2003, and when I visited it in 2010 it was completed, but not one house was hooked up to it. So the price had gone from \$35 million to \$100 million, it was serving one-third the number of people, and it took three times as long to build. A number of Iraqis and U.S. were injured and killed during the fighting that was going on around this construction project.

So there were a number of different mistakes, and we continued to perform the same mistakes, continued the mistakes of not consulting, not planning, not getting Iraqi buy-in, up until—well, when I left in early 2012, it was continuing. One example would be the police development program that was being worked on for about three years. It was going to be a billion dollar a year program for the Iraqis; it was not to train the street cops, but to work with the senior management. I heard through staff comments, while I was there, that the Iraqis didn't want the program, but we were moving ahead. And when, then, the deputy IG and I met with Adnan al-Asadi, the minister of interior, I was floored when he said to us we don't want the project, we didn't ask for the project. Why don't you use that \$1 billion you are going to spend this year for something that benefits the American public? That was in late 2011.

Mr. CUMMINGS. In fairness to my colleagues, I see my time has run out. I have used the same amount of time as the chairman. But you never did answer my question what lessons can we—because that is the most important thing. But perhaps you will answer it another time. But if we have learned things from Iraq that can be applied to Afghanistan, we need to know that, all right? That is what I am most concerned about.

Mr. CHAFFETZ. [Presiding.] Thank you.

I now yield myself five minutes.

Mr. Sopko, your quarterly report January 30th, 2011, there is a section in there talking about how the government of Afghanistan had approached the U.S. Government for funding and assistance in procuring forensic audits of not only the Kabul Bank, but also the Azizi Bank. They had put some parameters on the U.S. Treasury, and following a run on the Kabul Bank you had written here that the government of Afghanistan had changed its position. Do you care to comment on the disposition of what happened there?

Mr. SOPKO. My understanding about that particular request was that they decided to do the audit, but they did the audit; they didn't give it to us. I don't have that report in front of me, but I think that was the ultimate outcome.

Mr. CHAFFETZ. One of the deep concerns here is that the salaries for hundreds of thousands of Afghan security forces, civilian servants were distributed through the Kabul Bank. Do you know how much money, Mr. Sopko, the U.S. Government has provided in support of the salary of the Afghan security forces and civil servants?

Mr. SOPKO. I don't have that number handy, sir.

Mr. CHAFFETZ. And I recognize you will have to take time to go through this Kroll report. We look forward to your returning to this committee or the subcommittee and sharing that with us. Is it true that U.S. contractors KPMG and Deloitte assisted in the development of the bank?

I see your head shaking there, Ambassador. Mr. Ambassador, go ahead, comment. Ambassador Geisel.

Mr. GEISEL. I believe that is correct, sir.

Mr. CHAFFETZ. Mr. Sopko, sorry, did you care to add something to that?

Mr. SOPKO. I said I didn't know exactly, sir.

Mr. CHAFFETZ. How closely has the U.S. monitored the Afghan banking system? Mr. Sopko?

Mr. SOPKO. We did an audit, Audit Report 11-13, back in July of 2011, where we found that there were serious weaknesses in the coordination of the U.S. Government's efforts. That is the last time we looked at it. So our oversight of the banking system we thought was inadequate at that time.

Mr. CHAFFETZ. Ambassador Geisel, do you care to comment on that?

Mr. GEISEL. We are really getting outside of my realm, but I will say that, as has come out very clearly from this panel, is the name of the game is planning for your oversight from the beginning, and I don't think that was done in the case of the Kabul Bank.

Mr. CHAFFETZ. Why is this outside of your spectrum here? If we are talking about billions of dollars and an ongoing effort that are going to flow through these entities, why would that be?

Mr. GEISEL. I don't want to get into the way of the special IGs who are directly responsible for it, but I do agree with you, sir, the ambassador is the chief of mission and he is the President's senior person in every country, and we check out those ambassadors from you right to ask me.

Mr. CHAFFETZ. I have to keep going in the essence of time. Thank you, thank you.

Mr. Carroll, did you care to comment?

Mr. CARROLL. The primary responsibility, the primary U.S. Government entity that was responsible for overseeing the activities of the Kabul Bank was the Department of Treasury. The U.S. Agency for International Development also had a contract, if you will, with Deloitte to have capacity building and monitoring inside the bank.

Mr. CHAFFETZ. Okay.

Mr. CARROLL. And that is what AID's role was.

Mr. CHAFFETZ. Mr. Sopko, real quickly, I want to talk about the petroleum oil and lubricants, where the Department of Defense is accelerating the direct payments into the Afghan government. What assurances or what mechanisms are in place to ensure that this increasing amount of money directly to the Afghan government is not going to the Iranian government to purchasing of Iranian fuel?

Mr. SOPKO. Mr. Chairman, you raise a very good point. The mechanisms are weak. We are going to re-look at the issue. We have been told that they don't have the funding and they don't have the capability to follow up.

Mr. CHAFFETZ. That is wonderful news to hear. Thank you. This is the deep concern. Here we are dealing with Iran and the very petroleum sanctions act that we put in place to make sure that the Iranians are not able to sell their fuel, we may be funding that by the U.S. taxpayers themselves. It is of deep concern.

Last question, real quickly. Mr. Sopko, on September 18th, 2012, you sent me a letter, as well as Mr. Tierney, with concerns about contractors. Let me read this. These companies and individuals have directly or indirectly sought or obtained contracts with the U.S. Government, or may be expected to seek such contracts in the future. All of them have been identified by the United States as affiliated with the Haqqani network, the Taliban, and/or Al Qaeda, and it goes on.

The suspension and debarment of people that are known terrorists is totally unacceptable. What are we doing to ensure that the U.S. taxpayer money is not given in the form of contracts to the very terrorists we are there trying to fight?

Mr. SOPKO. Mr. Chairman, we have similar concerns. We proposed the debarment of those individuals and entities. Every one of those proposals was denied by the U.S. Army.

Mr. CHAFFETZ. Why?

Mr. SOPKO. Well, you will have to ask them. They apparently did not read, did not take the time to walk 150 feet to a classified skiff to read the classified appendices. If you had read the appendices—I took the time; I went to the skiff; I read them—it was remarkable that any U.S. official would not have denied these individuals to right to contract with the U.S. Government. But apparently the Army office didn't read the classified documents. So it is probably easier to use a drone strike than it is to stop somebody from contracting with the U.S. Government. So, Mr. Chairman, we are very concerned about that.

Now, we asked for the authority to set up a debarment mechanism for either ourselves or for the field commanders, who have the most interest in stopping these people from being contractors with the U.S. Government. It is our understanding that the Secretary of Defense has denied that request.

Mr. CHAFFETZ. Thank you. I have gone well past my time.

We will now recognize the gentleman from Virginia, Mr. Connolly, for five minutes.

Mr. CONNOLLY. Thank you so much, Mr. Chairman.

Welcome to our panel.

I want to just clear up a number, Mr. Sopko. Mr. Chaffetz talked about \$100 billion going to Afghanistan since 2001. Is that an accurate figure?

Mr. SOPKO. It is approximately that figure if you include also the request for the latest year. So \$90 to \$100 billion.

Mr. CONNOLLY. Okay, roughly right.

Mr. SOPKO. Yes.

Mr. CONNOLLY. But, to be precise, not all of that is AID. In fact, a small percentage of that is AID, is that not correct?

Mr. SOPKO. Actually, over 50 percent is going to what we call the Afghan national security forces.

Mr. CONNOLLY. Right.

Mr. SOPKO. So the way we define reconstruction in Afghanistan, we also include the training, the housing.

Mr. CONNOLLY. Right. But you cited \$16 billion. I assume you meant that was a subset, that was the AID subset of that \$100 billion?

Mr. SOPKO. Sixteen?

Mr. CONNOLLY. You cited \$16 billion, in terms of USAID's portion of that 100, I thought. Isn't it?

Mr. SOPKO. I don't believe. If I did, I may have misspoken.

Mr. CONNOLLY. Mr. Carroll, what is the accurate percentage of the \$100 billion that is attributable to funds managed by AID?

Mr. CARROLL. What I have in front of me is 2010 through 2014. Just to give you a snapshot, 2010 was \$2.13 billion; 2011 was \$2.18; 2012 was \$1.84; 2013 is \$1.85.

Mr. CONNOLLY. Okay. My only point is there are problems in the management of AID programs, but the lion's share of the money going to Afghanistan was on the security side. Is that not correct?

Mr. SOPKO. Absolutely. And our concerns are not limited just to AID.

Mr. CONNOLLY. No, no. Right. And that was my point, Mr. Sopko.

Mr. Sopko, you testified that, if I heard you correctly, that the 13 ministries who are about to receive direct U.S. aid are, frankly, not capable of absorbing that direct aid any way you measure it, in terms of corruption, in terms of accountability, in terms of auditing, in terms of programming capability. Did we hear you correctly?

Mr. SOPKO. Our preliminary assessment raises serious concerns about all 13.

Mr. CONNOLLY. In light of that fact, why would we give them direct aid, knowing in advance they are not capable of absorbing it?

Mr. SOPKO. That is the question we are going to be asking AID, as well as we are going to be asking DOD about their assistance to Ministry of Defense and Ministry of Interior.

Mr. CONNOLLY. From an economic point of view, one of the things, listening to all of you and having followed this for a while, what strikes one is that, maybe both in Iraq and Afghanistan, we have attempted to provide enormous sums of money relative to the economy, the GDP, and they are not capable of absorbing it; and we are not capable of managing it. And it is distorting virtually every aspect of economic life, especially in Afghanistan, but also Iraq.

I wonder, Mr. Sopko and Mr. Cooksey, if you would comment.

Mr. SOPKO. I think you have hit a good point, and one thing I think it should be clear is that our criticism is not just on direct assistance. If the testimony that was alluded to by Chairman Chaffetz when I came in and testified about the petroleum oil and lubricants earlier this year, it had nothing to do with direct assistance; the main focus was that CSTC-A destroyed the records; CSTC-A was incapable of actually doing the right thing in processing. And now we are going to direct assistance, so there is added concerns because we are worried about it directly in place.

So I think you are raising a very good point. And we are not the only ones who have problems with direct assistance. It is being reported in the Afghan and Kabul press, this week and last week, that the Afghan parliament is upset that their own ministries don't

have the capability of spending their own money; and that has just been reported. So this is a particular problem.

Mr. CONNOLLY. Mr. Cooksey, what about Iraq? Mr. Cooksey, you have to turn on your microphone.

Mr. COOKSEY. Obviously, it was a little different situation in Iraq; you had institutions in place and you had the basic structure of a government there, but much of the money went to areas that they did not support. But where it was successful and where it did have a big impact on the economy was with, like in the oil industry, where the U.S. Government was able to reestablish the oil pipeline and actually expand its oil deliveries, which is now supporting the Iraqi government with a budget of around \$130 billion a year.

Mr. CONNOLLY. Mr. Chairman, if I could just add one last question. I appreciate the indulgence, Mr. Chair.

One of the things that we haven't talked about in this hearing, and that has concerned me since my visit to Afghanistan and Iraq, is CERP funding. It is cash; it is not programs. The military is not an expert in development assistance. And you ask yourself what could go wrong with this program. It started out modest, but it grew very rapidly. And I was deeply concerned, when I was there, about that program.

Real briefly, Mr. Sopko, Mr. Cooksey, if you could comment on how well did CERP go and do we have reason to be concerned?

And I thank the chair for his indulgence.

Mr. SOPKO. We have looked at the CERP program. We have some ongoing work in that area and we share your concerns. It wasn't well controlled; money did disappear. More importantly, I think our concern, going back to some of the issues we raised in our quarterly, is the lack of coordination. A unit would also come in, a commander would decide to do something; the next commander would come in, say I don't want to do that, move on. So there was a lot of loss of money involved with the CERP program.

Mr. COOKSEY. Well, CERP was a new program. It did not have any controls. It was a cash program. When the program stayed small, say, under \$60,000 for a project, it seemed to work well; it gave the battlefield commanders an opportunity to work with the communities. When the projects got too large, it failed. When we met with General Odierno, General Austin, the last two commanding generals in Iraq, they agreed that CERP had a very useful purpose on the battlefield when it was kept small, but building electricity plants, hospitals, the \$350 million spent on Sons of Iraq program, some of that can be called into question. So I think it would be used differently as it goes forward in the future.

Mr. CHAFFETZ. Thank you.

We will now recognize the gentleman from Florida, Mr. Mica, for five minutes.

Mr. MICA. Thank you. Mr. Chairman, the more I hear about the waste and fraud and abuse in Afghanistan, the more these hearings have exposed an incredible level of just abuse of taxpayer dollars, the more depressing it gets.

It seems like, Mr. Sopko, that this is a black hole, a money pit, and it appears that not a whole lot of progress has been made in the two major areas. Everyone cited, one, that Afghans can't man-



age it and, two, the level of corruption. Do you see that? I mean, it doesn't appear there is much hope. Maybe some small project, but in a general sense it is pretty much a money pit, isn't it?

Mr. SOPKO. Mr. Mica, those are two of the major concerns that we have.

Mr. MICA. But it is repeated over and over, in every area, whether it is the Bank of Kabul, whether it is a fuel program, a food program, a small reconstruction program. And then did I hear you say that this is going to take \$70 billion by 2024, estimated, to get out of this? Was that you or Geisel?

Mr. SOPKO. I think that was me, and that is The World Bank estimate of how much money will have to go to support the Afghan government.

Mr. MICA. It is astounding. Then, to put this in perspective—now, I know my colleague from Virginia tried to say there wasn't much non-military money going into this venture, but I calculate it is about \$5 billion U.S. We take little pieces of it, AID, then some State, some training for police, some narcotics. But nonmilitary you are looking about \$5 billion. Then, when I was there, we were contributing most of the U.N. money that was going in, or is it NATO money, that is going into that for economic aid, and it was a total between \$8 billion and \$10 billion a year. Is that correct? I mean ballpark figure, Mr. Sopko.

Mr. SOPKO. I can give you the ballpark figures. As of December 2012, Congress appropriated approximately \$90 billion for reconstruction. Fifty-one billion, or 58 percent, went to security. And we are not talking about the war fight.

Mr. MICA. But there is a huge amount of money going to non-security.

Mr. SOPKO. That is correct.

Mr. MICA. And we are also financing other activities to get the money in there.

Mr. SOPKO. That is correct.

Mr. MICA. Then again, this country, I have been told, I heard somebody say their annual budget is around \$2 billion to \$3 billion, and someone else told me it was \$4 billion to \$5 billion. Maybe Karzai. I asked him that question when I was there.

So the amount of money is astronomical in relationship to the normal amount of money that is in even their budget.

Mr. SOPKO. Mr. Mica, their revenue I think I referred to as \$2 billion. It will cost at least \$4 billion a year to support their national security forces, even more.

Mr. MICA. Well, our revenue is also less than our expenditures.

Mr. SOPKO. Significantly less in Afghanistan.

Mr. MICA. Well, just a couple of quick questions, follow-up. Mr. Chaffetz had some questions on contractors.

Mr. Geisel, State, according to your testimony, 20 contractor suspensions during 2011. That is correct?

Mr. GEISEL. That is correct. That was just in Afghanistan, sir.

Mr. MICA. Yes. And does that include AID, too?

Mr. GEISEL. No.

Mr. MICA. AID, did you have any? Yes or no?

Mr. CARROLL. The agency had 37 suspensions and debarments.

Mr. MICA. Okay, I want a list of each of the suspensions and debarments that have taken place, and then supply to the committee. Also, I want a list of those that are continuing to do business.

Mr. Moorefield, we have AID, we have State. What about Defense? You are the guys that didn't read the classified reports. Defense, do you have a list of those? Can you provide the committee?

Mr. MOOREFIELD. I can provide, Mr. Congressman, a list of the suspensions.

Mr. MICA. Would you estimate? Do you have an estimate of how many suspensions?

Mr. MOOREFIELD. I don't have an exact number at this point.

Mr. MICA. Get that to the committee. And I want to know the ones that were suspended or stopped, and then any that are continuing to do business. And I say that as a friend of Mr. Moorefield, who helped me over 20 years ago, when I was in the private sector, take a corrupt tender in South America away from some people who didn't deserve it for a U.S. firm. He has a long history of good work.

Some quick things. AID. The committee went over to Cyprus; we went to Turkey; we went to Morocco just to look at post-Benghazi security. Cyprus, AID, as a program, I want a report on. We asked the AID people what they do there. Almost every penny spent on conferences. Isn't that a possibility for a sequester? It is not much, it is only in the millions, but AID, their conferences, paying for conferences. I investigate conferences with GSA with people in hot tubs. I want to see the hot tubs that are at these conferences with our Cyprus money.

And the final one, Mr. Chairman—and they went over with Mr. Connolly, so I am not getting too much more.

Then security. And I guess that is back to State Department, security. In Morocco we saw—of course, this is post-Benghazi, and our trip was geared on that. We saw the State Department installing, at the last minute, after Benghazi, approval of a security barrier that had been waiting for four or five years, I believe, in Morocco—I want you to check it—into a facility that was leased, and there is only about six to ten months left on the lease. They were rushing forward to move forward in spending that money that hadn't been spent.

Can you get a report to the committee on what the resolution? Why would we have to spend money like that, at that time, when we are hurting so badly on a project that would evolve back to the property owner and not the United States taxpayer?

Mr. GEISEL. Mr. Mica, I would love to.

Mr. CHAFFETZ. Thank you. I thank the gentleman.

I now recognize the gentlewoman from California, Ms. Speier, for five minutes.

Ms. SPEIER. Mr. Chairman, thank you.

And to all of our inspector generals who are here, and special inspector generals. This document is enough to elevate anyone's blood pressure, and I think that each of us, as members of this committee, have got to take responsibility for what is in here, because the American people, frankly, would read any one of these vignettes and be so disgusted. And they are not going to look at

the Department of Defense for answers; they are going to look right here. And if we don't do something seriously to address this, it will continue ad infinitum.

It is a huge black eye. I just flipped through a couple of the pages and it was unbelievable. This Anhem contract for PVC piping that was charged to the U.S. Government at \$80 an elbow, and it costs \$1.41. Now, this company, you would think, once we discovered this, would be debarred, right? My understanding is that the GAO looked at it and said that its past performance was "supremely unreasonable." And guess what happened? The following month the DLA reconfirmed another contract for this company.

So the real problem here is, as much good work as all of you do, if you don't have the clout to force the Department of Defense to take action, then where are we, really? We are spinning our collective wheels. And I would think each of you would be so frustrated by the fact that you put out these very detailed documents, with scandal after scandal, and that nothing changes.

Now, I think Mr. Mica spent some time talking about this whole debarment issue. Mr. Geisel, you mentioned in your testimony that you uncovered \$200 million in questionable costs, recovered \$16 million, and suspended 20 contractors in 2011. My question is, how long were those suspensions? Were there illegal acts uncovered? Were any of the contractors debarred? And how many of those contractors have been debarred in the last five years?

At some point every one of us has got to take responsibility for the fact that people can continue to rip off our taxpayers, whether they are defense contractors here in the United States or in foreign countries, and we continue to let them rip us off.

Mr. Geisel.

Mr. GEISEL. Thank you very much. Actually, the Department has gotten some religion, I think thanks to us. From 2008 to 2010 there were two debarments. From fiscal year 2011 to the present there were 81 suspensions and debarments.

Ms. SPEIER. But suspension is not a debarment.

Mr. GEISEL. Well, I was just coming to that. I think that it is all a matter of time. I don't know of any instance where a company that has been suspended has not been debarred or in some other way closed down. But I will get you that for the record.

Ms. SPEIER. Would any of the others of you like to comment on the lack of responsiveness by the Department of Defense? Ambassador Moorefield?

Mr. MOOREFIELD. Yes. Thank you, Madam Congresswoman. I was just referring to our written statement for the record, and our defense criminal investigative service, their work resulted in, and this includes Iraq and Afghanistan, 216 debarments and 307 suspensions of DOD contractors, subcontractors, and contracting personnel.

Ms. SPEIER. But what is that as a percentage of the number of contractors?

Mr. MOOREFIELD. Ma'am, I don't know the answer; I can try to get it to you.

Mr. SOPKO. Representative, if I could interject. By the time we get into suspension and debarment, we have lost the money. We face a situation, this is just one arrow in our quiver, and it is not

a very effective one. Really, the first line of defense for the taxpayer are the contracting officers. And what we find is that they are just pumping the money out willy-nilly, and that is where you really have a problem. We can come in later and try to recommend for suspension and debarment.

We just had a case, I was quoted as saying the taxpayer just got mugged, and it had to do with a \$75 million contract by DynCorp Corporation with the Army Corps of Engineers, where the facility it built was falling apart; it didn't meet specs, it was a total disaster. We couldn't find a justification for the Army paying it. And not only did they pay it, they then waived any of our abilities to collect on it or to even seek remuneration.

So we asked the Army Corps to explain. They came back and said, you are absolutely correct, it violated all of our internal rules, but we decided to do it anyway. So I mean, yes, we are frustrated, and I basically was quoted as saying the taxpayer got mugged. There is no justification. But by the time we get in, with our limited capabilities, the money is gone.

The real people you should be bringing up here and asking questions of are those people who we oversee. You have to hold their feet to the fire. What are you doing about contracting? What are you doing about getting the best value for the dollar?

I spoke to a three star general just the other day, and I am not going to mention him by name, but he talked about lessons learned. He says, I have been in Haiti, I have been in Bosnia, I have been around. We write great lessons learned reports. The problem is we don't apply any of them.

Ms. SPEIER. That is right.

Mr. SOPKO. And we went to Afghanistan, madam, he said, we didn't apply any of them. So all we learned in that report was ignored, and that is because what is the motivation? The people running those CERP programs was to stop Afghans from shooting our soldiers. That is what it comes down to. We want to win the hearts and minds if they stop shooting at our boys and girls.

So they didn't care if they built the bridge right. Their objective was to protect our soldiers. And, unfortunately, everyone gets promoted and everyone gets their bonuses based on pumping the money out. And if you talk to any of the contracting officers, and I am certain my colleagues have done that, too, they will admit that.

Ms. SPEIER. Thank you for your candor.

I yield back.

Mr. CHAFFETZ. I thank the gentlewoman.

We will now recognize the gentleman from North Carolina, Mr. Meadows, for five minutes.

Mr. MEADOWS. Thank you, Mr. Chairman.

And thank you for your testimony. I must confess that, as an American taxpayer and going back to my district this last couple of weeks, to hear this kind of testimony is just sickening. If we can't change the way that we do business, we have no business doing business. And I appreciate your efforts in trying to highlight that.

I want to pick up a little bit on what you said, Mr. Sopko. You said we don't have any arrows in our quiver, and you mentioned

earlier about contracting and the issues with contracting, and you went further to talk about motivation. What specific bipartisan initiatives can we address to hopefully address this problem where we get to the people that are underneath you before the money is gone?

Mr. SOPKO. I appreciate that request. I think the seven questions I put in here in December, these are simple questions that should be required in every appropriations bill, and every appropriations bill should have those. You have to answer them in the affirmative. Did it meet our objectives? Did this contract, was it coordinated? The same issues that I raised are the same issues in Iraq, but you have to put it in the appropriations language.

The other thing is you need to incentivize doing good. So the whole personnel system is upside down here.

Mr. MEADOWS. So what you are saying is not giving bonuses and raises and promotions that are not based on a performance matrix.

Mr. SOPKO. Well, a proper performance matrix. There is a performance matrix.

Mr. MEADOWS. You mean just showing up.

Mr. SOPKO. That is, shove the money out the door.

Mr. MEADOWS. Yes. All right. Well, let me go a little bit further, because you mentioned poor quality earlier and about the motivation is just to spend the money and get it out there to provide, I guess, protection for our men and women serving over there, and they didn't care whether they got a bill.

But in your testimony you talk about poor quality services being a major problem in Afghanistan, and that basically we are looking at infrastructure that we are having to pay for twice; and your group right now, I think, is conducting, what, 17 inspections of U.S.-funded projects to ensure that the contracts, those requirements are being met.

If we find out that they are not being met, what do we do, pay for it again? I mean, what is the answer?

Mr. SOPKO. Congressman, that is the frustration. We found a contract where there was abysmal performance. We brought it to the attention of the Army Corps of Engineers and they said, you are right, but we paid it anyway. That was the answer. You may want to ask the Army Corps what is the incentive.

Here is a question. Has anyone been fired for all of the projects we identified, that SIGIR identified, that DOD IG identified? Very rarely.

Mr. MEADOWS. So you are not aware of any terminations because of poor performance in those groups.

Mr. SOPKO. Not that I know of. The only ones that get terminated are the ones I indict and convict. But other than that, other than going to a federal penitentiary, I can't get anybody terminated.

Mr. MEADOWS. So do we address this through contract changing and the way that we contract, where there is penalties and severe penalties with that?

Mr. SOPKO. I believe you need to do that and you need to do a top-bottom review. Now, I remember here, when President Reagan imposed over DOD, because of the expenditures we were making under his tenure and the problems that came out under contracting

at that time. I was working for Sam Nunn at the time, and they tried to institute a career procurement corps, a procurement corps where you could advance and you could do a lot better, and you had trained and it was motivated. I am not saying it was perfect, but at least we did that.

Now, we have just gone through Iraq. We are going through Afghanistan. We have spent billions. And this applies not just to DOD; it also applies to AID. I don't think there is much of a procurement corps anymore.

Mr. MEADOWS. And is this not correct, that we have one group handling one part of that process and another group that is actually doing the purchasing? So you have one group that bids it, the other one that actually acquires it?

Mr. SOPKO. I think you are absolutely correct. And neither of them are in Afghanistan. Sometimes we are talking about contracting officers here in the United States who have never seen the facility they are building. And I think the point our colleague from Iraq said, no one ever goes out and sees if the building is still there.

Now, I add to that the extra concern is my people won't be able to get out there, nor will my colleagues people be able to get out there to check those sites, unless we have the security. So that is something you have to consider. Are we going to spend billions of dollars on facilities that, right now, no U.S. Government official will be able to check? If you feel we should, then continue the way we are going.

Mr. MEADOWS. Well, I think it is unanimous that we shouldn't. Thank you.

I yield back.

Mr. CHAFFETZ. I thank the gentleman.

Now recognize the gentlewoman from Illinois, Ms. Duckworth, for five minutes.

Ms. DUCKWORTH. Thank you, Mr. Chairman.

So, Mr. Sopko, I am just absolutely disgusted by what I am hearing today in terms of the lack of accountability, the lack of disbarment, the lack of acknowledgment and follow-through on each of the IG's recommendations to the various branches in the Government. I want to sort of drill down a little bit. I am on Armed Services. I am going to be talking with the new secretary of defense this week, and I will ask him about why have we never fired a single military officer over some of these issues. But I want to look at the contractor piece of things right now.

Mr. Sopko, you talked about an Afghan contractor who was referred for debarment who failed to install grates to cover roadside drain pipes to prevent insurgents from planting IEDs. I go to Walter Reed on a regular basis to visit amputees. There are three quad amputees there right now. I want to be able to look those young men in the eye to say I am doing something about it to try to make this better.

Let's talk about not the Afghan contractors, not the Iraqi contractors, but let's talk about the American contractors. When I served in Iraq in 2004, we were held hostage, the troops were held hostage by KBR, who had overcharged the United States Army more for food that they never gave in the dining hall contract for

the troops; they were charging the Army for meals they never served. And the Army went after them for that and refused to pay the bill. They held the soldiers hostage. We were not fed for literally weeks. We were given what we called rainbow meat. And we all know what rainbow meat is. And we were not fed. They held the troops hostage, just like DynCorp held the Corps of Engineers hostage and mugged the taxpayers.

Why can't we go after the U.S. contractors? How many times, cumulatively, in Afghanistan and in Iraq, and, Mr. Cooksey and Mr. Sopko, if you could both answer this, has KBR, for example, or DynCorp, been recommended for suspension or debarment? Do we not have an accumulation of all of the cases against them? Because why are we still paying KBR money to do this when they have, time and time and time and time again, jipped the taxpayers?

Mr. SOPKO. Representative, I can start to respond, and I will let some of my colleagues join.

I can't speak for the individual contractor, KBR or DynCorp or whatever company, on why they haven't happened, on disbarment. I can just tell you we have a particular problem which General Carroll referred to in Afghanistan, and that is we instituted a policy of Afghan-first. So most of our primes, and almost all of our subs, are Afghan or non-U.S. contractors. And the reason I mentioned this and General Carroll referred to that is how do you prosecute them? I can't prosecute them in U.S. court. I have to deal in Afghan court.

Now, those of you who are lawyers, if you ever practice in Afghan court, it is unbelievable. Money is the rule. Now, just so you know, we are trying to prosecute people. The two contractors who were involved in the negligence that led to the death of those American troops were prosecuted. We actually convinced an Afghan prosecutor to arrest them. So we are doing it, but it is extremely difficult because of the Afghan-first policy. It is an unintended consequence.

Now, we back up. Where we find people to disbar, we will do it. But as I told you, we even found 43 of them who were tied to the Al Qaeda, who were tied to terrorists, and it wasn't my colleague who is in the IG's office who didn't handle this, there is an office, a very small office, which didn't think it was important to go and review the classified files. So it is frustrating.

I can't speak for if there is a case against XYZ Company. If there is, we will pursue it, and I am certain my colleagues will.

Ms. DUCKWORTH. Before your colleagues respond, I am just going to follow up on that with Afghan. So you talk about let's stop this before the money goes out the door. Do we have a system in place to look at all of the Afghani potential primes, to make sure that they are not all relatives of President Karzai and his family members? As my colleague from Utah said, this is the most corrupt country.

Mr. SOPKO. I am so glad you asked that question, because we don't have a list of all the contractors in Afghanistan. We definitely don't have a list of all the subs. And it was only last week, or was it two weeks ago, I finally threw up my arms and said we are sending a request, and it was the request from hell to each one of these government agencies operating, give me a list of every prime and

every sub. We don't have that list. AID comes the closest, but they have a list of the primes.

So we couldn't even, even if there was a sub that hurt you in your camp, then went to another camp, then went to another camp, there was no central database to link Abdul Inc. or Host Trucking, or whatever the name of the company is. I allude to Mr. Tierney about his interest in that. We didn't have the list. The people in Afghanistan didn't have that list. So we are going to try to finally get a list.

GAO has been screaming about this for years. We don't know who we are even contracting with in Afghanistan.

Ms. DUCKWORTH. I am out of time.

Mr. Chairman, would you indulge me to just let the others answer the question about the U.S. contractors? Is there a list of all of the times that KBR or Haliburton or DynCorp, any one of these folks, have been found to have mismanaged or misused or over-charged contracts? And why do we not know what that amount is?

Mr. COOKSEY. There are obviously different accounts that are paying for these contracts, which makes it difficult for, like us, SIGIR to be able to go from reconstruction money that we had jurisdiction over to operations and maintenance funds, which we are not permitted to review; that is a DOD function, to look at.

But it all comes back to accountability, contracting officers accountability. If you wanted to have a hearing here and find out who was accountable for the wasteful spending in Iraq, Afghanistan, you couldn't call a witness up here, hold anyone accountable. We have projects where \$40 million, \$50 million were wasted and there were 12, 13, 14 contracting officers serving on a project. We couldn't even find all of the contracting officers.

Mr. CHAFFETZ. I think we need to move on, given the time. But certainly if we could get back to this committee and to Representative Duckworth, that would be most appropriate.

I now recognize the gentleman from Michigan, Mr. Walberg, for five minutes.

Mr. WALBERG. Thank you, Mr. Chairman, and I appreciate this hearing more than I thought I ever would, though I came primed for this after hearing some reports from a constituent last week who has a product that allegedly works very well in allowing more of our military to remain safe, and could not even get a hearing from the procurement process unless he would hire a lobby firm of generals that require \$1 million on an annual basis, and what he would get for that would be access to the people to look at this product that military personnel, when they receive it and now request it, and commanders in the field request it, and he supplies them free of charge, does impact their longevity in this life.

So I came a bit primed for this. But I would certainly recommend that we follow Mr. Sopko's advice of getting to the people that they work with and ask these questions of them as well.

We sit here trying to justify and improve the issue of direct financial aid to Afghanistan and Iraq, and asking questions about that on an issue that I certainly was very supportive of, of going after Osama Bin Laden and going after Saddam Hussein; and we achieved that success with them, and rightfully so, in context with the liberty, freedom of our Country, as well as other freedom-loving



peoples. I continued in support of these efforts due to the fact of an intention to honor the sacrifice of our troops and their families who put themselves in harm's way and served with distinction and sacrifice, like our colleague, Ms. Duckworth, Duncan Hunter, and others who we gratefully honor for their service.

But I have come to a 180 degree turn in my perspective on whether we should continue this effort and spend the resources, more importantly, spend the blood and sacrifice in a cesspool, couple cesspools in the world right now, not only of Afghani, Iraqi making, but of our own making in what I hear today. I have come to a point in seeing no need to continue to waste one more thin penny with contractors, national or our own contractors, in Afghanistan or Iraq, or working with government leaders in Afghanistan or Iraq, except for the occasional drone strike on a terrorist Taliban or Afghani leader. And then, beyond that, open our arms to Iraqis or Afghani citizens who flee from these two hell holes in the world with no end in sight of any significant benefit to those Iraqis or Afghanis who get no religious freedom, who get no personal liberty freedom; and yet we continue to dump money without even being able to check out what is going on.

So I guess what I was saying, I say this as a minister, I want to see people liberated. I don't think it is happening with our efforts right now, and the corruption, the efforts that we put in place for contracting, which provides great amount of dollars for people who abuse it, in many cases that we are hearing today. So I guess I would ask any of you at the witness table, starting with Mr. Sopko and Mr. Cooksey, would any of you be able to disabuse me of this change in position with what has gone on and continues to go on?

Mr. SOPKO. Congressman, if you want me to start, that is obviously a personal metamorphosis. I may have a similar metamorphosis. I know I was a bit surprised, the first time I went there, but when I was appointed by the President, I was given a mission, and the mission is not to do policy. This is a policy call. My mission, and I think my colleagues missions as IGs, is we don't do policy; we don't do aid policy, we don't do foreign policy or military policy. We do processes.

Mr. WALBERG. I appreciate that. Let me break in, maybe alter that quickly. Are we succeeding and is there a reasonable chance for success in Afghanistan or Iraq with present policies in place? And this Government is too big and bureaucratic to expect much to change, sadly.

Mr. SOPKO. Depends how you define succeeding. The way I define it is I take what the Administration's goals are, and that is to ensure that Afghanistan does not become a haven for terrorist organizations. It appears we are succeeding. Could we do it better? Could we save the taxpayers money? Yes. And that is why I think we are all here collectively giving our suggestions and advice on that.

Mr. WALBERG. Mr. Chairman, I thank you, and I will end the questioning here because I think I have the answer.

Mr. CHAFFETZ. Thank you. Thank you.

I now recognize the gentleman from Massachusetts, Mr. Tierney, for five minutes.

Mr. TIERNEY. Thank you, Mr. Chairman.

Thank all of you gentlemen for being here today. Look, this is nothing new. One of my predecessors who sat in my district seat back in the 1980s was discovering \$600 hammers that were being purchased by the military on that, so this is an ongoing situation and one that this committee, in particular our subcommittee, Mr. Chaffetz and, before him, Mr. Flake and I have been addressing every time we go. Mr. Waxman was doing it before Mr. Issa was doing it.

The fact of the matter is that we are not really discussing just aid, we are talking about military contracting as well, how the Department of Defense, probably the worst bureaucracy in existence, one that has not passed an audit, while we demand every other department in this Country, and we go around. And I hope these hearings disabuse people of this notion that you can't cut the military budget because otherwise you are weak on defense. What total nonsense. Anybody listening to this here today, anybody looking at a myriad of reports we have had, and we had them when I was chair, before Jason was, where people come in here across the board, from Cato Institute, from the Center for American Progress, telling us that waste and fraud and abuse is in the military budget. And now we turn around, the Stimson Senate report that just came out, funded by Peter G. Peters—he is not a raving liberal by any stretch of the imagination—done by former generals and admirals and other policy experts, indicating there is about \$400 billion worth of efficiency losses in the Department of Defense, and we are talking about that just here today. We all revere our troops; we all respect that they are there. But they are not being well served.

They are not being well served when this kind of nonsense is going on, when we have a trucking contract, the report that Mr. Flake and I did on Warlords Inc., indicating we had eight trucking contractors, none of them who ever owned a truck or a driver, but all who had pretty good relations with some of the people in the Afghan government. And they were the ones who were responsible for security, so rather than have security and rather than us face the tough policy question of are we going to put our troops out there to secure those supply lines, they are paying off warlords and, in some instances, Taliban with money that is then used against our troops. And you go on down the line. Mr. Chaffetz and I have looked at the food contracts of over-billing of \$750 billion; we have looked at the oil contracts; we have looked right across the board.

Time and time again it all comes back to, A, we don't hold anybody accountable and disbar them permanently and get them out of the way; on the front end we are not contracting properly, we don't have insight into the subcontracts and the sub-subcontracts, and we are not making the decisions on that basis. So we have a problem whether we contract and have partners and do it that way, or whether we try to do it directly and the problems of whether or not the very departments in the governments that we are directly funding are capable of spending the money on that basis.

We have some serious issues and I trust that the subcommittee, with Mr. Chaffetz, is going to start looking at these very issues

that we have here, starting with the contracting officers on that basis.

Let me try to just narrow this down a little bit here. We have a situation where, no matter how we do it, if we have contracting going on or if we give direct aid, we have to somehow have accountability. As we pull our troops out of Afghanistan, how are we going to accomplish that in a safe way for the people that we expect to go over there and inspect these projects on that?

Now, I know that we have talked about setting up the new process for assessments going in and accountings, audits, and all that basis, but when we try to determine whether or not the project is being built or managed, and whether it is being done properly on that, how do we get that answer?

Now, Mr. Sopko, I will start with you because you have done a good job of bringing this to our attention of late. What are we going to do? How do we secure that?

Mr. SOPKO. Mr. Tierney, as I mentioned, I am a former prosecutor and I have been a Hill investigator and investigator for quite a few years. The gold standard is always a U.S. Government employee kicking the tires. You have to have somebody put eyes on the project. That means, number one, we have to have security. When I travel, when my people travel, when any of the IGs here travel, we have to have security.

Mr. TIERNEY. So if I can just interrupt, so that means we have to determine whether or not we have confidence in the Afghan National Security Forces to secure our personnel going to inspect whether or not our money is being well spent.

Mr. SOPKO. Mr. Tierney, we have no confidence. I would not place the life of one of my people under ANSF, nor would anybody else at this table. Nor would anybody use the security firms that are now reporting to the Afghan ministries to protect our people. Nor can we. Because we all fall under chief of mission rules, and chief of mission rules says you can't. So what that means, we either have to have U.S. troops or international troops, and that is being cut back, or we have to build up the RSO, regional security office, capability, which you all know about.

So when we are doing our audit on planning for the drawdown, what we are looking at is have we considered the security implications of the drawdown in U.S. troops. So that is a key point. If we don't have the RSO budget big enough to support oversight, then the question comes down to do you want to spend the money for a building, for a school, for a clinic, for anything, and you will never have an American citizen see it.

Mr. TIERNEY. Thank you.

Mr. CHAFFETZ. Thank you.

My understanding is the RSO budgets in Afghanistan are being cut, so the assets and the resources there in Afghanistan for the RSO is diminished.

Mr. TIERNEY. Maybe we can use some of the wasted money that we are talking about here to do something.

Mr. CHAFFETZ. Amen. Amen.

We will now recognize the gentleman from Georgia, Mr. Collins, for five minutes.

Mr. COLLINS. Thank you, Mr. Chairman.

For two days I have sat in this chair, and yesterday on a report from the GAO discussing waste from everything of catfish inspections to everything else, to today hearing about monies that is wasted. And many times what I have been hearing—I am a freshman here coming from the State of Georgia and seeing what is going on here—it is very frustrating. And there are so many articles done by people inside the Beltway on why is America frustrated. You see it here today. You saw it yesterday. They do not understand why this cannot be stopped.

Mr. Sopko, you made a comment earlier about the Kabul Bank audit and that issue, and you made a comment after the question that said that the money had to come from somewhere. You said it had to come from somewhere and probably did. I will tell you where it came from. It came from right here. It came from everybody in the U.S. who pay their taxes. That is where the money came from. And for us to continue this process is just insanity.

But we have to also find how do we fix it. We can rant about it all day long, and we have done a pretty good job of that today, but let's go to this issue. You take contract officers. The issue of the contract officers—and feel free on any of this—are we lacking training here? Because this is one of the things we saw yesterday, where an agency just didn't want to do it because it was too hard. We can't accept that it is too hard. We have got to do a better job of training.

How do we train the officers and how do we get across that these are things, instead of just pushing the money out the door, that there is a stewardship factor here? Can you address that for just a moment? And anyone who wants to jump in on that.

Mr. SOPKO. I am going to defer to my colleagues who have more direct experience with the contracting officers in each of our agencies, and then I can comment.

Mr. COLLINS. Okay. Whoever wants to go.

Mr. GEISEL. I will comment a bit. Part of the procurement process, from the time that you let the contract to the time that it is built to the time that you pay the bill, a very important part is a person called the contracting officer representative. The contracting officer representative is the person on the ground who goes back and assures the contracting officer that the work has been done satisfactorily.

Now, in many circumstances—I can't speak for other agencies in State, but I know in State we found that contracting officer representatives get this as part of additional duties; it is not a full-time job. Some areas are getting better. Diplomatic security is now, in the bigger post, having a full-time contracting officer representative.

But if you can believe this, you can let the best contract in the world, and most contracting officers are pretty well trained to write good contracts. But unless there is follow-through and see that the work is done satisfactorily by the contractor, it doesn't do any good. I have seen cases where a contractor will come in to a contracting officer representative in Afghanistan with a CD-Rom or actually, in this case, two CD-Roms, full of bills, and it was our understanding that in that particular case the contracting officer rep-

representative rubber-stamped them without even running the CD-Rom to see what was in it.

Mr. COLLINS. Let me interrupt you right here. This is where I was wanting to get to at this point. When we see this kind of action—you made the statement earlier that we have rarely seen a firing here, and you brought this up being a prosecutor. Do we need more indictments? I mean, is it just a simple sense of we are misrepresenting money here and using it the wrong way? And I am not taking away these contract officers who do a diligent good job; that is not what I am trying to say here. But when we find wrong, like the Corps of Engineers, which is one of the reasons I started a Corps caucus for the Congress, because we have problems all across the board here. What can we do to fix this? I don't want to sit here for my time, whatever the good people of the 9th let me be here, and simply say I had great hearings; we kicked the can down the road and nothing got done.

Mr. SOPKO. Congressman, I understand your frustration, and as a former federal prosecutor I do too. But being stupid or lazy is not a criminal offense.

Mr. COLLINS. But it is fireable.

Mr. SOPKO. It is fireable.

Mr. COLLINS. And that is where the training comes in with supervisors. They have to know how to say no.

Mr. SOPKO. You have to clean house.

Mr. COLLINS. For those who sign the back of the check, they need to understand that.

Mr. SOPKO. You are absolutely correct.

Mr. COLLINS. When you sign the front of the check you understand that, and that is what we don't have.

Mr. MOOREFIELD. Yes, thank you, Congressman. Let me just add a few additional thoughts to the issue of contracting officers in Corps. I have met with a number of contracting officers in Corps across Afghanistan. I think it is important to recognize that, frankly, we started these two contingency operations, Iraq and Afghanistan, with a substantially diminished capability to do oversight of contracts.

I think the extent, the scope of the contracting that we actually ended up engaging in was even beyond what might have been a robust capability. The training, we didn't have nearly enough contracting officers in Corps who usually, as has been mentioned, have this as a secondary or tertiary responsibility after their war-fighting and other responsibilities, have not, frankly, always been professional enough to know what to look for and what action to take. And we have a high turnover of personnel.

So when you combine all this in the middle of this war zone, or two war zones, there are many possibilities for slippage and less than full execution of the responsibilities.

Mr. COLLINS. As being one who has been in that war zone, I understand those capabilities. I appreciate you being here.

I want solutions. That is all I am asking for, how do we move forward on this. And supporting those who are doing it right and getting rid of those who are doing it wrong.

Mr. Chairman, I yield back.

Mr. CHAFFETZ. I thank the gentleman from Georgia.

We will now recognize the gentleman from Vermont, Mr. Welch, for five minutes.

Mr. WELCH. Thank you, Mr. Chairman. First of all, I want to thank the chairman and Mr. Tierney for the work they have been doing over the years and for the members of the committee who have been working on this, my trip to Afghanistan with my colleague from Wyoming.

And I want to thank you, because you are trying to look out for the taxpayer dollars and we have just given you a policy that makes no sense. It is absurd and bottom line is it is time to pull the plug. I mean, we don't trust the Afghans; the Afghans don't trust us. If we are out there and have to do the basic, put eyes on the project, you are going to get killed. Our soldiers are getting killed by Afghan soldiers.

So there is a certain point where the best of intentions make no sense because, on a practical level, it can't be implemented. And that is not your fault; that is our fault. That is the commander-in-chief and it is the Congress of the United States that has given a pretty dumb policy for execution to people like Tammy Duckworth, who just went out there and did whatever had to be done and paid whatever price had to be paid. And I am pretty appalled by it and I think the fundamental question for us is it is time to pull the plug on this operation. It just doesn't make any sense, no matter how much oversight we have done.

But I do thank you. And your predecessor, Mr. Bowen, is kind of a voice of integrity and accountability in a swamp, so thank you. I will get to you in just a second. But I do want to let you make a comment and ask one question, then yield to my friend, Mr. Tierney.

Mr. Sopko, we have a lot of NGOs that are doing good work and they are doing the work in Afghanistan. They strongly believe in many of the ideas behind direct assistance, which, incidentally, I think can be helpful under the right circumstances; and I hope the lesson here isn't that we don't do direct assistance, but we some realistic assessment of when and where it makes some sense to do it. But those NGOs do believe in a lot of those things like local control and capacity building. Is there anything we can learn from them about how to do this right?

Mr. SOPKO. Thank you for that question. I actually met with a number of small NGOs just a week or two ago, and I was really impressed with how they operate for two reasons. Number one, they have been on the ground; many of them were on the ground even when the Taliban operated. They operated with a very small footprint, very low-key. And I think I was talking to either Catholic Charities or Mercy Corps; they spent a total of \$10,000 on security because they are built into the community, they are part of the community and protected by the community. So one thing we should consider the next time we do one of these things is maybe rely more upon smaller organizations that work with the community.

But all of them did raise one issue, and that is if we do go to direct assistance, don't do it quickly; think about it. And they cited a number of examples where AID decided to do something in an educational area and it destroyed the program because, apparently,

they wanted to get so much money onto direct assistance, so they decided to do it. And they wrote a very interesting white paper on it that dealt with the partnership for advancing community education in Afghanistan, where they didn't know why it had to go on direct assistance, but, as a result of it, it was destroyed.

Mr. WELCH. Thank you very much.

I wanted Mr. Cooksey to be able to get a response in, but first I want to yield the balance of my time to Mr. Tierney. But please let Mr. Cooksey make his point.

Mr. TIERNEY. Will do. Thank you.

Mr. Sopko, I just had a quick follow-up on that. You had indicated that USAID has conducted evaluations of the various Afghan ministries to determine their capacity to manage programs, correct?

Mr. SOPKO. That is correct.

Mr. TIERNEY. You said you had copies of those assessments and they raised some serious red flags?

Mr. SOPKO. That is correct.

Mr. TIERNEY. Would you be willing to provide those evaluations to this committee?

Mr. SOPKO. I would be willing to, but I was instructed by AID not to provide them to you.

Mr. TIERNEY. All right. Are they classified documents?

Mr. SOPKO. Well, retroactively, after we found them, they classified them SBU. But, as far as we can tell, there is nothing classified in them.

Mr. TIERNEY. Mr. Carroll, do you know anything about this?

Mr. CARROLL. I do, actually. I ran into the legal counsel yesterday in the hall and she had said that John had asked her for the documents, and they did give them the documents. I don't know about not providing them to Congress. I thought that you all had an agreement with the agency that they would provide IPR documents to you under certain conditionalities, so I am surprised that they have said that, but I don't know that for sure.

Mr. TIERNEY. Well, I suggest, Mr. Chairman, we have some work to do here. There should be something we can work out with the Administration so this committee can continue to do its work and have access to those documents.

Mr. SOPKO. If I can add, Mr. Tierney, I was told by a senior AID official when I was in Afghanistan, when I discovered these things, that they were sensitive, but they were mainly embarrassing, so they were going to let the Afghan ministries redact them before they gave them to me. And I went through the roof. I told them if the documents weren't on my desk by the time the wheels landed, I would be sending a letter to Congress and the administrator on this. They also then told me that that was the type of redaction that was being done by a nameless, faceless Afghan bureaucrat before they turned them over to you.

Mr. TIERNEY. Well, unfortunately, this is not an uncommon practice, and embarrassment isn't one of the criteria for classification.

So, Mr. Chairman, I assume we will work together on that.

Mr. CHAFFETZ. Absolutely.

Mr. TIERNEY. And I have an obligation to Mr. Welch to recognize Mr. Cooksey for his comments, if the chair will allow.

Mr. CHAFFETZ. Yes.

Mr. TIERNEY. Thank you.

Mr. CHAFFETZ. Brief, if you could, please.

Mr. COOKSEY. Just one thing I wanted to comment on, because Mr. Collins brought this up and Mr. Welch brought this up, as to what the committee should do going forward, and at a hearing about four years ago, Senator Lieberman asked a very similar question and one thing that would be helpful is for the committee to step back and take a broad look at how our foreign aid is managed overseas in stabilization and reconstruction projects. Everything here we talk about is all very ad hoc, and you really need to have an integrated, well planned operation.

Now, in response to Senator Lieberman and other questions, we prepared several proposals for them. We have one included in the latest report that we believe would respond to the questions that you have asked here and have been asked in a number of the other oversight committees, but it would be major change. It is a heavy lift, but personally I really think you have to step back from this contracting officer is doing, what this is doing and really set the tone for the future of what we are going to do next year.

Thank you.

Mr. CHAFFETZ. I thank you.

We now recognize the gentleman from South Carolina, Mr. Gowdy, for five minutes.

Mr. GOWDY. Thank you, Mr. Chairman. I was going to ask this panel of witnesses, Mr. Chairman, whether or not we give financial aid to countries that have codified religious persecution through blasphemy laws and, if so, why we do that. And I was going ask, Mr. Chairman, this panel of witnesses whether or not we give aid to countries that deny access to education or court systems on the basis of gender and, if so, why this great democracy would give aid to countries that deny women access to education or court systems. But I have been advised that perhaps this is not the best panel for me to posit those questions, so given your work, Mr. Chairman, on waste, fraud, and abuse—and no one in Congress has worked harder on it than you have—I would yield my time to you in hopes that perhaps any future setting I would be able to ask my questions with respect to religious persecution and denying women access to education. I yield to the chairman.

Mr. CHAFFETZ. I thank the gentleman. Absolutely. This is something the committee and the subcommittee will be pursuing; it is a panel that we need to establish, these being essentially the auditors. But your passion and commitment to this issue is admirable and we will absolutely be pursuing that in future committee hearings.

With that said, let me go back to what Mr. Welch and Mr. Tierney brought up. I am not understanding, Mr. Carroll, have you seen these assessments of these different agencies?

Mr. CARROLL. As a matter of fact, chairman, we are in the process of doing a global assessment,

Mr. CHAFFETZ. Specific to Afghanistan. You mentioned that they would, with conditions, be given to the United States Congress. Why would there be conditions?



Mr. CARROLL. No. Well, what I was talking about was I thought that the agency had an agreement with the committee that the committee would come to AID or to some reading room kind of arrangement.

Mr. CHAFFETZ. No, no, no, no. That is not the way the United States Congress works. You are not going to tell me what assigned time I can come down to USAID and have a look around, with somebody watching me what I look at. You have these reports, do you or do you not, the un-redacted, unchanged reports?

Mr. CARROLL. I can certainly get them. We don't have them, per se.

Mr. CHAFFETZ. You have not seen them? You personally, you have not seen them?

Mr. CARROLL. Personally, I have not seen them, no.

Mr. CHAFFETZ. Has your group seen them? Is there somebody within your group that has seen them?

Mr. CARROLL. Yes.

Mr. CHAFFETZ. But you are aware that they are there.

Mr. CARROLL. Oh, yes, absolutely. Right.

Mr. CHAFFETZ. That prohibits you from getting those reports?

Mr. CARROLL. Nothing.

Mr. CHAFFETZ. So you can get them today if you ask for them.

Mr. CARROLL. I could.

Mr. CHAFFETZ. And you could deliver them to the United States Congress, my office, today.

Mr. CARROLL. That is my responsibility.

Mr. CHAFFETZ. Is that something that you can do by the end of this day?

Mr. CARROLL. Yes.

Mr. CHAFFETZ. You have the authority; you have the opportunity; you know that they are there. Will you deliver them to my office by the end of the day?

Mr. CARROLL. I will.

Mr. CHAFFETZ. Thank you. I would hope that we would see the copy that has not been edited by somebody who finds them to be terribly embarrassing.

Mr. CARROLL. We wouldn't accept redacted copies.

Mr. CHAFFETZ. Thank you.

Mr. Sopko?

Mr. SOPKO. Mr. Chairman, I can add we also have the copies. We are reviewing them and we are happy to give them to you, and they are not redacted.

Mr. CHAFFETZ. And that will happen by the end of this day?

Mr. SOPKO. Well, why don't you have him do it by the end of the day. I can give them to you if you don't get them by the end of the day. They are rather extensive.

Mr. CHAFFETZ. Let us clarify that they should come to the committee, not my personal office, so that both sides of the aisle, that we can both see them.

Mr. CUMMINGS. Mr. Chairman, yield?

Mr. CHAFFETZ. Yes.

Mr. CUMMINGS. Very briefly. I just wanted to make sure it is clear to the witnesses that, on our side, we fully support the re-

quest that was just made and we look forward to getting those documents immediately.

Mr. CARROLL. Is Mr. Sopko going to do it or am I going to do it?

Mr. CHAFFETZ. You are going to do it.

Mr. CARROLL. Yes. Thank you.

Mr. CHAFFETZ. Thank you. Thank you.

I would like to ask Inspector Geisel here, one of the big accounts that happens there in Afghanistan is the International Narcotics Control and Law Enforcement Affairs, INCLE, for lack of a better acronym. As of December 31st, 2012, the total cumulative funding for INCLE amounted to nearly \$4 billion, at least it was approaching \$4 billion. What oversight mechanisms do you have in place, because it is one of the biggest accounts going into Afghanistan? What oversight mechanisms are in place to make sure that this is held accountable?

Mr. GEISEL. We have conducted audits over their programs. And because of the fact that, as you pointed out, although in the bigger Afghan picture it is not big, it is the biggest for State, we have done two audits on those.

Mr. CHAFFETZ. And I guess I am more concerned about not looking back, but what mechanisms are in place moving forward, because they are still going to continue to get funding.

Mr. GEISEL. If they get funding, we will do audits. And I should add we also do inspections, and it is obvious, because it is big, we are going to do it. We go where the money is at.

Mr. CHAFFETZ. All right, we will follow up on that, because I am very interested in what safeguards the State Department is putting in place so it is realtime, or in advance, not just retroactive and say, whoops, we made the mistake again and again and again.

I thank the gentleman from South Carolina for yielding. We will now recognize the gentlewoman, Ms. Norton, for five minutes.

Ms. NORTON. Thank you very much, Mr. Chairman. It has really been hard to sit here and hear this testimony. As the United States withdraws from Afghanistan, we have seen what happens when are there in light of corruption, corruption that occurs right under our nose. We heard about the corruption with the contracts with our so-called partners. I want to focus for a moment on the host country, because as we draw, I presume that whatever oversight has occurred is going to withdraw, at least gradually, as well. Support for this war melted and now we are going to see very little support for whatever we are doing in the country vanish. My question really goes to the relationship that, throughout these wars, successive administrations have drawn between development in the country and defense.

Now, the poster child for the host country, corruption has been one that this committee, through one of its subcommittees, has had hearings on—Ambassador Moorefield, I am sure, remembers the hearings on the Dawood Military Hospital. What makes me wonder about what appears to be a haven of corruption now, what it will look like if Dawood is an example. Here you had 100 percent funded hospital that took care of Afghan police and military, and DOD trainers right on site essentially to help them to be able to do all of this by themselves.

Now, right under their very noses you had notorious corruption of the worse kind. For example, counterfeit morphine was reported; pharmaceuticals that came in and then went out; and a criminal network to be sold on the black market absolutely diverted right there, side-by-side with DOD personnel.

I hate to say this because the whole notion of construction and defense, construction making countries secure and defense going hand-in-hand, certainly made sense on paper and abstractly, but I have to ask, particularly in light of Mr. Sopko's testimony that corruption in Afghanistan was so endemic that it threatens the reconstruction effort, if we pull out, there will be nobody to report to except the Afghans.

You have had a recent report of the Afghan attorney general, and they looked at what he had done for an entire quarter. No significant anti-corruption indictments. I am trying to figure out the forecast for what happens if we leave money and construction or even for something as vital as medicine and pharmaceuticals, how we can expect this corruption to do anything but spread.

So first let me ask perhaps Mr. Sopko and Mr. Cooksey what is your forecast for how the host country, which will be responsible now by itself, will respond if they are now in charge of ferreting out corruption.

Mr. SOPKO. We are very, very concerned. You have hit the point on the head. And I can only cite you a recent example; I can't go into the detail because it is under seal. But we have tried to push the envelope where we can to work with Afghan Ministry of Justice. We are probably one of the few agencies that do that on a regular basis, but we can only push it so far. The prosecutors we talk to and the cops, who are Afghan cops, know we can't go any further.

Ms. NORTON. Because?

Mr. SOPKO. They can't go any further because they are hitting too close to power; they are getting too close to the politicians. And we had an interesting case. We are the first law enforcement agency, in our belief, to have a U.S. law enforcement officer testify in a court; and he just did that two weeks ago and, as a result, a sentence was increased. And this had to do with somebody who stole money from our fuel depot.

Now, we have another case that is under seal. We were the first agency to actually get an in rem action. We identified approximately \$50 million stole from the U.S. Government which was in a Kabul Bank. We got a court order; it is under seal, so I can't describe the particulars, but we had it served on the Afghan government to seize that money. It was supposed to be frozen. For six months we have been negotiating with the attorney general's office in Afghanistan and, lo and behold, last weekend, mysteriously the money was unfrozen and it is gone. This, I fear, is the future in Afghanistan.

Ms. NORTON. Mr. Sopko, we are dealing with a country that has not had the rule of law, nothing close to it. Sometimes I remember, when countries were given their independence, we would send over people to work specifically on justice system and rule of law. Are there people in the country working to acquaint, to bring the rule of law to a country which, over thousands of years, has never had

it; where, it seems to me, in light of this testimony, will get worse if we continue to leave money there?

Mr. SOPKO. Congressman Norton, I think you are right. And I don't want to denigrate there are some brave Afghans who are trying to do this, and I think the Chairman referred to the MEC, which is a joint Afghan and international organization which has been looking at corruption; and they are the ones who have basically done the most work identifying the problems in the Kabul Bank, and you have to give them credit. But we have to try to help these people, and we definitely have to try to help those people who are Afghans fighting corruption. But my fear is it is going to be extremely difficult and I am not optimistic.

Mr. CHAFFETZ. Thank you. I thank the gentlewoman.

We will now recognize the gentleman from Michigan, Mr. Bentivolio, for five minutes.

Mr. BENTIVOLIO. Thank you, Mr. Chairman. I will be brief. Real quickly, but as I sit here every day, listening to testimony upon testimony, questions, I am sitting here thinking I wonder what Joseph Heller would write about 60 years later; would it change or would it be pretty much the same.

But real quick question is regarding there is a theme that seems to run through all the testimony I have heard since I have been on this committee, and that is we have to incentivize integrity, honesty in our system. And the question I have is what are your suggestions, if any. What exactly are you talking about. Because it certainly seems like we look for ways to punish, but we are not doing that. Maybe to incentivize gives somebody an incentive, maybe a percentage of the corruption that they expose and correct. We would probably have billionaires out there overnight. Any suggestions, sir?

Mr. SOPKO. Well, we do have programs set up that whistle-blowers can collect funds. We have used whistle-blowers. That actually is an incentive, and it goes back to a statute that was passed in the 1860s in response to Civil War corruption. So statutes like that can help and we use it. I think there are other incentives that maybe my colleagues could also add.

Mr. BENTIVOLIO. What about your authority? Can we give you some more bite? I mean, it says acting inspector general. How long is your term, sir?

Mr. SOPKO. Well, actually, my term is written into the statute. We go out of existence six months after the amount of reconstruction money falls below \$250 million not yet spent. So since we are in the \$30 billion range, we will be around for a while. But I personally like the fact that we are a temporary agency. I think this was a wonderful assignment given to me by the President, but I think this was a wonderful statute passed by Congress. Don't create another organization that never goes away. You should create it for the emergency. The emergency was what was going on in Afghanistan, and when our time is right to shut down, we will shut down. I will be happy to turn the lights off. So, no, I don't need to be permanent.

Mr. BENTIVOLIO. Okay, sunset clause.

Mr. SOPKO. Yes.

Mr. BENTIVOLIO. What about other incentives besides the statute that came from President Lincoln, I think it was?

Mr. SOPKO. I will defer to my colleagues.

Mr. BENTIVOLIO. Any other suggestions how we can incentivize cost-saving measures and integrity and honesty in our system?

Mr. CARROLL. Well, it is disappointing to hear that you feel that we need to incentivize good behavior. I don't think that is the case. I don't think that there is so endemic corruption in the American system that we need to do something like that. I agree with John that there are systems in place, qui tam and whistle-blower and things like that, where people can be remunerated for exposing corruption and that sort of thing, but it is all of our responsibility in the Federal Government to conduct ourselves lawfully and ethically.

So the carrot is good, but I think you are looking at the hammer right here at the table. We have full law enforcement authority to investigate and prosecute and that sort of thing. Our audits disclose corruption and we act on that. So I think you have the tools in place. I am not here to argue for more money, but when you think about the money spent on oversight vis-a-vis the portfolios that we oversee, you could double and triple our budgets, and we could double and triple our staff and still probably not feel comfortable with the amount of oversight we are providing over our agencies. So it is a question of what is the commitment to oversight.

Mr. GEISEL. I would like to mention for just a moment the whole issue of accountability, which we have spoken about here, and officers who waste money throwing it away or who don't properly check invoices and see that services were actually delivered. And it is very, very difficult to get rid of a person who has been proven incompetent if he or she is an employee of the U.S. Government, and I would suggest that it is about time we looked at Federal personnel regulations and see how we can better hold people accountable.

Mr. CHAFFETZ. I thank the gentleman.

Mr. BENTIVOLIO. An excellent observation.

Mr. Chairman, I yield back my time.

Mr. CHAFFETZ. Thank you.

We will now recognize the gentleman from Nevada, Mr. Horsford, for five minutes.

Mr. HORSFORD. Thank you very much, Mr. Chairman.

I want to start my questioning where the ranking member started this hearing today, which is to Mr. Cooksey about the fact that in your report it says that the primary job was to answer the basic question what happened to the billions of U.S. taxpayer dollars spent to rebuild Iraq. And as the report concludes, the troubling answer is that it finds that 15 percent of reconstruction funds were subject to waste.

Now, that is billions and billions of dollars. To the American public, and my constituents in particular, that is completely unacceptable. So my question is now that that has been identified, what is being done to ensure that the same levels of waste are no longer occurring in any other rebuilding efforts anywhere? And what can

be done to re-purpose those dollars which did not go to their intended purpose to other areas of need?

For example, I just met with the Veterans Advisory Council in my district and several of our veterans raised a number of issues concerning services that they need upon their return from Iraq and Afghanistan. Among those issues, of course, is the whole backlog issue, which we have heard about, and I hope that we will continue to address.

But there is one thing in particular, and I want to ask you specifically, about some of the serious health issues that they were exposed to while in active duty, and one in particular is the open pit burning issue in Iraq and Afghanistan. So my question is to what extent have any of you examined this issue of the burning pits and is there any coordination with the State Department, the Department of Defense, and the Department of Veterans Affairs, and do we know of the extent of the exposure to U.S. troops who were serving in Iraq or Afghanistan and any overall impact of the burning pit issue?

Mr. SOPKO. Congressman, that is a very good question. We actually will be releasing a report on one of those issues dealing with burning pits within the next month, and what we discovered is, you realize, Congress saw that as a problem and appropriated funds to build sophisticated incinerators in each one of the military bases. What we have discovered, unfortunately, is poor procurement, and most of those incinerators don't work or have never been used. And we are going to be highlighting one at the Forward Operating Base, Solerno, where we lost over \$5 million on building an incinerator that doesn't work, and now we are going to have to pay for money to destroy it.

Now, as a result, they are using the burn pits, and you still have the same health problems. We think that is endemic to all of the incinerators built in Afghanistan.

Mr. HORSFORD. Okay. So I get the impact to the investment of a facility, but I sat in a room with a vet who now has respiratory disorders because of the exposure, and he can't get his claim approved. And when I hear that 15 percent of the money that was supposed to be used for these type of rebuilding efforts were wasted or not done according to specs, that is not a good enough answer for that constituent of mine, who can't now even get his claim processed.

So I guess, secondly, Mr. Chairman, what I see here is really a need to have a discussion about how these dollars that were supposed to be used to rebuild projects, that if they were not done or were wasted, that that money needs to get re-purposed to our veterans and that, as an example, people who were exposed because contractors failed to build a facility, and our vets are now exposed, they need to get their claim approved; and not at 10 percent or 20 percent, but at 100 percent. And I hope that we can work together in a bipartisan manner to make that possible.

So when will this report be issued and can we get a copy?

Mr. SOPKO. It will be issued the end of this money and we are happy to come up and brief you, as well as brief any of the committees, including this one of jurisdiction, as well as the veterans committees. I think it is an important expose on, again, another great

program that was poorly, poorly planned and handled in Afghanistan, amounting in millions of dollars of waste.

Mr. CHAFFETZ. Thank you.

I thank the gentleman.

Now recognize the gentleman from Arizona, Mr. Gosar, for five minutes.

Mr. GOSAR. Thank you, Mr. Chairman.

I am a health care provider, and you make a diagnosis, which is kind of like what you are doing or what we are doing, I guess, in foreign countries, and you prescribe a procedure. Diagnosis; procedure. And when the procedure does not work on a diagnosis, you change, you revamp and change and retool it. And everything that has been said here today is applicable. I mean, I am disgusted. I am absolutely disgusted.

We pointed to whistle-blowers and in this committee we heard about whistle-blowers. In fact, we have a problem right now in Benghazi coming forward because of what happened with Fast and Furious whistle-blowers, the retaliation from within our own Justice Department. So how are you expecting something to happen across the world when your own Justice Department does not exonerate or support and withdraw whistle-blowers?

Number two is when you look at madness here, a comment was made along this panel, I do not exactly know which one, that our mission is to make sure that terrorism does not exist, or minimize terrorism in Afghanistan, in rebuilding. And somebody said that we are doing that. Are you kidding me? What we did is we took a shotgun, a shotgun approach and we shot money at it and hoped some of the money stuck. And I think if you talk to any vote person, any taxpayer, any business person, anybody watching television, what they see going on in Afghanistan is an atrocity. Iraq the same way. It is horrible.

So let us go back and retrace this, because I am also one of those problem-solvers. This has got to come to an end. Somebody said, and I think it was Mr. Cooksey made a comment that if we are going to reform this, it is smaller increments of money making sure that things have oversight.

Is that not true, Mr. Cooksey?

Mr. COOKSEY. That is correct.

Mr. GOSAR. So small investments with caps on them, and then re-certification, so rewarding good behavior. Okay? I could go along with that. And I also think maybe could you agree also with flexibility? It seems to me that the NGOs actually work pretty well. Do they not, Mr. Cooksey?

Mr. COOKSEY. In some cases. We found good success and in a few we found some problems.

Mr. GOSAR. Okay. But, for the most part, they do work.

Mr. COOKSEY. That is correct.

Mr. GOSAR. And part of their magic is they lack bureaucracy, right?

Mr. COOKSEY. Possibly, yes.

Mr. GOSAR. I have been here, now, three years, and one of the things I see about Congress and I see about this Federal Government is bureaucracy. It is an endemic pandemic.

[Laughter.]

Mr. GOSAR. It is horrific. In dentistry we have this theory, it is called the KISS theory; it is called Keep It Simple, Stupid. And that is what we have to get back to, because this is just egregious. We are throwing money out the window. My colleague from Vermont said it; my colleague from California said it. It belongs here. If we are going to have ownership here, I applaud the chairman for having those reports at the end of today, or getting those reports to make sure that people are held accountable. I want to make sure our Justice Department is holding people accountable. We ought to have the workplace, the Federal employees that do their job be held accountable and be fired for that.

From what I have seen, look in the State Department, look in Benghazi; I mean, we just had retooling of chairs. Where is the accountability? When I was in private practice, the buck stopped with me. No matter if my hygienist, my dental assistant, my front office, my wife, my kids, my landscaper got into a problem; the buck stopped with me. And that is what America sees as dysfunctional here.

If you could actually look at a foreign aid bill, and, by the way, I am actually putting it out this week, exactly what you are talking about, is that there is no flexibility. You have some flexibility in small amounts of cash and you have to come back and report, there are caps on it and it has to have justification. But you start looking at religious prosecution and rewarding good behavior with those grants.

And then stop and ask. When you, as a patient, come into my office, I do not just start pulling teeth. Sometimes I would like to; I might get the right tooth. But if I do not ask you what hurts, how can I help you, and not infer what our legacy is, but work with the legacies and historical predications built on those countries, you are going to find a whole different set of answers.

So I hope that people will look at this bill, because what it does is put caps on there, makes accountability. It comes back to Congress, where the due diligence belongs. Okay? And then also put standards in forecast to hold people responsible for their actions, because I am going to go back and look at the logs in the military. I mean, that is just absurd to me that somebody would bypass not even reviewing a ledger. That is just absolutely ridiculous to me.

So with that, Mr. Chairman, I would like to yield back. Thank you.

Mr. CHAFFETZ. I thank the gentleman.

We now recognize the gentleman from Oklahoma, Mr. Lankford, for five minutes.

Mr. LANKFORD. Thank you.

Thanks to all of you being here. This is a long day of conversation. It is a long day for all of us and it is difficult to be able to go through all this information. The challenge of it is we begin with foreign aid and how we do this is the current budget realities that we deal with and also the strategy of what we are trying to accomplish. I am struck by the fact that we still do not have a clear strategy for what we are trying to accomplish with our foreign aid, and all of you gentlemen have given us some great information on the accountability on the other side of it, what is being done on the ground with it, so I am very pleased to be able to hear that.



But you have no idea how difficult it is to be able to explain to someone who is a civilian DOD worker who is about to be laid off up to 14 days of furlough time, who sees all the fraud and waste that happens around their base and is trying to figure out why am I being furloughed when this kind of stuff is happening. It is very difficult to explain to someone who is a Social Security recipient or a Medicare recipient, they see all the fraud and the waste, and then they hear about this kind of stuff happening overseas with the dollars. You have done a great service to our Nation of pulling some things out and of highlighting them and saying these are the issues that we have to deal with.

Mr. Carroll, specifically in your report, as I walked through it, I am amazed at some of the things in Afghanistan when I was there two years ago to get a chance to visit with some of the folks on the ground, including USAID. I am amazed at some of the things that we are involved in, and it is tough to be able to see; how we have Pakistani farmers, for some reason, didn't want our energy-efficient irrigation pumps, they wanted to use their own.

But we were forcing those on folks to be able to have that; how we are doing sustainability projects that they can't maintain on the ground, like \$73 million in an IT system in Iraq that they can't keep up with; building schools in the West Bank in Gaza that they don't know how to maintain those facilities; that we are building roads in South Sudan that they can't maintain the road. In fact, the road has actually led to a higher number of traffic fatalities now that they can go a higher speed on it.

That we have \$92 million in the South Sudan, as well, that has gone to an office complex that is not actually being used for what we designed it for; that we give USAID aid to the Jordanian government, they have actually transferred it over to military spending. In Afghanistan, for whatever reason now, 50 percent of our development aid we are going to send directly to the government, when it has been clearly reported here that 13 of these different agencies absolutely should not get direct cash aid from us because they have no accountability, no structure, no process, and yet we are building hospitals they don't have staff to operate; we are building power plants they don't have the technology and the capability to be able to operate. We have 43 different companies that may have terrorist affiliations that we have contracts with through the Federal Government that we are spending American taxpayer dollars to.

This is quite enlightening to go through the process, and we appreciate very much what you are bringing to the American people in doing the work that you are trying to do with it. The challenge goes on what Mr. Gosar was saying, as well; it is the how do we fix it. I am going to tell you the first option that I hear a lot is the first way we fix this is to do a lot less foreign aid.

Mr. Carroll, you said you could give us three times more financial support to do oversight and it still wouldn't be enough. There is a way to solve that: we do less foreign aid. Then you have less to do in the oversight. And we are actually more efficient in saving some of those dollars. We are putting so much money out the door that we cannot oversee. The first step of that is we don't put money out the door we can't oversee. So we either have oversight in the

process or we don't send it out the door. So step one for us is to send less out the door right now. And then at some point we can build up and have better oversight, we have that.

What would you recommend is the step two? If we are going to do step one is we put less foreign aid out the door until we can get to a process we can oversee it, what is step two?

Mr. CARROLL. First, let me make clear that we are providing oversight.

Mr. LANKFORD. Correct.

Mr. CARROLL. It is a large portfolio. I would like to provide more oversight, but there is oversight being done. So I don't want you to think that there is a huge portfolio out there not being looked at. We do a risk-based analysis and we prioritize our resources.

I am not here to defend direct foreign assistance or USAID Forward or IPR, or anything like that. I am not here to defend that. But, theoretically, the agency has come up with a well thought out process in making decisions. You know, for example, we have talked about the 13 ministries. They have not all gotten money. The agency is trying to be thoughtful about if there are red flags, they try to mitigate the red flags. If they can't mitigate the red flags, I don't think they are going to give the money. So it is not as if we identify these dysfunctional agencies and we are going to continue to give them money, regardless. I don't think that is going to be the case. If it is, we will expose it, Mr. Sopko will expose it and we will stop it.

It is a question of actually executing on the systems that the agency is putting in place to do the pre-award assessments. I think they need to do a much better job in, like Mr. Sopko said, getting out into the field and actually looking at the work being done. For many years the agency relied on the implementers to give them performance data. So it is really all about accountability. Like we said earlier, we don't talk about the philosophy, the political decisions about the kind of programs that the agency is implementing. Our job is to make sure they are being implemented correctly and efficiently and there isn't corruption, and we will continue to do that.

So it is a question of us doing our job, holding the agency accountable, but the agency holding themselves accountable and doing the performance kind of reviews that they should be doing to ensure that the projects are being done correctly. And if they are not, to either stop the project, redesign the project—and that is what we do, too, in our performance audits, we make recommendations as the projects are going on so they can make mid-course corrections to try and receive their ultimate goals.

Mr. LANKFORD. But right now we are not being strategic in what we are building that can actually be maintained and what we are building actually meets our national security interests, or what we are actually putting into the dollars actually we get an achievement back out of it other than someone siphoning off the dollars. So that is the challenge we have right now. Based on what you all have brought to us, which we are very grateful for, it is very clear we are putting too many dollars out there unaccounted for, no oversight on it on the ground, and we are hoping things are turning out well, and they are not. So that we have to fix.

So, with that, I appreciate that and I yield back.

Chairman ISSA. [Presiding.] I thank the gentleman.

We now go to the gentlelady from Wyoming, Mrs. Lummis.

Mrs. LUMMIS. Thank you, Mr. Chairman. I too want to thank the gentlemen and women who have worked on this report and are here today to discuss it with us. And I want to ask some questions about who else knows about it, so I will start with Ambassador Moorefield.

Has Secretary Hagel read this report?

Mr. MOOREFIELD. Madam Congresswoman, I do not know if he has read it or not. We recently received it. We have certainly read it in the Department of Defense IG's office and certainly have taken the lessons learned shared there to heart, but as far as the Secretary, who is relatively new, I do not know if it has been brought to his attention.

Mrs. LUMMIS. And who would be responsible for bringing it to his attention?

Mr. MOOREFIELD. Well, I would say that SIGIR certainly has the capability, and I think the access, to bring it directly to his attention. It could be brought to his attention by this committee.

Mrs. LUMMIS. Thank you.

Ambassador Geisel, did I pronounce that right?

Mr. GEISEL. You did. Thank you.

Mrs. LUMMIS. Okay. Does Secretary Kerry know about this report?

Mr. GEISEL. I don't know. I believe that SIGIR was scheduled to brief Deputy Secretary Burns on the report at the beginning of April.

Mrs. LUMMIS. Thank you.

Mr. Sopko, who in the White House knows about this report? You are a presidential appointee.

Mr. SOPKO. You are talking about the SIGIR report?

Mrs. LUMMIS. Yes.

Mr. SOPKO. I wouldn't know. If you are talking about the SIGIR report, I don't know. I think they have the same reporting process that I do, but everything I print or publish, it goes to SEC. Def., SEC. State, and it goes to all the appropriate congressional committees. So I assume it goes there.

Mrs. LUMMIS. So regarding your report, who in the White House knows about your report? Your work.

Mr. SOPKO. I will be honest with you, I don't know who.

Mrs. LUMMIS. That concerns me a little bit, just because there is an executive branch response, as well as a legislative response that is appropriate here. So it would seem that the White House should be very aware of your work.

Mr. SOPKO. I am assuming they are because we reported and we brief senior officials at State, AID, and DOD. So I am assuming they are briefing the White House.

Mrs. LUMMIS. Would you provide us the names of the people you have briefed?

Mr. SOPKO. Absolutely.

Mrs. LUMMIS. That would be very helpful.

Ambassador Geisel, the same?

Mr. GEISEL. Briefed on that? We don't have a report like that.

Mrs. LUMMIS. Well, I will then go just to the SIGIR report.

Mr. GEISEL. Oh, absolutely.

Mrs. LUMMIS. And would that be an appropriate question for Ambassador Moorefield or Mr. Cooksey, regarding who has been briefed about the SIGIR report?

Mr. COOKSEY. We can provide you with the names of the people we brief, such as Deputy Secretary Burns at the State Department and others.

Mrs. LUMMIS. Thank you. That would be really helpful. Also, has anyone been briefed at the House Appropriations Committee, either staff or members of Congress?

Mr. COOKSEY. Yes.

Mrs. LUMMIS. And, Mr. Cooksey, could you tell me who that is?

Mr. COOKSEY. Well, on both subcommittees on the appropriations committee, the State and Foreign Operations Subcommittee; on the House side, the Majority staff.

Mrs. LUMMIS. No one from the Minority staff?

Mr. COOKSEY. They weren't in the—I know he has a copy of the report.

Mrs. LUMMIS. Okay. It was mentioned during the course of your testimony that there are ways to attach riders to the appropriations bills that would provide impetus for implementation of these reports. Could you go back and tell me what those were?

Mr. SOPKO. Actually, if I can find it on my desk, there actually was language inserted in the appropriations bill, and I am happy to provide you a copy of it. Public Law 112-74, Section 7031 actually dealt with direct government-to-government assistance, and in that approps language they put in a requirement, specific requirement—this is something you could follow up on—on before doing direct assistance there had to be a review of the recipient agency and to determine how well or capable they are. So I would be happy to provide that to you.

The question then is you put it in there; did anybody follow up.

Mrs. LUMMIS. Exactly. And, furthermore, does it need to be annually reinserted, because it is a one-year budget, or does it transcend?

Mr. SOPKO. I think it would have to be reinserted. My understanding—I am not an expert on this, but since it is two-year money in appropriations language, I would think it would have to be reinserted every approps bill.

Mr. CARROLL. I am not saying that that is not a good idea, but AID is incorporating this into their business practices. So it is not as if you need to encourage them to do this; they are going to do this as a matter of course. Now, whether they do it effectively, whether they do it efficiently, whether they do it all the time, whether they make the right decisions based on what they find, those are all important questions that we will have to ask as we go along, but this is being incorporated into business practices.

Mrs. LUMMIS. Okay. Question for the chairman. When this committee has a hearing like this and receives information that would be helpful to appropriators, is there a mechanism whereby you communicate directly with the appropriations chairman about these types of revelations?

Chairman ISSA. If the gentlelady would yield.

Mrs. LUMMIS. I will yield.

Chairman ISSA. Yes, there is, and as a former appropriator who came over here, I appreciate your coming here with your vast knowledge and, yes, we will pass on some portions of that, including the rider request.

Mrs. LUMMIS. Thank you.

Again, with my thanks to the panel and to all the people who worked on these reports and this information.

Mr. Chairman, I yield back.

Chairman ISSA. I thank the gentlelady.

I get to close and you get to leave. This is how the smiles. You see, you stretch, you feel better.

I just have a couple things. First of all, Mr. Carroll, I want to thank you for agreeing to provide the documents that both sides have been asking for for a while. Ultimately, we live with the ability to get documents of that sort.

I don't know if it was mentioned, but we very much would like them in electronic format, to the greatest extent possible, PDF, if nothing else. But if they exist in some electronically readable, it is really a lot better for us.

I once had the Secretary of Energy here, and I had to explain to him that they had to actually change a setting in order to not Bates stamp the papers they sent over to us. And if the Department of Energy could not figure out a high tech way to send us tens of thousands, actually, hundreds of thousands of pages other than in Xeroxed, non-Bates stamped form, that I would ask them to then send over the amount of staff necessary to go chink-chink, chink-chink to Bates stamp. He agreed electronic would be better.

I have just a couple quick questions. And, Mr. Carroll, I know you have had a tough day. We put you in the center so that people on both sides would say you need to do better. But this concern that I have—I am leaving for foreign affairs—that going to 30 percent direct aid as a goal, and then having a policy that countries, to receive this direct aid, are supposed to meet a level of testing that clearly Afghanistan doesn't meet, Iraq doesn't meet—to be honest, it is sort of a strange thing; the Palestinians probably beat it better than 99 percent of the countries we provide aid to—knowing that in fact they are supposed to meet this, but then knowing that there have already been examples where they clearly fail, and for ideological or some policy reasons they get the money anyway, how am I to be confident that I am not essentially paying money for something you want somebody to do, which is not what aid is for?

And I will phrase it shorter. If we know they are corrupt, we know that they are not going to deliver the money in totality as agreed, but we are doing it because we want certain other behavior, isn't that a bribe at a government level? You don't have to answer. I have four other people here.

Mr. CARROLL. Oh, I was hoping that was rhetorical. I am not going to answer that.

Chairman ISSA. Okay.

Mr. CARROLL. Sounds like a foreign policy decision.

Chairman ISSA. But in the case of Afghanistan, they are certainly not, by any policy, legitimately entitled to direct aid. They

are in fact skimming it off; they are not accounting for it properly; it does end up in corrupt activities in many cases. But we want certain behavior. Isn't that why we continue giving them direct aid? And I use Afghanistan not because they should be the poster child. To be honest, I think the poster child would be the countries we are not talking about, smaller countries, smaller amounts, ones that the focus of the public is not on. But Afghanistan certainly has been well discussed today.

Mr. SOPKO. Well, part of foreign assistance is obviously to give an incentive to countries to do what we would like them to do, whether it is to improve education, improve women's health care, or allow our military to have bases. So obviously there is more to aid than just building buildings. So I can understand. And that is why, in my report, when I talk about the seven questions to ask, I am very clear that even though you answer every one of those questions in the negative, so, therefore, the program is likely to fail, it still may be worth the risk for other reasons. But you should articulate what those reasons are to Congress and to the American taxpayer.

Chairman ISSA. Additional question along the same line, and, Mr. Cooksey, I will use you as my best example because you have been very good. Your whole organization, since it was formed, has been very good at answering this question. Isn't Congress entitled to know the good, the bad, and the ugly, including a current and up-to-date report on a regular basis of, in fact, how corrupt some group is that we are providing direct aid to; how good their human rights are; how good—and I know that Mr. Gowdy had specific questions—how good their religious freedom rights are? Isn't that an essential element that without that the motives, in fact, can be very well disguised?

Mr. COOKSEY. Well, clearly that is an essential element of oversight, would be to be provided this information from whichever government agency is thinking about—wants to provide the money. There should be a justification up front and there should be a report afterwards as to what happened to—what was the outcome, what happened to the money.

Chairman ISSA. Closing last question, and my ranking member is here, so he may have the last word, for my two ambassadors. The title of ambassador is granted once and worn always, but one thing that ambassadors have to deal with is speaking to a foreign government or, in some cases, other entities and telling them that their hands are tied by U.S. law. You have done it. Practically you can't get through your first month. Isn't in fact U.S. law and the intent of U.S. law something that should tie the behavior of those we provide aid to just as strongly as Mr. Cummings and I would insist that the corrupt practices law be enforced against companies doing business? Isn't the standard, at least in the law, and, thus, what you have to tell your counterparts on the other side is part of the package with America? Isn't that empowering to you as ambassadors?

Mr. GEISEL. Absolutely yes, and you used the right word, empowering. I loved telling crooks that we weren't going to play their game.

Chairman ISSA. Ambassador?

Mr. MOOREFIELD. Yes. Thank you, Mr. Chairman. I had the honor of serving in two countries, and it was certainly very sobering to be able to explain what U.S. law was and what the limitations and requirements were. So it was very empowering, yes.

Chairman ISSA. Well, I am an old foreign affairs guy who has been off the committee for a number of years now, and I have watched all the good work we did in Egypt go the wrong direction, and several other countries. So I do share with you that empowering our diplomats by having us stand for the right things, us say that we will not make monies available if in fact you don't meet standards that the American taxpayer would expect, and my hope is that, working with the Foreign Affairs Committee as the authorizers and the appropriators, we continue to do that.

With that, we have been rejoined by the ranking member, who is now recognized.

Mr. CUMMINGS. Picking up on where the chairman left off, Mr. Sopko, how confident are you that we can do that? I asked you earlier about how to have these accountability standards and making sure that, as money is distributed, we are making sure that the dollars are being used for what they are supposed to be used for. But going back to what the chairman was saying, I have listened to a lot of what you all have said and it makes you feel like this is just too big to control, and I am just wondering—give me some good news. Really, this is the United States of America. This is the Country that sent folks to the moon. And you mean we can't control our own dollars? We are not doing the stuff that we did, where we sent all the millions of dollars over to Iraq a few years ago with no controls; they are not doing those kind of things, I am sure, but it sounds like we are not too far from it.

Mr. SOPKO. Congressman, I am, like I said, the eternal optimist, but we have done a lot. We have helped the Afghan people. Many of the programs work. We are highlighting problems.

Mr. CUMMINGS. Okay.

Mr. SOPKO. And they are serious problems, and we are highlighting concerns. And we are particularly concerned now as the security issue changes. And I think that is why we are here raising these concerns so vociferously, because if the security situation deteriorates, then we can't do our job, AID can't do its job, DOD can't do its job to let out those contracts. And if we don't replace the U.S. military with appropriate security provided by the State Department, none of our auditors or investigators are going to be able to leave the Kabul bubble.

Mr. CUMMINGS. So I assume that if the President called you right now and said, look, I just saw you, Sopko, on C-SPAN. Come and tell me, give me your best advice, what would you say, that what you just said?

Mr. SOPKO. I would say that and make certain we are properly planning and properly coordinating with our allies.

Mr. CUMMINGS. Every step of the way.

Mr. SOPKO. Every step. And coordinating, where we can, with the honest Afghan citizens who care. And there are numbers of them, and we can't forget them, because, like I said in my opening statement, that would be the cruelest joke, is after 30 years of the Afghans fighting the Russians, the Taliban, and all of that, we pour

the money in, we upset the whole apple cart there, and then we say bye, it is all yours, see you next decade. That would be the cruelest joke and the cruelest joke to our citizens, who have paid for it in their blood and their treasury.

Mr. CUMMINGS. I often say we should not be so concerned about who we are fighting against, but what we are fighting for, because sometimes I think they get lost. We get so caught up in the fighting against, but what we are fighting for. What is it that we are fighting for? Because I think we can get so hung up.

And President Karzai is one thing, but you take us back to what the bottom line is, and it goes back to what I said at the very beginning, Mr. Cooksey, about how I wanted to make sure that if we look at what we are fighting for, that we keep our eye on that prize and not allow the other things to kill it. Am I right? Does that make sense?

Mr. SOPKO. It makes absolute sense. And, Congressman, that was one of the reasons why I was so upset when the AID official, who oversees programs where we are trying to teach rule of law to the Afghans, pulled on me that, oh, we can't give Congress material, we can't give you material because it is embarrassing. And I was thinking we are trying to teach rule of law to the Afghans and we are not even applying rule of law to our legislators and our taxpayers. I mean, this is taxpayer money that paid for these programs, taxpayer money that paid for those audits. And, actually, those audits came about because Mr. Carroll uncovered the fact that the internal audits, the internal assessments done by AID were worthless. So he told them they had to go out and get these outside audits. So our taxpayers paid for them twice. And then we were going to turn them over to nameless, faceless Afghan bureaucrats to X it out.

Now, maybe I am really upset because I worked on the Hill, as you know, for John Dingle, and I just couldn't believe this. You are applying FOIA. One of the objections the general counsel told me is, oh, there could be FOIA involved. I said, have you ever looked at the FOIA statute? Congress is exempt from FOIA. So what are you saying we can't turn it over to FOIA because it is potential FOIA? And then they classify it after the fact.

So I understand where you are coming from. I think we have to live up to our law and live up to our beliefs.

Mr. CUMMINGS. My last comment. I was thinking about what Mr. Collins had raised an issue and I get the impression that Mr. Collins has not been to countries that do not have a fully developed judicial system. I have and I know the chairman has. And a lot of people just assume that the judicial systems are as sophisticated as the one we have in our Country. And they have another thought coming. And when you were talking about, well, how do you enforce this and enforce that and you were talking about the courts, you are absolutely right; if you don't have a system—and, again, we assume that every place is like the United States or perhaps England, but they are not. So it becomes very complicated to get, I am sure, certain—I guess maybe it was you. One of you all was talking about that. Was it you, Mr. Carroll? Yes, that is a real problem. A lot of people can't even comprehend that you can have a court system like what you said, it is about who has the connec-



tions, who has the money. They don't even comprehend that because they have never seen it. So you have quite a few challenges.

Did you want to say something, Mr. Carroll?

Mr. MOOREFIELD. Yes.

Mr. CUMMINGS. And then I am finished.

Mr. MOOREFIELD. Just to give a ray of light here.

Mr. CUMMINGS. Thank you. Your mic is on? Because I want to hear this.

Mr. MOOREFIELD. It sure looks like it this time.

Let me just say that against formidable challenges we have helped build a force of 350,000 Army and police there. The one thing I will say, as a former infantryman, I frankly am confident that they are fighters, they are willing to fight, they will fight; and mostly they will fight for their country.

So notwithstanding the fact that the enemy still has a vote in this equation, I think they are going to probably end up being good enough. Now, the question is, and the challenge, can we help build sufficient governance, institutional capacity to support them in their ministries. That is the critical issue. Can we help suppress corruption? Can they believe that their leaders are going to support them in their willingness to put down their lives for their country? That is still a challenge.

Mr. CARROLL. You are absolutely right, Congressman, it is a complex universe out there for us. Ninety-seven different countries that we do business in, and with direct aid we are going to be chasing the bad guys in 97 of those countries, and it is different in almost every single country. We are seeing that now with Afghanistan. Believe it or not, in Pakistan and Afghanistan we have had some decent success; and there are other countries where just hit a roadblock in getting cooperation with local law enforcement. They don't even have the capabilities or the will or anything. So it is a case-by-case basis across the board.

Mr. CUMMINGS. I want to thank all of you for your testimony. It has been very helpful. And hopefully it will help us to get to where we have to go, and that is trying to make sure that our folks tax dollars, our constituents tax dollars are not wasted. And we can do better, and I am sure we will.

Thank you very much, Mr. Chairman.

Chairman ISSA. Thank you.

And although we would not talk about it today, Mr. Sopko, Mr. Cooksey, we are going to continue to look at the drawdown of military that has already occurred in Iraq and that is going to occur in Afghanistan, and the backfill for sufficiency through State Department assets. It is an area that, post-Benghazi, I think we all understand that if a country cannot be relied on to provide that, that in fact our foreign service personnel, both State Department and others, deserve to know that we have a plan and that that plan has both initial protection and contingency. And that is something this committee, as the committee of broad jurisdiction of all the parties involved, intends to continue with.

So I want to thank you for being here today on this subject, and we stand adjourned.

[Whereupon, at 12:49 p.m., the committee was adjourned.]

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**Opening Statement**  
**Rep. Elijah E. Cummings, Ranking Member**

**Hearing on "U.S. Foreign Assistance: What Oversight  
Mechanisms Are in Place to Ensure Accountability?"**

**April 10, 2013**

Let me first welcome John Sopko, the Special Inspector General for Afghanistan Reconstruction. Since he was sworn in nine months ago, Mr. Sopko has drawn attention to critical issues affecting reconstruction in Afghanistan, leading to multiple appearances before our Subcommittee on National Security and improving the oversight and accountability of reconstruction funds. I commend President Obama for appointing him, and it is especially nice to welcome Mr. Sopko back given his previous service as the Chief Counsel for Oversight on the House Energy and Commerce Committee under then-Chairman John Dingell.

I would also like to welcome Paul Cooksey, the Deputy Special Inspector General for Iraq Reconstruction. Over the past decade, his office has overseen tens of billions of dollars in reconstruction assistance to Iraq. The Special Inspector General, Stuart Bowen, has testified many times before our Committee, including on his office's investigation during the previous administration, which identified approximately \$12 billion in reconstruction funding that was not properly accounted for.

I would also like to thank the other Inspectors General who are joining us today from the Department of Defense, the Department of State, and the U.S. Agency for International Development. We appreciate the critical work you do, particularly in challenging environments like Iraq and Afghanistan. We thank you for your service.

I would be remiss if I did not mention our ongoing concern with the lack of Senate-confirmed IGs at these three agencies. At the State Department in particular, the Chairman and I have expressed our concerns to the President that he has never nominated an IG to fill that post in the five years he has been President. Obviously, this problem needs to be addressed.

Today we will hear about challenges to delivering foreign assistance efficiently and the lessons we need to learn in order to deliver that aid more effectively.

Over the past decade, there has been enormous waste and abuse in Iraq, where the United States provided nearly \$61 billion in reconstruction funding. For example, when the U.S. set out to repair an oil pipeline over the Tigris River, planners tried to bury the pipe under the river despite an engineering study concluding that the soil was too sandy. According to the IG, tens of millions of dollars were “wasted on churning sand.” The total cost of the project was \$100 million, more than 20 times the original estimate.

Last month, the Special Inspector General for Iraq Reconstruction released a final report on the “Lessons Learned” from his many years conducting oversight of projects just like this. This report includes key recommendations to help our country avoid making the mistakes of the past. For example, it recommends increasing coordination and accountability of reconstruction operations, focusing on small and more manageable programs and projects to build host country capacity, and ensuring buy-in from the host country for reconstruction activities.

With respect to Afghanistan, there are special challenges with overseeing reconstruction funding provided through direct government-to-government assistance. High levels of corruption and concerns about the Afghan government’s capacity to manage its budget increase the risk of waste, fraud, and abuse. Although the purpose of this assistance is to help the Afghans learn how to improve their systems, they are not yet ready to handle the billions of dollars in assistance the United States provides without enhanced oversight mechanisms.

For example, concerns have been raised recently over plans to provide the Afghan national power utility \$70 million to install and manage a hydroelectric turbine at Kajaki Dam. This is especially concerning given reports by the Special Inspector General that the power utility lacks the capacity to properly manage aid funds.

In his most recent quarterly report, Mr. Sopko suggests seven key questions that decision-makers should consider before expending foreign aid funds. These questions cover a range of issues, including our nation’s strategic objectives, the host country’s needs, and the host country’s capacity to sustain the project once it is complete. As with the examples from Iraq, these are lessons that can improve all foreign assistance programs.

As I close, I want to express my strong support for the Food for Peace program, through which U.S.-grown agricultural products have been carried on U.S.-flagged vessels to provide humanitarian aid around the world since 1954. Together with Duncan Hunter and 28 colleagues from both sides of the aisle, I have written to the President urging that we continue to support U.S. farms and the domestic sealift capacity on which our military depends while ensuring we get food to those most in need by maintaining this vital program.

At today’s hearing, I hope we can focus on how to learn these lessons from the past and implement improvements to make our nation’s aid programs stronger and more effective. Thank you, Mr. Chairman.

**Opening Statement of Jason Chaffetz, Chairman**  
**Subcommittee on National Security**  
**Full Committee Hearing: “U.S. Foreign Assistance: What Oversight Mechanisms**  
**are in Place to Ensure Accountability?”**  
**April 10, 2013**

Thank you Mister Chairman for holding this important hearing.

Foreign assistance is an important topic that we have been examining at the subcommittee level. Mister Chairman, I would like to echo your concerns about corruption in Afghanistan. Time and time again, I hear about cases of corruption hindering the proper delivery of U.S. foreign assistance. In some cases, the dollars or goods we provide are plainly stolen by corrupt individuals.

Our goal is to administer aid with proper accountability placed on that aid, and combat waste, fraud, and abuse.

Mister Chairman, at your direction, the subcommittee has held multiple hearings on proper oversight of U.S. foreign assistance and direct assistance. Recently, we have examined the lack of accountability for billions of dollars worth of petroleum, oil, and lubricants we provide to the Afghan National Army. Likewise, our hearings on Dawood National Military Hospital – also funded by U.S. taxpayers – focused on the theft, mismanagement, and atrocious human suffering at the hospital.

Corruption in Afghanistan is a major obstacle to administering proper U.S. aid. As you mentioned, Afghanistan is one of the most corrupt countries in the world.

Mister Chairman, you and I very recently had a discussion about corruption in Afghanistan, and the impact of the major Kabul Bank scandal. As you are aware, Kabul Bank was the largest bank in Afghanistan that held a substantial amount of Afghan’s salaries. The bank’s failure and subsequent bailout itself, represents approximately five to six percent of Afghanistan’s GDP. It is without a doubt a very serious matter – especially as we sit here today discussing oversight of U.S. direct assistance.

According to a report by the Afghan Independent Joint Anti-Corruption Monitoring and Evaluation Committee, approximately \$935 million dollars had been embezzled. This report relied heavily on the forensic audit conducted by the investigative firm known as Kroll.

During my travels to Afghanistan last November, I met with State Department officials who told me that they had seen the Kroll report, but did not have possession of it.

Given the importance and gravity of the matter, I was able to use my own contacts and recently received a copy of the Kroll report from a non-American, former senior Afghan bank official. This official obtained a copy of the Kroll report through his role in the investigation into the Kabul Bank scandal.

Mr. Chairman, I would like to provide you and the Ranking Member, copies of this report in hopes that we can begin to get the American people the answers they deserve.

**DEI:**

I thank the gentleman from Utah for bringing this to my attention. We did recently talk about the impact of the Kabul Bank scandal. Can we get staff to make copies for the witnesses so that they may have the report with them when they leave?

I now recognize the Subcommittee Ranking Member.

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**Opening Statement**

**Rep. John F. Tierney, Ranking Member, Subcommittee on National Security**

**Committee on Oversight and Government Reform**  
**Hearing on "U.S. Foreign Assistance: What Oversight Mechanisms**  
**Are in Place to Ensure Accountability?"**

**April 10, 2013**

Thank you, Mr. Chairman. And thank you to all of our witnesses for being here today.

I have long been concerned with the oversight of U.S. taxpayer dollars in Iraq and Afghanistan. In 2005, I co-authored bipartisan legislation with then-Republican Congressman Jim Leach that led the way to the creation of the Commission of Wartime Contracting. The Commission ultimately reported that up to \$60 billion in U.S. taxpayer funds had been lost due to waste, fraud, and abuse in Iraq and Afghanistan.

Under my Chairmanship, the Subcommittee on National Security conducted many investigations of misuse of taxpayer funds in Iraq and Afghanistan. In partnership with the then-Ranking Member Jeff Flake, we investigated the lack of visibility and potential corruption surrounding jet fuel contracts in Kyrgyzstan, and the U.S. Army's multi-billion dollar Host Nation Trucking contract in Afghanistan. Our investigation of the trucking contract uncovered a vast racket in which warlords, criminals, and insurgents extorted contractors for protection payments. A follow-up hearing last Congress showed that the Department had made limited progress in stopping taxpayer dollars from flowing to these warlords, criminals, and insurgents.

Congressman Chaffetz has continued this bipartisan tradition of oversight of our efforts in Afghanistan. In February, the Subcommittee held the third in a series of hearings on a report by the Special Inspector General for Afghanistan Reconstruction that the Department of Defense could not properly account for over \$1 billion in fuel purchases for the Afghan National Army. Even though the Defense Department lacked the proper controls to oversee the fuel logistics system, they planned to transition management of the program to the Afghan government.

To ensure no additional taxpayer dollars are wasted, Congressman Chaffetz and I introduced legislation to halt the flow of fuel and money to the Afghan Army until strict accountability and oversight measures are implemented. In response, the Department of Defense announced that it would require periodic audits and release funds incrementally to the Afghan Army, although it did not fully explain how it would ensure that the Afghans would cooperate.

Additionally, over the past year, the Subcommittee on National Security has been investigating the multi-billion dollar Defense Department contract to feed our troops in Afghanistan. Specifically, this inquiry has focused on how a contractor was able to overbill the government by more than \$750 million and how the Pentagon failed to properly manage this contract for so many years. I want to thank Chairman Chaffetz for his support of this investigation and for scheduling a hearing for next week on this important topic.

This Committee and the Subcommittee on National Security has long focused on the challenges in Afghanistan. Rife with corruption and weak in institutional capacity, Afghanistan is one of the most challenging places in the world to work. Security concerns hamper effective oversight and just this week, we were reminded of the risks of operating in Afghanistan as we mourned the deaths of nine U.S. personnel just this month, including a young diplomat who was killed delivering books to schoolchildren.

In this challenging environment, the critical role that the Inspectors General serve in preventing waste, fraud, and abuse, cannot be overstated. The Commission on Wartime Contracting, along with the Special Inspectors General for Iraq and Afghanistan Reconstruction, have shown the importance of real-time oversight of the tens of billions of dollars expended overseas. Based on recommendations made by the Commission on Wartime Contracting, last Congress, I introduced legislation to establish a Special Inspector General for Overseas Contingency Operations, or SIGOCO. If we are going to provide sufficient oversight of our overseas contingency operations, then we must preserve the unique capabilities of these Special Inspectors General in a single, permanent IG with a flexible, deployable cadre of oversight specialists.

Thank you and I look forward to today's hearing.



United States Department of State  
and the Broadcasting Board of Governors

*Office of Inspector General*

APR 16 2013

Dear Chairman Issa:

I wanted to thank you again for including State OIG in your Committee hearing, "U.S. Foreign Assistance: What Oversight Mechanisms Are in Place to Ensure Accountability?" It is a critical issue and we were happy to be a part of the discussion.

As requested, we have prepared responses to Committee members' questions, raised during the hearing, as follows:

**How much did the Department spend on a security barrier in Morocco – for a building that only had six to ten months left on its lease? Why? Are there other similar incidents of waste? (Rep. Mica)**

- The barrier was a part of a larger project at **USAID** which included upgraded cameras, a hardened guard booth and the security barrier. These recommendations all came from a survey performed by the USAID security officer, with Regional Security Officer concurrence. We understand cost for all of the recommended upgrades being mentioned by USAID was approximately \$400 K, but are unsure what percentage of that total pertained to the barrier alone.

These upgrades, which were done before our inspection in February 2013 and on the recommendation of the USAID security office, will provide security for the USAID annex for more than two years, as USAID will not relocate to the New Embassy Compound until it opens in March 2015.

OIG USAID can provide an accounting of how much and for how long this investment in upgrades will serve its purpose.

The Honorable  
Darrell Issa, Chairman,  
Committee on Oversight and Government Reform,  
United States House of Representatives.



**How many contractors have been suspended/debarred in Afghanistan. With how many of those companies has the Department completely stopped doing business, and with how many does it continue to do business (Rep. Mica)**

- OIG had 31 total related to Afghanistan investigations - 17 suspensions and 14 debarments.
- For information about specific companies suspended/debarred by the Department from work in Afghanistan, please contact: **Corey Rindner**, Procurement Executive / US Department of State (RindnerCM@state.gov)

**How long were contractors suspended in Afghanistan? Were there illegal acts uncovered? Were any of the contractors debarred? And how many of those contractors have been debarred in the last five years? (Rep. Speier)**

- In the past three fiscal years:
- Our Office of Investigations (INV) referred 89 companies and/or individuals to the Office of the Procurement Executive (OPE) for suspension or debarment consideration.
  - All 89 of these referrals involved allegations of illegal acts.
  - 6 of the companies or individuals INV referred to OPE were not suspended or debarred.
  - 83 of the companies or individuals INV referred to OPE were suspended and/or debarred
  - 36 of the 83 were suspensions
  - 47 of the 83 were debarments
  - 14 of the 83 started as suspensions and later became debarments
- OIG only has data with regard to the term of the suspension and/or debarment for 52 of the 83 actions. This data is as follows:
  - 6 were for 1 year (4 suspensions/2 debarments)
  - 28 were for 3 years (all debarments)
  - 18 were indefinite (all suspensions)

- For information about the term of suspensions/debarments by the Department, please contact: **Corey Rindner**, Procurement Executive / US Department of State (RindnerCM@state.gov)

**A list of all International Narcotics Control and Law Enforcement (INCLE) reports completed by our office (Rep. Chaffetz)**

- OIG has conducted INCLE audits in the past, is currently conducting INCLE audits, and, going forward, has an additional one planned in the FY 2013 plan:
  - Issued INCLE-Related Reports - Afghanistan
    - AUD/CG-11-44 Afghan National Police Training Program Would Benefit From Better Compliance with the Economy Act, Reimbursable Agreements
    - AUD/CG-11-42 Afghan National Police Training Program-Lessons Learned During Transition of Contract Administration
    - AUD/CG-11-30 DoD and DOS Need Better Procedures to Monitor and Expend DoD Funds for the Afghan National Police Training Program
    - MERO-I-11-12 DynCorp Operations and Maintenance Support at Camp Falcon in Kabul, Afghanistan
    - MERO-I-11-02 Performance Evaluation of PAE Operations and Maintenance Support for INL's Counternarcotics Compounds in Afghanistan
    - MERO-A-10-03 INL Bureau Air Wing Program in Afghanistan and Pakistan Performance Audit
    - MERO-A-10-02 Status of INL Bureau Counternarcotics Programs in Afghanistan Performance Audit
  - On Going INCLE-Related Audit - Afghanistan
    - 12AUD30 Audit of INL's Corrections System Support Program in Afghanistan
  - Planned INCLE-Related Audit - Afghanistan
    - Audit of INL's Counter-Narcotics Programs in Afghanistan

- This audit was planned by design when we prepared our FY 2013 audit plan. OIG already had an ongoing project on CSSP, SIGAR had an audit planned of JSSP in their FY 2013 plan, and therefore we elected to plan an audit for the biggest part of INCLE in Afghanistan – the Counter-Narcotics Program. Another factor for selecting the Counter-Narcotics Program for FY 2013 was that actual “program” operations had not been reviewed since the MERO-I-09-11 report. The other Counter-Narcotics Program audits (MERO-I-11-12 and MERO-I-11-02) were evaluations of support contracts at Counter-Narcotics sites.

- The approximately \$4 billion referenced by Rep. Chaffetz is calculated, as follows:

FY 2002 – FY 2012	\$ 3.58
	B
FY 2013 Budget Request	.60
	B
Total through FY 2013	\$ 4.18
	B
FY 2014 from BRR	.54
	B
Total through FY 2014	\$4.72
	B

- In the past 3 years, our INV has worked on 25 cases concerning International Narcotics and Law Enforcement Affairs (INL) and/or INCLE funds.

**A list of who, specifically, at the Department was briefed on the final SIGIR report (Rep. Lummis)**

- Please contact Hillel Weinberg, Acting Assistant Inspector General for Congressional Affairs, Special Inspector General for Iraq reconstruction ([Hillel.weinberg.civ@mail.mil](mailto:Hillel.weinberg.civ@mail.mil)) for a list of specific briefings provided by SIGIR to pertinent staff at the U.S. Department of State

Our office is currently reviewing the full Kroll Report on the Kabul Bank. As you indicated, this will take time for a thorough, comprehensive review. However, we are committed to provide as much insight as we can and will forward our comments to you as soon as they are prepared.

Sincerely,



Harold W. Geisel  
Deputy Inspector General