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SIGAR REPORT: DOCUMENT DESTRUCTION AND MILLIONS OF DOLLARS UNACCOUNTED FOR AT THE DEPARTMENT OF DEFENSE

HEARING

BEFORE THE

SUBCOMMITTEE ON NATIONAL SECURITY, HOMELAND DEFENSE AND FOREIGN OPERATIONS

OF THE

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

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SIGAR REPORT: DOCUMENT DESTRUCTION AND MILLIONS OF DOLLARS UNACCOUNTED FOR AT THE DEPARTMENT OF DEFENSE

Thursday, September 13, 2012,

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

The subcommittee met, pursuant to notice, at 10:05 a.m. in room 2247, Rayburn House Office Building, the Honorable Jason Chaffetz [chairman of the subcommittee], presiding.

Present: Representatives Chaffetz, Labrador, Farenthold, Tierney and Lynch.

Staff Present: Thomas A. Alexander, Majority Senior Counsel; Sharon Casey, Majority Senior Assistant Clerk; Mitchell S. Kominsky, Majority Counsel; Beverly Britton Fraser, Minority Counsel; Devon Hill, Minority Staff Assistant; Dave Rapallo, Minority Staff Director; Rory Sheehan, Minority New Media Press Secretary; Cecelia Thomas, Minority Counsel; and Carlos Uriarte, Minority Counsel.

Mr. CHAFFETZ. The Committee will come to order.

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 the money Washington takes from them is well spent. 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 are getting from the 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.

I want to welcome everyone to this hearing, the SIGAR Report: Document Destruction and Millions of Dollars Unaccounted for at the Department of Defense.

Today's proceedings will continue the subcommittee's efforts to oversee the billions of taxpayer dollars spent in support of military and civilian operations in Afghanistan. On Monday, the Special In-

spector General for Afghan Reconstruction released a report entitled, "Interim Report on Afghan National Army Petroleum, Oil and Lubricants."

This report provided the Secretary of Defense with an update of an audit concerning the Afghan National Army's logistics capability for petroleum, oil and lubricants, also known as POL. POL are the most valuable commodities in the Afghan society. Combined Security Transition Command-Afghanistan, led by the United States military, is responsible for training and equipping the Afghan National Army.

This effort is funded by the U.S. taxpayer through the Afghan Security Force Fund, ASFF. From fiscal years 2007 to 2012, CSTC–A has provided approximately $1.1 billion in ASSF funding to purchase petroleum, oil or lubricants for the Afghan National Army. In fiscal year, 2013, the U.S. Government will purchase roughly $343 million more in POL. CSTC–A provides these commodities based on what it believes the Afghan National Army will need.

In February of this year, SIGAR began conducting this audit program. SIGAR is Special Inspector General for Afghanistan Reconstruction. Its overall objective was to assess U.S efforts to develop ANA's capability to acquire, distribute and account for POL supplies to its forces. SIGAR's findings are extremely troubling.

According to the interim report, CSTC–A does not have accurate or supportable information on how much of the U.S. funds are needed for ANA fuel, where and how the fuel is actually used and how much fuel has been lost or stolen, some of the basic metrics we would need in order to understand the situation. Thus, the extent to which ANA fuel is stocked, consumed or lost at any given time remains unknown.

SIGAR also found that "no single office within the U.S. or Afghan Government has complete records on ANA fuel purchased, ordered, delivered or consumed." In fact, no records for fuel purchases exist prior to March 2011 because "ANA fuel financial records totaling nearly $475 million from fiscal year 2007 to February 2011 had been shredded in violation of Department of Defense and Department of Army policies." This is totally unacceptable and fits a pattern of behavior from the Defense Department.

As a subcommittee, we are also concerned with the pattern of abuse of documents and the lack of documents coming out of the Pentagon in general. For instance, on January 2, 2011, Colonel Amrein sent an email to Colonels Carozza and Andersen regarding a tasker to send information to the IG on Afghan General Yaftali's suspected pilfering of Dawood Hospital supplies.

In that email, Colonel Amrein stated that "Brigadier General Patton reviewed the summary and documentary evidence we intended to provide. He made changes and told us to reduce documentary evidence that we provide."

In the NATO Training Mission Afghanistan photo policy on September 12, 2011, a policy was issued instructing people to destroy documents they had regarding the abuses of what was happening at the National Military Hospital known as Dawood.

We had Colonel Geller's memorandum for the record that was requested. He submitted a 25 page memorandum for the record. Instead of providing that document to the committee, the Department

of Defense created a separate chart editing out some key parts before it presented it to the United States Congress. Colonel Geller was also prevented from speaking to the media.

The committee is also looking at the Palantir System where the Department of Defense—and it is just stunning here—destroyed and replaced an independent assessment of an intelligence assessment tool, also known as Palantir, used and preferred by many soldiers in the field. We will continue to investigate that. That will probably constitute its own hearing in the future.

Nevertheless, we have a pattern here. This is not just one sole instance. In this particular situation where we have the Inspector General trying to do an audit or a situation where they want to spend more money by the hundreds of millions of dollars and to find those documents had been shredded or lost and there is no accountability. I recognize that in the fog of war there are difficult situations, but this is totally unacceptable.

Despite the lack of records and justification for fuel purchases, the Department of Defense proposes to increase funding. From fiscal year 2014 to fiscal year 2018, it plans to provide $555 million worth of POL per year. Instead of purchasing it for the Afghan National Army, this Administration plans to give two-thirds of that amount in cash directly to the Afghan Government. They might as well wire it directly to Dubai. This is an absolute atrocity that this government is going to take American taxpayer dollars and just wire it directly to the Afghan Government.

We can't even control the money. We don't even know how much we are spending and what is going on. And now this government wants to send it directly to the Afghan Government? Again, send it to Dubai and don't even bother.

In the name of capacity building, the Afghans will be allowed to purchase POL for themselves. With that, the Afghan Government will be responsible for overseeing the expenditure of roughly $2.8 billion of our taxpayer dollars, this to a government that I believe is perhaps the most corrupt government on the face of the planet.

This begs one simple question. If the United States Government cannot track and verify these expenditures, then can we honestly expect the Afghan Government to do better?

Yesterday, this subcommittee held a hearing to examine the mismanagement, theft and human suffering at the Dawood National Military Hospital in Afghanistan. For years, the Afghan officials pilfered nearly $175 million worth of cash and medical supplies. Legitimate pharmaceuticals were replaced with counterfeits, wounded Afghan soldiers were made to suffer and in some cases, died without proper medical care. This was a U.S. taxpayer funded program operated by the Afghan Government. This Administration must rethink its so-called "forward strategy."

I don't make this up. It is pretty stunning to me. This is not related to the campaign but if you look at the documents coming out of, for instance, USAID right now, it is USAID forward. I cannot believe that a forward thinking government, a forward planning government would do such things as "to achieve capacity building objectives and using host country systems where it makes sense."

In other words, let's just send them the money directly and bypass the accountability. We need more oversight, not less oversight.

We can't even control the money ourselves and we are going to wire by the hundreds of millions of dollars, money to the Afghan Government. That is part of the reason we are here today.

We are here today to discuss mechanisms needed to ensure accountability and to start looking for answers such as who ordered the destruction of these documents and how we can improve the internal controls. Without improvements, the ANA, POL funds will be even more vulnerable to theft and waste.

I want to thank Mr. Sopko for being here on fairly short notice. They issued this report on Monday and we wanted to get on top of it as quickly as possible. We look forward to his testimony.

I would like to now recognize the Ranking Member, the gentleman from Massachusetts, Mr. Tierney, for his opening statement.

Mr. TIERNEY. Thank you, Mr. Chairman.

Thank you, Mr. Sopko for being here today and for your report.

We have just marked the 11th anniversary of September 11. During nearly all that time, United States soldiers have been on the ground in Afghanistan. We entered the conflict for what was believed to be righteous reasons and our brave men and women in uniform have largely accomplished the mission of ridding Afghanistan of Al Qaeda and the international terrorists who threatened our homeland.

I would like to take the opportunity to honor their sacrifices and state that I am amongst many who are proud of their service.

This subcommittee has long been concerned with the issues of corruption and mismanagement of United States taxpayer dollars in Afghanistan for the obvious reason of the impact it has on the safety and security of our military forces and civilians in-theater but also with respect to the United States taxpayer dollars.

Under my chairmanship, this subcommittee conducted multiple investigations into allegations of corruption in the United States contract related to the war in Afghanistan. In a bi-partisan manner, we investigated jet fuel contracts in Kurdistan and a host nation trucking contract in Afghanistan. Our investigation of the trucking contract found the contractors were making protection payments to our enemies with U.S. taxpayer dollars.

I commend Chairman Chaffetz for calling this hearing today to examine the problem of contracting corruption continuing in Afghanistan. The Special Inspector General for Afghanistan Reconstruction conducted an audit of the Afghan National Army's logistics capability for petroleum, oil and lubricants. While conducting this audit, it was found an astounding lack of internal controls of records of fuel purchases, deliveries and consumption existed.

SIGAR found that the Department of Defense's Training Mission lacked a valid method for estimating fuel needs on which to base the funding requests as well as lacked complete records on the Afghan National Army's fuel transactions. Ultimately, this means the fuel and the funds used to purchase it are highly vulnerable to theft and waste.

Against this background, it is highly worrisome that the training mission intends to transfer to the Afghan Government direct control of the logistics and U.S. taxpayer funds for fuel on January 1, 2013. I believe that before this transfer takes place, NATO and the

Department of Defense must work together to immediately establish clear guidelines to ensure this money is not misused. It is imperative that these egregious issues be fixed before hundreds of millions of dollars go directly into the hands of the Afghan Government.

When the Chairman speaks of the quote that he was reading about money not going to the locals where it makes sense, from what I can see, it clearly does not make sense, at least certainly not at this period of time. We have to be careful and make sure that not unless and until it makes sense should that transfer take place.

I appreciate Mr. Sopko's testimony and the leadership he brings to SIGAR. I look forward to the discussion today and I thank you, Mr. Chairman, once again.

Mr. CHAFFETZ. Thank you. I thank the gentleman for truly approaching this in a bipartisan way. We want what is right for the country. This is not a partisan issue and I think you will see us very united on this issue. I do appreciate that.

Does any other member have an opening statement? The gentleman from Massachusetts.

Mr. LYNCH. Thank you, Mr. Chairman and the Ranking Member. I appreciate your holding this hearing.

I want to thank you for focusing your attention on this. I realize this is about the fifth hearing that this subcommittee has had on oversight in Afghanistan funding. This committee, along with the full committee, has worked tirelessly to ensure oversight and accountability of U.S. taxpayer dollars being spent in Afghanistan. While it is a task we wish was not needed, the reality is that corruption in Afghanistan is rampant and endemic.

The subject of today's hearing demonstrates that there is still much more work to be done. Based on the Special Inspector General's interim report, the Combined Security Transition Command-Afghanistan is not yet in a position to ensure that the Afghan National Army will be able to take over future procurement of petroleum, oil and lubricants, POL.

The report's findings are very disturbing. As the Chairman noted and the Ranking Member noted, nearly $475 million in fuel payments with no records, no documents, documents that have been shredded and a lack of accurate methodology for estimating ANA fuel requirements has been uncovered by the Special Inspector General. I agree with the Special Inspector General that the deficiencies must be addressed quickly and correctly, especially as the ANA is slated to take charge of these purchases in 2013.

As the Coalition continues to transfer responsibility for security and operations to the Afghans, we must be certain that procedures and institutions are in place to ensure that U.S. taxpayer money is not expended where Afghan resources are available, number one, and if and when U.S. resources are necessary, to make sure that those resources are expended properly.

I would like to thank Inspector General Sopko for your efforts to bring accountability to the continuing mission in Afghanistan and for taking the time to come and testify before this committee. I look forward to hearing your testimony on this matter and other investigations your office is conducting.

I want to reinforce a couple points the Chairman and Ranking Member have amplified. That is that nothing in our experience thus far in Afghanistan would lead us to believe that direct funding—just sending a check, sending resources directly to Afghan ministries—is in the best interest of the United States or the American taxpayer.

Secondly, it is a case of no good deed goes unpunished. We are trying to help the Afghan people. Meanwhile, there are agents within their government that are robbing us blind. I just think we have to reassess—I realize the President some time ago set a timetable for the end of 2014 for withdrawal but I think in light of the continuing circumstances of corruption, the delay in the training exercises that are ongoing there, I think it is right and proper for us to reassess that timetable.

Actually, I believe that if our mission is for training the Afghan National Army and getting these systems in place, we don't need a massive military presence to accomplish that. I think it is entirely right and appropriate that we reassess and look at the possibility of getting out at the end of 2013 instead of 2014.

With the green on blue so-called attacks that we are seeing where ANA personnel are attacking their NATO, largely U.S. trainers, I think there is every reason for us to reassess our timetable and look to the opportunity to get out of Afghanistan sooner. They are either going to take charge of this operation and run their country with the highest hopes for democratic ideals or they are not.

This ball is in their court and they have to step up. I don't see them stepping up and I don't think us staying one more year and losing more American lives is going to change their level of commitment. Indeed, I think if we emphasize that we are not staying around, it might act as a stronger incentive for them to step up and do the right thing.

Mr. Chairman and Ranking Member, I appreciate your courtesy and indulgence. I yield back the balance of my time.

Mr. CHAFFETZ. Thank you.

Members will have seven days to submit opening statements for the record.

I will now recognize our panel.

Mr. John F. Sopko is the Special Inspector General for Afghan Reconstruction. He was appointed by President Obama and was confirmed July 2, 2012. He spent more than 20 years on Capitol Hill, including as Chief Counsel for Oversight Investigations for the House Committee on Energy and Commerce, chaired by Representative John Dingell.

He has a distinguished career and I appreciate your taking on this most difficult assignment. I know you are supported by a staff that is patriotic and committed to the betterment of this country. It is a difficult situation to say the least but we appreciate you and your staff and those that have joined you here today and those back at the office and certainly in Afghanistan for the great work that the do. I appreciate you being here.

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

Do you solemnly swear or affirm that the testimony you are about to give will be the truth, the whole truth, and nothing but the truth?

[Witness responds in the affirmative.]

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

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

Mr. Sopko, we would like to turn over some time to you for an opening statement which will be followed by questions from members on the panel.

Thank you.

STATEMENT OF JOHN F. SOPKO, SPECIAL INSPECTOR GENERAL, AFGHANISTAN RECONSTRUCTION

Mr. SOPKO. Thank you very much, Mr. Chairman Chaffetz, Ranking Member Tierney and the other members of the subcommittee.

I am pleased to be here today to discuss U.S. efforts to help the Afghan National Army procure, deliver and account for fuel, which includes petroleum, oil and lubricants provided to its forces.

For fiscal years 2007 to 2012, U.S. funding for Afghan Army fuel totaled almost $1.1 billion. Because fuel is a valuable commodity that is vulnerable to theft and because helping the Afghan Army develop a supportable and sustainable logistics capability is an essential part of transferring security responsibilities to the Afghan Army, SIGAR initiated an audit of efforts by the Combined Security Transition Command-Afghanistan, commonly referred to as CSTC–A, to develop the Afghan Army's capability to supply fuel to its forces.

Based on our ongoing audit work, we have serious concerns about this program and CSTC–A's method for estimating fuel needs on which to base funding requests. We are also concerned that CSTC–A has incomplete records of fuel purchased for, delivered to and consumed by the Afghan Army.

In fact, CSTC–A was unable to provide us records on nearly $475 million in fuel payments because, according to CSTC–A officials, those records had been shredded. Let me explain a bit about how the fuel ordering and delivery process is generally designed to work, as shown in this first chart with fuel procurement and distribution. I believe you do have an electronic record of that chart.

In that chart, you will see that Afghan Army units at the bottom are supposed to submit a fuel request to the fuel depot which is Request No. 14 that we discuss in my longer statement. The depot is supposed to fill that order and when needed, request fuel through the Afghan Logistics Command to maintain its supply. The Afghan Logistics Command approves the depot's request and is supposed to submit it to CSTC–A. CSTC–A is then supposed to review the order and submit it to one of four fuel contractors to deliver to the designated Afghan Army location.

Once the fuel is delivered, the Afghan Army unit completes a receiving report showing the amount and quality of fuel received and submit that form to both the Logistics Command and CSTC–A. CSTC–A then will use this form along with the original fuel order, delivery ticket and other supporting records provided by the fuel

delivery contractor to approve payment. That is what is supposed to happen.

CSTC–A's ability to accurately protect itself from fraud and theft, as well as develop Afghan fuel logistics capability, depends on the effective implementation of these required processes to validate the accuracy of data related to fuel orders, receipts, payments and ultimately, overall Afghan Army fuel requirements.

Unfortunately, SIGAR's auditors have found that the process I just described is seriously broken. CSTC–A does not know the actual fuel funding levels needed to meet Afghan Army mission requirements.

As you can see in the second chart, CSTC–A's current method for estimating the amount of fuel the Afghan Army needs does not include basic information that any household here in the United States or a small business would want such as, how many vehicles are there that require fuel. That would be an obvious question to ask. How many generators are there that require fuel? How much fuel does each generator require? How many Afghan Army fuel storage locations are there? How much fuel can be stored at each location and ultimately, how much fuel has been consumed at each of the Afghan Army locations?

We are also concerned that our audit found that there is no single office in the United States Army, Defense Department or the Afghan Ministry of Defense that has complete records on Army fuel ordered, purchased, delivered or consumed. Moreover, as mentioned by the Chairman in his opening, we found that CSTC–A did not have any records of fuel purchased and payment information prior to March 2011 because they had been mysteriously shredded.

For the time period that they claim they had records, which is March 2011 to March 2012, CSTC–A could not provide more than half of the documents we requested and CSTC–A continued to pay vendors without independent verification of the quantity and quality of fuel delivered. As a matter of fact, we only received four complete sets of documents when we requested all the material from CSTC–A.

These problems must be resolved quickly because CSTC–A plans to begin transferring responsibility for the procurement, tracking, delivery and accounting of fuel to the Afghan Government beginning January 2013, less than four months from now. At that time, CSTC–A intends to begin paying for the Afghan Army's fuel through direct contributions to the Afghan Government. In addition, CSTC–A has proposed to increase annual funding for Afghan fuel for fiscal years 2014 to 2018 by $212 million per year. We believe there is no basis for that increase.

To address the serious problems we identified, we issued this interim audit report and made two recommendations to the Commanding General of CSTC–A. First, reduce the fiscal 2013 and planned 2014 budget requests for fuel from the fiscal 2012 amount of $306 million and maintain that level until a better process for determining requirements is developed and secondly, to develop, approve and implement a comprehensive action plan to improve fuel accountability.

I also took the following steps. I first alerted the senior leadership at DOD and the commanders in the field about the destruction

of documents and emphasized the importance of maintaining all financial records which are required by law. Second, I referred this matter to my investigative directorate which is conducting an inquiry right now to determine who destroyed the documents and for what reason. Thirdly, I just launched a new audit to assess CSTC–A's efforts to develop the ability of the Afghan National Police to procure, deliver and account for fuel for its forces.

Although CSTC–A agreed with our second recommendation that it needs to improve its process, it disagreed with our first recommendation and still intends to increase fuel funding for the Afghan Army and make direct contributions to the Afghan Ministry of Defense starting in January 2013.

We continue to believe this is a mistake. It would be imprudent for CSTC–A to increase estimated fuel requirements and to proceed with writing a blank check to the Afghan Government without first ensuring it is obtaining and using basic information such as actual fuel consumption and usage data. To do so would be doubling down on a very, very risky bet.

In summary, no single commodity is as important to the reconstruction effort in Afghanistan as fuel. No commodity is at such risk of being stolen or wasted as fuel. In Afghanistan, fuel is like gold. As the United States withdraws and transfers security responsibility to Afghan forces, U.S.-funded fuel will become even more vulnerable to waste, fraud and abuse through corruption and theft.

It is imperative that U.S. military and civilian authorities improve their efforts to protect the U.S. taxpayers' continuing investment and to ensure that the Afghan Army is capable of assuming their responsibilities in the future.

I want to thank the Chairman and Ranking Member for holding this hearing and giving us the opportunity to discuss these findings. We believe they warrant immediate attention.

Thank you and I am happy to answer any questions you may have.

[Prepared statement of Mr. Sopko follows:]

Special Inspector General for Afghanistan Reconstruction

SIGAR

Testimony

Before the Subcommittee on National Security, Homeland Defense, and Foreign Operations, Committee on Oversight and Government Reform, House of Representatives

Department of Defense Cannot Accurately Account for over $1.1 Billion in Fuel for the Afghan National Army

Statement of John F. Sopko,

Special Inspector General
for Afghanistan Reconstruction

September 13, 2012

Mr. Chairman, Ranking Member Tierney, and Members of the Subcommittee,

I am pleased to be here today to discuss the United States' efforts to help the Afghan National Army (ANA) procure, deliver, and account for the petroleum, oil, and lubricants (POL) provided to its forces. I also appreciate the opportunity to discuss our investigative work related to the important issue of fuel delivery in Afghanistan.

For fiscal years 2007-2012, U.S. funding for ANA POL totaled almost $1.1 billion. SIGAR auditors and investigators have been closely examining this significant investment of resources, both because fuel is a valuable commodity that is vulnerable to theft and because helping the ANA develop a supportable and sustainable logistics capability—including the ability to purchase, track, and account for POL—is an essential part of transferring security responsibilities to the ANA.

In February of this year, SIGAR initiated an audit of efforts by the Combined Security Transition Command – Afghanistan (CSTC-A) to develop the ANA's capability to acquire, distribute, and account for POL supplied to its forces. This audit (1) assesses the status of efforts to develop ANA infrastructure, processes, and systems to acquire, manage, store, and distribute POL and to train the personnel needed to manage and oversee the distribution of POL, and (2) evaluates the internal controls in place to determine if they are sufficient to account for POL and to prevent fraud, waste, and abuse, including the unauthorized diversion or theft of POL.

Based on this ongoing audit work, we have serious concerns that CSTC-A, which is responsible for equipping and training the ANA, has no valid method for estimating fuel needs on which to base funding requests and has incomplete records on the amount of ANA fuel purchased, delivered, and consumed. In fact, CSTC-A was unable to provide us records on nearly $475 million in fuel payments because, according to CSTC-A officials, these records had been shredded.

The problems we have identified must be resolved quickly because CSTC-A plans to begin transferring responsibility for the procurement, tracking, delivery, and accounting of fuel and other petroleum products to the Afghan government in January 2013—less than 4 months from now. At that time, CSTC-A intends to begin paying for the ANA's fuel—an estimated $343

million in fiscal year 2013—through direct contributions from the Afghan Security Forces Fund (ASFF) to the Afghan government. In addition, CSTC-A has proposed to increase annual funding for ANA fuel to $555 million per year—or a total of nearly $2.8 billion—for fiscal years 2014-2018.[1] If funding levels are not based on accurate needs and if the ANA does not have effective accounting controls in place, this fuel will be at an increased risk of theft and waste.

In May 2012, we alerted CSTC-A officials of our concerns through a formal briefing. Although CSTC-A took some steps to respond to our findings, it did not do enough to ensure that accurate ANA fuel requirements are developed and that effective controls are instituted to maintain proper accountability for fuel purchases, deliveries, and consumption. As a result, we issued an interim report to the Secretary of Defense and other senior officials alerting them to our concerns.[2] We also released a letter to these officials on the destruction of records, in which we reiterated the importance of retaining all financial documents. This report and alert letter, released earlier this week, are the focus of my testimony today.

We conducted the performance audit work that supports this statement in accordance with generally accepted government auditing standards. Those standards require that we plan and perform audits to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The multinational, U.S.-led NATO Training Mission-Afghanistan (NTM-A)/CSTC-A bears primary responsibility for developing the ANA's logistics capability and procuring the fuel for the Afghan security forces. The United States is funding this effort through the ASFF, which Congress established to train, equip, and sustain the ANA and the Afghan National Police forces.

Currently, CSTC-A purchases POL, including diesel, aviation, and other fuels, to power ANA's

[1] Based on this proposal, two-thirds of this amount will be funded through direct ASFF contributions to the Afghan government; fuel under the remaining third will continue to be purchased by CSTC-A. We will address this issue in more depth in our final report.

[2] SIGAR 12-14, *Interim Report on Afghan National Army Petroleum, Oil, and Lubricants*, 10 September 2012.

vehicles, generators, and power plants.[3] Once the fuel is delivered to the ANA, it assumes full responsibility for POL management and further allocation.

The Afghan Ministry of Defense has general guidance and procedures for ANA logistical operations, including POL. The ministry has issued three decrees related to policies, procedures, and forms to be used for ANA POL logistics operations. These decrees are intended to govern ANA fuel management and accountability through, in part, the use of required forms, such as fuel request forms and monthly consumption reports.

In general, the fuel ordering process is designed to work in the following manner: An ANA unit submits a fuel request to its fuel depot. The fuel depot fills the order and, when needed, requests fuel through the Afghan Ministry of Defense's Logistics Command Materials Management Center-Army (MMC-A) to maintain its supply. MMC-A approves the fuel depot's request and submits it to CSTC-A. CSTC-A then reviews the order and submits it to one its four fuel delivery contractors to fill and deliver to the designated ANA location. Once the fuel is delivered, the ANA unit completes a receiving report showing the amount and quality of fuel received and submits that form to both MMC-A and CSTC-A. CSTC-A uses this form, along with the original fuel order, to approve payment to the fuel delivery contractor.

CSTC-A's ability to develop ANA POL capability depends on effective implementation of these required processes to validate the accuracy of data related to fuel orders, issues, receipts, payments, and, ultimately, overall ANA POL requirements.

CSTC-A Lacks an Accurate Method for Estimating ANA Fuel Requirements

SIGAR's auditors have found that CSTC-A does not know the actual fuel funding levels needed to meet ANA mission requirements. CSTC-A's current method for estimating the amount of fuel the ANA needs does not include basic information, such as:

- the actual number or holding capacity of ANA fuel storage locations;
- the inventories of vehicles and generators in use; and
- fuel consumption at each ANA location.

[3] The ANA has 30 power plants.

In June 2012, CSTC-A changed its method for determining annual fuel funding levels by estimating ANA fuel requirements for fiscal years 2014-2018 by using historical data from only one month—March 2012. In addition, CSTC-A has based most ANA fuel orders on what the ANA requested, rather than using the monthly consumption forms required under Ministry of Defense decree.

CSTC-A estimated that approximately 754 ANSF locations, including 254 ANA sites, received fuel directly from vendors. However, CSTC-A had no information on whether these locations had sufficient fuel storage capacity to receive vendor deliveries, which would have enabled CSTC-A to know whether locations were accepting more fuel than they could actually store. Although CSTC-A maintains that it used consumption data and rates in developing budget estimates for fiscal years 2012 and 2013, it could not provide documentation showing how much fuel was being consumed at each ANA location. Despite repeated requests, CSTC-A did not provide SIGAR with any information on the number and location of generators or the capacity and consumption of each generator. Without this information, SIGAR could not determine how much fuel ANA generators needed or assess the extent to which generator needs were factored into current estimates of ANA fuel requirements.

Our confidence in CSTC-A's ability to make reasonable estimates of future Afghan fuel needs was further eroded by our discovery that CSTC-A planners responsible for developing fuel estimates had allocated fuel for trailers and other equipment that do not have engines.

In order to accurately estimate ANA fuel requirements, CSTC-A must have accurate information on (1) the ANA locations authorized to receive fuel deliveries, (2) the storage capacity at those locations, and (3) better data about fuel usage requirements, including the amount of fuel consumed at each location.

CSTC-A Cannot Accurately Account for Fuel Ordered, Purchased, Delivered, and Consumed

SIGAR is particularly concerned about the overall lack of accountability for fuel purchased with U.S. reconstruction dollars. No single office within the U.S. or Afghan governments—including CSTC-A's fuel ordering office, the Kabul Regional Contracting Center, and the MMC-A—has

complete records of ANA fuel ordered, purchased, delivered, and consumed. SIGAR auditors identified the following problems:

- CSTC-A did not have any records of fuel purchase and payment information prior to March 2011. According to a CSTC-A official, a predecessor shredded financial records of fuel payments covering the period from October 2006 to February 2011. SIGAR estimates that these records included information about fuel payments totaling nearly $475 million.
- CSTC-A could not provide more than half of the documents we requested for our audit period from March 2011 to March 2012.[4] In June 2012, CSTC-A was able to reconcile the ANA fuel purchases with payments for this time period, but it still could not account for the amount of fuel delivered and consumed.
- Controls over fuel ordering did not effectively ensure that the Afghan Ministry of Defense's MMC-A was aware of all fuel orders and able to determine whether any ANA unit received more than its authorized allocation. Although the Afghan Ministry of Defense has procedures requiring ANA units and power plants to (1) document all fuel ordered through regional and national depots, and (2) to submit the documents to the MMC-A for approval, SIGAR found that neither the ANA power plants nor some ANA units follow these procedures. Moreover, CSTC-A has ordered fuel directly from vendors for some units without requiring the ANA to provide fuel orders to the MMC-A. This practice limits CSTC-A's and MMC-A's ability to ensure that units do not receive more fuel than allocated.
- CSTC-A paid vendors without independent verification of the quantity and quality of fuel delivered. Officers ordered fuel, prepared receiving reports for payment, and certified the quantity and quality of fuel received by ANA units without receiving and reviewing the forms required by the Ministry of Defense to validate delivery tickets.
- CSTC-A did not track or reconcile the amount of fuel delivered with the amount of fuel that the ANA issued, stored, and consumed. As a result, CSTC-A cannot identify variances to determine potential theft.

[4] In fact, in our review of 73 of the 150 paid fuel orders that we received, CSTC-A could only provide a complete set of supporting documentation for 4 fuel orders.

- Fuel vendors did not always comply with the requirements set forth in the fuel blanket purchase agreements used by CSTC-A. For example, vendors did not always provide fuel quality reports. The vendor delivery tickets that accompanied invoices for payment did not always include the information needed to verify the quantity delivered.

In light of our concerns, SIGAR has taken a number of steps. We have alerted the senior leadership at the Department of Defense and the commanders in the field about the destruction of documents and reiterated to all parties the importance of maintaining all financial records. We have also referred this matter to our investigations directorate, which is conducting an inquiry to determine who destroyed the documents and for what reason.

SIGAR is also making two recommendations in the interim audit report to address our concerns about the accuracy of the fuel requirement estimates and the ANA's ability to account for fuel purchases, deliveries, and consumption. Specifically, we recommend that the Commanding General of NTM-A/CSTC-A:

- reduce the fiscal year 2013 and planned 2014-2018 budget requests for fuel for the ANA to the fiscal year 2012 amount of $306 million and maintain this level until CSTC-A and the ANA have developed a more systematic process for determining requirements; and
- develop, approve, and implement a comprehensive action plan, focusing on specific internal control processes to verify fuel purchases and deliveries to improve overall fuel accountability.

In commenting on a draft of our report, CSTC-A concurred with our recommendation to develop, approve, and implement a comprehensive action plan, but disagreed with our recommendation to limit budget requests for fuel until it has developed a more systematic process for determining fuel requirements. NTM-A/CSTC-A also noted steps it has taken, or will take, to address specific internal control processes to verify fuel purchases and deliveries and to improve overall accountability.

In disagreeing with our recommendation to postpone increasing fuel funding requests until it can determine fuel requirements more systematically, NTM-A/CSTC-A stated that the proposed funding levels must be maintained to sustain current military operations. According to CSTC-A,

the fiscal year 2012 fuel expenditures for the ANA are expected to total approximately $480 million.[5] It stated that imposing SIGAR's $306 million cap would result in a 37 percent reduction for all security operations. It also said it cannot accurately estimate fuel consumption for vehicle usage due to the fielding of additional vehicles, power generation plants, and other combustion engine power equipment to Afghan security forces and because of fluctuations in power consumption due to seasonal changes.

SIGAR does not believe it is prudent to increase estimated fuel requirements in the absence of actual fuel consumption and usage data. In addition, SIGAR notes that CSTC-A did not commit the first $40 million of the fiscal year 2012 funds for fuel and other petroleum products until July 2012, more than 9 months into the current fiscal year. This delay in spending further calls into question whether a budget increase in ANA fuel for fiscal year 2013 is warranted, especially given expected donations by international donors for jet fuel and kerosene.

SIGAR plans to issue the final audit report in the coming months. We have also just announced a new audit to assess CSTC-A's efforts to develop the Afghan National Police's ability to procure, deliver, and account for POL for its forces.

SIGAR Has Ongoing Investigations into the Theft and Diversion of Fuel in Afghanistan

In addition to our ongoing audit work, SIGAR is currently conducting 20 criminal investigations involving the theft and diversion of fuel intended for both military and civilian use. These investigations address bribery, corruption, and bid-rigging related to contracts to transport more than $100 million worth of fuel. They involve Afghan citizens, Afghan companies, and Defense Department civilians, as well as military officers and noncommissioned officers involved in the fuel transportation, storage, and distribution chain.

To date, we have obtained guilty pleas from six U.S. citizens for bribery or corruption related to fuel theft. SIGAR investigators are working closely with Afghan law enforcement officials to detect and deter fuel theft. These efforts have led to the arrest of nine Afghan citizens. SIGAR has also recommended that 13 companies and individuals associated with fuel procurement and transport be suspended or debarred for corruption, bid-rigging, or theft of fuel.

[5]Our analysis shows, however, that this figure includes fuel purchased for both the ANA and the Afghan National Police.

SIGAR's investigators collaborate with partner agencies in the International Contract Corruption Task Force and with the military's Task Force 2010 to strengthen accountability in the fuel distribution system, identify weaknesses, and recover monies from corrupt individuals and companies.

Conclusion

Our audit and investigative work shows that managing the procurement and distribution of fuel, which is absolutely essential to the reconstruction of Afghanistan, is a large, complex challenge. Millions of gallons of fuel can disappear before anyone notices. In one case, SIGAR discovered that as much as one million gallons of fuel had been stolen over a four-month period without causing any red flags to be raised in the system.

No single commodity is as important to the reconstruction effort in Afghanistan as fuel, and no commodity is at such risk of being stolen or wasted. As the U.S. and its coalition allies withdraw and transfer security responsibility to Afghan forces, U.S.-funded fuel will become even more vulnerable to waste through corruption and theft. It is imperative that United States military and civilian authorities take steps to better protect the U.S. taxpayer's continuing investment in fuel.

Accordingly, we strongly urge CSTC-A not to proceed with its plans to increase POL funding for the ANA and to write a "blank check" to the Afghan government for its fuel needs through direct contributions from the ASFF to the Afghan Ministry of Defense. To do so would mean doubling down on a very risky bet.

SIGAR

The Key Fuel Players

U.S. and Coalition Partners

The NATO Training Mission-Afghanistan (NTMA)/Combined Security Transition Command-Afghanistan (CSTC-A)

- Responsible for training, equipping, and sustaining the Afghan National Security Forces using the Afghan Security Forces Fund
- Includes procuring and paying for petroleum, oil, and lubricants (POL) for the Afghan National Army (ANA)
- Includes developing the Ministry of Defense and the ANA's logistics capability to take over the procurement and delivery of its POL requirements
- Currently using blanket purchase agreements to contract with private companies to provide fuel to ANA

Contractors

DAWI
RM Asia
Global Investment
West & East Trading Company

Private Contractors delivering fuel ordered by CSTC-A

- CSTC-A is using four vendors: three to deliver fuel for vehicles, generators, and power plants and one to provide aviation fuel
- CSTC-A is not providing the oversight needed to ensure fuel is not diluted, diverted, or stolen

Afghans

Afghanistan's Ministry of Defense (MOD)

Issued three decrees that provide general guidance and outline procedures for ANA logistical operations. One of these prescribes the completion of four forms to document 1) fuel requests, 2) fuel receipts, 3) quantity and quality of fuel delivered, and 4) a monthly fuel consumption report.

The Logistics Command's Material Management Center-Army (MMC-A)

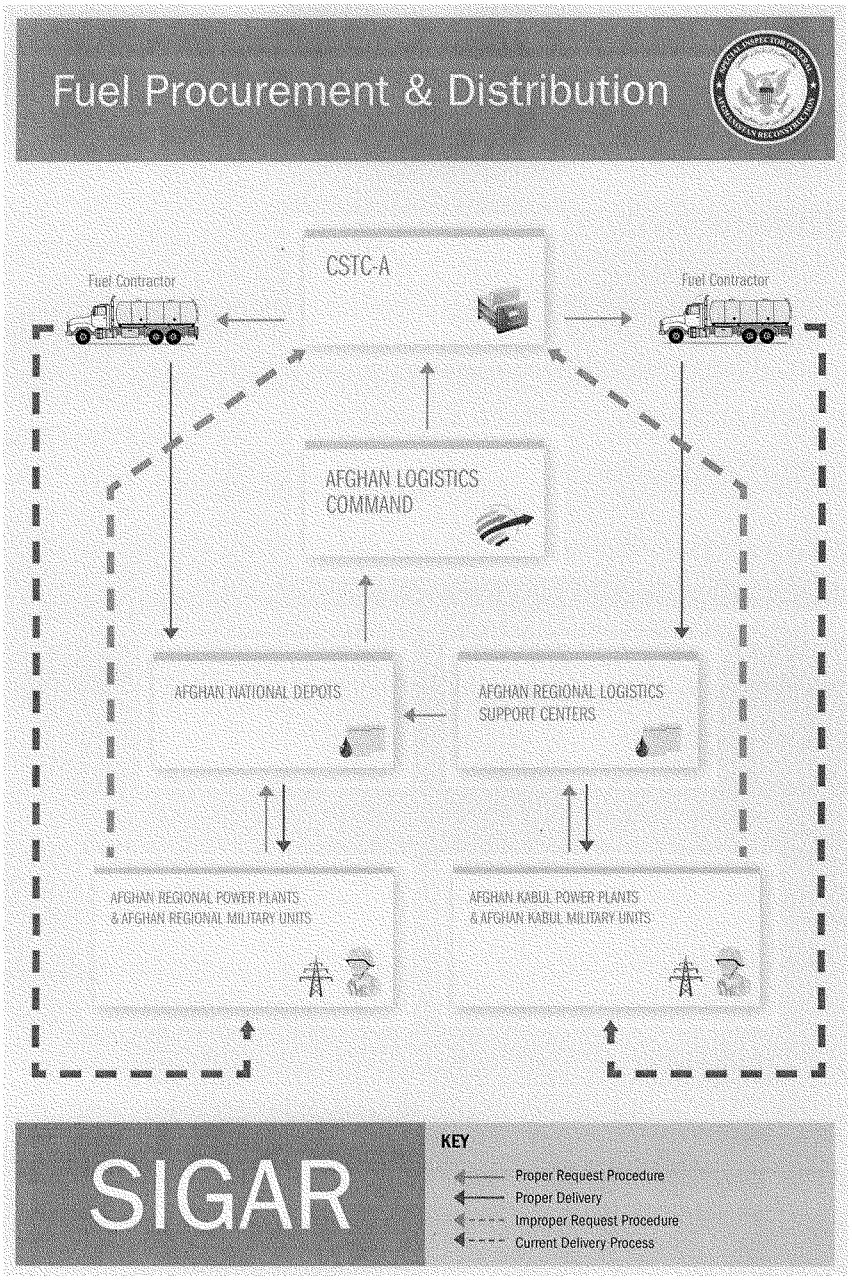
Established within the MOD to manage and account for ANA supplies, including all aspects of fuel procurement and distribution.

Regional Logistics Support Centers

- These centers request and receive fuel ordered by the MMC-A
- ANA units are supposed to request fuel from these centers

Afghan National Army

Assumes responsibility for storage and allocation of all fuel used for power plants, vehicles, and generators after it is delivered to ANA locations


Fuel Procurement & Distribution
CSTC-A
Fuel Contractor
Fuel Contractor
AFGHAN LOGISTICS COMMAND
AFGHAN NATIONAL DEPOTS
AFGHAN REGIONAL LOGISTICS SUPPORT CENTERS
AFGHAN REGIONAL POWER PLANTS & AFGHAN REGIONAL MILITARY UNITS
AFGHAN KABUL POWER PLANTS & AFGHAN KABUL MILITARY UNITS
SIGAR
KEY
Proper Request Procedure
Proper Delivery
Improper Request Procedure
Current Delivery Process

SIGAR

What the Fuel Records Show

	Yes	No
Amount of Money Spent on Fuel	X	
Amount of Fuel Ordered	X (FY 2011–2012)	X (FY 2007–2010)
Amount of Fuel Delivered		X
Amount of Fuel Stored at Each Location		X
Amount of Fuel Each Generator Requires		X
Amount of Fuel at ANA Locations		X
Number of Vehicles Requiring Fuel		X
Number of Generators Requiring Fuel		X
Number of Fuel Storage Locations		X

Mr. CHAFFETZ. Thank you.

I will now recognize myself for five minutes.

The best estimate is that the documents were shredded sometime between October 2010 and March 2011. Do I have that right?

Mr. SOPKO. What we know is that when we first found out, a fuel ordering officer advised us that some former fuel ordering officers had destroyed the records. The time period would be October 2006 to March 2011.

Mr. CHAFFETZ. The Commanding General of CSTC–A between November 2009 and November 2011 was I believe Lt. General Caldwell, correct?

Mr. SOPKO. I believe you are correct, sir.

Mr. CHAFFETZ. This is a pattern of destruction of documents under his command that I find personally to be of deep concern and something we should continue to look at.

There certainly had to be some sort of electronic records. In this day and age, in the years of the 2000's there had to be some sort of electronic record, was there not?

Mr. SOPKO. Mr. Chairman, as I mentioned, we learned about this in April 12 and I believe the auditors kept looking for these records. We assumed there had to be some record saved in electronic format. It wasn't until I believe late June or July that finally CSTC–A told us that if you haven't gotten it, you are not going to get it. We couldn't find any electronic records.

There may be electronic records of the actual payment. We know how much we paid but that doesn't tell us anything else. That just tells us how much we may have lost.

Mr. CHAFFETZ. Tell me about debarment. Certainly there are some bad actors in this category of fuel consumption. Has anybody been debarred? How is that process working?

Mr. SOPKO. We have a very aggressive—without sounding like I am tooting my horn—I think one of the more aggressive suspension and debarment programs, particularly in that field. The area in Afghanistan, of course, is where we are looking. We have referred 242 companies and individuals for suspension and debarment.

Unfortunately, a number of the companies and individuals that we have identified as subject to debarment and suspension have not been suspended and debarred by the Army. Despite the fact that we have provided thousands of pages of analysis, witness statements and submitted documents as part of multiple debarment proceedings of fuel contractors, we are basically forced to prove a negative.

By that, I mean, Mr. Chairman, we have signed affidavits, we have statements from U.S. officers and employees who are saying that the records with their signatures are false, that they did not sign those documents, but the Army is saying, unless you prove the fuel didn't actually go to the military base to the Afghans, we are not going to suspend and debar.

Mr. CHAFFETZ. Are any of these suspected terrorists or known terrorists?

Mr. SOPKO. Mr. Chairman, that is a very good question. We have identified 42 companies and individuals who have been listed by either the Department of Commerce on their entities list, which is published in the Code of Federal Regulations, and at least eight of

those who have been publicly listed pursuant to Section 841 of the National Defense Authorization Act which deals with contracting with the enemy, those individuals have been publicly identified, we have brought their names and the names of those companies to the Army and they haven't been debarred.

We view this as ridiculous. They should be debarred immediately. They are listed by the United States Government as terrorists but at the same time, they are able to contract with the United States Government right now in Afghanistan.

Mr. CHAFFETZ. So of these hundreds of people and entities that you have identified as qualified for debarment, do you have any idea what percentage have actually been accomplished? Why is the Army not doing this? What is their justification for that?

Mr. SOPKO. Well, they just line us up in the queue with everyone else. In the queue now for the Army, it takes about a year.

Mr. CHAFFETZ. Do they have some intern sitting in some cubicle somewhere that doesn't have enough time to get this done or what is the problem?

Mr. SOPKO. My concern, Mr. Chairman, is that they don't appreciate I think what you appreciate and what I do that time is of the essence. If we are going to make a difference and stop bad people from contracting with the U.S. Government, from stopping terrorists from contracting with the U.S. Government, now is the time, not two years or three years from now.

I have told my staff since I started, the next two years, if we are going to make a difference for the U.S. Government, for the U.S. taxpayer, we have to redouble our efforts. I am not absolutely certain that everyone has that message. It is business as usual in a lot of government agencies.

I know there are people such as General Allen, General Longo and the people in Task Force 2010 out in the field who realize now is the time, time is of the essence. I am not commenting on them but I think there are too many people here in Washington who think this is business as usual. It is not business as usual. We are in a war and if we are going to do something, we have to do it now.

Mr. CHAFFETZ. Thank you. My time has expired but given that we have been there for more than ten years and we haven't gotten this part right yet, with all due respect to General Allen and the great patriot that he is, if they didn't take this seriously and can't get these people on a list, and it takes years to get it done, it is just an atrocity. I appreciate you highlighting it.

There is someone here who has done a lot of work on this particular topic and has been a champion in trying to get this thing fixed. I appreciate his part in this. Now, I recognize the gentleman from Massachusetts, Mr. Tierney.

Mr. TIERNEY. Thank you, Mr. Chairman.

Thank you, Mr. Sopko.

This is outrageous to say the least, but it is not new to us. When we looked into the contract, the oil coming through Kyrgyzstan one of the things we found out was that the Department of Defense didn't even really know who they were contracting with. They had a corporation but didn't know the principals, they didn't know the stockholders, didn't know the directors and I am afraid we are looking at more of that here.

Let me first deal with the shredding issue. We need resolution of that. You already have an investigation that is going on. You said 2009 through 2011, General Caldwell was in charge. Who was in charge from 2007 to 2009?

Mr. SOPKO. I don't have the name of the general at that time. I can check. Let me see if my staff has it. We can get back to you with that information.

Mr. TIERNEY. The question is, was this an ongoing destruction of documents during that 2007 to 2011 period or did it all happen at one time?

Mr. SOPKO. That is what we are trying to determine. We are also trying to determine who did it and was it ordered.

Mr. TIERNEY. Was it policy or was it a personal decision? That is what we need to know.

Mr. SOPKO. We don't know that yet.

Mr. TIERNEY. Those are things we have to find out.

Mr. SOPKO. Absolutely.

Mr. TIERNEY. Who destroyed it, was it done as a matter of policy or some personal decision? What is the status of the investigation, is it just beginning?

Mr. SOPKO. It is just beginning, sir.

Mr. TIERNEY. The second thing is I think we are all hesitant to start turning over millions and millions of dollars to the Afghan National Army if they don't have a process of accountability. The Chairman and I are going to talk about what we do between now and the end of next week to stop something going in January.

I agree with you, why are we giving them extra money if they can't justify the need for it? What I am hearing from you is they have not shown us any justification for that substantial increase, is that correct?

Mr. SOPKO. That is correct.

Mr. TIERNEY. So it is some $212 million per year they want to give additionally without any documentation or substantiation?

Mr. SOPKO. That is correct. I would say, Mr. Tierney, it is basically garbage in and garbage out. It is not based on anything credible. The current numbers—and we are even giving them that current number of $306 million because they don't know how much is being used but definitely not going to the out years and increasing it.

Mr. TIERNEY. So $306 million hasn't been justified either?

Mr. SOPKO. That is correct, sir, because they are basing it on order data, what they order as the basis for usage. They don't have consumption data. It is basically like your teenager goes out and uses the car and says I need $60 to fill up the gas tank and I need another $100, $200 and nobody checks the gas tank.

Mr. TIERNEY. We have seen this before. We have to act between now and January on that. The preconditions should be exactly what before we start releasing money to the ANA to distribute? We should have some system in place and you outlined the system over here but should we not have some period of time in which they are actually performing to that system before we feel comfortable that they have the capacity, independent of the United States, to actually carry out the system and implement it properly and also need

records to show the actual numbers before we give them the $306 million?

Mr. SOPKO. That is correct, Congressman. The thing you have to realize is CSTC–A is a U.S. and NATO organization. We are finding is, not only aren't the Afghans living up to their own rules and procedures, but CSTC–A isn't. How can we hold the Afghans, and assume the Afghans can do it, if CSTC–A doesn't even do it?

Mr. TIERNEY. We had problems with CSTC–A with regard to the training of the Afghan National Army and whether or not they were doing the job that should have been done there. We had issues with them with respect to the tracking of weapons. We had weapons coming into the airport and no tracking between getting unloaded from the plane getting to the warehouse, no tracking between the warehouse and getting the trucks that were delivering, no record of the trucks delivering to the final point of return and weapons were showing up in all sorts of places. CSTC–A, unfortunately, has a longstanding issue of accountability.

I guess my question to you is what is reasonable to expect can be done between now and January 2013 or is just a fool's errand that we ought not start delivering directly at all and find some other system until we can get enough of a record and enough proof of their capacity to perform?

Mr. SOPKO. I am not certain that CSTC–A can remedy the problems in this short a time frame. They are making some attempts, but as we say in the audit, they still are not basing and grounding this on common sense. You have to have the records, you have to check what consumption is, and you have to check that the fuel is going to where it is being ordered. This is just reason and common sense. I am not absolutely certain they can do it.

Mr. TIERNEY. As you read it, the directive to do all this by January 2013 is just something the Army has set as a date or is it some regulation that is, in fact, in place?

Mr. SOPKO. It is our understanding, and I will check with my staff who are probably more knowledgeable about this, but it is our understanding that is the stated policy and it will occur, not just for CSTC–A, not just for petroleum, oil and fuel, it is going to be with a number of programs.

Mr. TIERNEY. The Department of Defense policy, you are saying?

Mr. SOPKO. That is my understanding. It is DOD planning policy.

Mr. TIERNEY. Thank you very much.

Mr. Chairman, thank you. You have been liberal with the time.

Mr. CHAFFETZ. The gentleman yields back.

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

Mr. LYNCH. Thank you, Mr. Chairman.

Mr. Sopko, I want to thank you for your work on this. Can I ask you, in terms of what we are paying for fuel in Afghanistan through the vendor process, what are we paying a gallon for gas?

Mr. SOPKO. I believe we are paying $4 per gallon, but again, I will double check—approximately $4 per gallon.

Mr. LYNCH. Supposedly at the pump, right at the point of purchase?

Mr. SOPKO. Yes.

Mr. LYNCH. I understand the challenges that CSTC–A has. From our previous trips and we have all made numerous trips to Afghanistan, the recruits that we are getting in training, candidates for training, are largely illiterate, they don't know how to count so we are actually going through a program now where we put these trainees and put them through a program that takes them through a third grade level U.S.

What troubles me greatly is that the people who are supposed to be teaching the Afghans, as you pointed out, CSTC–A, the proper methodology for accounting for the fuel, paying for it and running the system, CSTC–A is not using the system that we should be trying to teach these trainees, these candidates, these people running the operation who are supposed to be running it themselves beginning in 2013. There is a real gap in our mission.

As I understand, most of the prior accounting is just a paper process. Is there any ability adopt to our own system or through DCAA, the Defense Contracting Auditing Agency, a system that might be able to put in place before January?

Mr. SOPKO. I don't believe so, sir. It is a paper process. I have seen the tickets. They are just like your old tickets. I remember working in the steel mills when I was a kid and there were these little tickets when you bought something and there would be four or five copies. You pull one off, you give it to the driver; the driver takes it, he pulls another off and fills it in.

I think to institute in three months an electronic process would be extremely difficult. As you alluded, the problem is we should be leading by example and CSTC–A isn't following their own rules. They are allowing the purchases to go directly to CSTC–A. They are supposed to go through that process. There are supposed to be forms. There should be a package together before CSTC–A makes the payment but they are not.

Mr. LYNCH. We had similar problems with the banking system. It got so bad because of the theft largely by folks related to Hamid Karzai and related to the first Vice President, and they basically robbed Kabul Bank. It came to a point where we had to redirect our payments to vendors away from the Afghan banks so that they wouldn't be stealing our money. This is a lot of the same problem.

Yesterday at the hearing, I said corruption to Afghanistan is like wet is to water. We have some serious problems here and we can't let this continue. We can't let this go forward in January. We can't just send them a check because we know they are going to steal it, we know they are overcharging us. I was reading in this report that they are even ordering fuel for trailers that don't have engines, that don't use fuel. They are basing their fuel consumption on trailers that don't use fuel. That troubles me greatly.

Again, we are trying to do the right thing. The American people have been very supportive of this operation. I think they are rightfully running out of patience. I am just trying to figure a way to minimize our losses and bring some accountability to this process. It does boggle the mind that we have been there 10 years, 10 years, and we don't have a system in place to verify how much fuel they are using and whether or not they are using the resources we are giving them for that purpose.

It is disgraceful. We cannot afford this. We never could afford this but we certainly cannot afford it now. I think at some point, we are going to have to get over there and look into this more deeply, part of the committee, over in Afghanistan.

How many auditors do you have on the ground through your operation?

Mr. SOPKO. We have 49 positions totally and that includes criminal investigators and auditors and we have approximately 25. Since I came onboard, I have asked for approval from the State Department to increase the number by 8. You know, since you have been there, there is limited space but we feel if we are going to make a difference, we have to emphasize the next two years, so we are going to increase the total number to about 57 or 58 people.

Mr. LYNCH. My last question, in closing, we have the vehicle requirements but don't we have some power plants that are consuming large amounts of fuel? It would seem with a fixed facility as opposed to vehicles moving around and you can't really track consumption on that end as well as you can with a fixed facility, can we at least put people in place at these power plants so that we can audit their fuel consumption?

Mr. SOPKO. We do have some people in place, the auditors found, but the problem again is we are not collecting the data.

Mr. LYNCH. It should be possible because 92 percent of the country has no electricity. Basically, it is 8 percent of the population right in and around Kabul that has electricity for some part of the day. We should be able to go in there and audit those limited facilities that are actually producing electricity.

Mr. SOPKO. These facilities that are producing electricity are basically producing electricity for a military base. They are large diesel power generators.

I wanted to clarify one thing. When you made reference to the trailers, that came up not so much in the ordering issue but when we asked CSTC–A to justify their budget. They gave us information and when we looked behind the information they gave us, they were counting trailers and other equipment that had no engines to justify it.

We said that doesn't fly. It was more in that context. We have not confirmed actual fuel going to non-working engines, but we don't know where the fuel goes. All we really know is what we pay the vendor.

Mr. LYNCH. I have exceeded my time. I appreciate your indulgence, Mr. Chairman. I yield back.

Mr. CHAFFETZ. The gentleman yields back.

I recognize myself for five minutes.

You mentioned in your report that the U.S. military is spending $20 million for firewood. Is there any justification for $20 million in Afghan firewood?

Mr. SOPKO. Mr. Chairman, that was one of the more interesting comments my auditor told me. You are absolutely correct, CSTC–A's paying approximately $20 million a year for firewood. When my auditors asked for documentation of what we spent on firewood, basically, we were told "we don't have the records; we just spend the money." That is the CSTC–A attitude.

That is a lot of firewood. Somebody joked that is like buying every stick of lumber in Maine. Again, it is an attitude, we just pay, and that is what is shocking.

Mr. CHAFFETZ. Obviously there is some bribery going on here. We would be naive to think there wasn't. Do you have any sense of how that happens, what the going rate is? How much are these people being paid off?

Mr. SOPKO. Again, it is difficult for us to do criminal investigations in this arena because there are no records. It is going to be even more difficult if we just cut a blank check. In other programs that we have looked at, in programs related to some of the post nation trucking cases that I referred to that Mr. Tierney and you investigated before, we have records, we have done criminal investigations. We actually have 25 fuel-related investigations currently underway which has resulted in a number of indictments.

The going rate we are seeing is about $5,000 per truck to make trucks disappear. We have one case in which approximately 200-some trucks just disappeared. By that, I mean somebody made up the records—there are actually paper records—just made them up, they were paid $5,000, so it is about $1,000 a gallon. The trucks went out the door never to be seen again.

That is over 1,000,000 gallons in fuel and nobody noticed it until we opened the criminal investigation. I must say we have very strong support from the military in this matter. They have been very helpful and we have been working jointly with them and Task Force 2010 on these types of cases but those were cases where we actually have records. We don't have records over at CSTC–A.

Mr. CHAFFETZ. Can't we just go down to OfficeMax and buy a few laptops, get a little software and be out the door by three o'clock? I have to tell you, I really appreciate after ten years and for CSTC–A, for the Pentagon to suggest that we should increase spending to $555 million per year and from 2014 to 2018, $2.8 billion they want to increase the funding and send the bulk of this directly to the Afghan Government with less control, less oversight, less accountability, it is absolutely stunning, the total lack of regard for the resources and the money the American people are spending.

Then to spend $20 million on firewood with no accountability, I really appreciate you bringing this to our attention. We, in Congress, have to step up and do something about this because this is totally unacceptable.

I have no further questions but I would be happy to yield to the gentleman from Massachusetts?

Mr. TIERNEY. I suspect that we are beating a dead horse at this stage. You have made a very compelling and clear case and I thank you for that.

I guess we need to define what the role of the Afghan National Army is versus the role of CSTC–A's situation on that. Is the role of the contractors prominent in this documentation? They basically document the amount they pick up and the amount they deliver or where do they fit into this?

Mr. SOPKO. They are supposed to but since we don't have the records, we don't know. We have some records that we have seen and it again shows they picked up so much fuel. What made us suspicious—again, I am a former federal prosecutor and got my

start looking at corrupt unions in Ohio where records disappeared all the time or were bogus records. I did banking investigations, but what you see here is sometimes these are pristine records. They are typed out. There is no spillage. Everything is perfect. That raises some concern and the fact that in most cases there are no records.

Mr. TIERNEY. We don't know the amount that wasn't delivered, we don't know the amount that was delivered but in insufficient amounts and what left the depot and we don't know the grade or quality, whether it was doctored, altered, watered down or anything else? We are unable to indicate all that?

Mr. SOPKO. The key point is we don't know what was consumed, so how do we know what we should be buying?

Mr. TIERNEY. The attitude of we don't have the records, we just spend the money, that permeates unfortunately too much of what is going on, not just in CSTC–A but I think in the whole operation over there and how we intend to protect our troops and get to an end result of this with the level of corruption where the people from Afghanistan can't even trust their own leadership on that or distinguish between what is happening to them at the hands of insurgents and other characters and their own government is not helping our operation at all.

Thank you, Mr. Sopko. I suspect we may be talking to your office because I have started conversations with the Chairman about something maybe we could do between now and the end of this session to stop this from being implemented the way it looks like it is heading.

Mr. SOPKO. We are happy to work with you and the Chairman and any other members on this issue or other issues.

Mr. TIERNEY. Thank you.

Mr. CHAFFETZ. The gentleman from Massachusetts, Mr. Lynch, is recognized.

Mr. LYNCH. Thank you, Mr. Chairman. Again, thank you, Mr. Sopko.

Have you been invited to testify before Defense Appropriations?

Mr. SOPKO. No, sir. I have only been on the job since July 1.

Mr. LYNCH. We might want to cycle you through Defense Appropriations. If they had the benefit of your counsel, I think that would be great.

We know none of these records are being established. They are not being created or they are being shredded. What is the situation now with CSTC–A based on your contact with them? Have they changed their behavior at all? Is there a statement of future compliance? What are they doing?

Mr. SOPKO. They are starting, as you see in the report, their comments, to change. We don't feel it is going fast enough. We don't think it is focusing on the most critical records and those are usage records and we don't feel, based upon our last request for records, in which they could only provide 50 percent of the records, that everybody is following the rules and regulations.

I should say they told us, don't worry, those records were shredded but now we are keeping records. We did a statistical sample and it came back that 50 percent of the records were gone and no

explanation of what happened. We don't know if those were destroyed, lost or they didn't collect them.

We may go back in again. We are going to be spending time looking at how CSTC–A is doing the same program for the police and we may be able to report back to you on that, but I am not optimistic.

Mr. LYNCH. Okay. We would like to work with you maybe even so far as to getting over to Afghanistan and doing a walk through with your folks just to drill down on this a little bit.

Mr. SOPKO. We would love to do that.

Mr. LYNCH. Thank you.

I yield back.

Mr. CHAFFETZ. Thank you.

Are there other categories or other major expenditures that should also be on our radar? You mentioned the police, but if are there other big major ticket items, even smaller ticket items like firewood and others on your radar, I would appreciate knowing that or if there is something else you would care to share with us? Otherwise, we will conclude the hearing.

Mr. SOPKO. Mr. Chairman, I want to thank you again for giving me this opportunity to talk about this really important issue. Since coming onboard, as I said I just started July 1, I have emphasized after talking to a number of policy people, that we are going to have to increase our audits and increase our investigations, we are going to have to do them faster and be smarter because we have a limited amount of time because of the security situation in Afghanistan.

Accordingly, we are coordinated with the other IGs and we are looking at a number of very serious issues. We are going to be looking at how security is impacting our programs by USAID and the Defense Department, how we are going to monitor contracts when there are going to be fewer American troops there is a big issue for us.

We are also going to do a number of capping reports looking at broader issues dealing with corruption, counter narcotics activities as well as looking at the food services that CSTC–A provides to the Afghan National Security Forces.

Since approximately 50 percent of the reconstruction money now is going to the Afghan National Security Forces, that obviously is going to be a key place where we will emphasize our resources but we are open to suggestions from other interested parties.

The last thing I want to mention in regard to this is we discussed suspension and debarment. I don't want to leave the impression that the generals in the field have authority to suspend and debar. When I mentioned General Allen or General Longo, they would love to have the authority to suspend and debar, but they can't either.

If they find suspicious characters, they have to send it to Army here in Washington for suspension and debarments. There is no accusation against the generals and the people in the field. They are actually with us are probably the best people to know the bad guys and who we should suspend and debar but they don't have that authority, nor do we, which is ironic because you have the National

Endowment for the Arts has suspension and debarment authority but the commander in the field does not.

The Institute of Museum and Library Services—I have a whole list—they all have suspension and debarment authority. The Railroad Retirement Board, the National Endowment for Humanities, the Legal Services Corporation, the National Archives, they all have suspension and debarment authority but General Allen doesn't, General Longo doesn't and we don't.

I think it is something to consider particularly in a war. We are a temporary agency. We are disappearing at the end of this but a commander in the field should have authority to stop trading with the enemy and basically say, we are debarring you but he doesn't have that authority or she doesn't have that authority.

I would ask you to consider that as you consider this very important issue on suspension and debarment.

Mr. CHAFFETZ. Thank you. Now I have a second piece of legislation I will be introducing.

Great work. We appreciate the service that so many of the men and women in your organization are doing. It is very difficult. We all appreciate this and appreciate the report.

At this time, the committee will stand in adjournment.

[Whereupon, at 11:10 a.m., the subcommittee was adjourned.]

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Opening Statement
Rep. John F. Tierney, Ranking Member

Subcommittee on National Security, Homeland Defense and Foreign Operations
Committee on Oversight and Government Reform
Hearing on "SIGAR Report: Document Destruction and Millions of Dollars Unaccounted for at the Department of Defense"

September 13, 2012

We have just marked the eleventh anniversary of September 11th and during nearly all of that time, U.S. soldiers have been on the ground in Afghanistan. We entered the conflict for righteous reasons and our brave men and women in uniform have largely accomplished the mission of ridding Afghanistan of al Qaeda and the international terrorists that threatened our homeland. I would like to take this opportunity to honor their sacrifice and state that I am truly proud of their service.

This Subcommittee has long been concerned with the issues of corruption and mismanagement of US taxpayer dollars in Afghanistan. Under my Chairmanship, this Subcommittee conducted multiple investigations into allegations of corruption in U.S. contracting related to the war in Afghanistan. In a bipartisan manner, we investigated jet fuel contracts in Kyrgyzstan and the Host Nation Trucking contract in Afghanistan. Our investigation of the trucking contract found that contractors were making protection payments to our enemies with U.S. taxpayer dollars.

I commend Chairman Chaffetz for calling this hearing today to examine the problem of contracting corruption in Afghanistan. The Special Inspector General for Afghanistan Reconstruction conducted an audit on the Afghan National Army's logistics capability for petroleum, oil, and lubricants. While conducting this audit, they found an astounding lack of internal controls and records of fuel purchases, deliveries, and consumption. SIGAR found the DOD's training mission lacked a valid method for estimating fuel needs on which to base the funding requests as well as complete records on Afghan National Army's fuel transactions. Ultimately, this means that the fuel and the funds used to purchase it are highly vulnerable to theft and waste.

Against this background, it is highly worrisome that the training mission intends to transfer to the Afghan government direct control of logistics and U.S. taxpayer funds for fuel on January 1, 2013.

I believe that before this transfer takes place, NATO and DOD must work together to immediately establish clear guidelines to ensure that this money is not misused. It is imperative that these egregious issues be fixed before hundreds of millions of dollars go directly into the hands of the Afghan government.

I appreciate Mr. Sopko's testimony and the leadership he brings to SIGAR, and I look forward to our discussion. Thank you, Mr. Chairman.

Contact: Ashley Etienne, Communications Director, (202) 226-5181.

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