

House Oversight and Government Reform Committee Holds Hearing on Accountability in U.S. Foreign Assistance

ISSA:

Committee will come to order.

We exist to secure two fundamental principles. First, Americans have a right to know that the money Washington takes from them is well spent. And second, Americans deserve an efficient, effective government that works for them.

Our duty on the Oversight and Government Reform Committee is to protect these rights. Our solemn responsibility is to hold government accountable to taxpayers because taxpayers have a right to know what they get from their government.

It's our job to work tirelessly, in partnership with citizen watchdogs, to deliver the facts to the American people and bring genuine reform to the federal bureaucracy.

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

But today we're talking about something more serious and much more egregious. Right now billions of American tax dollars are being used to fund corruption in Afghanistan.

In 2011 Afghanistan was the top recipient of U.S. foreign aid, with more than 40 percent of the U.S. aid being channeled directly into the Afghan government. A government of \$2 billion for their own operating was playing with \$12 billion of the American taxpayers' money.

However, Afghanistan is -- is -- is tied with Somalia, North Korea as the most corrupt on the Transparency International Corruption Index, and quite frankly, that's not company anyone should want to do business with. Unfortunately also, the Obama administration has given up the fight to hold President Karzai accountable for rapid corruption with U.S. tax dollars sent to the Afghan government. I do not hold President Obama to be the first to trust this corrupt man, but he has, in fact, trusted someone for four years in which we have had example after example of the kind of corruption that says there has to be a change.

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

The U.S. taxpayer dollars were used to build a hospital in Afghanistan to treat wounded soldiers, but doctors don't show up for work and materials and drugs are sold on the black market. \$1.1 billion from U.S. taxpayer-funded program was to go toward petroleum, oil, and lubricants -- a very controversial program -- for the Afghan National Army. One problem: There are no records from 2006 to 2011 of any fuel purchases. Why? Because all records were shredded.

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

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

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

I want to close with one piece of history. I'm old enough to remember the corruption we witnessed at the end of the Vietnam War -- gold bars being flown out. I'm old enough to remember Amel de Marcos' countless number of shoes. All of this was bought with taxpayer dollars.

This is not new. It is not one administration. But as my ranking member so often says: it's our time, it's our watch; it's our responsibility. That is what we're here today to discuss.

And with that, I'd take pleasure in introducing our ranking member for his opening statement?

CUMMINGS:

Thank you very much, Mr. Chairman.

And you're absolutely right, it is our watch. We're in Congress today. We are alive today. We are all the policymakers today, and the people that are sitting in front of us have a lot to do with carrying out that policy.

And I want to thank you for calling this hearing.

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

improving the oversight and accountability of reconstruction funds. I commend President Obama for appointing him, and it is especially nice to welcome Mr. Sopko back, given his previous service as the chief counsel for oversight on the House Energy and Commerce Committee under then-Chairman John Dingell.

We thank you for your service.

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

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

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

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

And I would be remiss if I did not mention our ongoing concern with the lack of Senate-confirmed I.G.s at three agencies. At the State Department in particular, the chairman and I have expressed in a bipartisan way our concerns to the president that he has never nominated an I.G. to fill that post in the five years he has been president. Obviously this problem needs to be addressed and it is unacceptable.

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

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

Last month the special inspector general for Iraq reconstruction released a very thorough and comprehensive report on the learned lessons from this -- the many years conducting oversight of projects like this. This report includes key recommendations to help our country avoid making mistakes of the past.

For example, it recommends increasing coordination and accountability of reconstruction operations, focusing on small and more management programs and projects to build host country capacity, and ensuring buy-in from the host country for reconstruction activities. It just simply makes sense.

With respect to Afghanistan, there are special challenges with overseeing reconstruction funding provided through direct government- to-government assistance. Chairman is right, I have my own concerns about President Karzai and his administration, and it creates -- that administration creates some real serious problems when we try to address these problems and -- and try to get aid to Afghanistan, and I'm sure we're going to hear a lot about that today, and hopefully we will hear how we can still carry out the mission and make sure the money goes where it's supposed to go and that there's accountability.

High levels of corruption and concerns about the Afghan government's capacity to manage its budget increase the risks of waste, fraud, and abuse. Although the purpose of this assistance is to help the Afghans learn how to improve their systems, they're not yet ready to handle the billions of dollars in assistance the United States provides without enhanced oversight mechanisms.

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

Finally, in his most recent quarterly report Mr. Sopko suggests seven key questions that decision-makers should consider before expending foreign aid. And again, this is not rocket scientists stuff -- all due respect to you, Mr. Sopko -- it just makes sense. These questions cover a range of issues, including our nation's strategic objectives, the host country's needs, the host country's capacity to sustain a project once it's complete.

I mean, that makes sense. In other words, you build something, you put all this money into it, and then you leave it to the Afghans and it just sits there. I think that would make any American who's about to pay, by the way, their taxes on Monday, very upset.

As with the examples from Iraq, these are lessons that can improve all foreign assistance programs.

As I close I want to express my strong support for the Food for Peace program, through which U.S.-grown agricultural products have been carried on U.S.-flagged vessels to provide humanitarian aid around the world since 1954. Together with Duncan Hunter and 28 colleagues -- my colleagues from both sides of the aisle -- I've written to the president urging that we continue to support U.S. farms and the domestic sea-width (ph) capacity on which our military depends while ensuring we get food to those most in need by maintaining this vital program.

And that with, Mr. Chairman, I yield back.

ISSA:

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

CHAFFETZ:

Thank you, Mr. Chairman, and -- and I -- I share your passion here for the idea that we need to root out the waste, fraud, and abuse. There's nothing more frustrating to the American taxpayer to see their hard-earned dollars taken from their wallet, given to the U.S. government, and then given away by the billions of dollars to the various countries around this earth. There are legitimate uses for these types of funds -- certain -- certain cases, the disaster in Haiti, for instance.

But here we have the single most corrupt nation on the face of the planet, known as Afghanistan, tied with North Korea, and we are giving them billions and billions of dollars. We did \$50 billion in U.S. foreign assistance in fiscal year 2011 globally, but are now rounding the corner to have given Afghanistan over \$100 billion in U.S. aid. That doesn't count the fighting, the bullets, the food, all the other things that we did in the war effort; this is just building up Afghanistan, the most corrupt nation on the face of the planet.

And what's the USAID suggestion on how we do this better? Let's use USAID Forward, a program introduced in 2010, where we give the money directly to them with less oversight, less accountability.

How can that be? Their goal is 30 percent just in direct payments.

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

We investigated Dawood Hospital, \$150 million stolen. The list goes on and on. We need to have faith in the process.

Now, Mr. Chairman, you and I very recently had a discussion about corruption in Afghanistan and major impact of the Kabul Bank scandal. As you are aware, the Kabul Bank was the largest bank in Afghanistan that held a substantial amount of Afghan salaries. The bank's failures and subsequent bailout itself represented approximately 5 to 6 percent of Afghanistan's GDP. It is without a doubt a very serious matter, especially as we sit here today discussing the oversight of U.S. direct assistance.

According to a report by the Afghan Independent Joint Anticorruption Monitoring and Evaluation Committee, approximately \$935 million had been embezzled. This was a fraudulent bank. It was a Ponzi scheme at the very beginning.

This report relied heavily on a forensic audit conducted by the investigative firm known as Kroll. During my travels to Afghanistan last November I met with State Department officials who told me they had seen the Kroll report but they did not have possession of it.

Given the importance and gravity of the matter, I was able to use my own contacts and recently received a copy of the Kroll report from a non-American, former senior Afghan bank official. This official obtained a copy of the Kroll report through his role in the investigation into the Kabul Bank scandal.

So, Mr. Chairman, I want to provide you a copy of this report -- I'll give it to you and to the ranking member -- copies of this report in the hope that we can begin to get the American people the answers they deserve.

We're different in this country. We expose things. We talk about them publicly in the effort to have a more open and transparent government. It's what we're committed to do.

And, Mr. Chairman, I am so frustrated that the USAID -- the group that's supposed to be out there sharing the wealth of the American people, the generosity of the American people -- knowing -- knowing that this is one of the most corrupt governments on the face of the planet, they want to increase the direct payments. There's not suggestions on more oversight, more responsibility. They want to increase the direct payments and that's offensive, and it's what we need to talk about here today.

ISSA:

Would the gentleman yield?

CHAFFETZ:

Yes.

ISSA:

I appreciate that. We did talk about the Kabul Bank and I appreciate your -- your gaining access to these reports. In that they were received in unclassified form, and -- but they do say "privileged and confidential," we'll treat them that way.

I would ask the witnesses, would you be willing to accept a copy of this today?

Then I'd ask the staff to make copies for each of our witnesses.

I must admit, you will not scan through this during your idle time during this hearing, so we'll have to follow up with additional work on the results of this rather thorough audit.

I thank the gentleman.

CUMMINGS:

Mr. Chairman?

ISSA:

Yes?

CUMMINGS:

Mr. Chairman, I...

ISSA:

The gentleman is recognized.

CUMMINGS:

Thank you very much, Mr. Chairman.

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

ISSA:

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

Also, all members will have seven days to submit opening statements and extraneous material for the record. And I want to echo that and -- and -- and thank Mr. Tierney and -- and Mr. Chaffetz. They've travelled to the region; they've worked together. And I think they really make a difference on this kind of a bipartisan issue.

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

The Honorable John Sopko is the special inspector general for Afghanistan reconstruction.

The -- is he back there? No. OK.

Ambassador Harold Geisel is the Department of State deputy inspector general.

Already noted that you're -- you're the -- the absolute best we've got and we appreciate all you do.

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

Pursuant to our rules I'd ask that you all rise, raise your right hands to take the oath.

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

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

Please be seated.

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

And with that, we recognize Mr. Sopko?

SOPKO:

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

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

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

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

On my last trip to Afghanistan senior USAID and DOD officials told me the U.S. government will distribute a significant portion of the unspent funds through direct assistance and have committed to provide over 50 percent of those funds in the future -- all funds through direct assistance.

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

Now, these concerns have only been heightened recently by our discovery that USAID completed capability assessments of all 13 Afghan ministries scheduled to receive direct assistance. Now after some difficulty in obtaining the copies of these assessments we have done a preliminary review and that

review has raised red flags about the Afghan government's ability to handle direct assistance in each of the 13 ministries.

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

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

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

Now corruption, as I said, is another serious risk that must be considered when providing direct assistance. Corruption threatens the entire reconstruction effort. We have found Afghan officials are still reluctant to prosecute corrupt officials, especially if high-ranking or well-connected.

Corruption also erodes the hopes of honest Afghans and their loyalty to the -- to the central government. For example, Afghan businesswomen recently warned Secretary of State Kerry that they feel they will be marginalized by corruption. One of them told the New York Times that contracts will go only to the few people who are really connected to the government.

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

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

In conclusion, Mr. Chairman, I am often asked what is going to happen with the -- after the drawdown of our coalition forces. Now, I cannot opine today on whether or not the Afghan military will stand up to their mission.

But, based on my over 35 years as a prosecutor and an investigator, I can definitely assure you that without adequate security for the U.S. officials to manage and oversee our reconstruction budget we run the risk of wasting billions of taxpayers' dollars and ultimately wasting our hard-won successes on the battlefield and in the reconstruction up to date. And that would be the cruelest legacy to leave our brave Afghans and our brave troops.

Thank you.

ISSA:

Thank you. Thank you, Mr. Sopko -- Sopko.

Ambassador Geisel?

GEISEL:

Chairman Issa, Ranking Member Cummings, and members of the committee, thank you for the (inaudible) the oversight challenges to U.S. foreign assistance. In FY 2011 U.S. foreign assistance totaled \$32 billion, much of which was devoted to peace and security programs in Iraq, Afghanistan, and Pakistan; global HIV/AIDS programs; and democracy promotion activities.

However, foreign assistance coordination among agencies and department bureaus remains inadequate, including duplication among agency programs and staffing. The oversight of government-to-government assistance in Southwest Asia is coordinated by the Southwest Asia Joint Planning Group, a coalition to eliminate redundant oversight of U.S. projects.

In November 2011 OIGs for the Department of Defense, AID, and the -- the State Department joined the special inspector general for Afghanistan reconstruction to convene the Joint Strategic Planning Subgroup for oversight of Afghanistan reconstruction. According to the subgroup's October 2012 report, the State Department was responsible for only 3 percent of U.S. government funds spent on Afghanistan reconstruction in 2012.

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

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

In FY 2011 Congress appropriated \$65 million to the Bureau of Population Refugees and Migration for the Migration and Refugee Assistance Program. In July 2011 our Middle East Region Operations Directorate reported that PRM's partnership with UNHCR and other NGOs had successfully provided assistance to returning Afghan refugees. However, the Afghan government's land allocation scheme to award land to returning refugees was mismanaged.

UNHCR withdrew funding and supplanted reconstruction with infrastructure and revenue-generating projects. Land disputes and security concerns imperil humanitarian aid, further complicating oversight.

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

In May 2012 compliance follow-up review of Embassy Islamabad, OIG found that the U.S. mission in Pakistan annually funds more than \$2 billion for development and security but is challenged by insufficient capacity and pervasive corruption in government institutions. The mission decreased government-to-government programming in favor of Pakistani institutions with proven implementation records and trusted NGOs, civil society organizations, and public-private partnerships. In late 2009 Embassy Islamabad created a position to monitor all assistance, which oversees aid and the Refugee Affairs Office.

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

Since 2008 it has been my privilege to lead an organization of dedicated oversight professionals. Our work has resulted in senior officials leaving posts, has identified waste in Kabul, Baghdad, and Islamabad, and has identified close to \$1 billion in monetary benefits.

Corruption and complex development networks still plague foreign assistance, but I am confident that with sustained congressional support we are well-prepared to attack these challenges.

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

ISSA:

Thank you.

Mr. Carroll?

CARROLL:

Thank you.

Chairman Issa, Ranking Member Cummings, distinguished members of the committee, I appreciate the opportunity to appear before you today to discuss the outstanding work of the dedicated men and women of the USAID I.G. and to answer the committee's question of what oversight mechanisms are in place to ensure accountability of U.S. foreign assistance. In addition to having the responsibility for overseeing the activities of USAID, we're also responsible for overseeing the foreign assistance activities of the Millennium Challenge Corporation, the U.S. African Development Foundation, and the Inter-American Foundation.

Collectively, in FY '12 those activities totaled \$23 billion and were implemented in 97 countries around the world. So it's a large portfolio and a geographically diverse portfolio. We employ 248 U.S. and foreign service -- foreign national employees assigned around the world at our 10 overseas offices and the headquarters in Washington, D.C.

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

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

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

So that is a complexity that I think that everybody needs to consider as we're moving forward with -- with direct assistance.

Now, that's not to say that direct assistance is inherently corrupt. As Mr. Sopko talked about, the agency is implementing what I think is a thoughtful pre-award assessment process. I agree with him that the critical aspect of that is going to be that when these assessments identify shortcomings, identify vulnerabilities, that the agency takes the time to work with those ministries to mitigate those vulnerabilities and not make political decisions that sort of circumvent that process or move that process along and -- and -- and take a risk.

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

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

Thank you.

ISSA:

Thank you.

Ambassador Moorefield?

MOOREFIELD:

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

The DOD I.G. has provided a substantial body of oversight work focused on DOD programs and operations in Afghanistan, particularly with respect to the \$50 billion appropriated since 2006 for the Afghan National Security Forces Fund, used to mobilize, train, and equip the Afghan army and police.

Our oversight emphasis has been to enable the NATO training command, NTM-A, to strengthen its own internal accountability systems concerning this funding as well as to build the capacity of the Afghan security forces to manage responsibly and effectively the DOD-provided fiscal resources. Most of the expenditures have been for FMS (ph) equipment purchases, contracting to build facilities, and provide training and advisory services, and for salaries.

Starting from a small base several years ago, however, CSTC-A has increasingly provided direct funding support to the ministries of Defense and Interior. Beginning with funds for local contracting for uniforms and food, it has expanded to construction materials and is expected to include other classes of supplies, such as POL, in 2013.

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

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

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

NTM-A has indicated it is committed to development of the Afghan security ministries' and forces' enduring financial resource management capacity. This is particularly important concerning direct funding, which is inherently more risky.

Success in this endeavor will be essential to enable these forces to responsibly manage and protect the financial support received from DOD and the U.S. government and sustain an independent operational capability in the future.

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

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

ISSA:

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

Mr. Cooksey?

COOKSEY:

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

As SIGIR nears the completion of its mission I'm grateful for this opportunity to present our views on the oversight mechanisms necessary to ensure accountability in the use of foreign assistance and to offer lessons learned from Iraq that might lead to their strengthening. It's particularly good for me to be here today -- I spent three years living and working in Iraq and met several times with members of this committee -- Mr. Issa, Mr. Chaffetz, Mr. Tierney -- when they came to visit Baghdad, and, you know, calling, you know, your personal attention to what was going on in Iraq was, you know, particularly important.

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

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

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

In Iraq the U.S. government employed five principal funds to provide direct assistance to the Iraqis. Let me underscore one important consideration for oversight that is engendered by the fact that our programs consisted of gifts of buildings, equipment, and services.

At the same time, we lacked leverage over Iraq. We could withhold aid for a particular object, but once money was spent it was spent. Very little was required of Iraq.

We had great difficulty enforcing the few conditions we tried to impose on the use of our aid. For these reasons, spending time tracking Iraqi performance was hardly something U.S. officials saw as worth the effort.

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

There are three major funds that, you know, provided for this kind of direct aid. There was the Iraq Relief and Reconstruction Fund, or IRRF, which spent -- you know, obligated \$20 billion. There was the Commanders Emergency Response Fund, CERF, which contributed another \$3.7 billion. And there was then there was the Iraq Security Forces Fund, or ISFF, which contributed nearly \$20 billion in obligations.

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

You know, there -- there was a total lack of planning before we went into Iraq. You know, John Nagl, who is the Minerva professor at the U.S. Naval Academy, said at yesterday's U.S. I.P presentation that, you know, following the Vietnam War after we got out everyone in the U.S. government said, "We're never going to do that again."

And when it became time to go into Iraq we weren't prepared. We hadn't planned and we went in there without a plan and we started spending money through an ad hoc process.

And as SIGIR has pointed out in the book -- most recent publication, there was at least \$8 billion of wasted taxpayers' dollars. In addition, there is hundreds of millions of dollars that was stolen by U.S. contractors and members of the military.

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

A significant degree of corruption is part of the everyday life in Iraq. First of all, there is weak attachment to rule of law. People seem, you know, relatively willing to convert government assets to private use. Equipment provided for a \$30 million business development project funded by CERF at the Baghdad airport was taken soon after the project was turned over to the Iraqis.

Given what we are learning in Iraq, we need to improve management oversight mechanisms to ensure that our efforts could be sustained. This is not being done.

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

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

ISSA:

I love it when they say that.

Thank you.

I'll now recognize myself for a round of questions, and I'll be brief questions, brief answers initially.

Mr. Cooksey, you and I -- we -- look, we've got 10 years of Iraq. You know, I've -- I've been here for a little over 12 years; I've had more than a decade of going to Iraq and Afghanistan.

When I view Iraq I view it through a prism of \$143 billion GDP. Nearly a third of that flows directly to the government in oil revenues. The government has a lot of money.

You and I have been in Iraq long enough to know that Iraqi reconstruction, some of it actually was reconstructing a country, right? I mean, a lot of it's putting it back.

Mr. Sopko, Afghanistan's a little different. \$20 billion, if you're kind, in GDP, much of it generated by the money we spend there; about \$2 billion in revenue, most of it not through any -- just sort of the accident of importation taxes and so on.

But, as was previously testified, \$50 billion in military activity, \$10 billion in direct military assistance, \$2 billion to \$3 billion of economic aid. Basically, we're paying everything that that country runs on. Its \$2 billion of theoretical revenue doesn't go anywhere.

Is that a rough statement?

SOPKO:

You're absolutely correct. It's about \$2 billion for revenue collected by the Afghan government. That's their revenue.

It's at least \$4 billion -- \$4 billion to \$6 billion, depending how you look at it -- to just cover the Afghan national security forces.

ISSA:

Right.

SOPKO:

Then to pay for the rest of the government is way beyond it.

ISSA:

So the government doesn't have enough money, doesn't collect enough. But also -- and I want to be as unkind as appropriate in this case -- Iraqi reconstruction is an oxymoron, isn't it?

We're not reconstructing a country; we're constructing a country that never was. Isn't that pretty much true?

SOPKO:

You mean Afghanistan...

ISSA:

Afghanistan, I'm sorry. Iraqi reconstruction is, to a certain -- reconstruction.

When I flew in the first time and flew over those dirt and rock buildings with no roofs because they come and go and take the roofs I saw Afghanistan as it is. When I went into the so-called "palace" I thought of a middle class home in Cleveland, Ohio as the king's palace.

This was never much of a country. It doesn't have much revenue. And in fact, we are funding this country in multiples of what they could possibly do themselves every day. Isn't that true?

SOPKO:

That's true, Mr. Chairman. But as you know, since I come from Cleveland I have to defend Cleveland. Some of my -- the houses I lived in, you know, yes...

ISSA:

But what I'm saying is, you've been to the -- the king's mansion. If you've been to Shaker Heights you've seen better homes owned by individuals, and they were upper middle class.

SOPKO:

And I -- I lived on the west side, Mr. Chairman. I...

ISSA:

You have my sympathies.

SOPKO:

... Shaker Heights. I was near Trisket (ph) and West 144th, so...

ISSA:

I've been there. You should have been in Shaker or Cleveland Heights.

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

SOPKO:

That's where my brother lives. He's the doctor. I was the prosecutor.

ISSA:

He's the doctor. Probably in Beechwood.

But let's go through a little bit of that. \$2 billion is what they really have of their own money.

In the case of Kabul Bank, and least a billion -- \$1 billion -- was lost. That's a big amount of money. That was their largest bank. Is that correct?

SOPKO:

That's correct, sir.

ISSA:

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

SOPKO:

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

ISSA:

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

SOPKO:

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

ISSA:

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

SOPKO:

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

ISSA:

Look, I'm a Christian. I believe in the redemption of souls. I just -- I haven't personally witnessed it yet in -- in -- in Afghanistan.

SOPKO:

But, Mr. Chairman, I believe if you put in enough mechanisms on oversight -- and that is our concern, make certain that you put it in and you hold their feet to the fire -- they promised to clean up their act before we put money in. If you do that and you ensure that the AID officials, the State Department

officials can get out there to look at the sights -- I think it was a good point that our -- the I.G. from SIGIR mentioned, that the SIGIR was the only oversight mechanism actually going out to see if the sight was actually built. Was the school built? Was the road built?

Well that's what we're doing and that's what my compatriots here are doing in Afghanistan. But if we don't have the security we can't get out to look at the sights. We can't go out and see if the schools are built, the railroads are built, or whatever is spent. That's why it's so important that we don't negotiate this away as we're negotiating this money.

So if we do have the oversight mechanisms in place and we hold their feet to the fire I'm optimistic the money will be spent appropriately, but it's a challenge.

ISSA:

Well, my time is expired but I'd like to ask all of you, do -- we have the Kroll report now; it's being provided to all of you. This was a report that, from what I can tell, was deliberately not provided to you, was deliberately not provided to the U.S. government, was done apparently where ultimately there had to be an investigation, but the -- the government in Afghanistan didn't want your forensic audit and your oversight.

So I'd ask you to look at it and come back to us with your comments. We'll arrange both a public and/or a private dialogue. I know this material's pretty thick.

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

With that, I go to the ranking member?

CUMMINGS:

Thank you very much.

Mr. Sopko, I -- just listening to you very carefully, and -- tell me something: What is holding feet to fire? What does that mean and how do you -- and then I want you -- I'm going to come to you in a minute, Mr. Cooksey -- and I'm sitting here and I'm listening to all this and I -- and I agree with you, we've got to hold feet to the fire. The question is, after the fire where's the hammer?

And so tell me, how are we with (ph) that? Because Karzai -- President Karzai and his administration seems to not always do things the way we would hope they would do them, putting it lightly. So I'm just wondering, where is the -- where's the hammer? There has to be a hammer behind all of that.

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

SOPKO:

Mr. Cummings, I think holding the feet to the fire is actually preconditioning giving the money to the Afghan government in a particular program, and we have to be strong enough to say, "No, we're not giving you the money." And I can cite at least a couple cases of that, when we referred to the Kabul Bank.

Initially there were supposed to be some stringent requirements on audits. They didn't do it and we stopped -- we held back money from the Central Bank, and all of a sudden they did the audit. Now, the audit wasn't given, apparently, to the U.S. government but at least an audit was done.

CUMMINGS:

So I -- I got you. So in other words, these would be what I would call more surgical types of things. In other words, you're dealing with project by project, putting in accountability markers and making sure that -- that everything is kind of lined up so that there can be a check here, a check there, and I guess as you go down the -- the line of development of whatever it is or presentation of funds that there are ways that you can make sure that the dollars are being spent the way they were supposed to be spent. Is that right?

SOPKO:

Absolutely, sir.

CUMMINGS:

Thank you very much.

Mr. Cooksey, I'd like to ask you about the comprehensive report your office just issued, which is a culmination of -- of what the special inspector general for Iraq reconstruction has overseen during the past decade. This report is impressive and in -- and it -- in its scope and its insight, and I -- I believe this committee can learn a great deal from its findings, and hopefully it might even help us with Afghanistan.

As the report explains, it provides countless details about the use of more than \$60 billion in taxpayer dollars to support reconstruction programs and projects in Iraq. Your office performed 390 audits and inspections and conducted more than 600 investigations of Iraq reconstruction projects since 2003.

The introduction to your report says your primary job was to answer a very basic question: What happened to the billions of U.S. taxpayer dollars spent to rebuild Iraq?

And your report provides a very troubling answer. It finds that 15 percent of reconstruction funds were subject to waste, and I -- assuming that -- I'm assuming that that's part -- not only waste but some fraud

there, too. You'll comment on that in a minute. And that's billions and billions of hard-earned taxpayer dollars.

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

I mean, so if you were giving advice to folks dealing with Afghanistan based upon your experiences -- and I know we don't have the same thing -- I got that -- but you learned some things. What would you say?

Because we don't want to keep doing the same thing over and over and over again and wasting taxpayer dollars. And the thing I'm most concerned about is that when we have situations like this -- problems that you've talked about and Mr. Sopko was talking about -- it -- we paint a picture as if foreign aid is something really, really bad when, in fact, it's just the opposite. And in many instances, because these are such big projects all of the many projects that need to be funded to -- to -- to accomplish our goals, then they take a hit. Go ahead.

COOKSEY:

(OFF-MIC)

CUMMINGS:

Is your mic on? I want to hear you.

COOKSEY:

Yes, sir. You know, it -- it all starts with planning, and for the U.S. government to have an integrated effort among all the participants from the U.S. government in -- in bringing foreign aid to a particular country. And there was no integrated effort, there was no planning. We weren't ready.

We hit the ground initially with \$2 million -- \$2 billion for the retired general, Jay Garner, who was there, and then that was replaced by the CPA with another \$18 billion. But there was no plan to spend it and they just started handing money out.

Another major problem was is we did not consult with and get the buy-in from Iraqi government officials. You know, we were giving them projects they did not want, they did not ask for, they could not sustain, they could not manage them.

Third, we tried to build large projects during a time of a very unstable environment where there was much fighting going on. Fallujah Waste Water Treatment Plant ended up being \$100 million project.

First started planning in 2003, and when I visited it in 2010 it was completed but not one house was hooked up to it. So the price had gone from \$35 million to \$100 million. It was serving one-third the number of people and it took three times as long to build. A number of Iraqis and U.S. were, you know, injured and killed during the fighting that was going on around this construction project.

So there were a number of different mistakes and we continued to perform the same mistakes -- continued the mistakes of not consulting, not planning, not getting Iraqi buy-in, all, you know, up until, well when I left in early 2012 it was continuing. One example would be the police development program that was under -- was being worked on for about three years. It was going to be a billion dollar a year program for the Iraqis. It was not to train the street cops but to -- to work with the senior management.

I heard through staff comments while I was there that the Iraqis didn't want the program but we were moving ahead, and when -- then the deputy I.G. and I met with Adnan al-Assadi, the minister of interior, I was floored when he said to us, "We don't want the project. We didn't ask for the project. Why don't you use that \$1 billion you're going to spend this year for something benefits the American public?" That was in late 2011.

CUMMINGS:

In fairness to my colleagues, I see my time is zero and I've used the same amount of time as the chairman, but you never did answer my question on what lessons can we -- because that's the most important thing. Perhaps you'll answer it at another time.

But we've got to -- I mean, if we've learned things from -- from Iraq that can be applied to Afghanistan we need to know that, all right? That's what I'm most concerned about.

CHAFFETZ:

Thank you.

Now I'll yield myself five minutes.

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

SOPKO:

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

CHAFFETZ:

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

SOPKO:

I don't have that number handy, sir.

CHAFFETZ:

And I -- I recognize that you'll have to take time to -- to go through this Kroll report. We look forward to your returning to this -- this committee or the subcommittee and sharing that with us.

Is it true that U.S. contractors KPMG and Deloitte assisted in the development of the bank?

I see your -- your -- your head shaking there, Ambassador.

(CROSSTALK)

CHAFFETZ:

Go ahead. Mr. Ambassador, go ahead. Comment, Ambassador Geisel.

GEISEL:

I believe that's correct, sir.

CHAFFETZ:

Thank you.

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

SOPKO:

I said I didn't know exactly, sir.

CHAFFETZ:

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

SOPKO:

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

CHAFFETZ:

Ambassador Geisel, do you care to comment on that?

GEISEL:

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

CHAFFETZ:

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

GEISEL:

I don't want to get in -- into the way of -- of the special I.G.s who -- who are directly responsible for it, but I -- I do agree with you, sir, the ambassador is the chief of mission and he is the president's senior person in every country, and we...

(CROSSTALK)

CHAFFETZ:

I have to keep going...

(CROSSTALK)

GEISEL:

... but you're right to ask me.

CHAFFETZ:

Thank you. Thank you.

Mr. Carroll, did you care to comment on that?

CARROLL:

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

CHAFFETZ:

OK.

CARROLL:

... and that's what AID's role was.

CHAFFETZ:

Thank you.

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

SOPKO:

Mr. Chairman, you raise a very good point. The mechanisms are weak. We are going to re-look at the issue.

We have been told that they don't have the funding and they don't have the capability to follow up...

(CROSSTALK)

CHAFFETZ:

That's wonderful news to hear. Thank you.

This is the deep concern, and -- here we are dealing with Iran on the very Petroleum Sanctions Act that we put in place to make sure that the Iranians are not able to sell their fuel -- we may be funding that by the U.S. taxpayers themselves. It's of deep concern.

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

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

SOPKO:

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

CHAFFETZ:

Why?

SOPKO:

Well, you'll have to ask them. They apparently did not read -- did not take the time to walk 150 feet to a classified skiff to read the classified appendices. If you had read the appendices -- I took the time; I went to the skiff; I read them. It was remarkable that any U.S. official would not have denied these individuals the right to contract with the U.S. government. But apparently the Army office didn't read the classified documents.

So it's probably easier to use a drone strike than it is to stop somebody from contracting with the U.S. government. So, Mr. Chairman, we are very concerned about that.

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

CHAFFETZ:

Thank you. I've gone well past my time.

I now recognize the gentleman from Virginia, Mr. Connolly for five minutes?

CONNOLLY:

Thank you so much, Mr. Chairman.

And welcome, to our panel.

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

SOPKO:

It's approximately that figure if you include, also, the request for the latest year, so...

CONNOLLY:

OK.

SOPKO:

... I needed \$100 billion...

CONNOLLY:

Roughly right.

SOPKO:

Yes.

CONNOLLY:

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

SOPKO:

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

CONNOLLY:

Right.

SOPKO:

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

CONNOLLY:

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

SOPKO:

\$16 billion?

CONNOLLY:

You cited \$16 billion, in terms of USAID's portion of that \$100 billion, I thought. Is that...

SOPKO:

I don't believe I -- if I did I -- I may have misspoken.

CONNOLLY:

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

CARROLL:

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

CONNOLLY:

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

SOPKO:

Absolutely. And our concerns are not limited just to AID. I mean, this is...

CONNOLLY:

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

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

SOPKO:

Our preliminary assessment raises serious concerns about all 13.

CONNOLLY:

In light of that fact, why would we give them direct aid, knowing in advance they're not capable of absorbing it?

SOPKO:

That's the question we're going to be asking AID as well as we're going to be asking DOD about their assistance to Ministry of Defense and Ministry of Interior.

CONNOLLY:

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

I wonder, Mr. Sopko and Mr. Cooksey, if you'd comment?

SOPKO:

I think you've -- you've hit a good point. And one thing I think it should be clear is that our criticism is not just on direct assistance. The testimony that was alluded to by Chairman Chaffetz when I came in and testified about the petroleum, oil, and lubricants earlier this year -- that had nothing to do with direct assistance. The main focus was that CSTC-A destroyed the records. CSTC-A was incapable of actually doing the right thing in processing.

And now we're going to direct assistance so there's added concerns because we -- we're worried about it directly in place. So I -- I think you're raising a very good point.

And, you know, we're not the only ones who have problems with direct assistance. It's being reported in the Afghan -- the Kabul press this week and last week that the Afghan parliament is upset that their own ministries don't have the capability of spending their own money. And that's just been reported, so this is a particular problem.

CONNOLLY:

Mr. Cooksey, what about Iraq?

Mr. Cooksey, you've got to turn on your mic.

COOKSEY:

Obviously it was a little different situation in Iraq. You had institutions in place and you had the, you know, basic structure of a government there. But much of the money went to areas that they didn't not support.

But where it was successful and where it did have a big impact on the economy was with -- like in the oil industry, where we were able to -- the U.S. government was able to reestablish the oil pipeline and actually expand its oil deliveries, which is now supporting the Iraqi government with a budget of around \$130 billion a year.

CONNOLLY:

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

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

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

And I thank the chair for his indulgence.

SOPKO:

We've looked at the CERP program. We have some ongoing work in that area and we share your concerns.

It wasn't well-controlled. Money did disappear.

More importantly, I think our concern, going back to some of the issues we raised on our quarterly, is the lack of coordination. A unit would also come in, a commander would decide to do something, the next commander would come in and say, "I don't want to do that," move on, so there was a lot of loss of money involved with the CERP program.

COOKSEY:

Well, CERP was a new program. It did not have any controls. It was a cash program.

When the program stayed small, say under \$60,000 for a project, it seemed to work well. It gave the battlefield commanders an opportunity to work with the communities. When the projects got too large it failed.

When we met with General Odierno, General Austin, the last two commanding generals in Iraq, they agreed that, you know, CERP had a very useful purpose on the battlefield when it was kept small, but building electricity plants, hospitals, the \$350 million spent on Sons of Iraq program, some of that can be called into question.

So I think it'd be used differently as we go forward in the future.

CHAFFETZ:

Thank you.

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

MICA:

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

It seems like, Mr. Sopko, that this is a black hole, a money pit, and it -- it appears that not a whole lot of progress has been made in the two major areas. Everyone cited that, one, that the Afghans can't manage it, and two, the level of corruption. Do you see that -- I mean, it doesn't appear there's -- there's -- there's much hope on -- maybe some small project, but in a general sense it's pretty much a money pit, isn't it?

SOPKO:

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

MICA:

No, but it's repeated over and over in -- in every area, whether it's the bank at Kabul, whether it's a fuel program, a food program, a small reconstruction program. And then, did I hear you say that this is going to take us \$70 billion by 2024 estimated to get out of this? Was that you or Geisel?

SOPKO:

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

MICA:

It's astounding.

And then, to put this in perspective -- now, I know my colleague from Virginia tried to say there wasn't much non-military money going into this venture, but I calculate it's about \$5 billion U.S. We take little pieces of it -- AID, then some State, some training for police, some narcotics. But non-military you're looking at about \$5 billion.

Then when I was there I was told we were contributing most of the U.N. money that was going in -- or was it NATO money -- that's going into -- into that for economic aid, and it was totaled between \$8 billion and \$10 billion a year. Is that -- I mean, ballpark figure, Mr. Sopko?

SOPKO:

I can give you the ballpark figures. As of December 2012 Congress appropriated approximately \$90 billion for reconstruction. \$51 billion, or 58 percent, went to security. And we're not talking about the war...

MICA:

But there's a huge amount of money going to non- security...

SOPKO:

That's correct.

MICA:

... and we're also financing other activities to get it in -- to get the money in there.

SOPKO:

That's correct.

MICA:

All right.

Then again, this country, I've been told -- I heard somebody say their -- their annual budget is around \$2 billion to \$3 billion and someone else told me it was \$4 billion to \$5 billion. That may be Karzai. I asked him that question when I was there. So the amount of money is astronomical in relationship to the normal amount of money that is in even their budget.

SOPKO:

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

MICA:

Well, our revenue is also less than our expenditures, but not...

SOPKO:

Significantly less than in Afghanistan.

MICA:

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

Mr. Geisel, State, according to your testimony, 20 contractor suspensions during 2011. Have any of those -- that's...

GEISEL:

That's correct. That was just in Afghanistan, sir.

MICA:

Yes. And does that include AID, too?

GEISEL:

No.

MICA:

AID, did you have any?

CARROLL:

Well...

MICA:

Yes or no?

CARROLL:

The agency had 37 suspension and debarments...

MICA:

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

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

MOOREFIELD:

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

MICA:

Would you estimate? Do you have an estimate how many suspensions...

MOOREFIELD:

I don't have an exact number...

MICA:

Get that to the committee.

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

Some quick things: AID -- the committee went over to Cyprus, we went to Turkey, we went to Morocco, just to look at post-Benghazi security. Cyprus AID, as a program I want to report on, we asked the AID people what they do there. Almost every penny spent on conference -- the conferences. Isn't that a possibility for a sequester?

Do you know any? It's not much. It's only in the millions, but AID -- their conferences. Paying for conferences. I investigate conferences with GSA with people in hot tubs. I want to see the hot tubs that are -- these conferences with our Cyprus money.

And the final one, Mr. Chairman -- and I went over with Mr. Connolly so I'm not getting too much more - then security, and I guess that's back to a State Department, security. In Morocco we saw -- of course, this is post-Benghazi and our trip was geared on that -- we saw the State Department installing at the last minute, after Benghazi, approval of a security barrier that had been waiting for four or five years, I

believe, in Morocco. You do (ph) check it into a facility that was leased and there's only about six to 10 months left on the lease. They were rushing forward to move forward in spending that money that -- that hadn't been spent.

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

GEISEL (?):

Mr. Mica, I'd love to.

CHAFFETZ:

Thank you.

I thank the gentleman.

Now I'll recognize the gentlewoman from California, Ms. Speier, for five minutes?

SPEIER:

Mr. Chairman, thank you, and to all of our inspector generals who are here and special inspector generals.

You know, this document is enough to elevate anyone's blood pressure. And I think that each of us, as members of this committee, have got to take responsibility for what's in here.

Because the American people, frankly, would read any one of these vignettes and be so disgusted, and they're not going to look at the Department of Defense for answers; they're going to look right here. And if we don't do something seriously to address this it will continue ad infinitum.

It's a huge black eye. I just flipped through a couple of the pages and it was unbelievable. This Anhem (ph) contract for PVZ -- PVC piping that was charged to the U.S. government at \$80 an elbow and it costs \$1.41.

Now this company, you would think, once we discover this, would be debarred, right? My understanding is that the GAO looked at it and said that its past performance was, quote, "supremely unreasonable," unquote. And guess what happened? The following month the DLA reconfirmed another contract for this company.

So the real problem here is as much good work as all of you do, if you don't have the clout to force the Department of Defense to take action then where are we, really? We are spinning our collective wheels.

And I would think each of you would be so frustrated by the fact that you put out these very detailed documents with scandal after scandal and that nothing changes.

Now, I think Mr. Mica spent some time talking about this whole debarment issue, and I guess I'd like to have -- Mr. Geisel, you mentioned in your testimony that you uncovered \$200 million in questionable costs, recovered \$16 million, and suspended 20 contractors in 2011.

My question is, how long were those suspension? Were there illegal acts uncovered? Were any of the contractors debarred? And how many of those contractors have been debarred in the last five years?

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

Mr. Geisel?

GEISEL:

Thank you very much. Actually, we -- the department has gotten some religion, I think thanks to us. From 2008, 2010 there were two debarments. From FY '11 to the present there were 81 suspensions and debarments. My understanding...

SPEIER:

A suspension is not a debarment.

GEISEL:

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

SPEIER:

Would any of the others of you like to comment on the lack of responsiveness by the Department of Defense?

Ambassador Moorefield?

MOOREFIELD:

Yes. Thank you, Madam Congresswoman.

I was just referring to our written statement for the record, and our Defense Criminal Investigative Service -- their work resulted in -- this includes Iraq and Afghanistan -- 216 debarments and 307 suspensions of DOD contractors, subcontractors, and contracting personnel.

SPEIER:

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

MOOREFIELD:

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

SOPKO:

Representative, if I could interject, by the time we get into suspension and debarment, you know, that -- that -- we've lost the money. We face a situation -- I mean, this is just one arrow in our quiver and it's not a very effective one.

Really, the first line of defense for the taxpayer are the contracting officers, and what we find is that they are just pumping the money out willy-nilly. And that's where you really have a problem.

We can come in later and try to recommend for suspension and debarment, but -- we just had a case, and I don't know if you -- I was quoted as saying, "The taxpayer just got mugged," and it had to do with a \$75 million contract by DynCorp Corporation with the Army Corps of Engineers where the facility it built was falling apart.

It didn't meet specs (ph); it was a total disaster. We couldn't find a justification for the Army paying it, and not only did they pay it, they then waived any of our abilities to collect on it or to even seek remuneration.

So we asked the Army Corps to explain. They came back and said, "You're absolutely correct. It violated all of our internal rules but we decided to do it anyway."

So, I mean, yes, we are frustrated. And I basically was quoted as saying, "The taxpayer got mugged." There is no justification.

But by the time we get in with our limited capabilities the money's gone. The real people you should be bringing up here and asking questions of are those people who we oversee.

You have to hold their feet to the fire: What are you doing about contracting? What are you doing about getting the best value for the dollar?

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

And we went to Afghanistan, Madam, he said we didn't apply any of them. So all we learned in that report was ignored.

And that's because what is the motivation? The people running those CERP programs was to stop Afghans from shooting our soldiers. That's what it comes down to. You know, we want to win their hearts and minds so they stop shooting at our boys and girls.

So they didn't care if they built the bridge right. Their objective was to protect our soldiers.

And unfortunately, everyone gets promoted and everyone gets their bonuses based on pumping the money out. And if you talk to any of the contracting officers -- and I'm certain my colleagues have done, too -- they will admit that.

SPEIER:

Thank you for your candor.

I yield back.

CHAFFETZ:

Thank the gentlewoman.

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

MEADOWS:

Thank you, Mr. Chairman.

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

I want to pick up a little bit on what you said, Mr. Sopko. You know, you said we don't have any arrows in our quiver, and you mentioned earlier about contracting and the issues with contracting, and then went further to talk about motivation.

You know, what specific bipartisan initiatives can we address to hopefully address this problem where we get to the people that are underneath you before the money is gone?

SOPKO:

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

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

MEADOWS:

So what you're saying is not giving bonuses and raises and promotions that are not based on a performance matrix?

SOPKO:

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

MEADOWS:

You mean just shelling up?

SOPKO:

That is, shove the money out the door.

MEADOWS:

Yes. All right.

So let me go on a little bit further, because you mentioned poor quality earlier and about these -- the -- the motivation is just to spend the money and -- and get it out there to provide, I guess, protection for our men and women serving over there and they didn't care whether they got it built. But you -- in your testimony you talk about poor quality services being a major problem in Afghanistan and that basically we're looking at infrastructure that we're having to pay for twice. And your -- your group right now, or, I think it's conducting, what, 17 inspections of U.S.-funded projects, you know, to ensure that the contracts are -- those requirements are being met.

You know, if -- if we find out that they're not being met, what do we do? Pay for it again? I mean, what's -- what's the answer?

SOPKO:

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

Here's a question: Has anyone been fired for all of the problems we identified, the SIGIR identified, the DOD I.G. identifies? Very rarely.

MEADOWS:

So you're not aware of any terminations because of poor performance in those groups that you...

SOPKO:

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

MEADOWS:

So do we address this through contract changing in the way that we contract where there's penalties and severe penalties with that?

SOPKO:

You know, I -- I believe you need to do that and you need to do a top-bottom review. Now, I remember here when President Reagan imposed over DOD, because of the expenditures we were making under his tenure and the problems that came out under contracting at that time -- I was working for Sam Nunn at the time...

MEADOWS:

Right.

SOPKO:

... and they tried to institute a career procurement corps -- a procurement corps where you could advance and you could do a lot better and you -- you had trained an it was motivated. I'm not saying it was perfect, but at least we did that.

Now, we've just gone through Iraq; we're going through Afghanistan. We've spent billions. And this applies not just to DOD, it also applies to AID.

I don't think there's much of a procurement corps anymore. We've...

MEADOWS:

Well, is this not correct that we have one group handling one part of that process and another group that's actually doing the purchasing? So you have one group that bids it, the other one that -- that actually acquires it?

SOPKO:

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

Now I add to that the extra concern is, my people won't be able to get out there, nor will my colleagues' people be able to get out there to check those sites unless we have the security. So that is something you have to consider.

Are we going to spend billions of dollars on facilities that right now no U.S. government official will be able to check? If you feel we should then continue the way we're going.

MEADOWS:

Well, I think it's unanimous that we shouldn't.

Thank you. I yield back.

CHAFFETZ:

Thank the gentleman.

Now I'll recognize the gentlewoman from Illinois, Ms. Duckworth, for five minutes?

DUCKWORTH:

Thank you, Mr. Chairman.

So, Mr. Sopko, I -- I am just absolutely disgusted by what I'm hearing today in terms of the lack of accountability, the -- the lack of disbarment, the lack of acknowledgement and follow-through on the -- each of the I.G.s' recommendations to the various branches in the government.

I want to sort of drill down a little bit, and -- and I'm going to -- actually, I'm on Armed Services. I'm going to be talking with the new secretary of defense here this week and I will ask him about why have we never fired a single military officer over some of these issues.

But I'm going to look at the contractor piece of things right now.

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

Let's talk about not the Afghan contractors, not the Iraqi contractors, but let's talk about the American contractors. When I served in Iraq in 2004 we were held hostage -- the troops were held hostage by KBR, who had overcharged the United States Army more for food that they never -- that they never gave in the dining hall contract for the troops. They were charging the Army for meals they never served. And the Army went after them for that and refused to pay the bill.

They held the soldiers hostage. We were not fed for literally weeks. We were given what we called "rainbow meat," and we all know what rainbow meat is. And we were not fed. They held the troops hostage, just like DynCorp held the Corps of Engineers hostage and mugged the taxpayers.

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

SOPKO:

Representative, I can start to respond and I'll let some of my colleagues join.

I can't speak it for the individual for contractor -- KBR, or DynCorp, or whatever company, I don't know why they haven't happened on disbarment. I can just tell you, we've got a particular problem, which General Carroll referred to, in Afghanistan. And that is, we instituted a policy of "Afghan first." So most of our primes and almost all of our subs are Afghan or non-U.S. contractors.

And the reason I mention this and General Carroll referred to that is, how do you prosecute them? I can't prosecute them in U.S. court. I have to deal in Afghan court.

Now you talk about -- those of you who are lawyers, if you ever practice in Afghan court it is unbelievable. Money is the rule.

Now just so you know, we are trying to prosecute people. The two contractors who were involved in the negligence that led to the death of those American troops -- we're prosecuting them. We actually convinced an Afghan prosecutor to arrest them. So we're doing it but it's extremely difficult because of the Afghan first policy. This was an unintended consequence.

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

I can't speak -- if there's a case against XYZ company. If there is we will pursue it and I'm certain my colleagues will.

DUCKWORTH:

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

SOPKO:

I am so glad you asked that question, because we don't have a list of all the contractors in Afghanistan. We definitely don't have a list of all the subs.

And it was only last week, or was it two weeks ago, I finally threw up my arms and said, we are sending a request, and it was the request from hell, to each one of these government agencies operating, "Give me a list of every prime and every sub." We don't have that list. AID comes the closest but they are mainly (ph) -- they have the list of the primes.

So we couldn't even -- even if there was a sub that hurt you and your camp, then went to another camp, then went to another camp, there was no central database to link Abdul Inc. (ph), or Host Trucking, or whatever the name of the company is. I allude to Mr. Tierney about his interests in that.

We didn't have the list. The people in Afghanistan didn't have that list. So we're going to try to finally get a list.

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

DUCKWORTH:

I'm out of time.

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

COOKSEY:

You have differently, obviously, different -- different accounts that are paying for these contracts, which makes it difficult for, like us, SIGIR, to be able to go from reconstruction money that we had jurisdiction over to operations and maintenance funds, which we're not permitted to review. That's a DOD function to look at.

But it all comes back to accountability. Contracting officers, accountability. You wanted to have a hearing here and find out who was accountable for the wasteful spending in -- in Iraq, Afghanistan, you couldn't -- you couldn't call a witness up here, hold anyone accountable.

We have projects that -- where \$40 million, \$50 million were wasted and there were 12, 13, 14 contracting officers serving on a project. We couldn't even find all the contracting officers.

CHAFFETZ:

We need to move on, given the time, but certainly if we could get back to this committee and to -- to Representative Duckworth that would be most appropriate.

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

WALBERG:

Thank you, Mr. Chairman.

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

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

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

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

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

So I guess what I would say -- and I say this as a minister -- I want to see people liberated. I don't think it's happening with our efforts right now, and the corruption -- the efforts that we put in place for contracting, which provides great amount of dollars for people who abuse it, in many cases that we're hearing today.

And so I guess I would ask any of you at the witness table, starting with Mr. Sopko and Mr. Cooksey, would any of you be able to disabuse me of this change in position with what has gone on and continues to go on?

SOPKO:

Congressman, if -- if you want me to start, that is obviously a personal metamorphosis. I may have a similar metamorphosis. I know I was a bit surprised the first time I went there.

But when I was appointed by the president I was given a mission, and the mission was not to do policy. This is a policy call.

My mission, and I think my colleagues' mission as I.G.s, is we don't do, you know policy. We don't do aid policy, we don't do foreign policy or military policy. We do processes...

(CROSSTALK)

WALBERG:

I appreciate that. Let me break in, maybe -- maybe alter that quickly.

Are we succeeding, and is there a reasonable chance for success in Afghanistan or Iraq with present policies in place? And this government is too big and bureaucratic to expect much to change, sadly.

(UNKNOWN)

Depend how you define "succeeding." The way I define it is I -- I take what the administration's goals are, and that is to ensure that Afghanistan does not become a haven for terrorist organizations. It appears we're succeeding.

Could we do it better? Could we save the taxpayers money? Yes. And that's why I think we are all here collectively giving our suggestions and advice on that.

WALBERG:

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

CHAFFETZ:

Thank you. Thank you.

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

TIERNEY:

Thank you, Mr. Chairman.

Thank all of you gentlemen for being here today.

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

The fact of the matter is that we're not really discussing just aid, we're talking about military contracting as well, how the Department of Defense, probably the worst bureaucracy in existence, one that has not passed an audit -- you know, while we demand every other department in this country, and we go

around, and I hope these hearings disabuse people of this notion that you can't cut the military budget because otherwise you're weak on defense. What total nonsense.

Anybody listening to this here today, anybody looking at a myriad of reports we've had -- and we've had them when I was chair before Jason was, where people come in here across the board, from Cato Institution to the Center for American Progress, telling us that waste and fraud and abuse is in the military budget, all right? And now (inaudible) Center report that just came out, funded by Peter G. Peterson -- he's not a raving liberal by any stretch of the imagination -- done by former generals and admirals and other policy experts, indicating there's about \$400 billion worth of efficiency losses in the Department of Defense. And we're talking about that just here today.

We all revere our troops. We all respect that they're there. But they're not being well-served. They're not being well-served when this kind of nonsense is going on, when we have a trucking contract -- the report that Mr. Flake and I did on Warlord Inc. indicated we had eight trucking contractors, none of them who ever owned a truck or a driver but all of who had pretty good relations with some of the people in the Afghan government. And they were the ones who were responsible for security, so rather than have security and rather than us face the tough policy question of, are we going to put our troops out there to secure those supply lines, they're -- they're paying off Warlord and in some instances Taliban with money that's then used against our troops.

You go on down the line, Mr. Chaffetz and I have looked at the food contracts of overbilling us \$750 billion. We've looked at the oil contracts. We've looked right across the board time and time again. It all comes back to A, we don't hold anybody accountable and disbar them permanently and get them out of the way; on the front end, we're not contracting properly. We don't have insight into the subcontracts or the sub-subcontracts and we're not making the decisions on that basis.

So we have a problem whether we contract it and have partners and do it that way or whether we try to do it directly, and the problems with whether or not the very departments in the governments that we're directly funding are capable of spending the money on that basis. But we've got some serious issues and I -- I trust that the subcommittee with Mr. Chaffetz is going to start looking at these very issues that we have here, starting with the contracting officers and on that basis.

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

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

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

SOPKO:

Mr. Tierney, I, as I mentioned, am a former prosecutor and I've been a Hill investigator investigator for quite a few years. The gold standard is always a U.S. government employee kicking the tires. You have to have somebody put eyes on the project.

That means, number one, we have to have security. When I travel, when my people travel, when any of the I.G.s here travel we have to have security.

TIERNEY:

So if I can just interrupt, so that means we have to determine whether or not we have confidence in the Afghan national security forces to secure our personnel going to inspect whether or not our money's being well-spent.

SOPKO:

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

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

TIERNEY:

Thank you.

CHAFFETZ:

Thank you. And I -- my understanding is the RSO budgets in Afghanistan are being cut -- the assets and resources there in Afghanistan for the RSO...

(UNKNOWN)

Maybe...

(CROSSTALK)

(UNKNOWN)

... some of the wasted money that we're talking about here to do something.

CHAFFETZ:

Amen. Amen.

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

COLLINS:

Thank you, Mr. Chairman.

For two days I've sat in this chair, and yesterday on the report from the GAO discussing waste from everything of catfish inspections to everything else, to today hearing about monies that is wasted. And many times what I've been hearing -- I'm a freshman in -- in here, coming from the state of Georgia and seeing what is going on here, it is very frustrating.

And there are so many articles done by people inside the beltway on why is America frustrated? You see it here today. You saw it yesterday.

They do not understand why this cannot be stopped.

Mr. Sopko, you made a comment earlier about the Kabul Bank audit and that issue, and you made a comment after the question that said that the money had to come from somewhere -- that you said it had to come from somewhere and probably did. I'll tell you where it came from. It came from right here. It came from everybody in the U.S. who paid their taxes who go on -- that's where the money came from.

And for us to continue this process is just insanity. It's just continuing the -- the -- but we have to also find, how do we fix it? We can rant about it all day long and we've done a pretty good job of that today, but let's go to the issue.

You said contract officers. The issue of the contract officers -- and feel free on any of this side (ph) -- are we lacking training here? Because this is one of the things that we saw yesterday where an agency just didn't want to do it because it was too hard. We can't accept that it's too hard. We've got to do a better job of training.

How do we train the officers and how do we get it across that these are things instead of just pushing the money out the door that there's a stewardship factor here? Can you address that for just a moment?

And any one of you that wants to jump in on that.

SOPKO (?):

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

COLLINS:

OK.

Whoever wants to go?

GEISEL:

I'll comment a bit.

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

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

But if you can believe this, you can let the best contract in the world -- and -- and most contracting officers are pretty well trained to write good contracts -- but unless there is follow-through and see that the work is done satisfactorily by the contractor, it doesn't do any -- it doesn't do any good. I've seen cases where a contractor will come in to a contracting officer representative in Afghanistan with a CD-ROM, or actually in this case, two CD-ROMs full of bills, and it was our understanding that in that particular case the contracting officer representative rubber-stamped them without even running the CD-ROM to see what was in it.

COLLINS:

Let me interrupt you right here. This is where I'm wanting to get to at this point. When we see this kind of action -- and you made this statement earlier that we've rarely seen a firing here, and I'm -- and you brought this up being a prosecutor. Do we need more indictments? I mean, is there just a simple sense of we're misrepresenting money here and using it the wrong way -- and I'm not taking away these contracting officers who do a diligent, good job. That's not what I'm trying to say here.

But when we find wrong, like the Corps of Engineers, which is one of the reasons I've started a Corps Caucus for the Congress, because we've got problems all across the board here -- what can we do to fix

this? I don't want to sit here for my time, whatever the good people of the 9th let me be here, and simply say, "I had great hearings, we kicked the can down the road, and nothing got done."

GEISEL:

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

COLLINS:

But it's fireable.

GEISEL:

It is fireable.

COLLINS:

And that's where the training comes in with supervise (ph). They've got to know how to say no. You've got to sign the back of the check, they -- and to understand that.

GEISEL:

You're absolutely correct.

COLLINS:

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

COOKSEY:

Yes, thank you, Congressman.

Let me just add a few additional thoughts to the issue of contracting officers in corps. I've met with a number of contracting officers in corps across Afghanistan. I think it's important to recognize that, frankly, we started these two contingency operations in Iraq and Afghanistan with a substantially diminished capability to do oversight of contracts.

I think the extent of the scope of the contracting that we actually ended up engaging in was even beyond what might have been a robust capability. The training -- we didn't have nearly enough

contracting officers in corps who usually, as has been mentioned, have this as a secondary or tertiary responsibility after their warfighting and other responsibilities, have not, frankly, always been professional enough to know what to look for and what action to take. And we have a high turnover of personnel.

So you combine all this in the middle of this warzone -- or two warzones. There are many possibilities for slippage and less than full execution of the responsibilities.

COLLINS:

As being one who's been in that warzone, I understand those capabilities.

I appreciate you being here.

I want solutions. That's all I'm asking for, and say how do we move forward on this, and -- and supporting those who are doing it right and getting rid of those who are doing it wrong.

Mr. Chairman, I yield back.

CHAFFETZ:

I thank the gentleman from Georgia.

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

WELCH:

Thank you, Mr. Chairman.

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

You know, it's pretty -- and I want to thank you, I mean, because you're like trying to look out for the taxpayer dollars, and we've just given you a policy that makes no sense. It's absurd. And bottom line, it's time to pull the plug.

I mean, we don't trust the Afghans; the Afghans don't trust us. If we're out there and have to do that basic "put eyes on the project" you're going to get killed. You know, our soldiers are getting killed by Afghan soldiers.

So there's a certain point where the best of intentions make no sense because on a practical level they can't be implemented. And that's not your fault; that's our fault. That's the commander in chief and it's the Congress of the United States that's giving a pretty dumb policy for execution of people like Tammy

Duckworth, who just went out there and did whatever had to be done and paid whatever price had to be done.

And I'm pretty appalled by it, and I think the fundamental question for us is it's time to pull the plug on this operation. It just doesn't make any sense, no matter how much oversight we have done.

But I do thank you and your predecessor, Mr. Bowen. I mean, it -- it's -- it's kind a -- a -- a voice of integrity and -- and -- and accountability in -- in a -- in a swamp, so thank you for -- I'll get to you in just a second.

But I do want to ask you -- make a comment and ask one question and then yield to my friend, Mr. Tierney.

Mr. Sopko, we've got a lot of NGOs that are doing good work and they're doing the work in Afghanistan. They strongly believe in many of the ideas behind direct assistance, which, incidentally, I think can be helpful under the right circumstances, and I hope the lesson here isn't that we don't do direct assistance, but we have some realistic assessment of when and where it makes some sense to do it.

But those NGOs do believe in a lot of those things like local control and capacity-building. Is there anything we can learn from them about how to do this right?

SOPKO:

Thank you for that question. I actually met with a number of small NGOs just a week or two ago and I was really impressed with how they operate, and for two -- two reasons. Number one, they've been on the ground. Many of them were on the ground even when the Taliban operated. They operated with a very small footprint, very low-key.

And I think I was talking to either Catholic Charities or Mercy Corps -- they spent a total of \$10,000 on security because they're built into the community, they're part of the community, and protected by the community. So one thing we should consider the next time we do one of these things is maybe rely more upon smaller organizations that work with the community.

But all of them did raise one issue, and that is, if we do go to direct assistance, don't do it quickly. Think about it. And they cited a number of examples where AID decided to do something in an educational area and it destroyed the program because apparently they wanted to get so much money onto direct assistance so they decided to do it. And they wrote a very interesting white paper on it; it dealt with the Partnership for Advancing Community Education in Afghanistan, where they didn't know why you had to go onto direct assistance, but as a result of that it was destroyed.

WELCH:

OK. Thank you very much.

I want Mr. Cooksey to be able to get a response in, but first I want to yield the balance of my time to Mr. Tierney.

But please let Mr. Cooksey make his point.

TIERNEY:

Will do. Thank you.

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

SOPKO:

That is correct.

TIERNEY:

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

SOPKO:

That is correct.

TIERNEY:

Will you be willing to provide those evaluations to this committee?

SOPKO:

I would be willing to but I was instructed by the AID -- AID not to provide them to you.

TIERNEY:

Are they classified documents?

SOPKO:

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

TIERNEY:

Mr. Carroll, you know anything about this?

CARROLL:

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

TIERNEY:

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

SOPKO (?):

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

TIERNEY:

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

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

CHAFFETZ:

Absolutely.

TIERNEY:

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

CHAFFETZ:

Yes.

TIERNEY:

Thank you.

CHAFFETZ:

Yes. Brief, if you could, please.

COOKSEY:

Just one thing I wanted to comment on, because Mr. Collins brought this up and Mr. Welch brought this up, as to what -- what the committee should do going forward. And at a hearing about four years ago Senator Lieberman asked a very similar question, and -- and one thing that would be helpful is for the committee to step back and take a -- a broad look at how our foreign aid is managed overseas in stabilization and reconstruction projects.

You know, everything here we talk about is all very ad hoc, and you really need to have an integrated, well-planned operation.

Now, in response to Senator Lieberman and other questions, we prepared -- we've prepared several proposals for them -- we've got one included in the latest report -- that, you know, we believe would -- would respond to the questions that you've asked here and have been asked in a number of the other oversight committees, but it would be major change. It's a heavy lift.

But, you know, you've got -- I -- personally, I really think you've got to step back from what this little contracting officer is doing, what this is doing, and really set the tone for the future of what we're going to do next year.

Thank you.

CHAFFETZ:

I thank you.

Thank the gentleman.

Now I recognize the gentleman from South Carolina, Mr. Gowdy, for five minutes?

GOWDY:

Thank you, Mr. Chairman.

I was going to ask this panel of witnesses, Mr. Chairman, whether or not we give financial aid to countries that have codified religious persecution through blasphemy laws and if so, why we do that. And I was going to ask, Mr. Chairman, this panel of witnesses whether or not we give aid to countries that deny access to education or court systems on the basis of gender and if so, why this great democracy would give aid to countries that deny women access to education or court systems. But I have been advised that perhaps this is not the best panel for me to posit those questions.

So, given your work, Mr. Chairman, on waste, fraud, and abuse, and no one in Congress has worked harder on it than you have, I would yield my time to you in hopes that perhaps in a future setting I would be able to ask my questions with respect to religious persecution and denying women access to education. I yield to the chairman.

CHAFFETZ:

Thank the gentleman.

Absolutely. This is something the committee and the subcommittee will be pursuing. It is a panel that we need to establish, these being the -- essentially the auditors, but your passion and commitment to this issue is -- is admirable and we will absolutely be pursuing that in future committee hearings.

With that said, let me go back to this -- what Mr. Welch and Mr. Tierney brought up.

I'm not understanding, Mr. Carroll -- have you seen these assessments of these different agencies?

CARROLL:

As a matter of fact, Chairman, we're in the process of doing a -- a global assessment, not...

CHAFFETZ:

Specific to Afghanistan.

Well, you mentioned that they would, with conditions, be given to the United States Congress. Why would there be conditions?

CARROLL:

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

CHAFFETZ:

No, no, no. That's not the way the United States Congress works. You're not going to tell me what assigned time I can come down to the -- to USAID and have a look around with somebody watching me what I look at.

You have these reports. Do you or do you not? The unredacted, unchanged previous...

CARROLL:

I can certainly get them; we don't have them, per se.

CHAFFETZ:

You have not seen them? You personally. You have not seen them?

CARROLL:

Personally, I have not seen them, no.

CHAFFETZ:

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

CARROLL:

Yes. Our...

CHAFFETZ:

But you are aware that they are there?

CARROLL:

Oh, yes. Absolutely, right.

CHAFFETZ:

What prohibits you...

CARROLL:

Nothing.

CHAFFETZ:

... from getting those reports?

CARROLL:

Nothing.

CHAFFETZ:

So you can get them today if you ask for them?

CARROLL:

I could.

CHAFFETZ:

And you could deliver them to the United States Congress on my office today.

CARROLL:

That's my responsibility.

CHAFFETZ:

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

CARROLL:

Yes...

CHAFFETZ:

You have the authority. You have the opportunity. You know that they're there. Will you deliver them to my office by the end of the day?

CARROLL:

I will.

CHAFFETZ:

Thank you.

I would hope that these would be -- we would see the copy that has not been edited by somebody who finds them to be terribly embarrassing.

(CROSSTALK)

CARROLL:

... redacted copies.

CHAFFETZ:

Thank you.

Mr. Sopko?

SOPKO:

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

CHAFFETZ:

And I will have them by the end of this day?

SOPKO:

Well, why don't you have him do it by the end of the day? I can give them to you if you don't get them by the end of the day...

CHAFFETZ:

And let's clarify that...

SOPKO (?):

They are rather extensive. They are rather...

CHAFFETZ:

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

CUMMINGS (?):

Mr. Chairman yield?

CHAFFETZ:

Yes.

CUMMINGS (?):

Just very briefly, I just want to just say, I wanted to make sure it's clear to the witnesses that on our side we fully support the request that was just made and we look forward to getting those documents immediately. Thank you.

CARROLL:

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

CHAFFETZ:

You're going to do it.

CARROLL:

Yes.

CHAFFETZ:

Thank you.

Thank you.

I would like to ask Inspector Geisel here, one of the big accounts that happens there in Afghanistan is the International Narcotics Control and Law Enforcement affairs -- INCLE, for lack of a better acronym, INCLE. As of December 31st, 2012, the total cumulative funding for INCLE amounted to nearly \$4 billion - - at least it was approaching \$4 billion.

What oversight mechanisms do you have in place -- because it is one of the biggest accounts going into Afghanistan -- what oversight mechanisms are placed to -- to make sure that this is held accountable?

GEISEL:

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

CHAFFETZ:

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

GEISEL:

They get funding, we'll do audits. And, I should add, we'll -- we also do inspection. And it's obviously -- because it's big we're going to do it. We go where the money's at.

CHAFFETZ:

All right. We'll follow up on that because I'm very interested in what safeguards the State Department is putting in place so it's real-time or in advance, not just retroactive and say, "Oops, we made the mistake," again and again and again.

I thank the gentleman from South Carolina for yielding.

I will now recognize the gentlewoman, Ms. Norton, for five minutes?

NORTON:

Thank you very much, Mr. -- Mr. Chairman. It's really been hard to sit here and hear this testimony.

As the United States withdraws from Afghanistan we've seen what happens when we're -- when we're there in light of -- of corruption -- corruption that occurs right under our nose. We've heard about the corruption with our partner -- the contracts with our so-called partners.

I want to host for a moment -- focus for a moment on the host country, because as we withdraw I presume that whatever oversight has -- has occurred is going to withdraw, at least gradually, as well. Support for this war melted and now we're going to see very little support for whatever we're doing in the country vanish.

And my question really goes to the relationship that throughout these wars successive administrations have drawn between development in the country and defense. Now, the poster child for the host country corruption has been one that this committee, through one of its subcommittees, has had hearings on, (inaudible), I'm sure, remembers the hearings on the Dawood Military Hospital.

What makes me wonder about what appears to be a -- a haven of corruption now, what it will look like if Dawood is an example. Here you had 100 percent-funded hospital that took care of Afghan police and military and DOD trainers right on site essentially to help them to be able to do all this by -- by themselves.

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

I hate to say this, but -- because the whole notion of construction and defense, construction making countries secure and defense going hand in hand certainly made sense on paper and abstractly, but I've got to ask, particularly in light of Mr. Sopko's testimony that -- that -- that corruption in Afghanistan was so endemic that it threatens the reconstruction effort, if we pull out, so there will be nobody to report to except the Afghans. You've had a recent report of the Afghan attorney general, and they looked at what he'd done for an entire quarter. No significant anti-corruption indictments.

I'm trying to figure out the forecast for what happens. We leave money and construction in the -- for construction or even for something as vital as medicine and pharmaceuticals, how we can expect this corruption to do anything but spread.

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

SOPKO:

We are very, very concerned. You've hit the point on the head.

And I can only cite you a recent example. I can't go into the detail because it's under seal. But we've tried to push the envelope where we can to work with Afghan Ministry of Justice. We are probably one of the few agencies that do that on a regular basis. But we can only push it so far.

The prosecutors we talk to and the cops who are Afghan cops know we can't go any further, and sometimes when they...

NORTON:

Because? You can't go any...

SOPKO:

They can't go any further because they're hitting too close to power. They're getting too close to the politicians.

And we had an interesting case. We are the first law enforcement agency, in our -- our belief, to have a U.S. law enforcement officer testify in a court. And he just did that two weeks ago, and as a result a sentence was increased. And this had to do with somebody who stole money from our fuel depot.

Now, we have another case that's under seal. We were the first agency to actually get an in rem action. We identified approximately \$50 million stolen from the U.S. government which was in a Kabul bank. We got a court order. It's under seal so I can't describe the particulars, but we had it served on the Afghan government to seize that money.

It was supposed to be frozen. For six months we've been negotiating with the attorney general's office in Afghanistan, and lo and behold, last weekend mysteriously the money was unfrozen and it's gone.

This, I fear, is the future in Afghanistan.

NORTON:

Mr. Sopko, we're dealing in a country that has not had the rule of law and nothing close to it. Sometimes I remember when countries were -- were -- were given their independence, we would send over people to work specifically on justice system and rule of law. Are there people in the country working to -- to acquaint -- to bring the rule of law to a country, which over thousands of years has -- had never had in it, where it seems to me, in light of this testimony, will get worse as we -- if we continue to leave money there?

SOPKO:

Congressman Norton, I think you're right. And I don't want to denigrate -- there are some brave Afghans who are trying to do this, and I think the chairman referred to the MEC (ph), which is a joint Afghan and international organization which has been looking at corruption, and they are the ones who have basically done the most work identifying the problems in the Kabul Bank. You have to give them credit.

But we have to try to help these people, and we definitely have to try to help those people who are Afghans fighting corruption. But my fear is it's going to be extremely difficult and I'm not optimistic.

CHAFFETZ:

Thank you.

I thank the gentlewoman.

We'll now recognize the gentleman from Michigan, Mr. Bentivolio, for five minutes?

BENTIVOLIO:

Thank you, Mr. Chairman. I'll be brief -- real quickly. But as I sit here every day listening to testimony upon testimony, questions, I -- I'm sitting here thinking, I wonder what Joseph Heller would read -- or write about 60 years later. Would it change or would it be pretty much the same?

But real quick -- real quick question is, regarding -- well, the -- there's a theme that seems to run through all the testimony I've heard since I've been on this committee, and that is we have to incentivize integrity, honesty in our system. And the question I have is what are your suggestions, if any? What exactly are you talking about?

Because it certainly seems like we look for ways to punish but we're not doing that -- maybe to incentivize, give somebody an incentive -- maybe a percentage of the corruption that they expose and correct? We'd probably have billionaires out there overnight. But any suggestions here?

SOPKO:

Well, we do have programs set up that whistleblowers can collect funds. We've used whistleblowers. That actually is an incentive in -- and it goes back to a statute that was passed in the 1860s in response to Civil War corruption.

So statutes like that can help, and we use it. You know, I think there are other incentives that maybe my colleagues can also add to...

BENTIVOLIO:

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

SOPKO:

Well, actually my term is written into the statute. We go out of existence six months after the -- the amount of reconstruction money falls below \$250 million not yet spent. So since we're in the \$30 billion range we'll be around for a while.

But I personally like the fact that we're a temporary agency. I think this was a -- a wonderful assignment given to me by the president, but I think this was a wonderful statute passed by Congress.

Don't create another organization that never goes away. You should create it for the emergency. The emergency was what was going on in Afghanistan. And when our time is right to shut down we will shut down. I will be happy to turn the lights off.

So no, I don't need to be permanent.

BENTIVOLIO:

Sunset clause.

What about other incentives besides the -- the statute that came out from President Lincoln, I think it was?

SOPKO:

I'll defer to my colleagues...

BENTIVOLIO:

Other suggestions how we can incentivize cost savings measures and integrity and honesty in our system?

CARROLL:

Well, it's disappointing to hear that -- that you feel that we need to incentivize good behavior. I don't think that's the case. I don't think that there's so much endemic corruption in the American system that we need to do something like that.

I agree with John that there are systems in place -- Keytam (ph) and whistleblower and things like that, where people can be remunerated for exposing corruption and that sort of thing, but it's all of our responsibility in the federal government to -- to conduct ourselves lawfully and ethically.

So, you know, the carrot is good, but -- but I think you're -- you're looking at the hammer right here at the table. You know, we have full law enforcement authority to investigate and prosecute and that sort of thing. Our audits disclose corruption and we act on that.

So I -- I think you have the -- the tools in place. I'm not here to argue for more money, but -- but when you think about the money spent on oversight vis-a-vis the portfolios that we oversee, you could double and triple our -- our budgets and we could double and triple our staff and still probably not feel comfortable with the amount of oversight we're providing over our agencies. So it's -- it's a question of what's the commitment to oversight.

GEISEL:

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

BENTIVOLIO:

That's an excellent observation.

Mr. Chairman, I yield back my time.

CHAFFETZ:

Thank you.

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

HORSFORD:

Thank you very much, Mr. Chairman.

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

concludes, the troubling answer is that it finds that 15 percent of reconstruction funds were subject to waste.

Now, that's billions and billions of dollars, OK? To the American public and my constituents in particular, that is completely unacceptable.

So my question is, now that that has been identified, what is being done to ensure that the same levels of waste are no longer occurring in any other rebuilding efforts anywhere, and what can be done to repurpose those dollars, which did not go to their intended purpose, to other areas of need? For example, I just met with the Veterans Advisory Council in -- in my district and several of our veterans raised a number of issues concerning services that they need upon their return from Iraq and Afghanistan. Among those issues, of course, is the whole backlog issue, which we've heard about and I hope that we will continue to address.

But there was one thing in particular I want to ask you specifically. It's about some of the serious health issues that they were exposed to while in active duty. And one in particular is the open-pit burning issue in Iraq and Afghanistan.

So my question is, to what extent have any of you examined this issue of the burning pits and is there any coordination with the State Department of -- the State Department, the Department of Defense, and the Department of Veterans Affairs, and do we know the extent of the exposure to U.S. troops who were serving in Iraq or Afghanistan and any overall impact of the burning pit issue?

SOPKO:

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

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

HORSFORD:

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

So I guess secondly, you know, Mr. Chairman, I see -- what I see here is really a -- a need to have a discussion about how these dollars that were supposed to be used to rebuild projects, that if they weren't done or were wasted that that money needs to get repurposed to our veterans, and that as an example, people who were exposed because contractors failed to build a facility and our vets are now exposed, they need to get their claim approved -- and not at 10 percent or 20 percent, but at 100 percent.

And I hope that we can work together in a bipartisan manner to make that possible. So when will this report be issued and can we get a copy?

SOPKO:

It will be issued the end of this month and we're happy to come up and brief you as well as brief any of the committees, including this one, of jurisdiction, as well as the veterans committees. I think it's an important expose on, again, another great program that was poorly, poorly planned and handled in Afghanistan, amounting in millions of dollars of waste.

CHAFFETZ:

Thank you.

Thank the gentleman.

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

GOSAR:

Thank you, Mr. Chairman.

I'm a health care provider and, you know, you make a diagnosis, which is kind of like what you're doing - or what we're doing, I guess -- in -- in foreign countries, and you prescribe a procedure. Diagnosis, procedure. And when the procedure doesn't work on the diagnosis you change -- you revamp and re-change and retool.

And everything that has been said here today is applicable. I mean, I'm disgusted. I am absolutely disgusted.

We point to whistleblowers, and in this committee we heard about whistleblowers. And in fact, we have a problem right now in Benghazi coming forward because of what happened with Fast and Furious whistleblowers -- the retaliation from within our own Justice Department.

So how are you expecting something to happen across the world when your own Justice Department doesn't exonerate or support and withdraw whistleblowers?

Number two is -- is when you look at madness here -- a comment was made along you -- along this panel, I don't exactly know which one, was -- was that our mission is to make sure that terrorism doesn't exist or minimize terrorism in Afghanistan in rebuilding. And somebody said that we're doing that.

Are you kidding me? What we did is we took a shotgun -- a shotgun approach and we shot money at it and hoped some of the money stuck.

And I think if you talk to any layperson, any taxpayer, any business person, anybody watching television, what they see going on in Afghanistan is an atrocity. Iraq, the same way. It's horrible.

So let's go back and retrace this, because I'm also one of those problem solvers. This has got to come to an end.

Somebody said, and I think it was Mr. Cooksey made a comment that if we're going to reform this it's smaller increments of money making sure that things have oversight. Is that not true, Mr. Cooksey?

COOKSEY:

That's correct.

GOSAR:

So small investments with caps on them and then recertification, so rewarding good behavior, OK? I could go along with that.

And I also think maybe, could you agree also with flexibility? It seems to me that the NGOs actually work pretty well, do they not, Mr. Cooksey?

COOKSEY:

In some cases we've found good success, and in a few we've found some problems.

GOSAR:

OK. But for the most part they -- they do work...

COOKSEY:

That's correct.

GOSAR:

And part of the -- part of their -- their magic is is they lack bureaucracy, right?

COOKSEY:

Possibly, yes.

GOSAR:

You know, I've been here now three years, and one of the things I see about Congress and I see about this federal government is bureaucracy. It is an endemic pandemic. It is horrific.

And so we've got to -- you know, in dentistry we have this theory -- it's called the KISS theory. It's called, "keep it simple, stupid," and that's where we've got to get back to, because this is just egregious. We are throwing money out the window.

My colleague from Vermont said it and my colleague from California said it. You know, it belongs here. If we're going to have ownership here I applaud the -- the chairman for having those reports at the end of today or getting those reports to make sure that people are held accountable.

I want to make sure our Justice Department is holding people accountable. We ought to have the workplace -- the federal employees that do their job -- be held accountable and be fired for that. I mean, from what I've seen -- look in the State Department. Look in Benghazi. I mean, we just had retooling of chairs. Where is the accountability?

You know, when I was in private practice the buck stopped with me, no matter if my hygienist, my dental assistant, my front office, my wife, my kids, my -- my landscaper got into a problem, the buck stopped with me. And that's what America sees as dysfunctional here.

If you could actually look at a foreign aid bill -- and let's say -- and by the way, I'm actually putting it out this week. It talks about exactly what you're talking about, is that there is no flexibility. You have some flexibility with small amounts of cash, you have to come back and report. There's caps on it. You have to have justification, that you start looking at religious prosecution (ph) and -- and rewarding good behavior with those grants.

And then stop and ask. When you as a patient come in my office I don't just start pulling teeth. Sometimes I'd like to. I might get the right tooth. But if I don't ask you what hurts, how can I help you, and not infer what our legacy is but work with those -- the legacies and historical predications built on those -- those countries, you're going to find whole different set of answers.

So I hope that people will look at this bill because what it does is put caps on there, makes accountability, comes back to Congress, where the due diligence belongs, OK, and then also puts standards in -- in forecasts to hold people responsible for their actions. Because I'm going to go back and look at the logs in the military. I mean, that's just absurd to me that somebody would bypass, not even reviewing a ledger. That's just absolutely ridiculous to me.

So with that, Mr. Chairman, I'd like to yield back. Thank you.

CHAFFETZ:

Thank the gentleman.

Now I recognize the gentleman from Oklahoma, Mr. Lankford, for five minutes?

LANKFORD:

Thank you.

And thanks to all y'all being here. This is a long day of conversation. It's a long day for all of us and it's difficult to be able to go through all this information.

The challenge of it is, (inaudible) with foreign aid and how we do this, is the current budget realities that we deal with and also the strategy of what we're trying to accomplish. I am struck by the fact that we still don't have a clear strategy of what we're trying to accomplish with our foreign aid, and all of you gentlemen have given us some great information on the accountability on the other side of it -- what is being done on the ground with it. So I'm very pleased to be able to hear that.

But you have no idea how difficult it is to be able to explain to someone that's a civilian DOD worker that's about to be laid off after 14 days of furlough time who sees all the fraud and waste that happens around their base and is trying to figure out, why am I being furloughed when this kind of stuff is happening? It's very difficult to explain to someone who is a Social Security recipient or a Medicare recipient -- they see all the fraud and the waste and then they hear about this kind of stuff happening overseas to their dollars.

You have done a great service to our nation of pulling some things out and of highlighting and saying, "These are the issues that we have to deal with."

Mr. Carroll, specifically in your report as I walked through it -- and I'm amazed at some of the things in Afghanistan -- when I was there two years ago to get a chance to visit with some of the folks on the ground, including USAID, I'm amazed at some of the things that we're involved in. And it's tough to be able to see how we've got Pakistani farmers for some reason didn't want our energy efficient irrigation pumps; they wanted to use their own. But we were forcing those on -- on folks to be able to have that.

How we are doing sustainability projects that they can't maintain on the ground, like \$73 million in an I.T. system in Iraq that they can't keep up with. Building schools on the West Bank in Gaza that they don't know how to maintain those facilities. That we are building roads in South Sudan that they can't maintain the road, and in fact, the road has actually led to higher number of traffic fatalities now that they can go a higher speed on it.

That we have \$92 million in the South Sudan, as well, that's gone to an office complex that's not actually being used for what we designed it for, that we give USAID aid to the Jordanian government they have

actually transferred over to military spending and Afghanistan, for whatever reason, now 50 percent of our development aid we're going to send directly to the government when it's been clearly reported here that 13 of these different agencies absolutely should not get direct cash aid from us because they have no accountability, no structure, no process in it.

We're building hospitals they don't have staff to operate. We're building power plants they don't have the technology and the capability to be able to operate. We've got 43 different companies that may have terrorist affiliations that we have contracts with to the federal government that we're spending American taxpayer dollars to.

This is quite enlightening to go through the process. And we appreciate very much what you're bringing to the American people in doing the work that you're trying to do with it.

The challenge goes on one Mr. Gosar was saying, as well. It's the, how do we fix it? I'm going to tell you, the first option that I hear a lot is, the first way we fix this is to do a lot less foreign aid.

Mr. Carroll, you said you could give us three times more financial support to do oversight and it still wouldn't be enough. There is a way to solve that. We do less foreign aid and you have less to do in the oversight and we're actually more efficient in saving some of those dollars.

We're putting so much money out the door that we cannot oversee. The first step to that is, we don't put money out the door we can't oversee. So we either have oversight in the process or we don't send it out the door.

So step one for us is to send less out the door right now, and then at some point when we can build up and have better oversight we have that. What would you recommend as the step two? If we're going to do step one is we put less foreign aid out the door until we can get to a process where we can oversee it, what's step two?

CARROLL:

First let me make clear that we're providing oversight.

LANKFORD:

Correct.

CARROLL:

It's a large portfolio. I'd like to provide more oversight. But there is oversight being done, so I don't want you to think that there's a huge portfolio out there not being looked at. We do risk-based analysis and we prioritize our resources.

You know, I'm not here to defend direct foreign assistance or USAID Forward or IPR or anything like that. I'm not here to defend that.

But in -- theoretically, the agency has come up with a well thought-out process in making decisions. You know, for example, we've talked about the 13 ministries. They've not all gotten money.

You know, the agency is trying to be thoughtful about, if there are red flags they try to mitigate the red flags. If they can't mitigate the red flags I don't think they're going to give the money.

So it's not as if we identify these, you know, dysfunctional agencies and we're going to continue to give them money regardless. I don't think that's going to be the case. If it is, we'll expose it -- you know, Mr. Sopko will expose it and we'll stop it.

It's a question of actually executing on the systems that the agency is putting in place to do the pre-award assessments. I think they need to do a much better job in, like Mr. Sopko said, getting out into the field and actually looking at the work being done. For many years the agency relied on the implementers to give them performance data.

So it's really all about accountability. You know, I'm not going to -- like we said earlier, we don't talk about the philosophy -- the political decisions about the kind of programs that the agency's implementing. Our job is to make sure they're being implemented correctly and efficiently and there isn't corruption and we'll continue to do that.

So it's a question of us doing our job, holding the agency accountable, but the agency holding themselves accountable and doing the performance kind of reviews that they should be doing to ensure that the projects are being done correctly, and if they're not they either stop the project, redesign the project, or -- and that's what we do, too, in our performance audits. We make recommendations as the projects are going on so they can make midcourse corrections to try and achieve their -- their ultimate goals.

LANKFORD:

But right now we're not being strategic in what we're building that can actually be maintained and what we're building actually meets our national security interests or what we're actually putting into the dollars actually we're getting an achievement back out of it other than someone siphoning off the dollars.

That's the challenge we have right now is, based on what y'all have brought to us, which we're very grateful for, it is very clear we're putting too many dollars out there unaccounted for, no oversight on it on the ground, and we're hoping things are turning out well and they're not. So that we've got to fix.

So with that, I appreciate that and I yield back.

CHAFFETZ:

I thank the gentleman.

We now go to the gentlelady from Wyoming, Ms. Lummis?

LUMMIS:

Thank you, Mr. Chairman.

I, too, want to thank the gentlemen and women who have worked on this report and are here today to discuss it with us. And I want to ask some questions about who else knows about it, so I'll start with Ambassador Moorefield.

Has Secretary Hagel read this report?

MOOREFIELD:

Madam Congresswoman, I do not know if he's read it or not. We recently received it. We've certainly read it in the Department of Defense I.G.'s office and certainly have taken the lessons learned shared there to heart, but as far as the secretary who is relatively new, I do not know if it's been brought to his attention.

LUMMIS:

And who would be responsible for bringing it to his attention?

COOKSEY (?):

Well, I -- I would say that SIGIR certainly has the capability and I think the access to bring it directly to his attention. It could be brought to his attention by this committee.

LUMMIS:

Thank you.

Ambassador Geisel -- did I pronounce that right?

GEISEL:

You did. Thanks.

LUMMIS:

OK. Does Secretary Kerry know about this report?

GEISEL:

I don't know. I believe that SIGIR was scheduled to brief Deputy Secretary Burns on the report at the -- at the beginning of April.

LUMMIS:

Thank you.

Mr. Sopko, who in the White House knows about this report? You're a presidential appointee.

SOPKO:

You're talking about the SIGIR report?

LUMMIS:

Yes.

SOPKO:

(OFF-MIC) If you're talking about the SIGIR report, I don't know. I think they -- they have the same reporting process that I do, that everything I print or publish, it goes to SECDEF (ph), SECSTATE (ph), and it goes to all the appropriate congressional committees...

LUMMIS:

And...

SOPKO:

... so I assume it goes there.

LUMMIS:

So regarding your report, who in the White House knows about your report -- your work?

SOPKO:

I'll be honest with you, I don't know who.

LUMMIS:

And that concerns me a little bit, just because there is a executive branch response as -- as well as a legislative branch response that's appropriate here. And it would seem that the White House should be very aware of your work.

SOPKO:

I'm assuming they are because we reported and we briefed senior officials at State, AID, and DOD, so I'm assuming they are being briefed -- they are briefing to the White House.

LUMMIS:

Would you provide us the names of the people you've briefed?

SOPKO:

Absolutely.

LUMMIS:

That would be very helpful.

Ambassador Geisel, the same?

GEISEL:

Briefed on -- on what? We don't have a report like that.

LUMMIS:

Well, I am -- I will then go just to the SIGIR report.

GEISEL:

Absolutely.

LUMMIS:

And would that be an appropriate question for Ambassador Moorefield or Mr. Cooksey, regarding who has been briefed about the SIGIR report.

COOKSEY:

We can provide you with the -- the names of the people we briefed, such as Deputy Secretary Burns at the State Department and, you know, others.

LUMMIS:

Thank you. That would be really helpful.

Also, has anyone been briefed at the House Appropriations Committee, either staff or members of Congress?

COOKSEY:

Yes.

LUMMIS:

And, Mr. Cooksey, could you tell me who that is?

COOKSEY:

Well, both -- on both subcommittees in the -- on the Appropriations Committee the -- the State and Foreign Operations Subcommittee the -- on the House side, the majority staff.

LUMMIS:

No one from the minority staff?

COOKSEY:

They weren't in the -- weren't in me -- I know -- I know he has a copy of the -- the report.

LUMMIS:

OK. It was mentioned during the course of your testimony that there are ways to attach riders to the appropriations bills that would provide impetus for implementation of these reports. Could you go back and tell me what those were?

COOKSEY:

I could actually, if I can find it on my desk, there actually was language inserted in the appropriations bill -- and I'm happy to provide you a copy of it; it's public law 112-74, section 7031 actually dealt with direct government-to-government assistance, and in that approps (ph) language they put in a requirement -- specific requirements -- this is something it would -- you could follow up on -- on before doing direct assistance there had to be a review of the recipient agency and to determine how well or capable they are. So I'd be happy to provide that to you.

The question then is, you put it in there, did anybody follow up?

LUMMIS:

Exactly. And furthermore, does it need to be annually reinserted because it's a one-year budget or does it transcend...

COOKSEY:

I think it would have to be reinserted. My understanding -- I'm not a -- an expert on this, but since it's two- year money and appropriations language I would think it would have to be reinserted every approps (ph) bill.

CARROLL:

Yes. I'm not saying that that's not a good idea, but AID is incorporating this into their business practices, so it's not as if you need to encourage them to do this, they're going to do this as a matter of course.

Now, whether they do it, you know, effectively, whether they do it efficiently, whether they do it all the time, whether they make the right decisions based on what they find -- those are all important questions that we'll have to ask as we go along. But this is being incorporated into business practice.

LUMMIS:

OK.

Question for the chairman -- when this committee has a hearing like this and -- and -- and receives information that would be helpful to appropriators, is there a mechanism whereby, you know, you communicate directly with the appropriations chairman about these types of revelations?

ISSA:

The gentlelady will yield?

LUMMIS:

I will yield.

ISSA:

Yes, there is. And as a -- a former appropriator who came over here, I appreciate your coming here with your vast knowledge, and yes, we will pass on some portions of that, including the rider request.

LUMMIS:

Thank you.

Again, with my thanks to the panel and to all the people who worked on these reports and this information, Mr. Chairman, I yield back.

ISSA:

I thank the gentlelady.

I get to close and you get to leave. This is how the smiles you see, you stretch, you feel better. Just got a couple of things.

First of all, Mr. Carroll, I want to thank you for agreeing to provide the documents that both sides have been asking for for a while. Ultimately, we live with the ability to get documents of that sort. Hey, I don't know if it was mentioned, but we very much would like them in electronic format to the greatest extent possible -- PDF if nothing else, but if they exist in some electronically readable it's -- it's really a lot better for us.

I once had the secretary of energy here and I had to explain to him that they had to actually change a setting in order to not Bates stamps -- Bates stamp the papers they send over to us, and if the Department of Energy could not figure out a high-tech way to send us tens of -- actually, hundreds of thousands of pages other than in Xeroxed, non-Bates stamped form, that I would ask them to then send over the amount of staff necessary to do chink-chink-chink-chink (ph) to Bates stamp. He agreed electronic would be better.

I have just a couple of quick questions, and -- and Mr. Carroll, I -- I know you've had a tough day. We put you in the center so that people on both sides would say you need to do better.

But this -- this concern that I have -- I'm on leave from Foreign Affairs -- that going to 30 percent direct aid as a goal and then having a policy that companies -- or sorry, that -- that countries to receive this direct aid are supposed to meet a level of -- of testing that clearly Afghanistan doesn't meet, Iraq doesn't meet. To be honest, it's sort of a strange thing -- the Palestinians probably meet it better than 99 percent of the countries we provide aid to.

Knowing that, in fact, they're supposed to meet this, but then knowing that there have already been examples where they clearly fail, and for ideological or some policy reasons they get the money anyway, how am I to be confident that I'm not essentially paying money for something you want somebody to do, which is not what aid is for? And I'll phrase it shorter.

If we know they're corrupt, we know that they're not going to deliver the money in totality as agreed but we're doing it because we want certain other behavior, isn't that a bribe at a government level?

You don't have to answer. I've got four other people here.

CARROLL:

I was hoping that was rhetorical. I'm not going to answer.

ISSA:

OK.

CARROLL:

Sounds like a foreign policy decision.

ISSA:

But in the case of Afghanistan, they're certainly not by any policy legitimately entitled to direct aid. They are, in fact, skimming it off; they are not accounting for it properly. It does end up in -- in corrupt activities in many cases.

But we want certain behavior. Isn't that why we continue giving them direct aid? And I'll use Afghanistan not because they should be the poster child. To be honest, I think the poster child would be the countries we're not talking about -- smaller countries, smaller amounts, ones that the focus of the public is not on. But Afghanistan certainly has been well-discussed today.

SOPKO:

Well, part of foreign assistance is obviously to give an incentive to countries to do what we would like to do, whether it's to improve education through the women's health care or allow our military to have bases. So, I mean, obviously there's more to aid than just building buildings.

So, I mean, I can understand, and that's why in my -- my report when I talk about the seven questions to ask I'm very clear that even though you answer every one of those questions in the negative, and so therefore the program is likely to fail, it still may be worth the risk for other reasons, but you should articulate what those reasons are to Congress and to the American taxpayer.

ISSA:

Additional question along the same line, and, Mr. Cooksey, I'll use you as my best example because you've been very good -- your whole organization, since it was -- it was formed, has been very good at -- at answering this question: Isn't Congress entitled to know the good, the bad, and the ugly, including a current and up-to-date report on a regular basis of, in fact, how corrupt some group is that we're providing direct aid to, how good their human rights are, how good -- and I know that Mr. Gowdy had specific questions -- how good their religious freedom right are? Isn't that an essential element that without that the motives, in fact, can be very well disguised?

COOKSEY:

Well, clearly that's an essential element of oversight would be to be provided this information from whichever government agency is thinking about -- you know, wants to provide the money. There should be a justification up front and there should be a report afterwards as to what happened to -- what was the outcome, what happened to the money.

ISSA:

Closing last question -- and my ranking member's here so he may have the last word -- for my two ambassadors: You know, the title of ambassador is -- is granted once and worn always, but one thing that ambassadors have to deal with is speaking to a foreign government, or in some cases other entities, and telling them that their hands are tied by U.S. law. You've all -- you've done it. You know, just it's practically you can't get through your first month.

Isn't, in fact, U.S. law and the intent to do (inaudible) law something that should tie the behavior of those we provide aid to just as strongly as Mr. Cummings and I would insist that the corrupt practices

law be enforced against companies doing business? Isn't the standard at least in the law, and thus what you have to tell your counterparts on the other side, is part of the package with America? Isn't that empowering to you as ambassadors?

GEISEL:

Absolutely, yes. And you used the right work, empowering. I love telling crooks that we weren't going to play their game.

ISSA:

Ambassador?

MOOREFIELD:

Yes. Thank you, Mr. Chairman.

Oh, I just turned myself off. Sorry.

ISSA:

You were on all that time and didn't use it.

MOOREFIELD:

I apologize.

ISSA:

You know, it's always a hot mic. That's what you have to remember.

MOOREFIELD:

Apparently.

I had the honor of serving in two countries, and it was certainly very sobering to be able to explain what U.S. law was and what the limitations and requirements were, so it was very empowering, yes.

ISSA:

Well, I'm a -- I'm an old -- an old Foreign Affairs guy who's been off the committee for a number of years now and I've watched all the good work we did in Egypt go the wrong direction, and several other countries. So I do share with you that empowering our diplomats by having us stand for the right things, us say that we will not make monies available if, in fact, you don't meet standards that the American taxpayer would expect, and my hope is that working with Foreign Affairs Committee as the authorizers and the appropriators we continue to do that.

And with that, I've -- we've been rejoined by the ranking member and he's now recognized?

CUMMINGS:

Picking up on where chairman left off, Mr. Sopko, how confident are you that we can do that to put -- I asked you earlier about the -- how to have these accountability standards and making sure that as money is distributed that we're making sure that they are -- the dollars are being use for what they're supposed to be used, but going back to what the chairman was saying, what's -- what's -- I mean, do you -- I've listened to a lot of what you all have said and it -- I mean, it makes you feel like this is just too big to control.

And I'm just wondering -- give me some good news. I mean, really, I mean, this is the United States of America. This is the country that sent folks to the moon. And you mean we can't control our own dollars?

We're not doing that stuff that we did where we sent all them millions of -- millions of dollars over to Iraq a few years ago with no control. They're not doing those kind of things, I'm sure, but it sounds like we're not too far from it.

SOPKO:

Congressman, I'm the, like I said, the eternal optimist, but we have done a lot. We have helped the Afghan people. Many of the programs work.

We're highlighting problems...

CUMMINGS:

OK.

SOPKO:

... and they're serious problems, and we're highlighting concerns. And we're particularly concerned now as the security issue changes.

CUMMINGS:

Yes.

SOPKO:

And I think that's why we're here raising these concerns so vociferously, because if the security situation deteriorates then we can't do our job, AID can't do its job, DOD can't do its job to let (ph) out those contracts. And if we don't replace the U.S. military with appropriate security provided by the State Department, none of our auditors or investigators are going to be able to leave the Kabul bubble.

CUMMINGS:

So I assume that if the president called you right now and said, "Look, I just saw you, Sopko, on the C-SPAN, and come and tell me -- give me your best advice," what would you say? That which you just said?

SOPKO:

I would say that and make certain we are properly planning and properly coordinating with our allies...

CUMMINGS:

Every step of the way.

SOPKO:

Every step, and coordinating where we can with the honest Afghan citizens who care, and there are numbers of them and we can't forget them. Because that's, like I said in my opening statement, that would be the cruelest joke is after 30 years of the Afghans fighting the Russians, the Taliban, and all of that, we pour the money in, we upset the whole apple cart there, and then we say, "Bye. It's all yours. See you next decade."

That would be the cruelest joke, and the cruelest joke to our citizens who have paid for it in their blood, in their treasury.

CUMMINGS:

You know, I often say we should not be so concerned about who we're fighting against but what we're fighting for. Because sometimes I think they get lost. We get so caught up in the fighting against -- you going to write that down?

(UNKNOWN)

I am. You noticed that. That's a good one.

CUMMINGS:

But what we're fighting for. What is it that we're fighting for? Because I think we can get so hung up and, I mean, Karzai -- President Karzai is one thing, but you take us back to what the bottom line is and it goes back to what I said at the very beginning, Mr. Cooksey, about how I wanted to make sure that, you know, if we look at the what we're fighting for that we keep our eye on that prize and not allow the other things to kill it.

Is that all right? Does that make sense?

SOPKO:

It makes absolute sense. And, Congressman, that was one of the reasons why I was so upset when the AID official who -- who oversees programs where we're trying to teach rule of law to the Afghans pulled on me that, "Oh, we can't give Congress material. We can't give you material because it's embarrassing."

And I was thinking, we're trying to teach rule of law to the Afghans and we're not even applying rule of law to our legislators and our taxpayers. I mean, this was taxpayer money that paid for these programs, taxpayer money that paid for those audits.

And actually, those audits came about because Mr. Carroll uncovered the fact that the internal audits -- the internal assessments done by AID -- were worthless. So he told them they had to go out and get these outside audits, so our taxpayers paid for them twice, and then we were going to turn them over to nameless, faceless Afghan bureaucrats to X it out.

Now, maybe I'm really upset because I worked on the Hill, as you know, for John Dingell, and -- and -- and I just couldn't believe this. You're applying FOIA. One of the objections the general counsel told me is, "Oh, there could be FOIA involved."

I said, "Have you ever looked at the FOIA statute? Congress is exempt from FOIA. So what are you saying we can't turn it over to Congress because it's potential FOIA?" And then they classify it after the fact.

So I understand where you're coming from. I think we have to live up to our law and live up to our beliefs.

CUMMINGS:

My last comment: You know, I was thinking about what -- Mr. Collins had raised an issue, and I -- I had the impression that Mr. Collins has not been to countries that do not have a fully developed judicial

system. I have and I know the chairman has. And a lot of people just assume that the judicial systems are as sophisticated as the one we have in our country and they -- they have another thought coming.

And when you were talking about, well, how do you enforce this and enforce that and you were talking about the courts, you're absolutely right -- if you don't have a -- a -- a system -- again, we assume that every place is like the United States, or perhaps England. But they're not.

And so -- so it becomes very complicated to get (inaudible) a certain -- I guess maybe it was you -- one of you all was talking about that.

Was it you, Mr. Carroll?

Yes. And that's the real problem, that a lot of people don't -- they -- they can't even comprehend that you can have a -- a court system like what you said is -- is -- it's about who's got the connections, who's got the money. They don't even comprehend that because they've never seen it. So it's -- you've got quite a few challenges.

Did you want to say something, Mr. Carroll?

I'm sorry, Mr. (inaudible), and then I'm finished.

MOOREFIELD:

Just to give a ray of light here.

CUMMINGS:

Thank you. Your mic's on, because I want to hear this.

MOOREFIELD:

It sure looks like it this time.

Let me just say that against formidable challenges we have helped build a force of 350,000 army and police there. The one thing I will say as the former entryman (ph), I frankly am confident that they are fighters. They are willing to fight. They will fight. And mostly they will fight for their country.

So notwithstanding the fact that the enemy still has a vote in this equation, I think they're going to probably end up being good enough. Now the question is and the challenge, can we help build sufficient governance, institutional capacity to support them in their ministries? That is a critical issue.

Can we help suppress corruption? Can they believe that their leaders are going to support them in their willingness to put down their lives for their country? That's still a challenge.

CARROLL:

You're absolutely right, Congressman, it's -- it's -- it's a complex universe out there for us -- 97 different countries that we do business in, and with direct aid we're going to be chasing the bad guys in 97 of those countries, and it's different in almost every single country. We're seeing that now with Afghanistan.

You know, believe it or not, in Pakistan and Afghanistan we've had some decent success and there are other countries where we just are just hit a roadblock in getting cooperation with local law enforcement. They don't even have the capabilities or the will or anything, so it's a case-by-case basis across the board.

CUMMINGS:

And I want to thank all of you for your testimony. It's been very helpful and hopefully it will help us get to where we have to go, and that is trying to make sure that our folks' tax dollars -- our constituents tax dollars -- are not -- not wasted, and -- and we can do better. And I'm sure we will.

Thank you very much, Mr. Chairman.

ISSA:

Thank you.

And although we won't talk about it today, Mr. Sopko, Mr. Cooksey, we are going to continue to look at the drawdown of military that's already occurred in Iraq and that's going to occur in Afghanistan and the backfill for sufficiency through State Department assets. It is an area that post-Benghazi I think we all understand that if a country cannot be relied on to provide that that, in fact, our foreign service personnel, both State Department and others, deserve to know that we have a plan and that that plan has both initial protection and contingency. And that's something this committee, as the committee of broad jurisdiction of all the parties involved, intends to continue with.

So I want to thank you for being here today on this subject and we stand adjourned.

CQ Transcriptions, April 10, 2013

List of Panel Members and Witnesses PANEL MEMBERS:

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WITNESSES:

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