

OVERSIGHT IN IRAQ AND AFGHANISTAN: CHALLENGES AND SOLUTIONS

HEARING

BEFORE THE
SUBCOMMITTEE ON NATIONAL SECURITY,
HOMELAND DEFENSE AND FOREIGN OPERATIONS
OF THE

COMMITTEE ON OVERSIGHT
AND GOVERNMENT REFORM
HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

DECEMBER 7, 2011

Serial No. 112-101

Printed for the use of the Committee on Oversight and Government Reform



Available via the World Wide Web: <http://www.fdsys.gov>
<http://www.house.gov/reform>

U.S. GOVERNMENT PRINTING OFFICE

72-803 PDF

WASHINGTON : 2012

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512-1800; DC area (202) 512-1800
Fax: (202) 512-2104 Mail: Stop IDCC, Washington, DC 20402-0001

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

DARRELL E. ISSA, California, *Chairman*

DAN BURTON, Indiana	ELLJAH E. CUMMINGS, Maryland, <i>Ranking Minority Member</i>
JOHN L. MICA, Florida	EDOLPHUS TOWNS, New York
TODD RUSSELL PLATTS, Pennsylvania	CAROLYN B. MALONEY, New York
MICHAEL R. TURNER, Ohio	ELEANOR HOLMES NORTON, District of Columbia
PATRICK T. McHENRY, North Carolina	DENNIS J. KUCINICH, Ohio
JIM JORDAN, Ohio	JOHN F. TIERNEY, Massachusetts
JASON CHAFFETZ, Utah	WM. LACY CLAY, Missouri
CONNIE MACK, Florida	STEPHEN F. LYNCH, Massachusetts
TIM WALBERG, Michigan	JIM COOPER, Tennessee
JAMES LANKFORD, Oklahoma	GERALD E. CONNOLLY, Virginia
JUSTIN AMASH, Michigan	MIKE QUIGLEY, Illinois
ANN MARIE BUERKLE, New York	DANNY K. DAVIS, Illinois
PAUL A. GOSAR, Arizona	BRUCE L. BRALEY, Iowa
RAÚL R. LABRADOR, Idaho	PETER WELCH, Vermont
PATRICK MEEHAN, Pennsylvania	JOHN A. YARMUTH, Kentucky
SCOTT DESJARLAIS, Tennessee	CHRISTOPHER S. MURPHY, Connecticut
JOE WALSH, Illinois	JACKIE SPEIER, California
TREY GOWDY, South Carolina	
DENNIS A. ROSS, Florida	
FRANK C. GUINTA, New Hampshire	
BLAKE FARENTHOLD, Texas	
MIKE KELLY, Pennsylvania	

LAWRENCE J. BRADY, *Staff Director*

JOHN D. CUADERES, *Deputy Staff Director*

ROBERT BORDEN, *General Counsel*

LINDA A. GOOD, *Chief Clerk*

DAVID RAPALLO, *Minority Staff Director*

SUBCOMMITTEE ON NATIONAL SECURITY, HOMELAND DEFENSE AND FOREIGN
OPERATIONS

JASON CHAFFETZ, Utah, *Chairman*

RAÚL R. LABRADOR, Idaho, <i>Vice Chairman</i>	JOHN F. TIERNEY, Massachusetts, <i>Ranking Minority Member</i>
DAN BURTON, Indiana	BRUCE L. BRALEY, Iowa
JOHN L. MICA, Florida	PETER WELCH, Vermont
TODD RUSSELL PLATTS, Pennsylvania	JOHN A. YARMUTH, Kentucky
MICHAEL R. TURNER, Ohio	STEPHEN F. LYNCH, Massachusetts
PAUL A. GOSAR, Arizona	MIKE QUIGLEY, Illinois
BLAKE FARENTHOLD, Texas	

CONTENTS

	Page
Hearing held on December 7, 2011	1
Statement of:	
Heddell, Gordon S., Inspector General, U.S. Department of Defense; Harold W. Geisel, Deputy Inspector General, U.S. Department of State; Michael G. Carroll, Acting Inspector General, U.S. Agency for International Development; Stuart W. Bowen, Inspector General, Special Inspector General for Iraq Reconstruction; and Steven J. Trent, Acting Inspector General, Special Inspector General for Afghanistan Reconstruction	7
Bowen, Stuart W.	51
Carroll, Michael G.	35
Geisel, Harold W.	25
Heddell, Gordon S.	7
Trent, Steven J.	61
Letters, statements, etc., submitted for the record by:	
Bowen, Stuart W., Inspector General, Special Inspector General for Iraq Reconstruction, prepared statement of	53
Carroll, Michael G., Acting Inspector General, U.S. Agency for International Development, prepared statement of	37
Chaffetz, Hon. Jason, a Representative in Congress from the State of Utah, letter dated May 17, 2011	3
Geisel, Harold W., Deputy Inspector General, U.S. Department of State, prepared statement of	27
Heddell, Gordon S., Inspector General, U.S. Department of Defense, prepared statement of	9
Trent, Steven J., Acting Inspector General, Special Inspector General for Afghanistan Reconstruction, prepared statement of	63

OVERSIGHT IN IRAQ AND AFGHANISTAN: CHALLENGES AND SOLUTIONS

WEDNESDAY, DECEMBER 7, 2011

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON NATIONAL SECURITY, HOMELAND
DEFENSE AND FOREIGN OPERATIONS,
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:35 a.m., in room 2154, Rayburn House Office Building, Hon. Jason Chaffetz (chairman of the subcommittee) presiding.

Present: Representatives Chaffetz, Labrador, Tierney, Welch, and Yarmuth.

Staff present: Thomas A. Alexander and Richard A. Beutel, senior counsels; Brien A. Beattie, professional staff member; Nadia Z. Zahran, staff assistant; Paul Kincaid, minority press secretary; Adam Koshkin, minority staff assistant; and Scott Lindsay and Carlos Uriarte, minority counsels.

Mr. CHAFFETZ. The committee will come to order and a little bit early, but we are well represented here. Appreciate it.

I would like to begin this hearing by stating the Oversight Committee mission statement. We exist to secure two fundamental principles: first, Americans have the right to know that 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. We will work tirelessly in partnership with citizen watchdogs to deliver the facts to the American people and bring genuine reform to the Federal bureaucracy. This is the mission of the Oversight and Government Reform Committee.

Good morning and welcome to today's hearing, Oversight in Iraq and Afghanistan: Challenges and Solutions. I would like to welcome Ranking Member Tierney and members of the subcommittee and members of the audience and certainly our panel for being here today. This is the sixth hearing addressing the accountability of taxpayer dollars in war zones.

During this session, this subcommittee has examined a number of issues, including whether the State Department is prepared to oversee the surge and private contracting in Iraq; whether the State Department will be able to protect Government employees and contractors in Iraq after the military withdraws; whether

USAID and the State Department can accurately track reconstruction projects and account for their expenditures; whether those projects can and will be sustained by the host nations; whether the billions handed to the Karzai government under the direct assist program can and will be properly overseen; and whether the Defense Department is working to ensure that taxpayer money isn't extorted along Afghanistan's supply chain.

In October, the full committee heard testimony from the Commission on Wartime Contracting about its final report. The commissioners alleged that between \$30 and \$60 billion had been lost in Iraq and Afghanistan due to waste, fraud, and abuse in the contracting process. According to the Commission, this was due to ill-conceived projects, poor planning and oversight, poor performance by contractors, criminal behavior, and blatant corruption.

This is unacceptable. While some may agree or disagree with our engagements in Iraq and Afghanistan, it is universally unacceptable to waste taxpayer money. In each of our hearings, witnesses have described the success and challenges, and oversight is a completed environment. Without a doubt, the task is difficult; however, it is critical that we get it right.

Today, the inspectors general community will share its perspective together on one panel. The IG community plays a pivotal role in the oversight of Federal programs. Their mission is to promote economy, efficiency, and effectiveness in the administration of Federal programs, and to prevent and detect fraud and abuse. Its duties also include informing Congress of any corrective action that needs to be taken.

In addition to Defense, State, and USAID, the Special Inspectors General were established to focus specifically on efforts in Iraq and Afghanistan. Each of these offices is present here today. While they have produced noteworthy results, significant challenges remain. We will hear about those today. We will also examine potential solutions.

Ranking Member Tierney has introduced H.R. 2880, which seeks to disband SIGIR and SIGAR, and establish a special inspector general for overseas contingency operations. I understand that Mr. Bowen and the Commission on Wartime Contracting support this idea. I would like to hear the panel's view on that legislation and how such an office would interface with the standing IGs. The ranking member's legislation is a good beginning. I look forward to working with him and the agencies and the IG community to structure an effective solution.

Before recognizing Ranking Member Tierney, I would like to note that the Defense Department and State Department, USAID, and SIGAR will not have IGs in January. In May of this year I wrote the President, asking him to move without delay to appoint replacements. That letter was signed by Senators Lieberman, Collins, McCaskill, and Portman, as well as Chairman Issa, Ranking Member Cummings, and Ranking Member Tierney. I would like to place a copy of this letter into the record. Without objection, so ordered.

[The information referred to follows:]

Congress of the United States
Washington, DC 20510

May 17, 2011

President Barack Obama
1600 Pennsylvania Avenue
Washington, DC 20500

Dear Mr. President:

We write to request that you address the growing number of vacancies that now exist among our nation's Inspectors General.

As you know, in 1978, Congress established the Inspectors General as powerful and independent offices with the responsibility to promote the economy, efficiency, and effectiveness of federal departments and agencies. The investigations and reports of Inspectors General help Congress shape legislation and oversight activities. The Inspectors General also play an important role in improving government performance, providing transparency into federal programs, and giving Americans better value for their tax dollars.

In 2007, the latest year for which complete data is available, the Inspectors General closed 33,740 investigations into matters including benefit recipients, contractors, grantees, and federal employees. In the past two years, just one office, the Inspector General of the General Services Administration, audited or reviewed over 200 contracts with an estimated value of \$25 billion, identified over \$1.1 billion in potential cost avoidance and \$33 million in questioned costs, and assisted in 23 False Claims Act cases that were settled for over \$400 million.

According to the Council of Inspectors General on Integrity and Efficiency (CIGIE), there are currently nine vacant presidentially appointed Inspector General positions across the government. This includes eight vacancies that have occurred since the beginning of your term. Cabinet-level agencies currently without a permanent Inspector General include the Department of State, the Department of Justice, the Department of Homeland Security, the Department of Labor, and the Department of Housing and Urban Development.

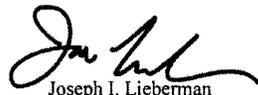
We are particularly concerned that many of these vacancies involve departments and agencies responsible for oversight of several of your Administration's most important initiatives. For example, the positions of Special Inspector General for Afghanistan Reconstruction, Special Inspector General for the Troubled Asset Relief Program, and Inspector General for the Intelligence Community are all currently vacant. The Department of State, which is responsible for billions of dollars of spending in Iraq and Afghanistan, has not had a permanent Inspector General since December 2007.

President Barack Obama
May 17, 2011
Page 2

We share your commitment to making our government better able to serve its citizens and perform its core missions. As a result, we have serious concerns that the lack of permanent Inspectors General at so many federal agencies is impeding the federal government's efforts to increase efficiencies and detect and prevent waste, fraud, and abuse.

With this concern in mind, we respectfully request that you move without delay to appoint qualified, experienced individuals to serve as Inspectors General. We look forward to your response.

Sincerely,

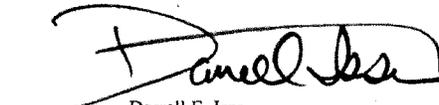

Joseph I. Lieberman
U.S. Senator

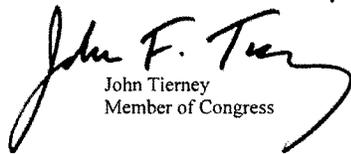

Susan M. Collins
U.S. Senator


Claire McCaskill
U.S. Senator

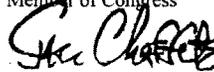

Rob Portman
U.S. Senator


Elijah Cummings
Member of Congress


Darrell E. Issa
Member of Congress


John Tierney
Member of Congress

Jason Chaffetz
Member of Congress



Mr. CHAFFETZ. To my knowledge, the President has yet to nominate any of these replacements. Nor has he responded to this letter. I find that totally unacceptable. This is a massive, massive effort. It is going to take some leadership and some help from the White House. These jobs cannot and will not be done if the President fails to make these appointments.

Upon taking office, President Obama promised that his administration would be "the most open and transparent in history." You cannot achieve transparency without inspectors general. Again, I urge President Obama and the Senate to nominate and confirm inspectors general to fill these vacancies, and without delay.

I would now like to recognize the distinguished ranking member, the gentleman from Massachusetts, Mr. Tierney, for his opening statement.

Mr. TIERNEY. Well, thank you, Chairman Chaffetz, and thank you all for being witnesses here today and helping us with our job. This hearing, obviously, is a culmination of a series of hearings that the subcommittee and the full committee have had with regard to Iraq and Afghanistan. We have heard from the Department of Defense, the Department of State on the transition to civilian-led mission in Iraq, and we have heard from the Commission on Wartime Contracting and suggested reforms to reduce waste and fraud in contingency operations, and we followed up with the Department of Defense to discuss the investigation that we started earlier on corruption in the Afghan trucking industry.

These hearings continue to highlight the challenge of protecting the taxpayer funds from waste and fraud in our operations in Iraq and Afghanistan. In fact, the Commission on Wartime Contracting found that billions of dollars had been wasted by agencies that have little capacity to manage their contractors or to hold them accountable. Even worse, billions of dollars more have been dedicated to projects that were poorly conceived and are unsustainable by host governments. These findings are consistent with this committee's oversight of Defense contractors in Iraq and Afghanistan.

Last year, I led a 6-month subcommittee investigation of a \$2 billion Department of Defense trucking contract in Afghanistan. This investigation found that the trucking contract had spawned a vast protection racket in which warlords, criminals, and insurgents extorted contractors for protection payments to obtain safe passage. A followup hearing held by this subcommittee in September showed that the Department has made little progress in rooting out bad actors who undermined our anti-insurgency efforts in Afghanistan. We know now that many of these bad actors continue to serve as U.S. Government contractors.

In response to these findings of billions of dollars of waste, fraud, and abuse, the Commission on Wartime Contracting made a number of important recommendations for Congress to consider. One key recommendation in their report was the creation of a permanent special inspector general for contingency operations. As the Commission stated, no entity exists with sufficient resources, experience, and audit and investigative capabilities to transcend departmental and functional stovepipes.

Taking up this recommendation, I have introduced legislation that the chairman mentioned that would establish a special inspec-

tor general for overseas contingency operations. These efforts of the Commission, along with the special inspector general for Iraq reconstruction and the special inspector general for Afghanistan reconstruction, have shown the critical importance of realtime oversight in our overseas operations. We need to preserve the unique capabilities of these entities in a single, permanent inspector general with a flexible, deployable cadre of oversight specialists. I urge my colleagues to join me in this legislation.

While that legislation is designed to address future contingency operations, this hearing is about oversight in Iraq and Afghanistan now. To that end, I would like to address recent findings by the Department of Defense Inspector General that shed light on some of the problems with one of our largest contractors in Afghanistan. That report reveals that the Supreme Group, the prime contractor on the multibillion dollar Defense Department's subsistence contract in Afghanistan is under investigation for hundreds of millions of dollars in over-billing. I understand that there is now a criminal inquiry of the Supreme Group's over-billing.

These allegations raise significant concerns about the Defense Logistics Agency and their ability to properly manage those large-scale contracts and to protect taxpayer dollars from waste and fraud. They also raise concerns about the use of no-bid cost plus contracts that are so common in contingency operations. As we speak, the Defense Logistics Agency is preparing to award a new \$10 billion to \$30 billion contract to provide food and supplies for our troops in Afghanistan for 5 years.

So I would like to hear from our inspectors general today about what more can be done to ensure that our Federal agencies are doing their job and properly managing the billions of dollars that are being spent in those two countries. I would also like to hear from you regarding what tools you have to ensure the companies who are caught over-billing the Federal Government for hundreds of millions of dollars do not have the opportunity to take even more taxpayer funds in the future.

So I want to thank you all again for being witnesses and thank you, Mr. Chairman, for having this hearing.

Mr. CHAFFETZ. Thank you.

Members will have an additional 7 days to submit opening statements for the record.

I would now like to recognize our panel. The Honorable Gordon Heddell is the Department of Defense Inspector General; Ambassador Geisel is the Department of State Deputy Inspector General; Mr. Michael Carroll is the USAID Acting Inspector General; the Honorable Stuart Bowen is the Special Inspector General for Iraq Reconstruction; and Mr. Steven Trent is the Acting Special Inspector General for Afghan Reconstruction.

Pursuant to committee rules, all witnesses will be sworn in before they testify. Please rise and raise your right hands.

[Witnesses sworn.]

Mr. CHAFFETZ. Thank you. You may be seated.

Let the record reflect that the witnesses answered in the affirmative.

In order to allow proper time for discussion, we are going to ask that each member of our panel limit their verbal comments to 5 minutes. Your entire statement will be inserted into the record.

I will now recognize the Honorable Mr. Heddell for 5 minutes.

STATEMENTS OF GORDON S. HEDDELL, INSPECTOR GENERAL, U.S. DEPARTMENT OF DEFENSE; HAROLD W. GEISEL, DEPUTY INSPECTOR GENERAL, U.S. DEPARTMENT OF STATE; MICHAEL G. CARROLL, ACTING INSPECTOR GENERAL, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT; STUART W. BOWEN, INSPECTOR GENERAL, SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION; AND STEVEN J. TRENT, ACTING INSPECTOR GENERAL, SPECIAL INSPECTOR GENERAL FOR AFGHANISTAN RECONSTRUCTION

STATEMENT OF GORDON S. HEDDELL

Mr. HEDDELL. Thank you, Mr. Chairman. Good morning, and good morning, Ranking Member Tierney and distinguished members of the subcommittee. Thank you for the opportunity to appear before you to discuss oversight efforts in Southwest Asia.

As many of you may be aware, this will likely be my final testimony before Congress as the inspector general. Effective December 24th, I will step down as the DOD IG.

In my first month alone at the DOD IG, I testified three times before Congress. Two of the three hearings dealt with critically important issues of oversight contingency operations in Southwest Asia. Noting that our Nation was engaged in two wars and that we had a pressing need to strengthen oversight to protect our war fighters and the American taxpayer, I immediately determined to make oversight of contingency operations in Southwest Asia a number one priority. As a result, I instituted a number of organizational changes to the structure and focus of DOD IG efforts and to increase our in-theater presence, which is regularly augmented by our expeditionary teams.

I believe strongly that an in-theater presence is absolutely essential to conducting oversight of operations and engaging with military and civilian leadership in theater to ensure that our oversight is meaningful and effective.

In our audit division, I created the Joint and Southwest Asia Operations Directorate and the Afghan Security Forces Fund Group. Our audits in theater provide timely and relevant oversight, and our auditors now have extensive experience in conducting complex joint audits with other Federal agencies.

In our investigations division, the Defense Criminal Investigative Service, DCIS, expanded its presence in Southwest Asia and today DCIS plays a major criminal investigative role in Southwest Asia by participating in key task forces that tackle complex fraud cases. The DCIS is already deployed worldwide and has the capability to immediately provide investigative resources to contingency operations anywhere in the world.

Another division of the DOD IG, the Office of Special Plans and Operations [SPO], as we call it, has been a key contributor to providing oversight. SPO has significantly enhanced our capability to provide expeditionary teams to Southwest Asia to conduct timely

evaluations and assessments, and to provide thorough outbriefs to field commanders enabling them to take immediate corrective actions.

I also appointed a special deputy inspector general for Southwest Asia to coordinate and deconflict oversight efforts. My special deputy has worked extensively with all of the IG offices represented with me this morning. Today we are an agile, flexible, no-nonsense and aggressive oversight organization with the capacity to deploy rapidly anywhere in the world on short notice, and the DOD IG is prepared to respond effectively and aggressively in coordination with other Federal agencies and internal DOD oversight offices to address any future overseas contingency operation that arises.

I would like to thank the subcommittee for the opportunity to discuss the work of the DOD IG, and I look forward to answering any questions that you may have. Thank you.

[The prepared statement of Mr. Heddell follows:]

Chairman Chaffetz, Ranking Member Tierney and distinguished members of this subcommittee, thank you for the opportunity to appear before you to discuss our oversight efforts in Southwest Asia (SWA). I would also like to take this opportunity to thank the full committee on Oversight and Government Reform for convening a number of hearings to direct attention to the importance of maintaining strong and effective oversight on overseas contingency operations.

Recent Trip

Prior to being sworn in as the Inspector General at the Department of Defense in July 2009, I spent one year as the acting head of the agency. Upon my arrival I had concerns regarding the contributions of the agency in providing the audits, inspections and investigations necessary to support two wars and protect both the warfighter and the taxpayer. I made oversight of overseas contingency operations in Southwest Asia the number one priority of the agency. As part of this effort, I travelled to Iraq and Afghanistan on various occasions. Most recently I travelled to Afghanistan in November.

While in Afghanistan I had a series of meetings with senior commanders to assess the overall level of oversight and its effects on the mission, and to determine areas where we can assist commanders. This also afforded me an opportunity to personally meet with the new command team in Afghanistan. I was particularly interested in meeting General Allen, both to address concerns he expressed about the level of oversight and its impact on the mission; and to invite his input on areas where the OIG organization can continue to add value as an outside set of eyes. The issue of corruption as an obstacle to progress in Afghanistan was a common theme throughout our visit. Commanders recognized the challenges that Afghans face in tackling corruption, including effectively prosecuting individuals in the Afghan courts and replacing ineffective leaders with more competent officials. Investigators are pursuing suspension and debarment as an alternative, but so far, this has had limited impact because Afghan companies regularly change their names and continue to land contracts.

Transitional DoD IG Role in Southwest Asia Oversight

Over a span of three plus years I have instituted a number of organizational changes to the structure and focus of the work of the Department of Defense Inspector General (DoD IG). In addition to our expeditionary teams, I increased our in-theater presence from 17 to 58 auditors, investigators, evaluators and support staff. I believe strongly that an in-theater presence is essential to conducting oversight of operations and engaging with military and civilian leadership in-theater to ensure that our oversight is meaningful and effective. This experience has been institutionalized by the DoD IG. The DoD IG is prepared to respond effectively and aggressively – in coordination with other Federal agencies and internal DoD oversight offices – to address any future overseas contingency operation that arises. Today we are an agile, flexible and aggressive oversight organization with a capacity to deploy rapidly to anywhere in the world on short notice.

AUDIT

In order to respond to the rapidly changing demands for audit work in Southwest Asia, we created the Joint and Southwest Asia Operations (JSAO) Directorate and the Afghan Security Forces Fund (ASFF) Group to specifically conduct a wide range of audits in support of operations in Southwest Asia. Our audits in theatre provide timely and relevant oversight in the areas of health and safety, acquisition, contract management, accountability of equipment, logistics, financial management, and sustainability. In FY 2011 we expended about 115 work years on audits for Southwest Asia.

The JSAO Directorate was created to conduct audits in support of combined, joint, interagency, and Southwest Asia operations. The ASFF Group was created to focus extensively on the more than \$51 Billion since 2006 that has been appropriated for the

Afghan Security Forces and the NATO Training Mission-Afghanistan/Combined Security Transition Command-Afghanistan (NTM-A/CSTC-A) to equip and train the Afghan Security Forces. NTM-A/CSTC-A has requested an additional \$8 billion for FY 2013. Collectively, these two audit groups provide a flexible, agile organization with the ability to rapidly deploy anywhere in the world to provide oversight of contingency operations. We currently have audit teams stationed in the U.S., Qatar, and Afghanistan with an average of 20 auditors deployed to Southwest Asia.

Since the Department fulfills much of its train and equip mission through contracts, our ASFF Group has focused extensively on requirements determination, contract formulation and contract oversight. Our goal is to assess whether these contracts are properly designed to fulfill critical mission needs and evaluate the Department's oversight of the contractors to ensure DOD receives all the goods and services it pays for. During previous reviews of the management and execution of the ASFF, we noted deficiencies with acquisition, contract oversight, and management of goods and services paid for with this fund.

In FYs 2010 and 2011, we issued 83 reports related to overseas contingency operations in Iraq and Afghanistan, including contracts for logistical support of coalition forces, force protection, health care, financial management, asset accountability, and training and equipping the Afghan Security Forces. These reports included 651 recommendations identifying a total of \$4.98 billion in potential funds put to better use. Some highlights of work include:

Afghan National Police. While interagency work with my office and the other Federal Inspectors General is a not new concept, I am very proud and pleased at the level of interagency cooperation, collaboration, and results in Southwest Asia. A recent and highly successful example of interagency collaboration and coordination is the series of joint audit reports on the Afghan National Police Training Program. The DoD IG and the Department of State Inspector General determined that performing joint oversight of the

building efforts of the Afghan National Police was essential to respond to the requirements of Public Law 111-383, "Ike Skelton National Defense Authorization Act for Fiscal Year 2011" January 7, 2011. This law required, among other things, that the DoD OIG, in consultation with the Department of State OIG, report to Congress within 180 days of the transition of Afghan National Police contract from the Department of State to the DoD. As a result, a joint interagency team was formed to provide consistent and commensurate oversight of the Afghan National Police training efforts.

This joint team consisted of more than 22 financial and performance auditors and management analysts from the DoD and DOS IG's. The team issued three reports and made 25 recommendations. Two of these reports revealed that DOS officials did not appropriately obligate or return to DoD about \$249.05 million of ASFF appropriations that were intended for the ANP training program. Consequently, we identified potential monetary benefits totaling more than \$200 million that, when recovered, could be used for valid ANP training programs or other DoD requirements. If not corrected, obligations of approximately \$74.91 million could result in potential Antideficiency Act violations. As of December 1, 2011, DoD and DOS have tentative agreements on returning most of the funds, and DOS has promised additional supporting details for those funds still in disagreement. The Antideficiency Act investigation has not begun.

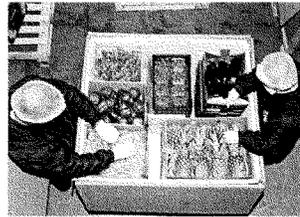
Our third report revealed that DoD and DoS had not developed a comprehensive plan or memorandum of agreement to guide, monitor, and assign transition responsibilities. Specifically, the report noted that the incoming contractor did not have 428 of the 728 required trainer and mentor positions in place, placing the overall mission at risk. DoD also did not have 136 of the 170 contracting officer representatives in place. After the publication of our report, a significant number of government oversight and contractor positions were filled. However, until all government and contractor oversight personnel are in place, DoD will not be able to adequately determine whether contractors are performing contractual obligations and achieving the goals of the program.

Prime Vendor Contract. We recently reported on the need for the Defense Logistics Agency to improve contract management of the subsistence contract for Afghanistan. Since the contract was awarded in 2005, DoD has paid the vendor about \$1.6 billion for food and water and \$1.4 billion for nonfood items as required by the contract.¹ However, the Defense Logistics Agency:

- overpaid the prime vendor potentially \$98.4 million for transportation costs within Afghanistan;
- overpaid the prime vendor approximately \$25.9 million for triwall² costs; and
- paid the prime vendor approximately \$454.9 million for services to airlift fresh fruit and vegetables from the United Arab Emirates to Afghanistan without incorporating the airlift requirement in the contract.

We also determined that invoices were not adequately reviewed.

In response to the report, the Acting Commander, Defense Logistics Agency Troop Support, agreed with all the recommendations and stated they were making every effort to determine fair and reasonable prices to definitize the 2005 verbal change order. Once the rates are finalized, Troop Support will take action to recover the difference between the reimbursement rates paid to the prime vendor and the finalized rates. Defense Contract Audit Agency (DCAA) completed its evaluation of proposed direct costs and submitted its audit report to DLA Troop Support on August 29, 2011. A strategy meeting between DLA Troop Support, DLA HQ, and DCAA is scheduled for October 3-4, 2011. Face to face



¹ Report No. D-2011-047, "Improvements Needed in Contract Administration of the Subsistence Prime Vendor Contract for Afghanistan," March 2, 2011

² Triwalls are three layered corrugated boxes used for packaging and shipping chilled or frozen food.

negotiations with the prime vendor reportedly began in October 2011 with an objective to reach an agreement by December 2011.

There are 25 ongoing audits. Some of the highlights include:

Non-Standard Rotary Wing Aircraft³. In our recent oversight efforts we reviewed the management of the DoD acquisition and support for non-standard rotary wing aircraft. We are determining whether DoD officials have comprehensively planned for all DoD-owned and supported Mi-17s, including their total ownership costs, and all related requirements to support these aircraft. Currently DoD has obligated \$1.6 billion and has plans to spend an additional \$1 billion for future non-standard rotary wing aircraft.



Mi-17 Overhauls. In another ongoing audit, we are reviewing the oversight, management, and pricing for Mi-17 aircraft overhauls. We are assessing the Department's oversight of these aircraft overhauls and DoD's ability to provide quality assurance for the overhauls being done at a Russian facility. We are also assessing whether the contracting officer determined fair and reasonable prices for contract modifications valued at \$100.4 million, and whether the contracting officer approved \$11 million to procure aircraft parts at potentially inflated prices.

Planned Audits. In FY 2012, we will continue to focus oversight on overseas contingency operations shifting a majority of our resources from operations in Iraq to operations in Afghanistan. Our focus in Afghanistan will continue to be in the areas of the management and execution of the Afghanistan Security Forces Fund, military

³ Non-Standard Rotary Wing aircraft are any that are not part of the DoD's U.S. inventory, these include the Mi-17, Mi-35, UH-1, MD-530F, and the AW-139 helicopters. Mi is the designation for the Military Moscow Helicopter Plant who designed and manufactured these aircraft.

construction, and the administration and oversight of contracts supporting coalition forces.

As billions of dollars continue to be spent in Afghanistan, a top priority will continue to be the monitoring and oversight of acquisition and contracting processes focused on training, equipping, and sustaining Afghanistan Security Forces (ASF). Our planned oversight efforts will address the administration and oversight of contracts for equipping ASF, such as rotary wing aircraft, airplanes, ammunition, radios, and night vision devices. We will also continue to review and assess the Department's efforts in managing and executing contracts to train the Afghan National Police.

As Military Construction continues in Afghanistan to build or renovate new living areas, dining and recreation facilities, medical clinics, base expansions, and police stations, we will continue to provide aggressive oversight of contract administration and military construction projects. We will also continue to focus on the accountability of property, such as contractor managed government owned property and Army high demand items. Also, we will focus on the Department's efforts to strengthen institutional capacity at the Afghan Ministry of Defense.

DEFENSE CRIMINAL INVESTIGATIVE SERVICE (DCIS)

Our audit work conducted throughout SWA has revealed many instances where a lack of adequate oversight resulted in an environment ripe for corruption and criminal activities relating to Overseas Contingency Operations. In order to aggressively respond, the DoD IG Defense Criminal Investigative Service (DCIS) has made criminal investigations of fraud and corruption related to U.S. operations and reconstruction efforts in Iraq and Afghanistan a priority. DCIS plays a major criminal investigative role in SWA and employs a highly capable and world-wide deployable group of criminal investigators. Starting in May 2003, within two months of the commencement of Operation Iraqi Freedom, the DCIS began deploying special agents to Iraq. During our initial assessment period, DCIS special agents were responsive to the requests for

assistance from the U.S. Military Commanders in theater, and therefore focused on non-fraud matters, such as assisting in the recovery of weapons and guarding the transport of money. During these early stages of operations in SWA, the federal law enforcement community had little experience operating in conflict areas. Therefore, specialized pre-deployment training for DCIS special agents deployed to Iraq was very limited and did not adequately prepare them sufficiently for such austere operating environments. Additionally, agents received little logistical support. They were responsible for obtaining their own office space, billeting, and other logistical needs.

Between 2004 and 2008, DCIS slowly increased the number of deployed agents and expanded its footprint throughout Iraq, Kuwait, and Afghanistan. Agents were deployed to specific locations within SWA based on mission requirements. The DCIS has continued to be responsive to requests from U.S. Military Commanders. The increased presence of special agents in theater has resulted in greater focus by DCIS on its traditional roles of investigating fraud and corruption impacting the DoD.

In 2006, in response to overlapping investigations and the need to improve coordination in SWA, DCIS along with the US Army Criminal Investigation Command, the FBI, and the Inspectors General from the Department of State, U.S. Agency for International Development (USAID), and the Special Inspector General for Iraq Reconstruction (SIGIR), created the International Contract Corruption Task Force (ICCTF). In 2008 these six founding agencies developed a Memorandum of Understanding formalizing the task force. The ICCTF combines the resources of multiple investigative agencies, when there is overlapping investigative jurisdiction, to effectively and efficiently investigate, deconflict, and present cases of fraud and corruption for prosecution. In 2009, the Air Force Office of Special Investigations, the Naval Criminal Investigative Service, and the Special Inspector General for Afghanistan Reconstruction formally joined the ICCTF.

In 2009, after I was confirmed as the IG, I stressed to my DCIS staff the importance of further improving upon the criminal investigative work we do in SWA. In response, DCIS deployed additional special agents to SWA, increasing our criminal investigative presence by 72% over the previous year, an increase in staffing from 18 agents to 31 agents in 2009.

The DCIS' highest priority is investigating significant fraud and corruption impacting crucial DoD operations throughout SWA. The DCIS attempts to transfer viable investigations developed in SWA to an appropriate venue in the United States as soon as practical to facilitate prosecutions and to allow the in-theater investigative resources to develop new investigations.

Also in 2009, DCIS joined the Naval Criminal Investigative Service's pre-deployment training program held at the Federal Law Enforcement Training Center (FLETC) in Glynco, Georgia. The Deployment Readiness Program (DRP) is a FLETC-certified course and addresses the training requirements set by the military, as well as the medical, tactical, legal, and administrative needs of the deployers. The training is of a high quality and is significantly less expensive than the training provided by private contractors.

In 2010, in order to provide additional oversight and logistical support for DCIS operations in SWA and other foreign locations, we created the DCIS International Operations Directorate. Additionally, in order to support all OIG operations in SWA, we created the Overseas Contingency Operations Office. These organizational changes allowed not only our agents, but also all OIG staff, on the ground in SWA to spend more time on core functions and less time handling logistical details.

In 2010, the DCIS adopted a more holistic approach to fighting fraud and corruption in SWA. The DCIS assigned special agents to DoD-led "Task Force 2010," which utilizes intelligence analysts, criminal investigators, auditors, and forensic financial analysts to gain visibility on the flow of contracting funds to subcontractors in

order to prevent the U.S. from doing business with insurgents, corrupt officials, and criminal groups. Our success is measured, in part, through significant cost avoidance, and the increased suspensions and debarments that exclude contractors from Government contracting. As an added remedy, the DCIS is looking into pursuing civil forfeitures on properties that were used to facilitate or obtained during the illegal activity. Additionally, our agents in Afghanistan support “Task Force Shafafiyat” in a liaison capacity. Shafafiyat means “transparency” in Dari. The task force, which falls under NATO’s International Security Assistance Force (ISAF), seeks to foster a common strategy for attacking the corruption problem in Afghanistan by planning and coordinating anti-corruption efforts and integrate ISAF anti-corruption activities with key Afghan and International Community partners. The prosecution of foreign nationals in U.S. courts is very rare, so the coordination of remedies is vital to prevent corrupt foreign nationals from abusing the DoD procurement system.

In September 2011, commensurate with the military drawdown in Iraq, the DCIS ceased its physical presence in Iraq and increased its presence in Afghanistan. Allegations of fraud and corruption in Iraq continue to be investigated by our special agents in Kuwait, Germany, and the United States. The DCIS has deployed a total of 28 agents to SWA in 2011 – the majority of whom deployed to Afghanistan. Currently, nine DCIS special agents are assigned to Afghanistan, and two special agents are assigned to Kuwait. From its first deployment in May 2003, to the current cadre of agents in SWA in November 2011, DCIS has conducted 141 individual deployments to Iraq, Kuwait, and Afghanistan. The DCIS will continue to evaluate its requirements in SWA in order to place the appropriate number of agents to have the greatest positive impact on DoD operations abroad.

The DCIS will continue participating in the Deployment Readiness Program at the Federal Law Enforcement Training Center which will enable our agent corps to surge and deploy into expeditionary environments worldwide and accomplish our core mission of combating fraud, waste, and abuse. The DCIS recognizes the need to maintain a

mutually beneficial relationship with our DoD “customers,” and to constantly coordinate with its law enforcement partners as a force multiplier to accomplish the critical mission we have. These established relationships, combined with a highly trained mobile workforce, have prepared DCIS and its investigative partners to address future contingency operations aggressively. These preparations have set the stage for quick, effective, and aggressive response to future contingency operations anywhere in the world.

From August 2003 to present, DCIS open and closed investigations involving Operations Iraqi Freedom and Enduring Freedom have resulted in 109 Federal criminal indictments and 98 Federal criminal informations. These investigations also resulted in 14 preliminary hearings under Article 32 of the Uniform Code of Military Justice. In total, 166 persons have been convicted of felony crimes, resulting in a total of approximately 277 years of confinement and approximately 242 years of probation; 127 individuals and companies have been debarred from contracting with the U.S. Government; 216 companies and individuals have been suspended from contracting; and 15 contractors have signed administrative settlement agreements in lieu of debarment with the U.S. Government. A total of \$328.3 million in restitution was paid to the U.S.; \$62.3 million in fines and penalties; \$20.7 million was forfeited; and \$2.7 million was seized. One or more of the ICCTF agencies participated in the majority of the above mentioned investigations.

OFFICE OF SPECIAL PLANS AND OPERATIONS

Another division of the DoD IG – the Office of Special Plans and Operations (SPO) – has been a key contributor to providing oversight of a major goal of our military efforts in Southwest Asia — the development of the security forces of Iraq and Afghanistan. Created in 2007, SPO significantly enhanced DoD IG capability by providing an expeditionary team capable of rapid deployment to SWA to conduct timely assessments of the military’s efforts to train, equip, and mentor the Iraq and Afghan army

and police forces. SPO recently enhanced its effectiveness by placing liaison personnel on-the-ground in Afghanistan to interface with principal U.S. and NATO commands, supplement deployed teams, and identify and undertake their own assessments related to our military's efforts to achieve major SWA goals.

To determine priority oversight needs and identify specific projects, SPO leadership relies on recommendations from Congressional committees; close engagement with senior DoD officials and field commanders; and the expertise of SPO and other OIG personnel. SPO oversight work has had a measureable impact on improved performance of programs and operations to build independent and sustainable security forces in both Iraq and Afghanistan.

The SPO operational model allows for the rapid deployment of assessment teams composed of experienced and highly professional civilian and military personnel, fortified by interdisciplinary and interagency subject matter experts detailed for specific missions in SWA. The teams provide a thorough out-brief to field commanders before departing, which enables immediate corrective actions through accelerated Command response to recommendations.

Over the last four years, SPO has conducted assessments in Iraq and Afghanistan concerning progress and challenges in the training, equipping, and advising of the army and police forces of Iraq and Afghanistan. Some examples include the accountability and control of sensitive equipment such as weapons and ammunition, night vision devices, medical equipment and supplies provided by the U.S. to the Iraq and Afghan Security Forces; the development of the logistics sustainment capability of the Iraq and Afghan Security Forces; U.S. security assistance and cooperation programs; and building the operational effectiveness of the Iraqi and Afghan army and police forces via partnering and mentoring by U.S., Coalition, and NATO forces. Highlights from recent assessments in SWA include:

Logistics Sustainment Capability of Afghan National Army. We conducted an assessment of the development of the logistics sustainment capability within the Afghan National Army that resulted in the first Ministry of Defense and General Staff logistics leaders' conference, which improved strategic planning and coordination.

Medical Logistics within the Afghan National Security Forces. Our assessment found that the ability of the Afghan National Army to build and maintain a sustainable medical logistics system at its current level of capability was not feasible in the absence of U.S. and international community support. Further, pharmaceuticals provided to ANSF by U.S. and Coalition Forces were at significant risk of theft, misappropriation, or other illegal acts. This report triggered a significant reorganization of DoD's medical mentoring plans and programs that advanced the building of a viable ANSF health care system by 2014.

In Iraq, SPO is currently assessing the transition of the DoD "train and equip" mission to an Office of Security Cooperation-Iraq responsible for security cooperation and assistance under Department of State and U.S. Mission authority.

Current assessment projects in Afghanistan are focused on the effort to train, equip and field the Afghan Air Force; and a just-completed deployment assessing progress in the initiative to build the Afghan Local Police. One new SPO initiative I would like to highlight is the compilation of a set of metrics tracking the development of the ANSF. I view these metrics as an important way to increase stakeholders' situational awareness of this critical DoD mission, the success of which will enable the progressive withdrawal of our forces.

In FY 2012, SPO plans to assess U.S. and Coalition efforts to develop the command and control capability of the ANSF, as well as our efforts to develop leaders within the Afghan officer and NCO corps. In addition, SPO will conduct a follow-up visit to Afghanistan to assess progress being made in the U.S. and Coalition efforts to develop a sustainable health care system within the ANSF. Last, an in-depth review of

DoD efforts to combat trafficking in persons in Afghanistan is scheduled in response to Congressional requests and our ongoing efforts to ensure compliance with Combating Trafficking in Persons statutes, and DoD policy and regulations.

In Iraq and Afghanistan, assessment priorities evolve consistent with the continuing build-up and maturation of the ANSF and the DoD role in future security assistance and cooperation programs in Iraq.

EFFECTIVE AND EFFICIENT COORDINATION

Up to this point, I have described how the DoD IG has managed and transformed several of its internal organizations to effectively respond to the demanding work associated with providing oversight of overseas contingency operations. However, it is important to note that the DoD IG is part of a broader oversight community. Internally at DoD, there is a need to recognize and assist to the highest degree possible the important work of agencies such as the Defense Contract Audit Agency (DCAA), the Defense Contract Management Agency (DCMA), and the Defense Logistics Agency (DLA). Also, the Departments of the Army, Air Force and Navy all have IGs, audit agencies and criminal investigative operations.

The DoD IG has primary responsibility within the DoD for providing oversight of defense programs and funds appropriated to the Department at home and around the world. In this role, DoD IG oversees, integrates, and attempts to ensure there are no gaps in the stewardship of DoD resources. In furtherance of this responsibility, my office is committed to maintaining effective working relationships with other oversight organizations, including other Federal agencies, to minimize duplication of efforts and to leverage resources to provide more comprehensive coverage. In order to best accomplish this important coordinating function, I appointed a Special Deputy Inspector General for Southwest Asia (SDIG-SWA), who serves as my senior executive level representative in Southwest Asia acting on my behalf to coordinate and deconflict oversight efforts.

The SDIG-SWA spends the majority of his time forward deployed to Southwest Asia and continues to improve the communications within the Defense and Federal oversight community by functioning as an authoritative source to coordinate and facilitate various oversight efforts within the legal authorities of the DoD IG. The SDIG-SWA also serves as a liaison with DoD leadership and the supporting commands in Southwest Asia to identify oversight requirements and to facilitate interaction with oversight organizations.

As one of the key coordinating efforts for SWA, the SDIG-SWA also serves as chairperson of the Southwest Asia Joint Planning Group, established in April 2007. This group is the principal Federal interagency forum to promote coordination and cooperation among the member organizations toward the common objective of providing comprehensive Southwest Asia oversight. The Joint Planning Group, which meets quarterly or more frequently as needed, is made up of representatives from over 25 DoD and Federal oversight agencies, functional components, and Command IGs. The Southwest Asia Joint Planning Group facilitates the compilation and issuance of the Comprehensive Oversight Plan for Southwest Asia in response to the FY 2008 National Defense Authorization Act.

In November 2011, the Southwest Asia Joint Planning Group established a new subgroup to develop a strategy for oversight in Afghanistan. This subgroup was established as a result of a need to further improve coordination, planning, and communications for Afghanistan oversight. This subgroup is chaired by SIGAR and consists of senior representatives from the oversight components that are working in Afghanistan.

I also chair the Defense Council on Integrity and Efficiency and my Deputy for Auditing chairs the Audit Chiefs Council. I also utilize both of these forums to facilitate communications on the oversight work in Southwest Asia.

Management Responsibility

Work conducted throughout Southwest Asia has revealed many instances where a lack of adequate contractor/contracting official oversight resulted in an environment ripe for corruption. The Department depends on responsible agency officials with oversight responsibility to monitor contract performance, implement internal controls designed to deter abuse, and refer potential fraudulent activity uncovered through proactive internal reviews. However, as noted in our audit work and in the final report issued by the Commission on Wartime Contracting, those resources have been inadequate.

The absence of a sufficient number of properly trained contracting personnel to award and oversee the execution of contracts has been a key finding of many of the audits issued by this office. As we identified in our report, "Contingency Contracting: A Framework for Reform," one of the most frequent contract administration weaknesses we found was in contract oversight and surveillance.

With our recently completed and ongoing oversight efforts of overseas contingency operations contracting, we continue to identify a lack of sufficient and adequate contracting oversight by agency management. One of the more significant deficiencies was noted in a joint audit conducted by my office and the Department of State IG concerning the management of the DoS contract for the training of the Afghan National Police. Our joint audit found that there was a lack of adequate contracting officer representatives to oversee contractor performance.

Closing

In closing, I would like to thank the Subcommittee for the opportunity to discuss our work and I look forward to answering any questions you may have.

Mr. CHAFFETZ. Thank you. And thank you again for your service, on your long career in the Secret Service and your work in the Defense Department. We appreciate your service and wish you nothing but the best.

Mr. HEDDELL. Thank you.

Mr. CHAFFETZ. We will now recognize the Honorable Mr. Geisel.

STATEMENT OF HAROLD W. GEISEL

Mr. GEISEL. Thank you, Chairman Chaffetz, Ranking Member Tierney, and members of the subcommittee for the opportunity to testify today about oversight of Department programs in Iraq and Afghanistan.

Since standing up its overseas offices in 2008, the Office of Inspector General, OIG, has conducted 31 investigations and issued 27 reports related to Iraq, conducted 14 investigations and issued 22 reports related to Afghanistan, and issued 11 reports of activities affecting Department program and transition issues in Iraq and Afghanistan. Our efforts during fiscal year 2011 resulted in more than \$200 million in questioned costs and funds put to better use, \$16.6 million in investigative recoveries, and 20 contractor suspensions.

These results demonstrate the impact that OIG has achieved since establishing a presence in Baghdad and Kabul. As a result of congressional support, OIG has fulfilled its commitment to vigorously oversee the Department's transition and soon will be one of the few remaining oversight entities in Iraq.

The challenges the Department faces in the transition to a civilian-led presence in Iraq are significant. DOD's planned withdrawals of its troops by the end of this month requires that the Department of State provide security, life support, transportation, and other logistical support that DOD presently provides in Iraq. Our Office of Inspections has issued two reports, a July 2009 inspection of Embassy Baghdad and an October 2010 compliance followup review which addresses the embassy's transition planning efforts.

In response to our CFR, the Department appointed a Washington-based Ambassador in February 2011 to manage the Iraq transition process. We also issued reviews in August 2009 and May 2011 of the Department's efforts to transition to a civilian-led presence in Iraq. Both reviews found that the transition was taking place in an operating environment that remains violent and unpredictable.

Our October 2009 report on the Department's transition planning efforts recommended that Embassy Baghdad develop a unified transition plan and assign a senior transition coordinator in Iraq, establish a work force plan to ensure timely completion of large infrastructure projects managed by the Embassy, determine what LOGCAP services and contract management personnel would be required, and verify resources needed to meet increased support requirements following DOD's departure. All of these recommendations have been closed.

Our May 2011 report noted that Embassy Baghdad and the Department had established planning and management mechanisms to effectively transition to a civilian-led presence. It also mentioned that while the Department had made progress, several key deci-

sions were pending, some transition planning could not be finalized, and progress was slipping in some areas.

We remain concerned that some reconstruction projects were still experiencing delays and were not expected to be completed until mid-2012, and that establishing a viable diplomatic mission without DOD support and funding would require considerable resources, making it difficult to develop firm or detailed budget estimates.

The Department generally agreed with and was responsive to the intent of the recommendations.

Looking forward, we have 15 investigations related to Iraq and 9 related to Afghanistan. Our 2012 Iraq and Afghanistan oversight plans include 6 audits plus a proposed joint audit with DOD OIG of programs in Baghdad and Kabul. In Baghdad, we will look at the Worldwide Protective Services', WPS, contract for Embassy Baghdad, medical operations in Iraq, and the Department's oversight of the WPS task order for Kirkuk and Mosul. We have also proposed at DOD OIG that we undertake a joint audit of transition execution in Iraq, including implementation of the Baghdad Master Plan.

In Kabul, we plan to audit the WPS task order for the Kabul Embassy Security Force, contracts to build prisons, and the WPS task order for Herat and Mazur-E-Sharif.

For 2012, our Office of Inspections has planned inspections of the Office of the Coordinator for Counterterrorism and the Office to Monitor and Combat Trafficking in Persons. The Office of Audits is following up on its work in the region regarding treatment by contractors of third-country nationals and our Office of Investigations also is actively engaged on this issue.

We will continue to provide the Department and Congress with a comprehensive spectrum of audits, inspections, and investigations of post-transition activity in Iraq and preparations for transition planning in operations in Afghanistan.

Mr. Chairman, Mr. Tierney, and members of the subcommittee, thank you once again for the opportunity to appear today, and I am ready to answer your questions.

[The prepared statement of Mr. Geisel follows:]

Thank you, Chairman Chaffetz, Ranking Member Tierney, and members of the subcommittee, for the opportunity to testify today about the mechanisms we have in place to oversee Department programs in Iraq and Afghanistan.

OIG Oversight in Iraq and Afghanistan

Since standing up its overseas offices in 2008, the Office of Inspector General (OIG) has:

- Conducted 31 investigations and produced 27 audits, inspections, and reviews of programs and operations in Iraq, including two reviews—one in 2009 and one issued this past May—of the State Department’s planning for and transition to a civilian-led mission in Iraq.
- Conducted 14 investigations and produced 22 audits, inspections, and reviews of programs and operations in Afghanistan, many of which relate to the Department’s eventual transition from military to civilian control in Afghanistan.
- Issued 11 audits, inspections, and reviews of programs that have a direct bearing on the Department’s program success and transition issues in Iraq and Afghanistan. These programs include security contracts, refugees, migration, trafficking in persons, and counterterrorism.
- Conducted inspections of 15 U.S. missions in countries surrounding Iraq and Afghanistan, which are under the support and guidance of the Bureaus of South and Central Asian Affairs and Near Eastern Affairs. Recent inspections of those bureaus, as well as of the offices of the Special Envoy for Middle East Peace and the Special Representative for Afghanistan and Pakistan resulted in recommendations to improve program and operational management by those organizations.

All told, our efforts in Iraq and Afghanistan during FY 2011 have resulted in more than \$200 million in questioned costs and funds put to better use, \$16.6 million in investigative recoveries, and 20 contractor suspensions. Two recent investigative cases are worthy of particular note:

On July 6, 2011, as the result of a civil settlement filed in the U.S. District Court for the District of Columbia, a security contractor in Afghanistan agreed to pay more than \$7.5 million in fines and recoveries. An OIG investigation into allegations that the contractor was involved in

a variety of misconduct determined that the company had avoided implementing required policies concerning trafficking in persons, misrepresented the work history of its employees, and failed to comply with foreign ownership, control, and influence mitigation requirements.

On March 22, 2011, a contractor and subcontractor entered into separate civil settlements with the Department of Justice and agreed to repay the government a total of more than \$8.7 million in damages, as the result of an OIG investigation into allegations that the contractor and subcontractor grossly overcharged for work performed. The original contract, valued at more than \$1.7 billion, was awarded to recruit U.S. police officers, provide them with developmental training, and equip them to participate in international peacekeeping operations, including operations in Iraq. The investigation determined that the contractor had submitted inflated claims for the construction of container camps at various locations in Iraq. The subcontractor was determined to have sought reimbursement for danger pay that it falsely claimed to have paid its U.S. expatriate employees working in Iraq.

These examples demonstrate the impact that OIG has been able to achieve since establishing an on-the-ground presence in Baghdad and Kabul. As a result of congressional funding and support, OIG has fulfilled its commitment to vigorously oversee the Department's transition efforts in Iraq and Afghanistan, while maintaining our core program oversight in these countries.

Moving toward the post-transition period, State OIG will be one of the few remaining oversight entities in Iraq. We will need to maintain or increase our oversight presence in Iraq and Afghanistan, as well as our supporting presence in Islamabad, Cairo, and Amman, to effectively carry out our oversight mission, undertake investigative cases, and meet expected increases in workload during the post-transition period.

Transition Planning and Preparations

The challenges the Department faces in the transition to a civilian-led presence in Iraq are significant. DOD's planned withdrawal of its troops by the end of 2011 requires that the Department of State provide security, life support, transportation, and other logistical support that DOD presently provides in Baghdad and other operational sites throughout Iraq.

Since 2009, OIG has conducted two reviews of the Department's transition planning and preparations—the first issued in August 2009 and the second in May 2011. Both of these reviews

found that the transition was taking place in an operating environment that was, and still is, violent and unpredictable. During the same period, our Office of Inspections issued two inspection reports—a July 2009 inspection of Embassy Baghdad and an October 2010 compliance follow-up review of that inspection—which included discussions and recommendations related to the embassy's transition planning efforts, among other areas.

OIG's August 2009 report on the Department's transition planning efforts found that Embassy Baghdad did not have a unified transition plan in anticipation of DOD's drawdown and had not appointed a senior-level coordinator for those activities; that the departure and relocation of military personnel would affect the timely completion of large infrastructure projects being managed by the Embassy; and that the Department's planned reliance on the U.S. Army's Logistics Civil Augmentation Program (LOGCAP) contract for operational support may be substantially different in terms of costs and services once the new LOGCAP contract is awarded.

The report recommended that the Embassy develop a unified transition plan and assign a senior-level official to coordinate transition activities in Iraq; develop a workforce plan to provide effective management and oversight of contractors and ensure timely completion of projects; develop plans to determine what LOGCAP services would be required and ensure adequate contract management personnel would be available to manage and oversee the LOGCAP contract; and verify resource needs to meet the increase in logistical and program support requirements stemming from the downsizing and departure of DOD. The Department complied with OIG's recommendations, all of which have been closed on the basis of satisfactory implementation.

In February 2011, in response to our October 2010 compliance follow-up review of the Embassy Baghdad inspection, the Department appointed a Washington-based Ambassador to manage the Iraq transition process. There had been continuous discussions in the Department since 2009 to develop detailed budget figures for completing the transition and sustaining post-transition operations. These discussions continue today, however, and funding uncertainties continue to impede the Department's overall efforts to fully transition from a military to a diplomatic U.S. presence in Iraq.

Our May 2011 transition report noted that Embassy Baghdad and the Department had established planning and management mechanisms to effectively transition to a civilian-led

presence in Iraq. It also mentioned that the Department had made progress since the 2009 transition report was issued; however, at that time, several key decisions were pending, some transition planning could not be finalized, and progress was slipping in some areas.

Specifically, we remain concerned that, although progress was being made on completing the remaining reconstruction projects and transferring them to the Government of Iraq, some projects were still experiencing delays and were not expected to be completed until the summer of 2012; and that establishing a viable diplomatic mission in Iraq without DOD support and funding would require considerable resources, making it difficult to develop firm or detailed budget estimates.

The May 2011 transition report also found that:

- The training of police in Iraq was critical to long-term stability and was generally on schedule, but the inability to finalize land-use agreements had prevented the start of construction at some training sites.
- The Office of Security Cooperation (OSC) was expected to manage defense relationships between the U.S. Government and the Government of Iraq; however, the establishment of the OSC was behind schedule, and full mission capability was unlikely by October 2011.
- Four planned provincial posts (including the Erbil consulate) were required to sustain the civilian presence; however, those posts were unlikely to be fully established by the end of 2011, resulting in the embassy having to develop temporary facilities for those provincial posts until land-use and lease agreements with the Government of Iraq could be finalized and permanent facilities constructed.
- The Department planned to expand and sustain air operations, including air transportation for chief of mission personnel; however, they were behind schedule because additional aircraft needed to be procured and maintained, agreements on flight plans and land use needed to be obtained, and air facilities needed to be constructed or renovated.
- The protective security capability for U.S. Government personnel caused by the military's withdrawal would need to be mitigated through closer working relationships with the Government of Iraq and its security forces, as well as access to

DOD security-related information and equipment, and those relationships continued to be a work in progress.

- Finally, the potential existed that a mass casualty incident could occur, and the embassy had not adequately planned for such an incident.

OIG's recommendations in the May 2011 report specified that:

- program and operational plans be finalized to develop detailed cost estimates for completing the transition to a civilian-led mission and ensure that future funding requirements to sustain programs and operations are included in those estimates;
- an evaluation be performed for determining the optimum location to temporarily locate the Erbil consulate; and
- a mass casualty response plan be developed.

The Department generally agreed with and was responsive to the intent of these recommendations.

Other progress has been made. Since last summer, the embassy has procured a number of aircraft and established "Embassy Air," and all flight plans and agreements have been finalized with the Government of Iraq and other foreign authorities. The Department also has requested, and received from DOD, mine-resistant ambush-protected vehicles (MRAPs), counter-rocket artillery and mortar (CRAM) early warning systems, and other equipment for the protection of U.S. Government personnel. Finally, since our report was issued, the embassy has been planning and conducting exercises to prepare for a mass-casualty incident.

2012 Oversight Plans

Looking forward, the Office of Investigations currently has 26 active investigations in the Near East and South Asia regions, 15 of which relate to Iraq, and 9 of which relate to Afghanistan. In addition, OIG investigations have contributed to the recent increase in suspensions and debarments.

Our Iraq and Afghanistan oversight plans include six audits, plus a planned joint audit with DOD, of programs to be undertaken in Baghdad and Kabul in 2012.

In Baghdad, we will be looking at the Worldwide Protective Services (WPS) contract for Embassy Baghdad, the resources supporting medical operations in Iraq, and the Department's

oversight of the WPS task order for Kirkuk and Mosul. We also plan to ask DOD IG to undertake a joint audit of transition execution in Iraq, including implementation of the Baghdad Master Plan.

In Kabul, we plan to audit the WPS task order for the Kabul Embassy Security Force, the administration and oversight of Bureau of International Narcotics and Law Enforcement Affairs contracts to build prisons in Afghanistan, and the administration and the oversight and management of the WPS task order for Herat and Mazar-E-Sharif.

We also are working on or have planned six additional audits of programs that directly affect programs in Iraq and Afghanistan; specifically:

- secure embassy construction and adherence to standards;
- counterterrorism security requirements;
- Department oversight of mine action programs;
- the Kabul WPS task order procurement process;
- \$700 million in grants for Overseas Refugee Assistance Programs in the South Asia and Middle East; and
- Bureau of Diplomatic Security study and assessment of the WPS security requirement for the South Asia and Near East regions.

In 2012, our Office of Inspections plans inspections of the Office of the Coordinator for Counterterrorism, the 2010 inspection of Embassy Islamabad and the Office to Monitor and Combat Trafficking in Persons. The Office of Audits is conducting follow-up work in the region involving oversight of employee treatment by contractors hiring third-country nationals, and our Office of Investigations also is actively engaged on this issue.

We will continue to provide the Department and the Congress with a comprehensive spectrum of audits, inspections, and investigations during the first year of post-transition activity in Iraq and preparations for transition planning and operations in Afghanistan.

Contingency IG

Finally, as I testified before a Senate committee a year ago, the novel concept of creating a permanent Inspector General to oversee contingency operations merits serious discussion. The Special Inspector General for Iraq Reconstruction (SIGIR), performed a valuable oversight role

in Iraq, supported by hiring authorities and funding not available to permanent Inspectors General.

Until 2008, the Department of State OIG had operated for 14 years with flat-lined budgets and insufficient staffing to conduct effective oversight in contingency areas. Since 2008, we have worked with Congress to successfully address the resource issues that previously hampered effective oversight of high-cost, high-risk Department of State programs in critical crisis and post-conflict areas.

Congress subsequently provided us with significant additional funding, beginning with the FY 2008 supplemental bill and continuing with increased base appropriations through FY 2010. Once the proper resources were available, we successfully delivered effective oversight of these Department programs and considerably increased our oversight and investigative capacity in the region. For example, from FY 2004 through 2008 when OIG's budget was flat-lined, OIG produced 11 audits or inspections and conducted one investigation related to Afghanistan. Thanks to strong Congressional support for increasing OIG's resource base, OIG has produced 19 audits or inspections and conducted 14 investigations in Afghanistan in the past two years alone.

Established departmental OIGs have proven their ability to work together and with the special IGs over the past two years to provide well-planned, effective, coordinated oversight in contingency operations. The departmental IGs have existing processes, organizational structures, and institutional knowledge of the programs within their departments that facilitate efficient oversight of those programs and eliminate the learning curve that would be required of a contingency IG. Current organizations already in existence, such as the Southwest Asia Joint Planning Group and the International Contract Corruption Task Force, can be leveraged to provide support for new contingencies around the world.

Moreover, in an era of fiscal restraint, creating a permanent new bureaucracy to oversee contingency operations may not be prudent. Millions of start-up dollars alone would be required to establish and sustain the bureaucracy, even before it expanded staffing and operations in response to specific contingencies. In addition, the creation of a new investigative unit includes the significant challenges inherent in establishing policies, procedures, technical and logistical support, and the legal framework necessary to provide the required law enforcement authorities for such a unit to be effective. Finally, the current pool of qualified auditors, inspectors, and

investigators who are willing to deploy to contingency areas is limited, and the creation of a new IG for contingency operations would create more competition for these sparse personnel resources. In short, in the early years of Iraq operations, a special IG may have been needed, given State OIG's inadequate resources to provide effective oversight in these areas. Today, we are structurally a different, more responsive organization with the increased resources and experience necessary to carry out this mission.

Mr. Chairman, Mr. Tierney, and members of the subcommittee, thank you once again for the opportunity to appear today, and I am ready to answer your questions.

Mr. CHAFFETZ. Thank you.
We will now recognize Mr. Carroll, the Acting Inspector General at USAID.

STATEMENT OF MICHAEL G. CARROLL

Mr. CARROLL. Thank you, Chairman Chaffetz, Ranking Member Tierney, distinguished members of the subcommittee. I appreciate the opportunity to appear before you today to describe our work generally and specifically in Iraq and Afghanistan. If I could, I would like to begin by explaining how we are structured, uniquely structured, I would think, to provide oversight of AID's programs around the world.

Like the agency, the OIG is a Foreign Affairs Foreign Service organization, and more than two-thirds of our auditors and investigators are career foreign service officers permanently assigned to USAID OIG. So that worldwide availability gives us a great deal of flexibility to put people where they need to be when they need to be. In addition to that, even though we participate in the NSD 38 process, by statute, we are exempt from country staffing level ceilings.

So while this has never been an issue, and I don't think it ever will be, we can put people where we need to put people, regardless of what the situation is on the ground with staffing ceilings in the different embassies. And, again, that gives us a great deal of flexibility, and over the past 8 years a couple of examples are opening country offices in Iraq, Afghanistan, and Pakistan; doubling the size of our staff in Pretoria, South Africa to oversee the Hilantos money for AIDS and infectious diseases in Sub-Saharan Africa; and then opening a satellite office, a smaller satellite in Port-au-Prince, Haiti to help the regional office in El Salvador oversee the humanitarian assistance and reconstruction of post-earthquake Haiti.

So I think that regardless of whether it is a contingency operation or just a standard agency USAID operation, I think we are uniquely situated to do that work, to do the oversight work.

In Iraq we started our oversight in 2003 with long-term TDYs, and then when the embassy got up and running and the AID mission got up and running, we established an office of seven auditors and two investigators. So we have been there pretty much with SIGAR right from the beginning and will continue to be there. As the trajectory on the Agency's programs in Iraq are sort of leveling off to a traditional country office mission operation at about \$270 million for 13, we are going to reduce the size of the staff to two auditors, two investigators, move the additional people over to Egypt, where our regional office is, and then provide oversight of Iraq from Egypt and from Iraq.

In Afghanistan, we developed a little bit differently. Clearly, the infrastructure wasn't available early on, so we were doing most of our work from the Philippines. We created a virtual country office in the Philippines and we were literally on the ground full-time in Afghanistan with auditors and investigators doing the work. But as the program increased in scope and complexity, we worked out with the embassy to put an office there and now we have seven auditors, U.S. direct-hire auditors, four Foreign Service national auditors, we have four American U.S. direct-hire investigators, one

foreign national investigator, and we are probably going to put on one more foreign national investigator.

So we are committed both to Iraq and to Afghanistan in providing audit oversight and investigative oversight of AID's programs in Afghanistan.

So, with that, thank you for the opportunity to appear before you and I would welcome any questions you might have about our oversight activity and the opportunities to improve that going forward.

[The prepared statement of Mr. Carroll follows:]

Afghanistan and what can be done to continue to enhance oversight in the future.

USAID OIG Oversight Efforts in Iraq and Afghanistan

At USAID OIG, we continuously adapt our oversight approach to changes in the risk profile and strategic priority of international development activities. Accordingly, as USAID began to engage in Iraq following the fall of Saddam Hussein's regime, we geared up our oversight activities. In 2003, while USAID was establishing assistance programs and operations amidst rapidly increasing expenditures, we began deploying personnel to Iraq on continuous temporary duty assignments. By June of the following year, we had formally established an office in-country. For a number of years thereafter, we maintained a staff of nine U.S. direct-hire auditors and investigators in Baghdad to provide concentrated, on-the-ground oversight that we supplemented with the efforts of our Washington-based personnel. Prompted by USAID program reductions in Iraq, however, we have begun to scale back our presence there to our present level of six U.S. direct hire personnel. We plan to continue to reduce the size of our Iraq office to four staff by the end of this fiscal year and will support their efforts with audit and investigative resources based in Cairo.

While USAID's engagement in Iraq slowed, its programs and activities in Afghanistan increased and remain robust today. To address the risks attendant on Agency efforts there, we initially provided oversight from our regional office in the Philippines and headquarters in Washington. After the Afghanistan oversight responsibilities of our Manila office had grown to absorb the work of more than eight audit staff a year, we opened a country office in Kabul. That office has now expanded to include 11 U.S. citizen auditors and investigators and 6 Foreign Service National personnel.

With OIG staff and resource surges in Afghanistan and Iraq came more intensive oversight. Drawing on a strong in-country presence in both nations, we were able to provide comprehensive performance and financial audit coverage of USAID programs and implement a vigorous investigative program. From fiscal year 2003 to 2011, we issued 103 performance audits and reviews related to USAID activities in Afghanistan and Iraq. The resulting reports provided Agency managers with sober, even-handed assessments of their programs and more than 400 concrete recommendations for ways to improve them, in addition to identifying \$95 million in questioned costs and funds recommended to be put to better use. Meanwhile, we supervised program-specific financial audits of \$5.7 billion that led us to question \$350 million in USAID expenditures. Over that span,

we also opened 258 investigations, 71 of which have been referred for prosecution. By the end of FY 2011, our investigative work had produced 24 indictments, 19 convictions, 123 administrative actions (such as employee terminations and contract cancellations), and more than \$285 million in savings and recoveries.

In addition to stepping up these core oversight activities, we have made other adjustments in response to the heightened risk environment in these countries. To spur greater awareness of fraud indicators, help mitigate risks, and increase knowledge of reporting requirements, we pursued an aggressive fraud awareness campaign, delivering more than 150 briefings in Afghanistan and Iraq to approximately 3,000 representatives of contractors and grantees, host government officials, and federal procurement and project management personnel.

We have also applied concentrated scrutiny to the aspects of assistance programs at greatest risk. We redoubled our monitoring of cash disbursements and examined core financial system components, exposing the failed development of a key financial information system for the Iraqi Government and deficiencies in oversight of bank supervision assistance activities that might have helped contain losses resulting from the collapse of Kabul Bank. We intensively examined security support for development

programs, reporting on the cost burden of these efforts, uncovering fraud on the part of U.S. based security firms operating in Afghanistan, and identifying indications of protection payments to insurgents. To address the increased risks of assistance channeled directly through the Afghan Government, we recommended improvements to ministerial assessments to increase their ability to detect and respond to significant control weaknesses before awards are made, and noted serious quality and sustainability deficiencies in health programs funded through an Afghan ministry.

Because most of USAID's development programs are implemented by external recipients, we have also expanded efforts to ensure that individuals and firms that are not presently responsible do not continue to receive U.S. Government grants and contracts. We have been working closely with Agency suspension and debarment officials to apply these tools in all appropriate cases. As a result of this collaboration, USAID has substantially increased its use of suspension and debarment and currently has 71 such exclusions in effect. Of this total, 72 percent stem from OIG investigations in Afghanistan and Iraq.

Last year, we presented USAID officials with evidence of serious corporate misconduct, mismanagement, and a lack of internal controls on the part of one of its largest funding recipients, the Academy for Educational

Development (AED). In response, the Agency terminated the firm's contracts in Afghanistan and Pakistan and took the extraordinary step of suspending it from future federal procurements. This significant step followed on a settlement with another major firm in November 2010. After years of investigative work, OIG established that high-level Louis Berger Group (LBG) employees had conspired to charge the U.S. Government falsely inflated overhead costs in Iraq and Afghanistan. Confronted with our evidence, LBG entered into an agreement with the Department of Justice to settle related civil and criminal charges and pay the U.S. Government \$69.3 million in settlement charges, penalties, and restitution.

These events have helped reset the accountability environment in foreign assistance. We have capitalized on this new momentum by increasing our engagement with implementing partners. We are intensifying outreach efforts and reinforcing opportunities for fraud reporting while emphasizing implementing partners' Federal Acquisition Regulation reporting requirements to the OIGs. We aggressively pursue all major investigative leads and carefully monitor contractors' and grantees' internal investigations of small scale allegations to ensure that they are conducted in a thorough but expeditious manner. When our investigations reveal

evidence of criminal or civil violations, we work closely with both U.S. and local prosecutors to bring subjects to justice.

Combatting Fraud and Waste in the Future

The Commission on Wartime Contracting recently recommended the establishment of a Special Inspector General for Overseas Contingency Operations (SIGOCO). Because the establishment of such an organization could have significant cost and operational implications, we believe that this proposal should be submitted to careful examination.

To this end, it is helpful to first consider the history of Special Inspectors General in the international arena. The Special Inspectors General trace their origins to the Coalition Provisional Authority (CPA) in Iraq. Established as a caretaker government until a civilian government could be formed, U.S. Government officials served as Administrators for the CPA and it received its operating budget from the U.S. Congress. Given these facts, Congress endowed the CPA with an oversight apparatus similar to that of a cabinet-level agency within the U.S. Government and established an Inspector General (IG) to oversee this discrete unit of government.

By the time a CPA IG was appointed, USAID OIG had already begun operating in-country. More USAID and CPA OIG personnel followed shortly thereafter, and Congress appreciated the hands-on engagement that

our organizations provided. Consequently, when plans for the dissolution of the CPA moved forward in 2004, Congress determined to keep CPA OIG's oversight presence on the ground. Rechristened the Special Inspector General for Iraq Reconstruction (SIGIR), the CPA OIG received a modified mandate to oversee programs and operations associated with the Iraq Relief and Reconstruction Fund.

The history of oversight in Afghanistan stands in stark contrast to the oversight experience in Iraq. We started reporting on assistance efforts in Afghanistan in early 2003 and all of the other statutory inspectors general had solid oversight programs in place prior to the Special Inspector General for Afghanistan Reconstruction's (SIGAR's) establishment. In fact, almost a full year before SIGAR came into being, we were actively engaged in an Afghanistan Working Group with representatives of the Government Accountability Office (GAO) and the State and Defense OIGs. This working group developed a strategic approach to oversight of U.S. Government activities in Afghanistan and worked to coordinate oversight plans and activities among the offices so that it could provide a comprehensive, objective perspective on U.S. Government efforts there.

Because our organizations already had well-established, coordinated programs and activities in Afghanistan, SIGAR did not have a natural niche

to fill. Confronted with a challenging operating environment and oversight of such a wide array of programs, it initially had difficulty meeting recognized standards for audits and investigations and duplicated the work of others.

The prospects of a successful civil-military campaign in Afghanistan have not been improved by multilayered reporting requirements and oversight institutions. Rather, in our judgment, the resulting intensified need for coordination and deconfliction has diverted valuable time from audit and investigative work and program management tasks. With these observations in mind, it is reasonable for taxpayers to question whether the generous support they provided for an additional oversight body in Afghanistan would have been better invested in the agency-specific inspectors general already operating in-country.

We believe that a move to form a Special Inspector General for Overseas Contingency Operations would only serve to reprise past mistakes. Rather than addressing a gap in oversight coverage, such an organization would serve an entirely redundant function. Existing statutory inspectors general already have oversight authority over the full scope of U.S. Government activities in current contingency settings and GAO provides an overarching view of multiagency initiatives.

Moreover, a SIGOCO would not bring any new tools or capability to oversight efforts. The inspectors general for USAID, State, and Defense have all developed capabilities to operate and perform in contingency environments. Indeed, oversight in contingency settings is and has been a core feature of our work for many years. About one in every five of our performance audits and reviews last year related to Afghanistan and Iraq, and approximately a third of our current investigations stem from allegations in those countries. In fact, Afghanistan and Iraq are only two of the countries where we have mobilized in response to disasters, conflicts, uprisings, and humanitarian crises. We have offices in eight other locations around the world including Egypt, Haiti, and Pakistan, and routinely perform oversight work in Sudan. We are always prepared to deploy our experienced Foreign Service auditors and investigators to the next contingency. We supplement their work with the efforts of reemployed annuitants that we retain using the enhanced personnel authorities that Congress has temporarily granted our organization.

Agency inspectors general also have a strong track record of working together to ensure comprehensive oversight of multiagency matters. OIGs routinely participate in joint investigations and frequently conduct joint audits and reviews of interagency programs and activities. In order to

promote the early detection, prevention, and prosecution of procurement and grant fraud, for example, our office actively participates in the National Procurement Fraud Task Force and International Contract Corruption Task Force along with other law enforcement counterparts. At Congress's direction, inspectors general across the government came together to provide oversight of stimulus spending and established the Recovery Operations Center to help coordinate and focus investigative work and leads across offices. Similarly, following Hurricane Katrina, the inspector general community rallied to provide coordinated oversight across 13 federal departments and agencies. In international settings, OIGs develop coordinated annual oversight plans for Southwest Asia and for HIV/AIDS, malaria, and tuberculosis programs. And with respect to Pakistan, we coordinate the preparation of a quarterly report with the State and Defense OIGs on the progress of the civilian assistance program and related oversight plans and activities. These arrangements work well because each of the participating organizations has clearly distinguishable lines of authority and accountability for oversight of a specific agency or department.

Provided adequate funding and authorities, agency-specific inspectors general can respond effectively to future contingency operations in our respective areas of responsibility and provide necessary oversight. We have

unmatched knowledge of and experience working with the organizations that we oversee and also have a deeply ingrained institutional understanding of past management challenges and lessons learned from previous contingency operations.

Instead of improving oversight, a SIGOCO is likely to blur jurisdictional lines and confuse Agency counterparts and implementing partners about reporting procedures and lines of authority. By needlessly adding a layer of bureaucracy, a SIGOCO will contribute to inefficiencies and distract program staff from key management and monitoring functions by adding to their already extensive reporting requirements.

Finally, it is worth considering the opportunity cost of diverting scarce financial resources to the establishment and maintenance of a new bureaucratic entity. If more oversight is the aim, then we submit that there has been no better investment in international assistance oversight than with us. Our office has provided oversight in Afghanistan and Iraq for more than 9 years for significantly less money than has been appropriated to the Special Inspectors General in a single year. For every dollar taxpayers have entrusted to our office in these settings, we have returned more than \$11 in the form of sustained questioned costs and investigative savings and recoveries.

Many have been struck by the Commission on Wartime Contracting's estimate of \$31 to \$60 billion in waste and fraud in Afghanistan and Iraq. Confronted with figures of this magnitude, the temptation is to respond by vastly expanding or reconfiguring oversight of U.S. Government activities in these countries. While we believe that the commitment of additional resources to oversight would yield reductions in fraud and waste, we believe that specific, targeted program interventions could also produce significant gains.

As an oversight entity, we strive to identify corrective actions for remedying management and performance issues as soon as possible, and our recommendations help save millions of dollars a year. However, more effective planning and implementation of program efforts by the agencies operating in these areas could help reduce more waste upfront. Better application of program management principles would help ensure that stabilization and development interventions support intended goals. Assigning greater priority to project monitoring and evaluation could help Agency managers identify problem areas sooner. The training and deployment of additional contract and procurement personnel could improve choices about procurement mechanisms and help increase contractor compliance with the terms of their agreements. Finally, programs and

initiatives to strengthen the independence and professionalism of host country law enforcement, prosecutors, and courts, and reinforce the role of indigenous oversight institutions could improve the overall operating environment for our assistance programs.

It is our belief that establishing a SIGOCO would not be an effective use of resources and that better options are available for reducing fraud and waste in contingency environments. If Congress and the President, nevertheless, determine to form such an entity, we would build on our long legacy of collaboration and work with it to advance our shared goals of reducing fraud, waste, and abuse and improving the economy, efficiency, and integrity of U.S. Government programs and activities.

Finally, at a recent hearing before this Committee, former members of the Commission on Wartime Contracting suggested that the statutory inspectors general charged with oversight of contingency operations were not sufficiently independent from the agencies they oversee. We strongly disagree with this characterization. While it was in operation, the Commission never expressed any concern regarding the integrity or quality of our work. Now that its mandate has ended and the Commission has been dissolved, we believe that it is inappropriate to make such claims at hearings intended to present the Commission's conclusions.

I can assure you that during the full course of my 10-year tenure with USAID OIG, nobody has ever presented any facts to suggest that we have provided anything less than the most vigorous, independent oversight in contingency environments. USAID OIG has a robust culture of integrity and we maintain the highest standards of independence in planning and executing our work. We have always assiduously pursued oversight of the agencies that we oversee and have never curtailed any oversight activities to foster better relations with any outside office or agency. We are proud of our tradition of fairness and objectivity, and our personnel, many of whom risk their lives in conflict settings, demonstrate their profound commitment to these values every day.

Thank you for this opportunity to address the Subcommittee. We appreciate your interest in our work and your continuing commitment to effective oversight. I look forward to learning more about your interests and priorities and would be happy to answer any questions you may have at this time.

Mr. CHAFFETZ. Thank you.

We will now recognize the Honorable Stuart Bowen, who is the Special Inspector General for Iraq Reconstruction.

STATEMENT OF STUART W. BOWEN

Mr. BOWEN. Thank you, Chairman Chaffetz, Ranking Member Tierney, members of the committee for the opportunity to appear before you again and address our oversight work in Iraq, and also to take up the issue of improving oversight in contingency operations.

I just returned 2 weeks ago from my 31st trip to Iraq over the last 8 years; met with my 10 auditors and investigators while I was there and we are busy still addressing significant issues regarding the substantial U.S. funds being expended in Iraq. It is true, the military is departing the end of this month. Our footprint is shrinking, but billions of dollars in taxpayer money is still being spent, and that money requires firm and effective oversight for the coming year and the years thereafter.

On Monday we appeared before the House Committee on Foreign Affairs to address the largest expenditure planned for next year by the State Department, and that is the billion dollars for the Police Development Program. Real questions were raised about the preparation for that. Much work remains to be done to ensure that it can succeed.

While I was in Iraq, I met with Ambassador Jeffrey, our Ambassador to Iraq, and Ambassador Sison, who is in charge of the Police Development Program, and they concurred with our findings and are taking action vigorously to implement them.

However, I remain concerned about a couple of matters that occurred over the last month regarding our presence there, and one is a review process that the State Department has implemented to require us to vet the information that we normally get for our quarterly reports back through offices here in Washington, which will impede our responsiveness. You have come to rely on our quarterly reports for a quick truth on what is going on in Iraq, and we want to maintain that capacity. We hope that we can overcome that limitation.

There has also been an investigation problem that I identify in my statement that is relative to our capacity to get information and carry out investigations. These raise continuing concerns about our capacity to execute effective oversight in Iraq.

But I also want to address the Government's capacity to execute effective oversight in contingency operations. The Wartime Commission, in its final report a few months ago, rightly recognized that the United States can improve its ability to oversee contingency operations, recommending the creation of a special inspector general's office. In other words, permanizing what we have been doing, what my colleague, Mr. Trent, and his staff are doing in Afghanistan.

And I concur with their recommendation because it will provide funds, savings of money in Iraq. That is the bottom line. In Iraq, Afghanistan, and all overseas contingencies going forward, the special inspector general for overseas contingencies would save tax-

payer dollars. We have done that in Iraq, it is being done in Afghanistan; it would be done in future contingency operations.

Let me take, very quickly, there are three objections to it that have been raised. One, it would be a layer of additional oversight. The opposite is true. The experience of SIGIR in Iraq has been that we have coalesced in focused oversight of the Iraq reconstruction mission and, as a result, have generated more effective work, more output, work that would have been more difficult to accomplish if there had been three, four, five inspector general offices operating. Also, we created the Iraq Inspector General Council and, as Mr. Carroll pointed out, we worked very closely with AID from the beginning, and with State and with DOD over time, through that process to generate better work. It has been an effective catalyst to synergize oversight efforts in-country, not a layer.

Second, the special inspector general for overseas contingencies would not sit fallow, as some have said, or waiting a contingency to happen. First of all, all you need to know is we have been in one of some form of another every year but two since 1980. The last 10 years we have been in the two largest in our history, in Afghanistan and Iraq. There is no doubt that the use of this office would be regular and necessary and, again, would generate savings of funds.

And, finally, and this is the most important thing, would the expenses or the costs of this special inspector general be more or less than the current system that is used? And the answer is less. We have submitted a budget. It could operate on an effective, very limited amount for the time necessary until contingencies occurred and then would be directed by the Congress, at the Congress' call, to provide oversight in contingencies as they arise. It would be a tool for the Congress, a boon to the taxpayers, and save money in these times of \$15 trillion debt.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Bowen follows:]

Statement of
Stuart W. Bowen, Jr.,
Inspector General,
Office of the Special Inspector General for Iraq Reconstruction
before the
Subcommittee on National Security, Homeland Defense, and Foreign Operations
of the
Committee on Oversight and Government Reform,
United States House of Representatives
December 7, 2011

Chairman Chaffetz, Ranking Member Tierney, and members of the Subcommittee, thank you for the opportunity to discuss mechanisms currently in place to oversee spending of taxpayer dollars in Iraq and about how oversight might be further enhanced.

Oversight in Iraq Today

Ensuring effective oversight of the expenditure of taxpayer dollars in Iraq is the paramount focus of SIGIR's mission. Although we will conclude our work at the end of 2012, we have much yet to do to protect the taxpayers' interests. Billions of dollars are still being spent, and my auditors and investigators, though diminished in number, have a substantial menu of substantive jobs before them designed to promote the efficient and transparent expenditure of those dollars.

As we execute this work, we will continue to coordinate closely with our fellow Inspectors General at State, DoD and USAID, particularly through the regular meetings of the Southwest Asia planning group. This process will be especially important in effectively transferring of any remaining investigations to sister agencies 12 months from now.

Notwithstanding SIGIR's brisk level of activity, the drop in dollars dedicated to Iraq's relief and reconstruction and the departure of U.S. forces by the end of this month are fundamentally reshaping all aspects of the Iraq mission, including oversight. Given that reality, this hearing wisely shines a light on the continuing need for accountability and transparency in Iraq. This need broaches several pertinent issues.

First, I am concerned about maintaining SIGIR's ability to get the information we need to complete ongoing audits and investigations and to continue to provide the kind of comprehensive Quarterly Report coverage that the Congress has come to expect from us. The State Department recently instituted a new bureaucratic process, requiring the channeling of information that we request from the Embassy through Foggy Bottom offices. This process inevitably will cause delays, impede our capacity to deal directly with the individuals in Iraq responsible for providing the necessary data, and thus reduce our responsiveness.

Symptomatic of this bureaucratic development, one of my investigators, working jointly with the FBI on a criminal case, recently was refused information by the State Department regarding a potential subject (who is a State employee). State directed my investigator to use the “audit process” to obtain this investigative information. Worse, he was challenged as to whether the information, which he had requested in good faith, was even related to “reconstruction funding.” This development is just the latest quandary in a predicament-filled year, during which the State Department has repeatedly raised fallacious objections to varying SIGIR requests. I thank the Chairman and Ranking Member – and the full Committee’s leadership – for their steadfast support of our oversight mission; but these recent issues underscore the reality of the continuing oversight challenges that confront us.

Regarding oversight of Defense Department activities, the departure of the United States military from Iraq means that the residual accounting for DoD’s programs rests with CENTCOM. Regarding SIGIR’s ongoing reviews and investigations involving DoD assets, the changes that 2012 brings means that access to individuals and data will certainly become more difficult. DoD is archiving its Iraq reconstruction data, frequently at remote locations. Moreover, those persons with primary knowledge of DoD’s work in Iraq have mostly moved on to new callings.

The military’s departure from Iraq will further affect our mission in another particularly acute fashion – SIGIR’s capacity to move about the country. I and my staff have spent the past eight years literally covering Iraq. The relatively easy means of travel we enjoyed in the past departed with our military. But we still have information that we can only obtain outside the safe confines of the Embassy compound in Baghdad. We are seeking to remediate this limitation, as USAID-IG has done, by using local contractors. That is, we hope to be able to use an in-country capacity to gain access to information that we otherwise could not obtain.

Despite these varying and fluid challenges, SIGIR will continue to produce timely, accurate, and comprehensive reporting on the billions in taxpayer dollars yet to be spent in Iraq. In so doing, we will coordinate and collaborate fully with State, USAID, Defense, and all other agencies operating in Iraq. As our mission draws to a close at the end of next year, we will provide the Congress with a capping report that captures the results of eight years of oversight work in Iraq.

Let me turn now to the important issue of enhancing oversight in future overseas contingency operations.

Oversight in the SRO Context

The stabilization and reconstruction operations (SRO) in Afghanistan and Iraq exposed weaknesses within our national security structure, including SRO planning, execution, and oversight, which stimulated a series of substantive responses that fundamentally altered the U.S.

approach to contingencies. Most recently, the State Department stood up the Bureau of Conflict and Stabilization Operations (CSO), first proposed in last December's Quadrennial Diplomacy and Development Review. The CSO subsumes and succeeds the State Department's Coordinator for Reconstruction and Stabilization (S/CRS), which was created in 2005 through National Security Presidential Directive 44 to provide a greater civilian SRO response capacity. On the Defense side, DoD recently issued its first Joint Doctrine for Stability Operations, carrying forward the Pentagon's "stabilization revolution" begun in 2005 with the issuance of DoD Directive 3001.05. These developments punctuate an evolution in national security thinking within the federal government toward a more integral approach to planning and executing SROs. But this evolutionary process has yet to address the oversight piece. Integral SRO planning and execution is crucial; but so is integrated oversight.

The recently-issued Commission on Wartime Contracting's Final Report proposed a solution that would promote integrated oversight in SROs: the creation of a Special Inspector General for Contingency Operations (SIGOC). The Congress now has legislation before it proposing the creation of such. I believe the Iraq experience—specifically, the success of SIGIR's work—supports SIGOC's creation.

SIGOC would constitute an experienced, cross-jurisdictional, and scalable expeditionary oversight organization that would serve as an economic, efficient, and effective tool in fighting waste, fraud, and abuse in overseas contingency operations. Further, it would be an effective means for ascertaining which new SRO systems and policies are working and which are not, so that the government could better target limited resources in carrying out contingencies.

While these institutional and policy-based arguments substantiate a sound basis for creating SIGOC, there is one rationale that transcends even these important considerations. SIGOC would have a net cost of zero. The savings SIGOC would obtain over time would vastly outpace the relatively modest investment necessary to stand up its operations.

Why SIGOC?

GAO has been around for 90 years, statutory civilian Inspectors General for just over 30. The first Special Inspector General—my office—was created in 2003 by a Congress that recognized the unique vulnerabilities inherent in prosecuting an SRO in Iraq that involved billions of taxpayer dollars. This new tool was usefully employed to combat fraud waste and abuse, in a manner that was complementary not contradictory to the existing oversight regimes.

Now, eight years having passed since SIGIR's creation, I believe I can safely say that the dedication and expertise of SIGIR's staff combined with our unique mandate and structure, allowed us to make a positive difference by improving outcomes, imposing accountability,

expanding transparency, and saving taxpayer dollars (through more than 400 reports that generated nearly \$1.5 billion in financial benefits). We deterred fraud and punished theft, securing to date 61 convictions and dozens of contractor suspensions and debarments.

The SIGIR experience underscores several important oversight advantages that SIGOC would provide:

- **Interagency Jurisdiction** – SROs are inherently interagency operations. The IG overseeing them should have the authority to review the operations and accounts of any agency involved. SIGIR has had that authority in Iraq. But no permanent executive branch IG has the authority to audit the work of another. Thus, absent SIGOC, oversight in future SROs would require “joint jobs,” an imperfect, complicated, and *ad hoc* solution.
- **Focus and Speed** – A Special IG can focus quickly on a relatively small number of matters of great importance. It can generate reporting at a faster pace than permanent IG’s. For example, SIGIR and SIGAR report to the Congress quarterly. SIGOC’s leadership would usually be engaged in one or two contingencies. They would not have to also be engaged in reviewing the operations of a world-wide Department or Agency.
- **Applying Lessons Learned** - A special IG’s continuous SRO engagement would ensure the retention of institutional knowledge, the maintenance of a lessons-learned database, and the development of best practices, all of which would strengthen the planning and execution of future SROs. This means that SIGOC’s work would strengthen our national security interests and not just save money .
- **Scalable for Efficiency** – At the height of the Iraq engagement in 2007-08, SIGIR had more than 160 employees, with over 50 assigned to Iraq. Today, we stand at 85 total employees and plan to be down to 50 by the middle of next year. We match our workforce to the workload through enhanced hiring and contracting capabilities. SIGOC would have a similar approach.
- **Commitment to Deployment** – SIGIR ’s staff knows that they have signed up for overseas deployment to a conflict zone. This issue was a problem for permanent IG’s in 2003-04, whose staff did not join their respective organizations expecting long tours in unstable areas. Further, given this clarity of mission, SIGOC would be able to deploy from the start of a contingency, which would yield crucial cost savings through better accountability and stronger transparency.

- **Surge Capacity** – Permanent agency IG's have a critically important job in overseeing their large departments. Cherry-picking top talent "out of hide" to rush forward to a crisis impairs their primary mission and burdens limited resources. SIGIR complemented the work of the DoD, State, and USAID IGs in a coordinated way, allowing them to maintain focus on their substantial primary missions.
- **Experience and Expertise** – SIGIR's ability to hire retired annuitants kept its staff-size low but its level of experience and expertise high. More than 60% of SIGIR's staff is at level GS-15 or above, which means a broader range of well-trained abilities from which to draw, allowing rapid results from small and agile teams. Hiring flexibilities also permitted the employment of cultural experts, strengthening our audit and investigative capacities in Iraq.

Our sister agency, the Special Inspector General for Afghanistan Reconstruction (SIGAR), was established in 2008, well after the Afghanistan SRO began. While SIGAR's dedicated staff worked hard from the start to make a difference, its early struggles help substantiate the need for establishing a permanent Special IG. It takes time to build an effective organization, and you simply don't have much time once a contingency has begun.

SIGAR faced several disadvantages that SIGIR did not, including:

- SIGAR was established with a budget of just \$2 million, while SIGIR was given \$75 million in "no-year" money at its creation.
- SIGAR was created more than seven years into the Afghan operation, while SIGIR was created within a year of the Iraq operation's inception.
- SIGAR was peer-reviewed (by its own invitation) before it had the chance to fully develop necessary policies and procedures that would allow it to withstand such reviews.

SIGIR assisted in the stand-up of SIGAR, providing it a broad spectrum of personnel and back-office support. Having one administrative office would be a huge money saver. Likewise, a single, experienced office would provide quality assurance and streamlined, proven processes. The United States will face more SROs in the future. Thus, there is an inherent wisdom in retaining the experience and expertise attained by the existing special IG offices. Perhaps the most compelling point supporting the creation of SIGOC is the amount of fraud, waste, and abuse that would have been averted during the first year in Iraq had SIGOC then existed (the same rationale applies to Afghanistan). Those savings alone would have paid for a SIGOC for our lifetime and beyond.

SIGIR testified previously that it would take approximately \$5 million per year to maintain a core SIGOC staff, with add-on options per contingency ranging from \$8 million to \$25 million. We have attached a draft notional budget that lays out these financial considerations, keeping in mind that an IG should recover much more than it spends in program efficiencies and outright cost savings.

Some have questioned what a permanent special IG would do during the times when no contingency was active. But this question's premise is rebutted by the fact that we have been involved in SROs nearly every year since the 1980. Further, as the Wartime Contracting Commission pointed out in its recent Final Report, a small standing oversight capability would be able to train its planning and oversight capabilities such that when deployed they could make a substantial difference from the start of a contingency.

Other sound bases for establishing SIGOC include:

- **Independence.** Truly independent oversight allows difficult truths about volatile issues to be clearly told. This promotes transparency and thus better government. One of the keys to such transparency would be the special IG's detailed Quarterly Reports, which provide the Congress and taxpayers a full accountability for the myriad programs ongoing in a contingency environment.
- **Efficiency.** In a time of dwindling resources and decreasing budgets, a singularly focused oversight mechanism for SROs would reduce waste, deter fraud, and stop abuse in every program.
- **Judgment.** In a time of increasing national security threats, the government must improve its capacity to evaluate program results, so that it can make good judgments about what works best in SROs. An established oversight agency for contingencies would promote better planning and improved execution for SROs.
- **Capacity.** A standing oversight capacity that could react quickly to an SRO would better protect the taxpayers' interests. Moreover, the SIGOC would be a vehicle for improving the tools for effective oversight across the board, which might be transferable to the IG community at large.
- **Deterrence.** Effective oversight from the start of an SRO will save taxpayer dollars by deterring those less-than-stellar contractors who might cut corners or pad an invoice. Ensuring tight oversight from the start would better protect our national security interests, because it would increase the likelihood of project and program success.

Mr. Chairman, Ranking Member Tierney, members of the Committee, the SIGIR experience tends to substantiate the benefits of focused oversight for SROs. Permanently establishing such a mechanism would save taxpayer dollars, improve mission performance, and strengthen the protection of our national security interest. Finally, permanizing an SRO oversight office would avert the repetition of the *ad hoc* approaches of the past and better advance the well-accepted principles in accountability and transparency so necessary to successful contingency operations.

Thank you for the opportunity to present my statement to the Committee. I look forward to your questions.

Special Inspector General for Contingency Operations Model

***** DRAFT/NOTIONAL BUDGET FOR DISCUSSION PURPOSES ONLY *****

Description	MODEL A (i.e. Iraq/Afghanistan - Large)				MODEL B (i.e. Iraq/Afghanistan - Medium)				MODEL C (Non-War Zone - i.e. Haiti - Small)			
	Back Office Support 25 FTE's	Forward 30 FTE's	Rear 75 FTE's	Grand Total Model A	Back Office Support 25 FTE's	Forward 20 FTE's	Rear 45 FTE's	Grand Total Model B	Back Office Support 25 FTE's	Forward 10 FTE's	Rear 20 FTE's	Grand Total Model C
FTE's	25	30	75	130	25	20	45	90	25	10	20	55
Annual Base Salary	122,003	132,425	122,003	248,588	122,003	132,425	122,003	17,277,786	122,003	132,425	122,003	10,234,427
Personnel Compensation	4,215,921	9,265,883	11,363,986	24,845,689	4,215,921	6,244,374	6,818,391	17,277,786	4,215,921	2,989,810	3,030,396	10,234,427
Travel	160,240	442,620	499,200	1,102,060	160,240	316,120	345,600	821,960	20,800	59,920	211,200	291,920
Conus-Based Facilities	244,400	0	840,715	1,085,115	244,400	0	594,360	838,760	244,400	0	398,064	633,464
COMMS/IT	127,314	7,351	584,319	718,984	127,314	4,901	425,207	557,422	127,314	2,450	311,201	440,965
Printing - Quarterly Reports	0	0	220,227	220,227	0	0	152,465	152,465	0	0	0	134,583
Operational/Consultant Services	0	24,504	582,275	606,779	0	24,504	382,244	406,748	0	24,504	337,502	362,006
Administrative Support Services	0	0	478,811	478,811	0	0	331,485	331,485	0	0	292,607	292,607
Training/Misc Contracts	30,000	38,000	253,966	319,966	30,000	24,000	171,536	225,536	30,000	12,000	126,604	167,604
Supplies/Equipment	15,674	18,808	47,024	81,503	15,674	12,639	28,212	56,425	15,674	6,289	12,539	34,482
SUBTOTAL OPERATING EXPENSES	4,792,646	9,796,147	14,840,618	29,429,314	4,792,646	6,626,438	9,248,600	20,668,686	4,653,206	3,094,154	4,844,695	12,592,056
CGIE	70,630	0	0	70,630	48,605	0	0	48,605	30,221	0	0	30,221
TOTAL OPERATING EXPENSES	4,863,286	9,796,147	14,840,618	29,499,944	4,841,251	6,626,438	9,248,600	20,717,291	4,683,426	3,094,154	4,844,695	12,622,276
Forward + Rear (Back Office not included)		10,296,000				6,864,000				3,432,000		
ICASS (based on Iraq support @ \$243.2K per person)												
GRAND TOTAL (INCLUDING ICASS)	4,863,286	20,092,147	14,840,618	39,795,944	4,841,254	13,490,438	9,248,600	27,692,201	4,683,430	6,526,154	4,844,695	16,054,279

***** DRAFT/NOTIONAL BUDGET FOR DISCUSSION PURPOSES ONLY *****

Mr. CHAFFETZ. Thank you, Mr. Bowen. I know we will have some more lively discussion about this proposal as well.

We will now recognize Mr. Trent, who is the Acting Inspector General for Afghanistan reconstruction. Mr. Trent, you are recognized for 5 minutes.

STATEMENT OF STEVEN J. TRENT

Mr. TRENT. Thank you, Mr. Chairman, Ranking Member Tierney, and members of the committee. I am pleased to be here with my colleagues today to discuss ways to strength oversight of reconstruction in Afghanistan.

As you know, the President has requested more than \$18 billion in the fiscal year 2012 budget to assist Afghanistan. If approved, this will bring total appropriations to \$90 billion, which is the largest rebuilding effort since the Marshall Plan.

Congress created SIGAR in 2008 to provide oversight for this significant investment. Since then, our auditors and investigators have had a positive impact on the reconstruction effort. We have issued 49 audit reports and made 149 recommendations that have led to great accountability and improvements in contracting and program management. Just this year, our auditors have identified nearly \$70 million in funds that should be returned to the U.S. Government.

SIGAR investigators have played an important role in both detecting and deterring fraud. The work has resulted in the recent successful prosecution of the largest bribery case to date from Afghanistan. This year, they produced \$51 million in fines, penalties, forfeitures, seizures, and savings.

However, I believe SIGAR can and must do more to strengthen oversight during this critical transition period in Afghanistan, so we are taking aggressive steps to focus our audit and investigative work on the most critical areas of the reconstruction effort. We have developed a fiscal year 2012 audit plan that identifies five critical areas to successful Afghanistan reconstruction. They are private security contractors, Afghan governance capacity and sustainability, contracting, program results and evaluations, fraud detection and mitigation.

We have also added inspections to provide timely assessments of infrastructure projects. These rapid reviews will verify if the work was performed correctly and achieved intended outcomes. Most importantly, this work can help determine if projects are sustainable. We are also adding a series of audits to examine contract expenditures. These audits will allow us to more accurately assess whether the U.S. Government has been billed properly.

Along with our sister oversight agencies, we consistently coordinate to avoid duplicating each other's work. However, we know that we need a more comprehensive and targeted approach. Therefore, along with our colleagues, we are developing a strategic framework to guide the IG community's work in Afghanistan reconstruction. We intend to identify the issues most important to lawmakers and policymakers, and use these issues to drive the results of the IG community's work. SIGAR hosted the first meeting of this effort last week.

Finally, SIGAR is taking a leadership role in holding contractors accountable in Afghanistan. We are expanding our investigative presence in Afghanistan to build criminal cases. We have 111 ongoing criminal investigations, 68 of which involve contract and procurement fraud. Criminal and civil legal proceedings, however, can take substantial periods of time, so SIGAR has also enhanced its suspension and debarment program to address the need for more timely and targeted actions. SIGAR is currently on track to make approximately 80 suspension and debarment referrals by the end of this year.

SIGAR is taking important steps to enhance oversight; however, the implementing agencies also have a responsibility to strengthen oversight of their own operations. During my recent trip to Afghanistan, I met with high level U.S. civilian and military officials to discuss what steps they are taking to improve contract and program management. I will continue to engage in these important discussions, which also help to better target SIGAR's work.

Let me conclude by saying that we have listened closely to this committee's thoughtful questions about oversight and we are heeding your concerns. The Congress has provided enormous resources for Afghanistan reconstruction in a difficult budgetary environment. At SIGAR we are committed to ensuring that our oversight not only protects this historic investment, but helps U.S. implementing agencies produce better results.

Thank you, Mr. Chairman, for giving SIGAR the opportunity to appear this morning.

[The prepared statement of Mr. Trent follows:]

**STATEMENT PREPARED FOR ACTING INSPECTOR GENERAL FOR
AFGHANISTAN RECONSTRUCTION STEVEN J TRENT
HOUSE SUBCOMMITTEE ON NATIONAL SECURITY, HOMELAND DEFENSE AND
FOREIGN OPERATIONS
WEDNESDAY, DECEMBER 7, 2011, 10:00 AM**

Thank you Mr. Chairman, ranking member Tierney, and members of the Committee.

I am pleased to be here with my oversight colleagues to discuss strengthening oversight of U.S. reconstruction efforts in Afghanistan. As you know, SIGAR was established by the National Defense Authorization Act (NDAA) in FY 2008, to provide oversight of reconstruction in Afghanistan. Over the last decade, Congress has appropriated nearly \$73 billion to rebuild Afghanistan. In his fiscal year (FY) 2012 budget request, President Obama asked Congress for an additional \$18.8 billion to support programs to build Afghanistan's security forces, develop the country's economy, and promote good governance. If approved, this would be the largest appropriation of funds for the reconstruction of Afghanistan in a single year. It would increase total U.S. funding to rebuild Afghanistan to \$90 billion since 2002, making this the most expensive U.S. reconstruction effort since the Marshall Plan following World War II.

Ensuring that the considerable funding provided by the U.S. taxpayer to rebuild Afghanistan is not subject to waste, fraud, or abuse, and that it is being spent efficiently and effectively to realize U.S. strategic objectives requires vigorous oversight. Responsibility for good oversight must be shared among oversight agencies, such as SIGAR; U.S. government agencies and departments charged with planning and managing reconstruction programs; and with the contractors and other entities, such as non-profit organizations, that are paid to implement projects.

At our best, oversight agencies not only detect and deter waste, fraud, and abuse; we also provide recommendations to help implementing agencies improve their own oversight and strengthen their ability to effectively develop and execute programs. Since 2008, when SIGAR was created, our auditors and investigators have had a positive impact on the reconstruction effort by helping to increase accountability and improve the planning, contracting, and program management of reconstruction projects. Let me share a few milestones demonstrating SIGAR's contribution to stronger oversight.

SIGAR Accomplishments

Over the last three years, SIGAR auditors have issued 49 reports and made 149 recommendations to improve contracting, program management, and quality assurance. In FY 2011, SIGAR auditors also identified up to \$69.9 million in funds that should be returned to the

U.S. government. SIGAR audits have led to changes in the ways implementing agencies are executing programs in Afghanistan. For example, one of our audits contributed to the Defense Department's decision to develop a new system to assess the capabilities of the Afghanistan National Security Forces (ANSF). Because more than half of all reconstruction dollars are going to rebuild Afghanistan's security forces and the U.S. strategy depends on these forces being able to provide security by 2014, it is vital that the United States and its coalition partners have a reliable way to measure ANSF progress.

Through our audits of infrastructure projects for the Afghan National Army and the Afghan National Police, SIGAR raised concerns about planning and underscored the significant challenges the Afghan government faces to sustain completed facilities. These audits have led implementing agencies to give greater consideration to how the Afghan government will operate and maintain these facilities after 2014. The oversight community has recognized the importance of SIGAR's work in this area. For example, the Commission on Wartime Contracting singled out SIGAR for highlighting problems related to the sustainability of construction spending in Afghanistan.

SIGAR auditors have overcome security constraints to provide valuable assessments of reconstruction programs in the provinces. For example, in its audit of the Commander's Emergency Response Program (CERP) in Laghman Province, SIGAR found that nearly half of the projects were at risk or had questionable outcomes. The audit raised questions about the adequacy of CERP oversight and the capacity of the Afghan government to sustain completed CERP projects. The Council of Inspectors General for Integrity and Efficiency (CIGIE) gave the 2011 Sentner Award for Dedication and Courage to the SIGAR team that conducted this audit.

SIGAR is also leading the way in investigating fraud, waste and abuse in Afghanistan. SIGAR has 111 ongoing investigations, 68 of which involve procurement and contract fraud. Recently, a SIGAR-initiated investigation resulted in the successful prosecution of the largest Afghan bribery case since reconstruction began. In addition, SIGAR investigations have produced \$51 million in fines, penalties, forfeitures, seizures and savings. To build on this record, SIGAR is putting more investigators where the money is. SIGAR has assigned agents outside of Kabul, so they are closer to the Regional Contracting Centers. Just last month, SIGAR opened three new offices in Khost, Herat and Helmand provinces.

In June 2011, to strengthen its ability to hold contractors accountable, SIGAR enhanced its suspension and debarment program to combat procurement fraud and corruption in Afghanistan's unique contracting environment. We believe our program is a model in the IG community, meeting or exceeding recommendations in a recent report released by CIGIE in September 2011.¹ This program is particularly important because the U.S. government has sought to increase the number of contracts awarded to Afghan entities. In fact, the majority of subcontractors implementing U.S. contracts are Afghan firms. As you know, U.S. law enforcement agencies have no authority to criminally prosecute Afghan citizens. But U.S.

implementing agencies do have the ability to suspend and debar any company or individual of any nationality from obtaining U.S.-funded contracts.

SIGAR determined that a significant number of cases in Afghanistan could be addressed using suspension and debarment, in addition to criminal convictions and civil recoveries. Specifically, SIGAR actively seeks out cases that are not accepted for criminal or civil action to refer for suspension or debarment. In addition, we look at cases that— with additional investigative work— can meet the evidentiary standards required for a successful suspension or debarment action. The use of suspension and debarment is especially important for SIGAR, as many cases opened and investigated involve local Afghans or third country nationals. Consequently, many cases lack either the jurisdiction or legal basis to sustain a criminal or civil case in federal district court. SIGAR took the initiative to address these issues to ensure that referrals for suspension and debarment actions occur in a timely manner and not as an afterthought to criminal and civil remedies. This program not only looks at the results of investigations but also has the capability to utilize the results of audit reports to develop suspension and debarment actions. SIGAR is currently on track to make approximately 80 suspension and debarment referrals by the end of 2011.

Strengthening SIGAR Oversight

Although SIGAR's body of audit and investigative work has led to improvements in the U.S. reconstruction effort in Afghanistan, I also believe that we can and should make our oversight more effective. Most important, I believe we need to adopt a more strategic approach to oversight in Afghanistan.

To help accomplish this, SIGAR has developed an FY 2012 audit plan that identifies five critical focus areas, including:

- **Private Security Contractors**

The future of the U.S. reconstruction effort depends to a great degree on the ability of implementing agencies and contractors to provide security for their staff and facilities. SIGAR is conducting a series of audits to determine 1) if the Department of Defense, the Department of State, and USAID have complied with requirements related to private security contractors in the 2008 NDAA, 2) what proportion of costs for reconstruction projects are directly attributed to security, and 3) how the impending transfer of security functions to the Afghan Public Protection Force will affect reconstruction efforts.

- **Afghanistan Governance Capacity and Sustainability**

The U.S. reconstruction strategy in Afghanistan places a high priority on increasing Afghan capacity to govern more effectively and sustain programs. Over the next year, SIGAR will evaluate 1) how Afghanistan's Ministries of Defense and Interior have used U.S. funds to

build their governing capacity, 2) whether these funds have been used effectively and efficiently, and 3) the extent to which U.S. reconstruction programs and investments have taken into account the capacity of the Afghan government to sustain these programs and investments.

- **Program Results and Evaluation**

SIGAR will be assessing reconstruction projects to determine 1) if they are achieving their intended results and outcomes; 2) the extent to which project managers are taking action to curtail efforts, amend projects and/or reduce funding for projects that are not delivering results; and 3) the extent to which stabilization initiatives are producing the expected outcomes.

- **Contracting**

Because the U.S. government relies heavily on contractors to implement reconstruction programs, SIGAR will continue to examine closely all aspects of the contracting process. Specifically, we will assess the extent to which the Departments of Defense and State, as well as USAID, are 1) awarding contracts competitively, and 2) administering contracts in a manner to ensure that costs are controlled and that contractors remain on schedule and perform as required.

- **Fraud Detection and Mitigation**

Given the large U.S. investment in rebuilding Afghanistan, SIGAR believes that U.S. programs must include mechanisms to detect and mitigate fraud. Our auditors will assess 1) the extent to which the U.S. reconstruction effort has assisted the ANSF to build a logistics capability to maintain their vehicles and supply their forces with food and fuel and 2) the extent to which these efforts have included internal controls to prevent fraud, waste, and abuse in the logistics processes. SIGAR will also conduct audits to determine 1) whether particular reconstruction programs and contractors are prone to corruption, such as collusive bidding, false billing, or duplicate payments, and 2) if they are, what steps could be taken to reduce their vulnerability.

Recognizing the need for “real-time” assessments in Afghanistan, SIGAR will augment its audits with inspections to conduct rapid reviews of infrastructure projects to verify if work was performed to quality standards, if the projects achieved intended outcomes, and if the projects are properly managed. SIGAR is also adding a series of audits to examine contract expenditures. These audits will allow us to more accurately assess whether the U.S. government is being properly billed.

Finally, SIGAR is working with our sister oversight agencies to develop a strategic framework to guide the IG community's work on Afghanistan reconstruction. As you may know, every year the IGs working in Afghanistan put forward an audit plan for the coming year. We meet on a regular basis under the auspices of the Southwest Asia Joint Planning Group. The group de-conflicts the content and schedules of our audits, and then publishes the result. This process ensures we are not spending precious resources duplicating each other's work.

But in discussing this process among ourselves, my colleagues and I have recognized that de-conflicting audit schedules is not enough. We need an overall strategic planning process that identifies the issues of most importance to law makers and policy makers, and uses these issues to drive the audits the IG community will perform. So on November 30, 2011, SIGAR hosted the first meeting to develop a FY 2013 strategic audit plan for the entire IG community working in Afghanistan.² The goal of this process is to:

- Reduce overlap and better leverage capabilities of the IG community to deliver higher quality results
- Better integrate client and stakeholder concerns into the audit planning process to ensure audits and inspections provide highest value
- Identify opportunities to communicate trends, lessons learned and policy recommendations.

As part of this process, we will also produce capstone reports that analyze and make recommendations on broad reconstruction issues, such as the effect of security on rebuilding efforts, obstacles to building governing capacity, and the challenges of implementing sustainable programs. We believe it's especially important in a contingency environment to identify the overarching issues that the IG community is consistently finding, so that solutions to these recurring problems can be proposed.

Addressing Future Contingencies

SIGAR's main concern is ensuring that we provide the most robust oversight possible of what is the largest contingency operation in the last 60 years. While the likelihood of another contingency of this magnitude is unlikely, SIGAR's experiences and challenges in Afghanistan have provided us with insight that may be helpful in planning oversight for future contingencies. So in addition to outlining ways in which we have strengthened our own oversight efforts, let me make some observations that you may find useful.

First, oversight agencies need to be able to hire the right staff, with the right expertise, in a timely manner. One cost-effective and efficient way to meet this need would be to give existing IGs and the U.S. Government Accountability Office temporary 3161 hiring authority. This

would allow IGs to surge their staff, as required by new contingencies. And it would have the added benefit of allowing IGs to cut back their staff easily, as contingencies are resolved.

Second, our experience shows that resources need to be provided up front—as they were for the Iraq contingency—to allow oversight agencies to immediately begin fulfilling their mandates. The funding delays that we initially experienced prevented us from hiring and fielding the auditors and investigators required to exercise proper oversight.

Third, contingencies involving multiple agencies and multiple funding streams require a coordinated oversight plan that ensures the oversight community focuses on the most critical areas. As I discussed earlier, SIGAR is working with our colleagues to develop a strategic framework to address this need in Afghanistan. In the event of future contingencies, Congress could not only designate an existing oversight body to assume this leadership role, but mandate that the oversight community develop and publish such a plan.

Fourth, each contingency operation presents unique challenges. While it is possible and important to draw on the lessons learned from previous contingencies, we cannot underestimate the extent to which oversight will have to be customized for each situation.

Finally, implementing agencies must also take the responsibility to strengthen oversight of their own operations. They are the front line of planning, implementing, and overseeing contracts and programs. In November, I met with senior civilian and military officials in Afghanistan charged with implementing the reconstruction effort in Afghanistan. Through these discussions, I learned of steps they are taking to improve oversight in response to our findings and recommendations. We will continue to monitor their progress.

Conclusion

Let me conclude by acknowledging the difficult choices facing lawmakers today regarding scarce government resources. As we look forward, the budget challenges facing our country suggest that spending for future contingencies will not approach the levels of magnitude of Iraq and Afghanistan. Many thoughtful recommendations have been put forward—by the Commission on Wartime Contracting and others—to improve oversight in contingency environments. At SIGAR, we are committed not only to identifying best practices—taking into account this unique budgetary environment— but to ensuring that our current oversight efforts are as strategic and effective as they can be.

SIGAR has a tremendous responsibility to do everything we can to ensure that the significant investment the United States has made in the future of Afghanistan is not lost to fraud, waste and abuse. We are committed to providing timely, targeted audits that identify problems and help implementing agencies design and execute sustainable projects. We are committed to doing everything we can to ensure that contractors are held accountable and bad actors removed from the Afghan theater as quickly as possible.

Thank you, Mr. Chairman, for convening this hearing and for giving SIGAR the opportunity to testify this morning.

###

¹ Council of the Inspectors General on Integrity & Efficiency, Suspension and Debarment Working Group, "Don't Let the Toolbox Rust: Observations on Suspension and Debarment, Debunking Myths, and Suggested Practices for Offices of Inspectors General," 20 September 2011, accessed at <http://www.ignet.gov/randp/sandwgrpt092011.pdf>

² SIGAR's coordinating authority is contained in the National Defense Authorization Act for Fiscal Year 2008, Pub. L. No. 110-181, § 1229(f)(4), 122 Stat. 380: "COORDINATION OF EFFORTS.—In carrying out the duties, responsibilities, and authorities of the Inspector General under this section, the Inspector General shall coordinate with, and receive the cooperation of each of the following:

- (A) The Inspector General of the Department of Defense
- (B) The Inspector General of the Department of State.
- (C) The Inspector General of the United States Agency for International Development."

National Defense Authorization Act for Fiscal Year 2008, Pub. L. No. 110-181, § 842(d), 122 Stat. 235: "COORDINATION OF AUDITS.—The Inspectors General specified in subsection (c) [the Special Inspector General for Afghanistan Reconstruction, the Inspector General of the Department of Defense, the Inspector General of the Department of State, and the Inspector General of the United States Agency for International Development] shall work to coordinate the performance of the audits required by subsection (a) and identified in the audit plans developed under subsection (b) including through councils and working groups composed of such Inspectors General."

Mr. CHAFFETZ. Thank you, and thank you all for your service and your commitment.

I would now like to recognize myself for 5 minutes.

Mr. Heddell, I am going to start with you. The Defense Contracting Auditing Agency I know is a little bit outside of your lane, but I would appreciate it if you would offer a perspective. The Commission on Wartime Contracting had indicated that there were some 56,000, 56,000 contracts behind in terms of auditing these contracts. Why is that? How can that be? How is it that DOD can be so far behind in this?

Mr. HEDDELL. Mr. Chairman, my office has actually done a lot of work with respect to DCAA. I would just say generally, first off, that I think they probably are under-resourced and need help in that respect, but historically DCAA has been a very challenged organization. They do a tremendous amount of work for a lot of agencies, not just inside the Department of Defense, but outside the Department of Defense. In the last 3 to 4 years, the DCAA has undergone some sweeping changes as a result of some fairly significant criticisms of their leadership, of their processes, and not meeting expectations.

As a result of that, it has new leadership today with Pat Fitzgerald, who was the Director of Army Audit, and Pat has taken on a gigantic job, and with the work that my office has done to try to help them identify vulnerabilities in their management, in their processes, and how to be an effective organization. For the last 2 years, their focus has been, and this is Gordon Heddell talking, more internal than external.

So while under ideal circumstances they would have been focusing outward, doing great work, doing lots of audits with very experienced and good leadership, they have had to focus inward to correct management deficiencies and vulnerabilities. I think that is partially a result of this backlog in audits, but not entirely.

Mr. CHAFFETZ. My understanding, we have been participating a lot of hours and spending a lot of money and a lot of resources, as that expenditure has gone up. Help me understand what is happening with the actual auditors themselves, because you have been appropriated more money.

Mr. HEDDELL. Absolutely. In fact, I have been a very fortunate organization. In the last 3 or 4 years, the DOD Office of Inspector General has been plussed up some \$87 million, Mr. Chairman. I doubt that any other IG can say that. So I am very fortunate. The Congress has been very supportive of me, and, for that matter, so has the Department of Defense.

Mr. CHAFFETZ. But have you been spending that money?

Mr. HEDDELL. No. The problem there is that the budget, the \$87 million in plus-ups that I have received, have not been annualized. And what that means is that although I am very fortunate to get these plus-ups, I am not able to use that money to hire permanent staff. So I can hire contractors, I can do other things with that money, but because it is not being annualized by the Department, I cannot run the risk of hiring people and then having to RIF them the following year for fear that I don't have enough money in my budget to pay them. It is a problem.

Mr. CHAFFETZ. Of that \$87 million that you have gotten, how much did you actually spend?

Mr. HEDDELL. Well, we have spent almost all of it.

Mr. CHAFFETZ. But you are hiring outside contractors to do the work?

Mr. HEDDELL. Yes, sir. We are hiring outside contractors. We are creatively doing work that is positive and meets the needs of both the Congress and the Department and the American people, but, for instance, in the early 2000's there were two things that happened that have come to haunt us today. One is that while we sent our military forces into Southwest Asia to fight two wars, there was a mistaken belief by many of the civilian agencies that they could fight those two wars in the continental United States, my own organization being one of those. And it wasn't until 3 or 4 years ago that we came to the realization you cannot do that; you must be present and you have to have the people in place, you have to have the footprint.

The second thing that happened is that the Department of Defense's budget doubled to about \$650 billion, and at the same time the contract acquisition and contract management work force, in fact, was reduced in size, meaning that we lacked thousands and thousands of needed contracting specialists that are not there to oversight these contracts; that are not there to raise their hand and say stop the assembly line, we are spending money that we are not watching, we are not surveiling it. So those are two major issues.

Mr. CHAFFETZ. Well, thank you. I appreciate it. I think this highlights a multibillion dollar challenge and problem that we certainly need to address and fix because I think there is a definite need that is pervasive in the Congress, both the House and the Senate, to make sure that these types of functions are in place. But the way that the money is appropriate is obviously falling short and failing.

I have overstayed my time. I will now recognize the ranking member, Mr. Tierney, from Massachusetts, for 5 minutes.

Mr. TIERNEY. Thank you, Mr. Chairman.

Mr. Heddell, I think you hit one major problem right on the head in the last part; I think we have seriously hollowed out a lot of our agencies in terms of keeping at least the personnel on board to oversee and to manage contracts. We find that repeatedly every time we have a hearing on that respect. If we are going to contract out, which is not always a good idea, but if we are going to do it, then at least we have to keep on board enough people to sort of manage these things well for everybody's benefit.

In your report, Mr. Heddell, on the subsistence prime vendor contract for Afghanistan, you found that while Supreme Group provided the products that were required by the contract, the Defense Logistics Agency failed to provide sufficient oversight of contract cost and performance. Specifically, you found that the agency overpaid the vendor nearly \$100 million in transportation costs, paid the vendor \$455 million to airlift fresh fruits and vegetables without properly incorporating those requirements into the contract, and allowed Supreme to bill the Army over \$50 million in costs for the wrong appropriation year.

What recourse do you have as Inspector General when the agency fails to properly manage a contract and that failure leads to hundreds of millions of dollars in losses to the taxpayer?

Mr. HEDDELL. Well, thank you, Congressman Tierney. Appreciate the question. Obviously, this is an example of just about how bad it can get, and clearly this happened. This contract was created back in 2005; it wasn't a well designed, well thought out contract, probably like many contracts during that period.

Consequently, we spent some \$3 billion on this contract and, as you said, we overpaid the prime vendor \$98 million in transportation costs, we overpaid them \$25.9 million in tri-wall costs, the boxing, corrugated boxes and so on, and, as you indicated, \$455 million in services to airlift fruit and vegetables from the United Arab Emirates into Afghanistan, without even including that in the contract. All of that is a result of not planning properly and designing a contract that was not in the best interest of the American people.

Now, we have gone, my organization, to the Defense Logistics Agency and we have told them we want that money back, and the Defense Logistics Agency agrees with us. Beginning in October 2011, they began to make efforts to determine, first of all, what are the fair and reasonable prices that should have been charged. Imagine that. A contract created in 2005 and now, in December 2011, we are just now determining what should have been the reasonable and fair prices to pay.

Okay, but they have agreed, Mr. Ranking Member, to do that and they are currently in face-to-face negotiations with Supreme, and the time line projection for a resolution on this—and I would never hold my breath and think we will get it all back—but a resolution for this is actually scheduled for December 9th, this week. So I am hopeful that when we talk again that I can say to you we have been able to recover a great deal of those funds.

Mr. TIERNEY. Mr. Trent, you will recall that from the contracts that we looked at in the trucking situation in Afghanistan. The lack of vision or ability to look into the contracts, the subcontracts, and the finer detail of those were just never written into the contracts to begin with.

So, Mr. Bowen, tell me, would a special inspector general for contingency operations help alleviate this problem of sending people in, getting part way down the road before you realize all these mistakes are happening?

Mr. BOWEN. There is no doubt about that for three reasons. One, there will be focus and preparation in place at the time a contingency begins for a special inspector general to deploy. Two, there will be a commitment to deployment. As my friend, Mr. Heddell, pointed out, there was a challenge, I think, at DOD, but also with the other IGs, in moving forward, in being there to do the oversight. One of the lessons from SIGIR is that you have to be there to do the work. A special inspector general's office would be hiring people who know that when they sign on, they are going to go and deploy and carry out oversight in the conflict zone.

Finally, and this is a good example of how a SIGOCO could make a difference, cross-agency jurisdiction, something unique to a special IG that the institutional IGs don't have. That means I can dig

in to problems like this and find out if it is DOD money being wasted or State money or AID money; however that money may be going away, we can get to it and get to it faster and, thus, save it.

Mr. TIERNEY. Thank you.

Thank you, Mr. Chairman.

Mr. LABRADOR [presiding]. I will recognize myself now for 5 minutes.

Mr. Trent, the Obama administration has increased its direct assistance to the Afghan government from approximately \$665 million in fiscal year 2009 to roughly \$2 billion in fiscal year 2010. This program is designed to provide U.S. taxpayer money directly to the Karzai government for the purpose of carrying out reconstruction projects. Is it logical to assume that one of the most corrupt governments in the world will actually have proper stewardship of U.S. taxpayer money?

Mr. TRENT. It is a very good question, Congressman. SIGAR has conducted a number of audits and has a number of audits planned in the capacity development areas of the various ministries, MOD, MOI, in the coming year ARTF in the past, looking at, among other things, the capacity of the Afghan government to administer Afghan direct funds. We have a significant and serious challenge, as you point out, with corruption in the Karzai government in Afghanistan. The efforts with corruption in Afghanistan are almost insurmountable. Clearly, we need more of a concerted will by the government there and we need a much stronger and robust criminal justice system, which they simply don't have.

So we are doing what we can to monitor those funds and we will continue to do that. I can't say if I am optimistic or not with regard to the corruption and the control of those funds.

Mr. LABRADOR. Well, what should we be doing? I mean, if you are not confident, I am not confident either. What should we be doing? Because you said something about how we need a more robust criminal system. Well, they don't have one. They don't have the proper procedures; they don't have the proper oversight people. So what should we be doing?

Mr. TRENT. Well, I believe we are doing about all we can. I mean, we need to continue with our rule of law efforts there. We can't give up on that, notwithstanding the corruption walls that we have encountered with that. We have to continue to bring pressure wherever possible on the government itself to show a concerted effort in the area of corruption and prosecute some of their own ministers. We have to continue to conduct the audits and continue to work on the investigative side with the Afghan authorities that we can work with to pursue Afghan violators.

Mr. TRENT. Okay. Thank you very much.

Mr. Bowen, right now the Police Development Program is the administration's largest foreign aid program for Iraq going forward, and there is some evidence that the Iraqis don't even want this program. Have you or your staff asked the Iraqi police forces if they need the \$500 million a year program that the Obama administration is planning to spend on the Police Development Program?

Mr. BOWEN. Yes, Mr. Labrador, we have, and we reported on that in our last quarterly, noting that the senior official at the Min-

istry of Interior, Senior Deputy Minister Al Asady, said, "he didn't see any real benefit from the Police Development Program." I addressed that with him when I was in Iraq a couple weeks ago and I asked him, did you need what you said? And his response was, well, we welcome any support that the American Government will provide us; however, my statements, as quoted in your recent quarterly, are still posted on my Web site.

Mr. LABRADOR. So why is the administration still spending \$500 million a year to provide this program?

Mr. BOWEN. There is a belief that security continues to be a challenging issue in Iraq, a well founded belief, I might add, given the events of this week, killings of pilgrims again on the way to Najaf on the eve of Ashra. The focus, though, on trying to address those problems has been a widely scattered, high level training program involving about 150 police trainers who, as we have seen again this week, are going to have a very difficult time moving about the country.

Mr. LABRADOR. So what other problems have you found with the Police Development Program, if any?

Mr. BOWEN. Several. Mr. Labrador, we pointed out in our audit that one Iraqi buy-in, something the Congress requires from Iraq by law, that is, a contribution of 50 percent to such programs, has not been secured in writing or, in fact, by any other means. That is of great concern, especially for a ministry that has a budget of over \$6 billion, a government that just approved notionally a \$100 billion budget for next year. It is not Afghanistan; this is a country that has significant wealth, should be able to contribute, but has not been forced to do so in a program as crucial as this.

Mr. LABRADOR. I know I have run out of time, but, Mr. Geisel, do you have some comments on this?

Mr. GEISEL. Well, of course, first of all, I am not going to second-guess my friend and colleague on what his people found and, of course, the people you need to bring up here are the people from the State Department to comment on what he found. I saw that the Department published a document, a 21-page document that includes goals and measures of performance for the Police Development Program, but it is my friend's baby, not mine.

Mr. LABRADOR. Thank you very much.

I will give 5 minutes now to Mr. Welch from Vermont.

Mr. WELCH. Thank you very much, Mr. Labrador.

I want to thank each and every one of you for the terrific work that you are doing. A lot of the situations that you are uncovering just reflect the impossible expectations oftentimes that Congress has, and if it were as easy as writing a check and having the police force in Iraq and Afghanistan be established, it would be no problem, and against, I think, our better judgments sometimes we spend this money and then, surprise, surprise, you tell us a lot of it is being wasted. But I really do applaud the work that you are doing.

I am going to be introducing legislation that does trigger debarment proceedings for contractors that are convicted of violating the bribery provisions of the Foreign Corrupt Practices Act, and there is some debate between my office and the attorney general's office as to how strict that should be. That is a very critical tool for you.

My view is that that debarment authority hasn't been adequately exercised in our war zones.

Let me ask you, Inspector General Trent, I know that SIGIR does have robust suspension and debarment programs, but do you believe that DOD, USAID, and State are adequately and appropriately using the authority in Iraq and Afghanistan? And, if not, what are the barriers to its use and how can we work through them to ensure that taxpayer dollars are not getting ripped off?

Mr. TRENT. Well, Congressman, yes, we do have, I believe, an aggressive and somewhat effective suspension and debarment program in SIGAR, and I am somewhat aware of your pending legislation on the FCPA issue. With regard to my colleagues' use of suspension and debarments, I think suspension and debarments has been a tool available to contracting authorities, acquisition authorities, and inspector generals as far as their proposals for some time. In my experiences in the last several years in Southwest Asia, I have felt that we could increase that use, and when I came to SIGAR I took steps to do that.

Mr. WELCH. So it is an effective tool and should be used?

Mr. TRENT. Congressman, I believe it is a very effective tool, and I believe, in the Afghanistan case, it is a tool both in terms of corruption and in contract management and implementation.

Mr. WELCH. Okay. Let me ask you one more question because I don't have too much time. I just got back from Afghanistan and one of the people that we met from was from the attorney general's office and he was in the anti-corruption unit, and they were there training Afghan civil servants about how to detect corruption, and when I asked the attorney general how is it going, he said, well, we had to end the program. And I said, why is that? And he said, because when we were teaching them how to detect it, they were using the information to do it. So that is a real challenge that we face.

But when we visited the commanders in Helmand and Kandahar, one of the things they were promoting was the development of the Kajaki Hydroelectric Dam, which cost about \$475 million, and the benefits of it are obvious if it could be implemented; it would provide hydroelectric power, electricity, maybe some irrigation. But that is not coming out of their budget, it would be a supplemental expenditure. So it is not like the military would be taking that out of their ability to do their job, it would come from somewhere else. So I was a little bit skeptical because it is easy to promote the expenditure of somebody else's money.

But, bottom line, that is a conflict zone and significant questions about whether this could be done, and my question to you is does it make sense at this point to ask the taxpayers to spend \$475 million on a hydroelectric project that would have extensive transmission lines, all of which would be easily attackable by insurgents? Or does it make sense to put that on hold?

Mr. TRENT. Congressman, SIGAR has not looked specifically at the Kajaki Dam or conducted an audit on that. I believe my colleague at USAID has done some work in that area. We have looked at Kabul Power Plant and the energy sector with auditors, but specifically on Kajaki Dam we haven't, so I would punt that to my colleague at USAID I believe who has done some work in that area.

Mr. WELCH. Yes, sir. I am running on the edge of time here, but with the indulgence of the chairman.

Mr. CARROLL. Well, Mr. Welch, I think initially as to a political or administration question about the utility of going forward with the program, would you consider the difficult environment in which it would be implemented. We have done a couple of audits and, in fact, in talking to Ambassador Crocker this week, it seems to be a priority of the embassy and the government to move forward with that.

It looks like, according to Ambassador Crocker, the Army Corps of Engineers is going to undertake a major part of the program and AID would also be responsible for doing some work at the Kajaki Dam. So primarily the problem up there has been security, and now it is getting very difficult to get contractors to even bid on the work when you consider the security situation up there. So overall is the power sector an important sector? Absolutely. But it is a very difficult environment to work in up there.

Mr. LABRADOR. I will now give 5 minutes to Mr. Yarmuth.

Mr. YARMUTH. Thank you, Mr. Chairman.

I thank all of you for your testimony and appreciate the work you do also. We now face, because of the debt ceiling deal that we did a possible sequester of funds and a large amount of that sequester of funds beginning in 2013 would come from the Defense Department. Secretary Panetta has said that such a cut as projected under the sequester process would be devastating to the Defense Department and our security, and yet we listen to these stories and we have talked about essentially the inability to get a handle on these contracts in real-time.

How are we going to know, Mr. Heddell, if the sequester is really going to have an impact on defense when we don't really have a grasp on the hundreds of millions and billions of dollars we are spending now?

Mr. HEDDELL. Although I can't comment on the sequester, Congressman Yarmuth, I can tell you that in the last 3 or 4 years I have seen significant progress in the inspector general community in terms of its oversight, and I have also seen progress with respect to the way the commanders. In fact, I just got back from Afghanistan myself and I have seen progress in terms of the approach that we are taking.

For instance, this year one of the things that we started doing was assisting the MOD and the MOI, Ministers of Defense and Interior, with respect to core capabilities, meaning their ability to manage government, something we had not done before, so that we have a way of teaching them how to do it and then going back and making sure that they are accountable. So we are creating systems and processes. I can't assure you that that is going to work, but it is something we should have done before.

The other thing, the inspector general community itself, which is a significant tool in overcoming so many of the challenges, 4 years ago, the statement that if you have seen one IG, you have seen one IG was really true. Today it is not true. Once the amendment to the Inspector General Act was passed a few years ago, what has happened is similar to what has happened in law enforcement; all of the big things now are done in task forces, they are done in

teams. We have IGs now getting together to solve a common problem. You have law enforcement agencies working on task forces to address corruption.

And, by the way, you mentioned or it was mentioned earlier the use of tools such as debarment. Well, that is a great tool, but you have to realize that what happens is when we debar a company in Afghanistan, what happens is they just go back and change their name and reapply and get a new contract. That happens over and over again.

So the answer isn't simply debarment. And obviously we have had almost no success in prosecuting, using the prosecuting attorney in Afghanistan, so we have to find ways to influence the leadership to do the right things, and I think with the oversight community we have done that.

Again, I can't comment on what the sequestering of funds might amount to. I know this Department is working only to accomplish—

Mr. YARMUTH. I am more interested in the overall process. Obviously, this is broader than just Iraq and Afghanistan, but one of the things that has occurred to me recently is we have a world that is moving at 80 miles an hour and we have a government that is structured to run at 20 miles an hour, and it has taken us this long in Iraq and Afghanistan to even begin to get a handle on this. I mean, it seems to me we have a fundamental structural problem that we don't know how to keep up with the situations we find ourselves in.

Mr. HEDDELL. We are habitually late, and I said that earlier in my testimony. When we had four military services fighting in Southwest Asia in 2001 and then in 2003, the civilian agencies were "fighting that war" back here in the continental United States. It took us until 2007 or 2008 to realize you cannot successfully fight a war unless everyone is involved, civilian agencies, and that we are ahead. It has taken us now 3 or 4 years to get there, but I think, sir, I think we are getting much closer to getting to where we need to be.

Mr. YARMUTH. Thank you. I don't have an answer to the problem. Thank you very much.

Thanks, Mr. Chairman.

Mr. LABRADOR. Thank you.

I am going to give myself 5 minutes and I am going to follow up actually on those questions. One of the things that is most frustrating to me as a freshman here in Congress is that there are some things that both sides agree on that we need to be working on and, yet, we are not doing them. I look at the Oversight Committee. I don't think there is a lot of difference. There might be some small differences between the two sides, but it seems like we can identify things like the \$500 billion that we are going to spend in Iraq police force that they don't even want. We should be finding things in common that we could be saving on.

If we could put a transparency here on President Obama. And I am not saying this, I am not using this to embarrass anybody, but President Obama has said on his Web site that he is committed to making his administration the most open and transparent in history. He wants a window for all Americans into the business of

the Government, and that is something that I want. I actually agree with him on this issue.

But yet this panel is representing the IG offices principally responsible for overseeing taxpayer money in Iraq and Afghanistan, and as of January 4th of next year four of the five offices will not have an IG. I am concerned about that.

Now, I want everybody to comment. Do you know whether the President has nominated anyone to fill these vacancies? If so, who has been nominated? Have you made any recommendations and do you think the absence of permanent IGs will actually harm our efforts in oversight? And anyone can take this question.

Mr. HEDDELL. I certainly would like to comment. Number one, I don't know the names, Congressman Labrador, of anyone that might have been nominated or who is being considered to be nominated. Number two, I can tell you that the nomination and confirmation process that we have is cumbersome and slow, and it has an adverse impact on the leadership of these organizations.

Number three, when I took over as the Acting Inspector General in July 2008, the DOD IG at the very top had been vacant for so many years, over the past 10, 12 years, you can't imagine. So to run an organization using an Acting Inspector General as the leader is foolhardy. You can do it for a few months, but you cannot succeed over years and decades, and that is what has happened.

Mr. LABRADOR. Does anybody know why that has happened? Is there any reason why? It seems like both sides would agree that we need a robust IG in all of these agencies. Does anybody have any comments on that? Mr. Carroll.

Mr. CARROLL. I can't comment on what the White House is doing, but I just want to assure you, on behalf of the USAID OIG, that one of the great things about working for Don Gambatista was it was truly a partnership between him and I. So as I moved into the acting role, other than the fact that it is a bit of a workload issue for me, the work goes on and the leadership philosophy continues. So I just want to assure the subcommittee that there will be no degradation in our effectiveness or what our work is going to be for as long as it takes for the President to make a decision on the AID job.

Mr. LABRADOR. Okay. Now, I know that Mr. Bowen has been a staunch advocate of the SIGOCO. Is that something that the rest of the panel agrees is necessary? Do you think it is not necessary? If you don't think it is necessary, why? Mr. Geisel.

Mr. GEISEL. Well, I didn't volunteer, but I will still be happy to tell you what I think.

[Laughter.]

Mr. LABRADOR. You looked so willing to answer this question.

Mr. GEISEL. Well, I think in his testimony, the written testimony especially, my colleague made some very good points, and one of the key points is that the concept of SIGOCO and, for that matter, his own office, has had a wonderful advantage, and that is that they have hiring authorities and they had generous funding that the statutory IGs didn't have. SIGOCO is one way to approach it. Another way to approach that issue is to give us, the statutory IGs, those same authorities and robust funding.

Now, I can't complain about funding because, since I came to the Department in 2008, Congress has plussed us up marvelously. But those hiring authorities, it would make a real difference. And I agree with what he said, those authorities are crucial to doing the kind of job that you would like us to do.

Mr. LABRADOR. What concerns me about the idea is that it is something that we do here in Washington all the time, something isn't working and what we end up doing is creating a whole new agency or whole new department, instead of giving the authority to the people that are already in charge of doing it, giving them the responsibility. It seems like we do this in all of our agencies and then what we create is just another layer of administration and responsibility.

So I just wish we could find a way to actually use the existing people that we have right now, the existing authorities, instead of trying to create new agencies. But I do understand his concern and I think we all share the concern that we should be saving taxpayer money for the American people. There are ways that we can agree to do it and we just need to get it done.

Anyway, I will now recognize the ranking member, Mr. Tierney.

Mr. TIERNEY. Timing is perfect on that.

Let's explore this a little. I think it is a healthy debate and I appreciate everybody's position on that. The SIGOCO concept, the Special Inspector General for Contingency Operations would not be duplicative if it is carried out in the way that the legislation is drafted and the way it is intended. Currently, there is nobody responsible for contingency operations unless they are specially appointed. They are appointed on a case-by-case situation as and when it arises and the Congress decides to implement, and all of the existing inspectors general have a handful doing what they are doing within their respective agencies.

If you are Mr. Heddell, he has never had a moment when he hasn't had enough to do. The same goes for Mr. Geisel; same goes for Mr. Trent, Mr. Carroll. Their hands are full doing things within the area of their lane on that, and I suspect they could be busy for as long as they wanted to keep the position.

So, Mr. Bowen, let's allow you to do some testifying here on that. The SIGOCO concept would be different in what ways? Would be non-duplicative in what ways? And what is the problem to get over Mr. Labrador's problem? You mentioned in your first testimony—I don't think Mr. Labrador was here, so let's reiterate it because I think it is healthy to know this, I think it is instructive.

Mr. BOWEN. Yes, Mr. Tierney. First and foremost, SIGOCO would be cross-jurisdictional. As hard as the Congress might try, as much as my friends and fellow IGs would like, they have to stay within their stovepipe to do their oversight, which means each of them have to be present, as my friend Gordon Heddell noted, in-country, carrying out oversight.

But frequently, as we have learned in Iraq, as we see in Afghanistan, programs merge money, and when they merge money you are going to ultimately have different IGs attacking it or perhaps no one addressing it because of that merger. SIGOCO would allow that, that cross-jurisdictional power.

Second, it would be the primary mission of SIGOCO to carry out this oversight. We know that had SIGOCO existed in 2003, we would have averted the waste of billions of dollars. We know that had SIGAR existed in 2002 we would have averted the waste of billions of dollars because of the aggressive presence of investigation and audit on the ground that would have been there.

Third, you would have a staff that, when they sign up, they sign up to go to a conflict zone. That is not something that my friends and colleagues can require of their staff now. They can't say, hey, you are going to be going to a war zone to do oversight. And that was a problem, frankly, in 2005, 2006, 2007, getting people to volunteer to go to Iraq, which was a very dangerous place, still is; Afghanistan is today.

And, finally, as I said in my testimony, this would save money. That is the watchword for this era. This is the Oversight and Government Reform Committee. The latter rubric should be applied when it can be applied in a money saving way. SIGOCO would be one of those ways.

Mr. TIERNEY. Thank you.

I just remind my colleague that all of these different agencies, inspectors general for their respective agencies and departments, are busy all the time. So when you have a contingency operation, all of a sudden, now you have to somehow ramp up and try to do all the things you are doing that are consuming all of your time and go over to this other area. So rather than being duplicative, you are actually focusing another inspector general on a much needed area to do that work and to be constantly available in order to achieve it and to get it done. And I think that is an instructive part of that.

There are other issues that you raised, but I think Mr. Bowen has sort of hit them on the head on that, so if can move from that a little bit on to the sustainability of projects that my colleagues raised earlier.

The whole Wartime Contracting Commission, which, incidentally, we had to do legislation on to get over it because of the issues in contingency contracting, we had to get people in there and start looking at why things weren't being dredged out in the very beginning, their final chapter sums up the whole issue on project sustainability by saying that the Commission sees no indication that Defense, State, and USAID are making adequate plans to ensure that host nations will be able to operate and maintain U.S. funded projects on their own, nor are they taking sustainability risks into account when devising new projects or programs.

Just for the panel, do we find that still to be the case or are there things being done to have them include sustainability risks in their projects as they move forward, particularly in Iraq as we move out of that area, but in Afghanistan and elsewhere as well? Whoever might want to volunteer on that.

Mr. CARROLL. As far as oversight of that question, in every one of our performance audits in Iraq and Afghanistan we have an audit objective for sustainability, and, to be honest, what we have found to date is that it is sort of a mixed bag.

And I wouldn't say it is a very successful picture historically or even moving forward, but I think, realistically, to answer the question, yes, the agency is building in sustainability in the design of

their projects, but you are dealing with the Afghan government, particularly going forward here, and that is going to be problematic, and we have been finding problems with sustainability in AID's programs in Afghanistan.

Mr. TIERNEY. Would you consider for 30 seconds? Thank you.

So the problem that we have with the Kabul power plant, where they decided to spend some \$300 million of our taxpayer money and then decided, after it was all done, that they could get electricity cheaper from Uzbekistan on that basis, do we know why that happened or what we missed on that, and have we corrected that?

Mr. CARROLL. Well, I am not sure exactly why the embassy and AID decided to build that project and build it the way they did with diesel fuel that could or could not be shipped in, and then decided to move in a different direction. The way it has been described now is that the Kabul power plant is a fallback and a surge capacity to the larger infrastructure that they are putting forward. So I would say that from a sustainability point of view that maybe wasn't well thought out, but I think they have learned since that time.

Mr. TIERNEY. Well, I think that is instructive. Do you know what the era was and have you done something to put in place that it won't be happening again? I think that is my charge to you, if you would on that. I guess you are not prepared to answer it today, but you can go back and find out just what happened. And this business about now it is a backup plan or something like that, that is just an excuse. You and I both know that and I think everybody on the panel knows that. They messed up, they got something that they didn't bargain for, and now they are going to try to find some reason for its existence on that. But we need to ask you to go back and find out what went wrong and put in place a plan to make sure it doesn't happen again and then, if you would, report to us what you have done. I would appreciate that.

Mr. CARROLL. I will do that, Congressman.

Mr. TIERNEY. Thank you.

Mr. LABRADOR. Thank you.

I will now recognize Mr. Welch.

Mr. WELCH. Thank you very much.

Two of the recurring questions about the expenditure of these moneys is whether, A, we have a reliable partner and, B, whether the security on the ground is adequate so that the work can actually be done, and both of those are huge impediments. And it comes into conflict to some extent with policy objectives where, let's say in Afghanistan, there is a desire to build a civil society.

Mr. Carroll, I will ask you because your department bears so much of the responsibility for the implementation of some of these projects. It is a predicate question that should be asked and answered by some appropriate authority, whether a project has a reliable partner such that there can be a reasonable degree of confidence that it will be implemented.

And I am thinking very much about the Iraqi police training that Mr. Labrador was asking about. Or is there a sufficient security situation so that the work can be done? That might be relevant to something like the dam project. And if you lack either or both of

those, does it make any sense under any circumstances to do a Hail Mary pass on a major expenditure, hoping that it will happen just because we would like it to happen?

Mr. CARROLL. Well, AID, you are right, their meat and potatoes is civil society, is democracy and governments, it is health, it is education, it is all those programs. They do do reconstruction and they have done reconstruction in Iraq and they have done it to an extent in Afghanistan. And I think it wouldn't be news if I were to say that it is difficult to do development in the middle of a war, in the middle of a hostility, so it has been problematic, particularly on the reconstruction side, the infrastructure side. You know, Mr. Bowen and Mr. Trent have found that throughout Iraq and Afghanistan.

You talk about reliable partners. You ask about reliable partners. AID historically has implemented their programs through non-governmental organizations, primarily, and a lot of those are U.S.-based, some international multinationals like the United Nation agencies and that sort of thing. So they are reliable partners.

AID is now moving in a direction toward funding more development assistance through Afghan ministries and they have a process in place to do some capacity assessment of the systems in place and the ministries' ability to do the work, and as they convince themselves or as the data presents itself, they move forward or not on their program.

So I would say that for the traditional AID programs, civil society, democracy and governments, health, education, that sort of thing, I think there are reliable partners. I think there is a willingness on the behalf of the Afghan people to make these things happen.

Mr. WELCH. Let me interrupt you right there. See, that is a meaningless statement, the Afghan people. Who are they? Do you know what I mean? In a general sense the Afghan people are as desirous to have good things happen as we are, but there is not a structure, there is not a political implementation program, there is not sufficient security. I have met contractors who are confined to basically the embassy compound. And how do you manage a program? It would be like Mr. Bowen trying to have auditing all done about Iraq and Afghanistan, Mr. Trent in Afghanistan, from Capitol Hill. It just doesn't work.

This is enormous frustration for you, but I think there is an illusion that Congress is the one that is primarily responsible because we have the money go out under circumstances where there is no practical possibility that it will be well used, and then we will get angry at you when you report to us that, hey, a lot of money went missing. So there is a predicate question here. We probably should be asking it, but I am wondering whether some organization like AID might have to certify that for this project we have a reliable governmental partner or we have sufficient security that it can be done.

Mr. CARROLL. They do that.

Mr. WELCH. All right, I yield back. Thank you very much.

Mr. LABRADOR. Thank you.

I want to thank the panelists for being here, for taking your time, for the work you are doing. Have a great day. Thank you.

[Whereupon, at 11:16 a.m., the subcommittee was adjourned.]

[Additional information submitted for the hearing record follows:]



Office of Inspector General

JAN 17 2012

The Honorable Jason Chaffetz
 Chairman
 Subcommittee on National Security, Homeland Defense
 and Foreign Operations
 Committee on Oversight and Government Reform
 U.S. House of Representatives
 Washington, DC 20515

Dear Mr. Chairman:

I am writing to respond to questions posed by Congressman Tierney during the Subcommittee's hearing on December 7, 2011, "Oversight in Iraq and Afghanistan: Challenges and Solutions." Congressman Tierney questioned U.S. Agency for International Development's (USAID) decision to pursue the construction of the Kabul Power Plant in Afghanistan, in spite of there being a cheaper alternative source for electricity. He also asked about a plan to ensure that a similar outcome will not happen again with other projects. We agreed to report back to the Subcommittee on this matter.

In response to our inquiry, USAID's Office of Afghanistan and Pakistan Affairs (OAPA) provided information on decisions surrounding the Kabul Power Plant, also known as the Tarakhil Power Plant.

Rationale to Pursue Construction

According to USAID:

The construction of the Tarakhil Power Plant was an important component of the Government of the Islamic Republic of Afghanistan (GIROA) plan to guarantee long-term, year-round access to reliable electricity in Kabul. In 2007, Afghanistan's power sector was facing significant uncertainties: the proposed transmission line to Uzbekistan was not yet in place; the power purchase agreement (PPA) negotiations with Uzbekistan were stalled; the existing North West Kabul Power Plant was failing; and GIROA and the U.S. Government were concerned that there could be severe power supply disruptions to Kabul. As a result, GIROA requested urgent donor assistance to construct a diesel plant in Kabul that would provide insurance against the uncertainty over the north east

power system, PPA negotiations, and prevent the possible disruption of power supplies from Central Asia due to sabotage or weather. It was also agreed that the power plant would ultimately act as a peaking and back-up source of power once the grid and the PPA were in place. In fact, in May 2010, a landslide disrupted the transmission lines from Uzbekistan, and Tarakhil provided a seamless supply of electricity to Kabul residents. In the future, as the Afghan electrical grid expands to cover more population centers, the capacity of Tarakhil can be tapped to meet new demand. That reserve capacity will prove critical to the economic growth that Afghanistan requires to manage the anticipated reduction in international assistance over time.

Addressing Sustainability

According to USAID:

In June 2011, the USAID Administrator released sustainability guidance for Afghanistan programs which has guided an ongoing review process for the entire portfolio. Through this process USAID, in consultation with interagency partners, is examining all projects and modifying or eliminating as appropriate so that they meet critical objectives, including cost-effectiveness, Afghan ownership, and contribution to stability. To ensure the sustainability of development in the power sector, USAID is working with the Afghan national utility DABS on two complementary programs. First, a technical assistance program is providing training to DABS engineers charged with operating and maintaining the Tarakhil power facility. The second program strengthens DABS' commercial operation so that it can sustain the operation of the entire power network, including the Tarakhil Power Plant, with reduced support from donors.

Reported Results

According to USAID:

With USAID assistance, DABS' revenues have reached \$175 million per year and are increasing – a situation that now permits GIRA to decrease the annual operating subsidy it provides to DABS from \$150 million per year to \$39 million per year. Finally, in August 2011, DABS and USAID inaugurated a national load center and training center at Tarakhil that will significantly improve Afghanistan's capacity to sustain its power system.

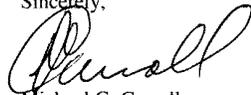
Future OIG Activity

OIG audits planned in Afghanistan throughout fiscal year 2012 will emphasize the success and sustainability of USAID infrastructure projects. Our work in this area spans the financial sustainability of energy sector programs; the Kandahar Power Initiative, including the Kajakai Hydro Power Plant; and roads, buildings, and water projects that have already been turned over to GIRA under USAID/Afghanistan's Office of Infrastructure, Engineering, and

Energy Programs. We expect this work to help USAID assess the sustainability of its ongoing projects and to assist with the effective use taxpayer resources in Afghanistan.

Thank you for your continuing support of and commitment to effective oversight of U.S. Government programs and operations. If you or members of your staff have any questions, please contact me or James Charlifue, Chief of Staff, at 202-712-1150.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Carroll", written in a cursive style.

Michael G. Carroll
Acting Inspector General