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AFGHANISTAN IN REVIEW: OVERSIGHT OF U.S. SPENDING IN AFGHANISTAN

HEARING

BEFORE THE

SUBCOMMITTEE ON FEDERAL SPENDING OVERSIGHT AND EMERGENCY MANAGEMENT

OF THE

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS UNITED STATES SENATE

ONE HUNDRED FIFTEENTH CONGRESS

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AFGHANISTAN IN REVIEW: OVERSIGHT OF U.S. SPENDING IN AFGHANISTAN

WEDNESDAY, MAY 9, 2018

U.S. SENATE,
SUBCOMMITTEE ON FEDERAL SPENDING,
OVERSIGHT AND EMERGENCY MANAGEMENT,
OF THE COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Committee met, pursuant to notice, at 2:30 p.m. in room 342, Dirksen Senate Office Building, Hon. Rand Paul, Chairman of the Subcommittee, presiding.

Present: Senators Paul, Peters, Harris, Jones, and McCaskill.

OPENING STATEMENT OF SENATOR PAUL[1]

Senator PAUL. Thank you for coming. I call this hearing of the Federal Spending Oversight (FSO) Subcommittee to order.

Almost 17 years ago, the United States invaded Afghanistan to topple the Taliban regime, that provided safe harbor to perpetrators of the 9/11 terrorist attacks. I think that was the right thing to do at the time, but I think we have simply stayed too long.

This is the longest military engagement in U.S. history. We have already been there 7 years longer than the Soviets, and their occupation is often characterized as a failure, their Vietnam. Instead of learning from their experience, we seem to want to duplicate it. We have occupied their old bases, we are trying to build the same kind of infrastructure, and we are fighting the same kind of guerilla force.

What is more troubling is that some talk about never coming home. We are told our mission there is vital and that we are making a stable country in the region which will pay a peace dividend even if we have to stay 50 years.

Recently, Secretary Pompeo admitted there is not a military solution to the Afghan war, and yet this Administration just upped our troop numbers. We build dams and electric transmission lines, and the Taliban blow them up, or worse, take them over and sell the power back to the Afghan people. And, by the way, while we are building infrastructure there, our infrastructure at home is aging and crumbling.

The country is not safe. You cannot even leave the embassy. Most of the time our personnel cannot even visit many of the infra-

[1] The prepared statement of Senator Paul appears in the Appendix on page 29.

structure projects we pay for. Let me repeat that: we cannot even visit many of the projects we are paying for.

We have an opium problem there. We have an opium problem here. And despite spending over $8 billion in Afghanistan, they are still the leading producer of poppies, as an origin of heroin, for the world. It is just insane.

To top it all off, we are spending over $40 billion each year for this. So the purpose of this hearing is to really take a deeper dive and to examine that spending. We have the Special Inspector General for Afghanistan Reconstruction (SIGAR) here today to talk about some of his great work exposing things like the $42 million natural gas station, the $60 million power transmission system that does not work, buildings that melt in the rain, and the $80 million consulate up in Mazar-e Sharif that was never occupied because it was not secure. We want to hear about their ongoing corruption review as well.

Our second panel will be staff from the Subcommittee who recently returned from an oversight trip to Kabul. As mindboggling as the waste seems back here in Washington, I understand from them it is all the more galling when you are there on the ground.

I have made it no secret I think we should come home. I think we went in for the right reasons but we stayed too long. It is not our job to build countries, and, frankly, I think we do a poor job of it. If you talk to our soldiers, I think they will tell you that is not why they enlisted.

I think we anger as many people as we help, and that also makes the taxpayers back home angry.

With that, I will recognize Ranking Member Peters for his opening statement. Senator Peters.

OPENING STATEMENT OF SENATOR PETERS[1]

Senator PETERS. Thank you, Mr. Chairman, and I would like to join you in welcoming Inspector General Sopko and Ms. Miller to the Subcommittee. I look forward to both of your testimony.

Today's hearing is notable, not just because of its important topic, reconstruction spending in Afghanistan, but also because of its venue. Although the Senate regularly holds hearings related to our Nation's efforts in Afghanistan, until now those hearings have generally been held before the Armed Services Committee and the Foreign Relations Committee. It is rare for our Oversight Committee to focus on spending in Afghanistan, but I do think we should.

In the 17 years since September 11, 2001, the American taxpayer has been asked to bankroll hundreds of billions of dollars of spending on combat relief and reconstruction in Afghanistan. Our total bill is quickly approaching $900 billion, not counting what we spend here at home treating and caring for our veterans. More than $125 billion has been spent on relief and reconstruction alone, and even accounting for inflation, that is more than we spent on the Marshall Plan to rebuild Western Europe in the aftermath of World War II.

[1] The prepared statement of Senator Peters appears in the Appendix on page 31.

Frankly, calling it reconstruction is somewhat of a misnomer. Much of our work in Afghanistan is construction, building infrastructure and capacity where currently none exists.

After 17 years and hundreds of billions of dollars, it is more than fair for taxpayers to ask, "Is it worth it?" "What is the return on our investment?" "Are we throwing good money after bad?" and "Why are we spending hundreds of billions of dollars on infrastructure thousands of miles away when our own roads and bridges are crumbling right outside our doors?"

What do I tell the people of Flint, Michigan, who ask me, "Why are my taxes paying for clean water in Kabul when I do not have clean water in my own home here in Flint?"

These are important questions and very hard ones. Partly they are policy questions. Put simply, the money we spend in Afghanistan is intended to promote our national security, and thanks to the incredible dedication and sacrifice of our servicemembers, frontline civilians and their families, we have been successful in driving al-Qaeda out of Afghanistan and denying safe haven to transnational terrorists. We have made progress in democracy and development in helping to strengthen Afghan institutions. There are more roads and more electrical lines. Literacy is up and infant mortality is down.

And yet, Afghanistan is not secure. We are constantly warned that chaos will follow a precipitous withdrawal of our forces and funding, and every year we add tens of billions of dollars to the bill.

Taxpayers are growing weary. My constituents tell me we cannot afford to write a blank check.

To draw America's longest war to a successful conclusion, we must empower Afghans to achieve and sustain the peace. We must responsibly reduce our spending as we continue to transition military and governing capacity to Afghans. How we achieve that is as much about process as it is policy. The right policies do not ensure success on their own; in fact, far from it. When the money we spend in Afghanistan is wasted, stolen, or ends up in the hands of the very enemies we seek to defeat, it undermines our policy, however well intended.

I hope that is what we focus on here today. How do we prevent waste, fraud, and abuse from our spending in Afghanistan? How do we ensure that each dollar is put to its highest and best use? How do we track it? How do we measure its effectiveness? Are the right oversight structures in place to provide us with the information that we need to make the tough decisions?

I know from my own visit to Afghanistan, and from the visit made by our staffs last month, our security posture severely limits the ability of Americans to work outside of the wire. In many cases, American aid workers and auditors cannot even visit the projects that our taxpayers fund. What oversight options, if any, do we have in that kind of security environment?

I am grateful to be here to hear from Mr. Sopko and Ms. Miller, who have years of experience working on these questions, inside and outside of Afghanistan. Between them, they can speak to the challenge of conducting reconstruction programs and the challenge of auditing and overseeing these programs, and I certainly thank you for your service and thank you for being here today.

Members of this Subcommittee have a wide range of views about our Nation's involvement in Afghanistan, but whatever your views, our success depends on spending money effectively, even as we seek to reduce our overall expenditures. Waste fuels corruption, undermines the institutions in Afghanistan that we seek to empower, and breaks faith with the American taxpayer.

I hope today's hearing will help address these issues and send a strong message that Congress' role does not end when we pass a budget and write a check. We have an obligation to follow the money and ask the tough questions.

I thank you and yield back.

Senator PAUL. Thank you, Senator Peters. With that I will begin with our witness opening statements. I will remind the witnesses that their already-submitted written testimony will be included in the record and to keep their remarks to 5 minutes.

Our first witness is Special Inspector General John Sopko of the Office of the Special Inspector General for Afghanistan Reconstruction. For those of you who are unaware, Special Inspector General Sopko worked for the Permanent Subcommittee on Investigations from 1982 to 1997. He assumed his role as the Special Inspector General in July 2012. He has an illustrious resume with more than 30 years of experience in oversight and investigations, as a prosecutor, congressional counsel, and senior Federal Government advisor. He holds a bachelor's degree from the University of Pennsylvania and a JD from Case Western University Law School.

Special Inspector General Sopko, welcome back to the HSGAC hearing room, and I recognize you for your opening statement.

TESTIMONY OF JOHN F. SOPKO,[1] SPECIAL INSPECTOR GENERAL, SPECIAL INSPECTOR GENERAL FOR AFGHANISTAN RECONSTRUCTION

Mr. SOPKO. Thank you very much, Chairman Paul, Ranking Member Peters, and other Members of the Subcommittee. Thank you for inviting me to appear before this Subcommittee to discuss our oversight work in Afghanistan and the status of reconstruction there. Let me express my appreciation for the attention the Committee has paid to SIGAR's work.

As you know, Mr. Chairman, both you and Senator Lankford have highlighted many of SIGAR's findings in your reports on government waste, and Senator McCaskill's recent report, entitled "Fast Cars, Easy Money" highlighted gross mismanagement of taxpayer dollars initially identified by a SIGAR audit. Likewise, I appreciate that the majority and minority staff of the Committee took the time to learn about our work firsthand during their recent travel to Afghanistan.

Now this Committee, as you well know, is tasked with "studying the efficiency, economy, and effectiveness of agencies and departments of the government." SIGAR is charged with a similar requirement, to look at all Federal entities involved in Afghanistan reconstruction. We are the only Office of Inspector General (OIG) authorized to examine all aspects of reconstruction, regardless of

[1] The prepared statement of Mr. Sopko appears in the Appendix on page 33.

the department or agency involved, including U.S. funds contributed to international organizations for Afghanistan.

Now that is critical, especially critical today, because reconstruction in Afghanistan has involved many United States, foreign, and multinational agencies conducting an immensely wide range of activities, including building the Afghan security force, undertaking efforts to improve education and health care of the Afghan people, fighting corruption, fighting the narcotics trade, and developing the Afghan economy.

We have seen much good work done, but we have also reported on far too many instances of poor planning, sloppy execution, theft, corruption, and a lack of accountability. Some of the most egregious examples SIGAR has identified include the Department of Defense (DOD's) purchase of nearly a half billion dollars' worth of secondhand airplanes from Italy that were unusable and later sold as scrap; the construction of an Afghan security forces training facility that literally melted in the rain; numerous schools, clinics, roads, and other infrastructure built dangerously unsound and with little, if any, concern for the costs of supplying and sustaining them; and a failed $8.7 billion counternarcotics effort in a country where poppy cultivation increased by 63 percent last year alone.

Common problems we have identified include touting dollars spent as a metric of success and counting outputs, like training courses held, rather than outcomes of activity, such as whether those courses actually improved performance; poor coordination and parochialism among United States and foreign agencies, rather than an integrated whole-of-government approach; projects and programs developed without a metric to assess them; a failure to take into account the Afghans' ability to sustain these projects; and a persistent lack of accountability for poor performance, whether by firms or individuals. Also a loss of institutional memory due to constant personnel rotations, and illegal acts, like soliciting bribes, taking kickbacks, or stealing money.

Now Afghanistan reconstruction is a work in progress, and as we have all recognized, slow progress at that. Results to date have been decidedly mixed. But there has been progress, as noted by the members, including improvements in health and educational outcomes for the Afghan people.

While great obstacles remain, I believe that an effective reconstruction effort in Afghanistan can support this Administration's policy that the country must never again be a launching pad for terrorist activity. But to succeed, our government must do a better job of planning, overseeing, monitoring, and imposing accountability for misconduct and incompetence.

SIGAR, as you well know, does not make or weigh in on national policy. As an Inspector General, we do process. We look at the process. But as long as reconstruction efforts continue, we will persist in our efforts to improve the work by presenting the facts, as we find them, and making recommendations, where appropriate.

Thank you and I look forward to the questions.

Senator PAUL. Thank you for your testimony.

Our next witness is Laurel E. Miller. Ms. Miller is a Senior Political Scientist at Rand Corporation. She served as the Acting Special Representative for Afghanistan and Pakistan at the U.S. De-

partment of State, and prior to that Principal Deputy Special Representative. She has participated in national security and foreign policy studies on subjects ranging from democratization to conflict resolution to institution-building in weak States.

Ms. Miller holds an AB from Princeton and a JD from the University of Chicago.

Thank you very much, Ms. Miller.

TESTIMONY OF LAUREL E. MILLER,[1] SENIOR POLITICAL SCIENTIST, RAND CORPORATION

Ms. MILLER. Good afternoon, Chairman Paul, Ranking Member Peters, and distinguished Members of the Subcommittee, and thank you for having me here today.

I have been asked to address the effectiveness of U.S. spending in Afghanistan. This has two main components: efficiency of how the dollars are spent, as Mr. Sopko was addressing, and impact of the spending on achieving policy goals, and I will focus mostly on the latter, covering three main points. First, the motivation behind U.S. spending, why we are doing it; second, the results achieved; and third, I would like to propose a path forward toward reducing the U.S. commitment while mitigating risk.

First, the rationale for U.S. spending stems from the 2001 invasion. The United States ousted the Taliban regime not to improve conditions in Afghanistan for Afghans but to pursue U.S. national security interests in destroying al-Qaeda, and, because it had provided safe haven for al-Qaeda, the Taliban. The driving imperative of U.S. strategy since has been to prevent al-Qaeda and other international terrorist groups from regaining or gaining a foothold in Afghanistan and to prevent the return of Taliban rule.

But the invasion created a vacuum, which then had to be filled by establishing a new government and by developing that government's capabilities to provide the country's security and to work with the United States in denying space to terrorist groups.

The theory behind using taxpayer dollars to promote Afghan economic and human development, to improve public services, and to build institutional capabilities is that making those kinds of improvements would create a stable political and security environment. The United States has long recognized that it cannot only battle its way to stability in Afghanistan.

Although, in certain areas, the improvements sought have been achieved, on the whole, neither political nor security conditions in Afghanistan are more stable now than they were prior to the surge in troops and spending a decade ago. In other words, there are specific spending objectives that have been achieved but the ultimate purpose, a stable and self-sustaining Afghanistan, has not yet been fulfilled.

One possible explanation is that the theory I described of how this spending works is mistaken. One certain explanation is that achieving the kinds of impact that I have outlined, in a war-torn country anywhere in the world, is exceedingly difficult. For instance, creating from scratch security institutions cannot be achieved through quick-fix technical measures, but instead requires

[1] The prepared statement of Ms. Miller appears in the Appendix on page 50.

broad-based improvements in governance quality and changes in societal norms.

If the main stability goals have not been achieved then the question comes, what results have been produced? One way to answer that is to look at particular projects and whether they were competently executed and whether they produced the desired outputs.

But using a wider lens, it is also possible to answer in terms of the impact of the totality of aid on Afghan society. U.S. assistance has clearly produced some positive development outcomes, which have no doubt improved the lives of many Afghans.

A variety of statistical indicators show that health, education, access to information, and other facets of life have improved significantly, and that is a tribute to U.S. spending in the country. One example is the ninefold increase in the number of Afghan children in school, which is an important investment in future generations. There is, however, some doubt about the sustainability of these outcomes and the economic picture in Afghanistan has begun to deteriorate, together with security conditions.

In analyzing these results and the impact they have had on achieving policy goals, it is also important to consider how much better could be expected. It is important to note that the Afghan context is exceptionally challenging. It is still one of the world's poorest countries. It is arid, land-locked, historically has attracted interference by neighbors and regional powers, and it has suffered decades of damaging conflict. It can hardly be surprising that implementing assistance programs there is extraordinarily difficult. In realistically setting expectations for efficiency and impact, the significant limitations imposed by conditions in Afghanistan should be appreciated.

The crucial question comes back to one of policy. To what extent do U.S. national security interests justify continuing to spend assistance dollars while accepting that, inevitably, there will be leakages, losses, and imperfections? Answering that question should take into account that the Afghan government and the security forces the United States has established, in their current forms, are now dependent on that financing. At the extreme end of a range of options, rapid elimination of U.S. assistance would likely lead to a steep downward slide of security and political stability.

To conclude, I would say, in my judgment, U.S. national security interests could best be advanced by mounting a robust diplomatic initiative to negotiate a settlement of the conflict that would fold the Taliban into Afghan politics, enable the United States to narrow its security mission to focus on counterterrorism, and set the conditions for normalizing the scale of U.S. assistance.

Current U.S. policy nominally acknowledges the need, ultimately, for a negotiated settlement, but actual policy execution is still very heavily dominated by the U.S. military effort. A concerted, prioritized initiative to negotiate would be a major foreign policy undertaking, requiring both clear political backing and substantial diplomatic muscle; as yet, those requirements do not appear to exist.

Thank you.

Senator PAUL. Thank you for your testimony, and if Senator Peters is OK with this, I would like to encourage participation, and

so I am going to skip myself, Senator Peters, and go to Senator McCaskill, unless you have a complaint.

Senator PETERS. No.

Senator PAUL. Is that good? All right.

OPENING STATEMENT OF SENATOR McCASKILL

Senator MCCASKILL. Thank you, Mr. Chairman. Thank you for holding this hearing and thank you for deferring your questioning.

I wish, John, I could say to you that it looks like you are about out of work, that we have been at this a long time.

I have two parts of this I want to talk about. The first part, briefly, I think it is helpful for the Committee record to get some sense of what has happened in regard to infrastructure projects. Correct me if there is anything I am saying that is wrong, John but I believe what the genesis of this was, it all started with Commander's Emergency Response Program (CERP) money in Iraq. It started with walking-around money for sergeants and command leaders, to give storekeepers money for a broken window, to try to win the hearts and minds in a counterinsurgency fight.

Well, before you know it, and about 14 Armed Services Committee hearings later, we realized this had morphed into a large infrastructure situation where all of a sudden you had a mixture of roles between the United States Agency for International Development (USAID) and DOD as to who was responsible for building infrastructure. Is that a fair assessment?

Mr. SOPKO. That is correct. We have discussed it before, about the conflict between some of the agencies.

Senator MCCASKILL. So DOD decided they were going to start building things like highways, and they were going to start building things like health centers, and all of that went terribly awry in Iraq. You would think we would have lessons learned when we moved into Afghanistan, but, once again, we had an Afghanistan Infrastructure Fund (AIF), within the Department of Defense budget.

Now, I worked many years getting that to be gone, and am I correct now that the AIF is actually gone and the money that is currently being spent on infrastructure is only being done by USAID?

Mr. SOPKO. Senator, let me just ask my staff. I think there still may be some residual funds there but let me just check.

Senator MCCASKILL. Residual, but no new projects have been started with those funds in the last several years. Correct?

Mr. SOPKO. Not that we know of.

Senator MCCASKILL. A little bit of progress. At least there is an acknowledgement that we should not be having the military decide about natural gas stations in a country where there are no cars that run on natural gas.

The main question I would like to ask you now, Inspector General, about Afghanistan, is whether we are talking about the dual-fuel electric grid that never was operable, whether we are talking about the natural gas station, whether we are talking about the transmission project, whether you are talking about the highway that cost more to guard while we built it and there was no highway department in Afghanistan to maintain it, to your knowledge, has

anybody been held accountable on those projects in terms of losing their jobs?

Mr. SOPKO. No. No, Senator. No one is being held accountable.

Senator MCCASKILL. If there was anything that we could agree on, Mr. Chairman, it would be that I would love to partner with you and any of my colleagues on this Committee or any other committee to speak with one voice, that we are never going to stop some of this nonsense if the person who decided a natural gas gas station was a good idea never has consequences.

Senator PAUL. Could I interject a question and ask John why no one was held accountable?

Senator MCCASKILL. It has to do with contractors.

Mr. SOPKO. I think it is contractors. It is also the system. I would just add, Senator and Chairman Paul, many of the problems we see in Afghanistan are not unique to Afghanistan. The people we have sent to Afghanistan are not evil. They are not stupid. We gave our diplomats, our military, and our aid officials a box of broken tools. If you look at procurement—and I know, Senator McCaskill, you and I have had this conversation—DOD procurement has been on the Government Accountability Officer (GAO) high-risk list——

Senator MCCASKILL. Forever.

Mr. SOPKO [continuing]. Since 1991, the first time they came out with a high-risk list, but it is not fixed. The Office of Personnel Management (OPM) and personnel management has not been fixed. We cannot hire the right person fast enough and fire the wrong person fast enough.

So you go through the list. These are problems that I am certain the U.S. Department of Health and Human Services (HHS) IG or the U.S. Department of Veterans Affairs (VA) IG or anyone else would come in and probably tell you they see the same problems here in the United States.

Senator MCCASKILL. It is exacerbated somewhat in DOD because of the contractor reliance and the contractor relationships that are built up.

Mr. SOPKO. You are absolutely correct.

Senator MCCASKILL. In the second part of my time I would like us to talk about the report that the minority staff of this Committee put out, and I would ask that the report, "Fast Cars, Easy Money" be put into the record of this hearing.[1]

Senator PAUL. Without objection.

Senator MCCASKILL. I have been assured by Secretary James Mattis that I am going to get some answers. You were correct in your opening statement, John, that the genesis of this report was, in fact, your audit work in this area, where we discovered the legacy contract. The legacy contract is an effort to train Afghan personnel how to do intelligence gathering, and hundreds of millions of dollars have been spent.

Let me ask you, first, were you able to find any metrics in your audit that showed that this was actually performing as advertised, in terms of training Afghan personnel in appropriate intelligence gathering?

Mr. SOPKO. Absolutely not.

[1] The Minority staff report appears in the Appendix on page 75.

Senator MCCASKILL. And as part of this, we discovered that somebody shopped this contractor in DOD under a Broad Agency Announcement (BAA), which is a request for proposal that does not require competition. Basically they pretzeled this proposal to get the contract through without competition, and that was primarily done by a subcontractor who got the majority of the money and the legacy contract, New Century Consulting (NCC). Through the work of SIGAR and the work of my staff, we discovered that the United States of America has paid for Bentleys, for Aston Martins, for Porsches, all on the taxpayer dime, that the chief executive officer (CEO) and the chief operating officer (COO) are driving around the United Kingdom (UK), along with employing their spouses at average salaries of around $2-, $3-, $400,000 a year. It is my understanding that no work could be found these spouses or significant others had ever done. Correct?

Mr. SOPKO. That is my knowledge.

Senator MCCASKILL. That is what this report outlines. It is an egregious example of contracting gone amiss. And the whipped cream and cherry on top of this incredibly nasty sundae is that NCC is still doing business with the United States of America. They are still an existing contractor with the United States, as we speak. Their lawyer, who also happens to be the lawyer for Michael Cohen, which is a little interesting, wrote me a letter and said I need to quit bad-mouthing them. No chance. No chance am I going to quit bad-mouthing this company until we get to the bottom of what happened.

As I said, Secretary Mattis has indicated that he is going to get to the bottom of it. He sent me a handwritten note after the last Armed Services Committee hearing, when I went off on this, and he says we are going to hold somebody accountable.

I will hold my breath and hope that happens. In the meantime, I want to compliment the work of all the Inspectors General. When I first went to Iraq, after I got elected, I discovered that Inspectors General within the military are not like Inspectors General in the rest of the government. The Inspectors General in the military report to their commander. They have no obligation to report to the public or to Congress. They are really more about giving the commander information, and that is why SIGAR and the Special Inspectors General in places like Iraq and Afghanistan are so important.

There have been attempts to undermine your work. We have tried to defend you and protect the work that you do. But I want to compliment you on the record, and your great staff and all the auditors, especially those in theater, that do the really hard work. Thank you.

Thank you, Mr. Chairman.

Senator PAUL. Explain that again. So Inspectors General typically report to——

Senator MCCASKILL. Within the military——

Senator PAUL. I was going to say, outside the military, the rest of the Inspectors General report to——

Senator MCCASKILL [continuing]. Us, and to the public.

Senator PAUL. To each individual committee.

Senator MCCASKILL. Not to this Committee, but to the public and to Congress. And I got in a fight with the military when I first realized this because I was an auditor. I said, "Why are you calling them Inspectors General within the military?" because it looked like, to me, in Iraq, when I discovered—it looked like some of them were just covering their commander's you-know-whats. And they said, "Well, we had the name first, so you are going to have to rename everybody else before you rename us."

Senator PAUL. Do you agree with this assessment, Mr. Sopko, that the chain of command is different for the Inspectors General in the DOD than the rest of government?

Mr. SOPKO. Absolutely, Mr. Chairman. What Senator McCaskill is pointing out is that the Inspector General concept goes back to the beginning of the Continental Congress, and General Washington appointed the first IG. But they are service IGs. They report to the command, and basically are the eyes and ears of the command and improve the structure. It is a good structure but it is not the independent Inspectors General that you have in all the departments.

Senator PAUL. Well, my thought would be, Senator McCaskill, if you do not have legislation on this, I would be interested in doing legislation where we change the line of command for Inspectors General in DOD.

Senator MCCASKILL. There is a DOD IG that does not work within a command. In other words, we have an Inspector General at DOD.

Senator PAUL. OK.

Senator MCCASKILL. But I was taken aback, when I went to Iraq and I thought, OK, I am going to sit down with the Inspector General and find out what is going on in this unit because I was looking at contracting, I discovered, oh, you are not that kind of Inspector General.

Senator PAUL. All right. I got you. Senator Jones.

OPENING STATEMENT OF SENATOR JONES

Senator JONES. Thank you, Mr. Chairman. Just to follow up on that, although I am almost inclined to yield my time since Senator McCaskill is on a roll——

Senator MCCASKILL. Do not do that. I could go all day on that.

Senator JONES. Yes, I know. That is why I am not yielding my time, Senator.

Senator MCCASKILL. Smart man.

Senator JONES. I am a former prosecutor, former U.S. attorney, and I am just stunned by what I just heard, that no one is being referred, not to just be fired but to go prison on something like this. And the chain of command, what we just heard, is that the reason why there are no prosecutions going on here?

Mr. SOPKO. Senator, there are some prosecutions, and I apologize if I misstated that. We, ourselves, have the largest law enforcement presence in Afghanistan, U.S. law enforcement. We have indicted and convicted over 100 individuals.

Senator JONES. OK.

Mr. SOPKO. My staff has recovered over a billion dollars in fines and penalties. But what I think I was responding to—and again,

I apologize if I misspoke—is that for the misdeeds—and it is not criminal. This is just incompetency, sloppiness, and whatever—no one gets fired. If you steal $20, somebody will try to indict you. But if you, just through gross negligence, waste $150 million, like we saw in some of our cases, nobody gets fired by the Department of Defense, USAID, or the State Department. That is what we are dealing with.

Senator MCCASKILL. Right.

Senator JONES. All right. To follow-up on that, you mentioned that there is a significant problem with corruption, in general. Is that coming from the other side? Is that coming from the Afghan government, and officials that you have to deal with in these reconstruction efforts?

Mr. SOPKO. Oh, absolutely. Afghanistan is one of the most corrupt countries in the world, and it has been historically viewed that way, so you are dealing with a very corrupt regime to start with. Now, it has changed, I think for the better, and that is one of the improvements. With the national unity government under President Ghani and CEO Abdullah, they care about trying to fight this.

But assume, sir, that it is almost like you are the mayor of Chicago in 1930. Every cop, every prosecutor, every judge has been paid for by organized crime. How do you start? And we have been helping. DOD has been trying to help, USAID, and everybody else, but it is an immense task to turn that around.

Senator JONES. Is there anything that Congress can do, any tools that we can give that would assist, that you do not have now?

Mr. SOPKO. Well, I raise it in my statement. The big issues we have has to do with security and the ability of, not just us, but the Department of Justice (DOJ) attorneys who are over there, to help educate and mentor the prosecutors. They have a physical problem with getting out. They are faced with the same economic problem because of those charges that the State Department imposes on us. It costs more money for one of my people to travel three miles to the Afghan international airport, than it does to fly home to Dulles, and that is a charge that the State Department is charging us.

So that affects every civilian agency. There are some things, and I am happy to discuss, where you can help us, because pretty soon it is going to be impossible, financially, for us to do oversight in Afghanistan.

Senator JONES. Well, that is where I was going next, in the security. I take it that getting out into the country, to get to the places that you need to go, is a major problem for security reasons. So let us just go there. You said you are happy to discuss. Tell us what we can do to help alleviate the security issues, or at least alleviate the cost of the security.

Mr. SOPKO. Well, the cost of the security is one I identified. It is the International Cooperative Administrative Support Services (ICASS) costs and also the travel costs. I think somebody just needs to talk to the new Secretary of State and talk to him about these charges that they are imposing.

The general security in Afghanistan has deteriorated, and there is nothing you can legislate about that. But you can talk to the State Department about a policy that we have seen over the last

few years—and this is not meant as a criticism of Professor Miller, who had nothing to do with the policy—but there has been a reluctance to taking a risk. People have thought you could do diplomacy and have thought, at main State, that you can do reconstruction risk-free. You cannot. If you want to avoid all risk then you might as well shut down the embassy, and shut down my office, and try to do it remotely from Dubai. And that is what has permeated the State Department.

Now I am hoping, with the new Secretary of State—I know there is a new Ambassador in Afghanistan who appreciates that problem, who wants his people to get out, who wants the aid officials to get out to see those sites, but there has been this risk aversion. That is something that is just killing us and killing our diplomats—and I do not mean physically, but killing their ability to work.

Senator JONES. How are you doing it? How are you getting out there?

Mr. SOPKO. Well, we are trying to use satellites. We are trying to use Afghan civilians who work with us. We are trying to use every technique we can. But as your staff from the Committee will tell you, you have to go out and kick the tire. You have to put eyes on the Marriott Hotel. You have to go see these facilities. You have to take a calculated risk.

What I am telling you, I have been doing this for 6 years. I have seen this over the last year. Nobody permits us to take that risk. And again, if we approach it that way, the bad guys have won, because we never leave the embassy, or rarely leave it.

Senator JONES. I agree. Well, I commend you for the work that you have done.

I would like to take my remaining seconds, Mr. Chairman, to commend my Alabama National Guard and the First Battalion of the 167th Infantry Regiment for all the work they have been doing, helping you and your security and contributing such a great deal to the U.S. efforts, transporting 18,000 passengers over thousands and thousands of miles. So just a plug for my guys.

Mr. SOPKO. I will definitely congratulate your Guard. I actually sent a letter of congratulations to them. They did a wonderful job, because they were supporting us on a lot of our moves, and they did a fantastic job. And that is what we really need. We need a memorandum of understanding (MOU) signed and approved by the State Department and DOD that where State cannot provide the security, DOD will step in. It makes sense, financially. They are there. They are very well trained. But we even had a reluctance by the State Department to allow DOD to protect us in doing our job.

Senator JONES. Well, that is something, Mr. Chairman, I think we should explore.

Senator PAUL. We are going to turn to Senator Peters here in a second, but I just wanted to interject one thing on your point, is that you can do these things but the question is, yes, you should have oversight, but there is also a question of can we ever get to that point? For example, the gas station. I asked Mr. Sopko about the gas station. He said to see it, for an American to go see it, sure you can go see it, but you would have to have a couple hundred troops and warships and all this. You basically are going into

enemy territory. We are not talking about spending $1,000 to go look at it. We are talking about an enormous expense.

So we are not winning the war, necessarily, and I do not know—it is not a question of—for some of it it may be better oversight, but some may be, is it something we should continue to do at all? Senator Peters.

Senator PETERS. Thank you, Mr. Chairman, and I am going to want to ask some questions related to that, as far as just the overall metrics of how we measure success in Afghanistan, to ask those bigger questions that you just raised, Mr. Chairman.

Before I get there, Mr. Sopko, you mentioned it in your opening comments too. It is an issue that just drives me crazy, especially given what we are facing here in the United States with the opioid crisis. I understand a lot of the opium from Afghanistan does not come to the United States. It is in Europe and other places. But on a recent trip that I took to Afghanistan, I was told we are just an illicit contract away from perhaps seeing an awful lot of Afghan opioids getting into the United States as well.

And yet as you mentioned in your opening testimony, here is a situation where we have spent—I think this is based on your most recent quarterly report—we have spent $8.7 billion for counter-narcotics efforts since 2002, and what we have seen is the total area continues to increase for cultivation and now production has reached an all-time high.

What is going on after spending $8.7 billion?

Mr. SOPKO. Well, our work has shown that the programs did not work and they were not well coordinated. First of all, let me just preface this, that we understand it is difficult to fight narcotics. I mean, they have been doing it in Mexico for decades. They have been doing it in Colombia. When I first testified here for Senator Sam Nunn and for Carl Levin we were looking at counter-narcotics programs in the Andean region in Colombia back in the mid 1980s. It is a very difficult undertaking, so I understand it.

But we will be issuing a lessons-learned report. As a matter of fact, we have already issued three, but in another month we are going to issue one where we actually looked at our counter-narcotics programs for the last 17 years, and tried to draw out best practices. Since the report is not out yet and it is still under review I cannot really go into the details. I am happy to come back and brief you on that.

Basically we had a lot of programs but they were poorly coordinated and poorly executed. We are now faced with a situation—and again, I may show my age, Senator. I go back here to the Bureau of Narcotics and Dangerous Drugs, which was created before Afghanistan, and I remember talking to former Commissioner Harry Anslinger, and he said, "Look at these variables. Look at price and purity." In this case, look at price, purity, and look at the amount under cultivation. Hectares under cultivation have skyrocketed. Opium produced, skyrocketed. Exports, skyrocketed. Price has decreased because there is just so much opium out there.

We have interdicted more, but if you take all of the interdictions over the last 10 years in Afghanistan, they are equal to 0.05 percent of the production, just for this year. Just let that sink in. Every interdiction we have done for the last 10 years is equal to

0.05 percent of the production just for this year, and next year will be a bigger crop. So we have to do something, because the opium is funding the corruption, the opium is funding the terrorists, and if you want to do something about both of those, we have to come up with some programs and policies that actually work, and commit ourselves to them.

Senator PETERS. Thank you. Ms. Miller, I would like to have you discuss a little bit about what you think would be the metrics that we would measure success in Afghanistan. I think in your testimony you talked about normalization, to be able to stabilize that, and in your oral testimony you talked about we still have not really achieved political and security stability there.

But as we are spending the amount of money that we are spending in Afghanistan, I would hope that there is a set of fairly objective metrics, and not just measured in the outputs, as we heard in testimony as well, but what does success mean in Afghanistan? How do we measure that, and where are we today, in terms of those kinds of measurements, in your estimation?

Ms. MILLER. Thank you, Senator. First, just to add one word on the counter-narcotics issue. There may well have been problems with the process of how the assistance was delivered, coordination and such. I am certain that there were. But I do not think that is by any means the predominant reason for failure. The incentives driving narcotics production and trafficking in Afghanistan, and the conflict dynamics that help to perpetuate it, are just far more powerful than United States spending in Afghanistan, than anything we could do through assistance programs there in counter-narcotics. That is not to say we should not improve efforts where we can, but I have no expectation that U.S. Government programs in Afghanistan are going to materially address the narcotics problem there.

On the question of metrics of success, the main metric of success should relate to the main reason why we are in Afghanistan, which is dealing with our counterterrorism concerns in the region. I think you could say that the fact that the United States has had considerable success in decimating al-Qaeda in the region is an out-and-out success, in terms of what our original reasons were for invading the country.

The second key element is are we bringing stability and sustainable stability to the country in a way that will enable the United States to reduce its commitment, reduce its military presence, which is much more expensive than any of the assistance spending in the country, to normal levels and a normalized assistance relationship with the country. I think that success in that sense is only going to come through ending the conflict, through achieving a political settlement that enables us to reduce our troop commitment in the country, essentially to withdraw most or all of our troops from the country, and to normalize our assistance levels. Until we do that, we may have achieved some intermediate levels of success on some of the more narrow objectives but we will not really have succeeded in fulfilling our purpose in Afghanistan.

Senator PETERS. Yes. Mr. Chairman.

Senator PAUL. Mr. Sopko, you mentioned the half a billion dollars in cargo planes we bought from Italy, and then I guess they

are being sold as scrap and that no one has really been held accountable for that. Correct?

Mr. SOPKO. That is correct.

Senator PAUL. So this is somebody in purchasing at DOD who made the decision to buy the airplanes?

Mr. SOPKO. That is correct.

Senator PAUL. OK. So when you do the analysis and you discover this and point out that this much money and this bad decision was made, you tell us or you issue reports. Do you get a time to specifically talk to commanders or people in the military about your reports?

Mr. SOPKO. Yes, we do, and many times we do get very positive response on that. On the G.222, which is that military plane, just so you know, we do have an open criminal investigation ongoing in that case.

Senator PAUL. OK. So there is a possibility that somebody will not be fired, that someone actually committed malfeasance in it. But let us say there is an example, just X example, where it is just a bad decision. You do go to the military and then if you indicate that this was just a terrible decision, that someone made an unwise decision, there was no malfeasance, do you get a response? Do you ever see anybody fired from your recommendations like that?

Mr. SOPKO. We normally do not see anyone fired. We have actually, on a couple of cases, recommended action be taken and nothing happens.

Senator PAUL. So you make formal recommendations sometimes on specific personnel that made a decision.

Mr. SOPKO. Yes, we have, in the past.

Senator PAUL. OK. And it is being pointed out exactly to the people who are in the chain of command of making these decisions.

Mr. SOPKO. A classic example, sir, was we uncovered a 64,000-square-foot headquarters that was being built in Camp Leatherneck. I think it was $36 million, approximately. The Marine Corps commander down there said, "Do not build it. I do not want it. We will not use it." His boss, General Allen, said, "Do not build it. I do not want it. We will not use it." But somebody, a general officer sitting behind the lines, said, "We have to spend it. We have to spend it because Congress gave us the money." So we wrote that up, we thought it was gross negligence, and the Secretary of Defense at that time, not the current Secretary of Defense, basically said they did not view that as an issue.

Senator PAUL. I wonder if part of the answer might be in who gets your reports if you are giving it to a chain of command and they happen to be good friends, and they have risen through the ranks together, and they are unlikely to make the necessary personnel change, whether or not it is presenting the evidence, maybe, to a higher level, to a political appointee or to a supervisor at a two or three levels removed that is not working with the people involved with the decisions—does that happen also?

Mr. SOPKO. Well, we do wide distribution, Mr. Chairman, of our reports, so I think politicals definitely see our reports also.

Senator PAUL. All right. And how often are you doing these in person? How often would you come before, if I am the general and four levels beneath me made this decision on half a billion planes,

would you have a time where you are sitting face to face with a general or major general or an Assistant Secretary of Defense or a Secretary of Defense and let them know about these things?

Mr. SOPKO. Sometimes. We try. They do not always let us come in to brief them on that.

Senator PAUL. See, I am wondering if maybe that would be part of the solution. I cannot just say, "Let us write an edict that people should be fired for a bad decision and we should do that." But I am wondering if maybe we could have legislation that some people have to come once a year and testify here—if, perhaps, maybe some of these reports need to have someone designated to listen to it in person, who is high up in the chain of command, making procurement decisions, making purchasing decisions. Do you think that would work or do you have any other suggestions on how we would make the system work better?

Mr. SOPKO. Well, I think you need to change the culture and hold people accountable for it. If you do not hold people accountable for wasting money, they will continue to waste money. I think we see that throughout the U.S. Government. I have been looking at this since I started in 1982, actually, 1978—and people just are not held accountable for stupid decisions that waste taxpayers' money.

Senator PAUL. So sometimes it works but you think it works when we get a good person that you get to who says, "We cannot allow this to happen." That begs the question, how do you get more good people in government?

But I think in some ways we have to look at some sort of mandatory way of having people listen to your information, such that it gets to, and I think it has to be somewhat above the close part of the chain of command where you might be socially engaged with the people who made the decision, and unlikely to fire someone you are close to.

There is another argument, as well, that Friedman always made, that nobody spends somebody else's money as wisely as their own. That is why you have more waste in government. It is not your money, and so, people are never going to be as good with it. I think there is truth to that. Government is never going to be very good, but it certainly should not be as bad as we see government to be.

Mr. SOPKO. But, Mr. Chairman, could I allude to something? In one case, for example, from publicly disclosing our findings—a good example is General Mattis, as Secretary of Defense, took one of our reports—it was a report on the camouflage uniforms—and basically sent a memo to every senior official in the Department of Defense saying, "See this report, read it. Do not ever do anything like this again." And that sends a message.

Senator PAUL. Yes, and I think so. What I am getting at is thinking of—and I do not think we have to say that the Secretary of Defense has to sit down with you or meet with you. But maybe an Assistant Secretary of Defense, once a year, should have to sit down with you, and look at you across the desk, and have a group of people with them, their staff and your staff, and actually listen to what you are saying, and maybe you will get more results if we mandated such a meeting.

Mr. SOPKO. Well, there is no reason to mandate. We do that.

Senator PAUL. OK.

Mr. SOPKO. We meet with heads of agencies and we tell them what we are finding, and we identify people. We do that on a regular basis. But again, I think I would clearly look at the process for removing people or penalizing them for these actions. I do not think there is something in place or a motivation to do that, in many cases.

Senator PAUL. Ms. Miller, on the narcotics, I think I got your point but I think you could maybe expand on it a little bit. It seemed you were indicating that there were other forces so large that there was not an amount of money that would stop the growth and the distribution of poppy out of Afghanistan. If that is what you said, say yes, and expand upon what are those? I did not really get what those forces are that are so big that make it almost impossible to stop the narcotics trade.

Ms. MILLER. Yes. I mean, some of it is just that the sheer scale of the problem is enormous. Some of it is that it is just an incredibly lucrative commodity. The economic dynamics that support the perpetuation of the narcotics industry in Afghanistan are very powerful and are more powerful even than the $8 billion we spent on programs to try to fight it.

There is also a problem of political will on the part of the Afghan government. I am not saying there is no will, but it is not only the Taliban and other malign actors in Afghanistan who benefit from narcotics trafficking and production. It has also historically been people who are associated with the Afghan government. And so the political incentives, as well, to try to fight this are not as strong as they could be.

Senator PAUL. Well, and I think that has been the comment by some that we blame it on them and we could also look in the mirror. If we did not want to buy it, they would not sell it. If there was not a demand, there would not be a supply. But I think it is important to highlight the degree of not believing that something will be done. This is an important one to know before, because if we are making policy decisions, we could spend $16 billion. This gets back to Senator Jones' point a little bit on how do we do better oversight. Well, we could. We could spend billions of dollars more and we could have armed escorts to every one of the projects we are spending money on. So it is either we keep spending the money and we spend more money to send armed troops to look at it, or maybe we re-evaluate whether we should spend the money there or here at home.

I have no more questions, and we are probably going to end the panel, but I wanted to go to Senator Peters and anybody else that has a question before we finish up the panel.

Senator PETERS. I appreciate it, Mr. Chairman, and I will just pick up on the point, Ms. Miller, when it comes to the opium production in Afghanistan. You mentioned the Taliban are engaged but there are others. It is my recollection, in my trip to Afghanistan, that as big as the amount that the Taliban is producing—it is a very large amount, but it is a relatively small fraction of the total amount that is produced in the country. The numbers were overwhelming. There are folks outside the Taliban that are profiting to a considerable extent as a result of this production.

But my question is in reference to a letter that was sent to the Subcommittee by Andrew Wilder from the U.S. Institute of Peace. He references the Goldilocks approach to aid funding, and he argues, in the letter, that I would like to enter into the record, if I may, without objection, that too much money for civilian and military reconstruction and stabilization programs during the period of the troop surge was a major factor promoting waste, fraud, and abuse. But he goes on to argue, sharply reducing to too little assistance within too short a timeframe would likely lead to State collapse in Afghanistan in a catastrophic way. Ms. Miller, would you like to comment on that approach?

Ms. MILLER. I largely agree with that. In the written testimony that I submitted I made the point that time is probably more valuable than money in Afghanistan. I think it is definitely a problem that we pushed out too much money too fast at the height of the surge, and that led not only to waste and abuse but it led to poor planning, and, really, I cannot say that I know anyone who was responsible for spending that money who did not feel that it was too much money, too fast, and it created bad incentives on the U.S. Government side, it created bad incentives on the Afghan side as well.

I do think that the dollars that we are spending have been declining, and I think that is appropriate. But to go dramtically down from where we are now too precipitously, I think would jeopardize our own national security interests.

Senator PETERS. One final question, because I know the Chairman wants to get to the second panel here. As we have discussed with the extent of the corruption that we see with the Afghan government in executing these contracts and not seemingly meeting any of the expectations that we have for them, there has been discussion of entering into contracts with the Afghan government on the principle of conditionality, where you do not receive funding unless certain conditions are met, in terms of outputs.

I would like both of you to comment briefly. Is that something we should explore? What are the positives, what are the negatives, and what has been done currently and what should we do differently?

Mr. SOPKO. Oh, I think that is a very important point, and we did not really have good conditions, and, more importantly, enforce those conditions until recently.

I remember talking to General Semonite when he ran the Combined Security Transition Command (CSTC–A), 2 years ago, and he said DOD put no conditions up to that time.

Senator PETERS. Wow.

Mr. SOPKO. It was only when he took over that we started it, putting conditions. So that is what you have to do. If you talk to President Ghani—I was just there 2 weeks ago—he says, "Give me conditions. If you give me real conditions I can use it to enforce my ministers to do the right thing." And I think you can see this right now with what you did in the appropriations bill. You basically passed a law ordering us to assess the Afghanistan anticorruption strategy and its implementation. Although I cannot tell you the results of that audit—it is going to be done in another month—we have seen tremendous efforts, on behalf of the Afghans, to get their

act together, because they are afraid the appropriators are going to cut the budget.

That is smart conditionality. I agree wholeheartedly, Senator. We need to do that. We need to enforce it. We have to be able to risk saying no to the Afghans and cutting funds if necessary.

Senator PETERS. Ms. Miller.

Ms. MILLER. I hate to be even less optimistic than John Sopko—— [Laughter.]

I may have lost some friends there. But, look. Conditionality is an important tool. It is a tool that the United States has been using increasingly in Afghanistan and other donors as well. But it is no panacea, and there are two real limitations to using conditionality. One is a practical limitation. Who are you motivating by imposing conditionality? If there are Afghan officials, or people connected with them, who are prepared to steal from the public coffers, they are not going to be motivated not to steal from the public coffers because the U.S. Government is withholding funds. You may be providing some motivation to some of the good actors but you are not incentivizing the bad actors.

The second problem is a policy one. We have entered into a mutual dependency with the Afghan government, because of the nature of our strategy in Afghanistan. We are giving the Afghan government this money because we have judged it to be within U.S. national security interests to have a stable government, and it has been judged necessary to give them this assistance in order to promote their stability. Therefore, if we reduce that assistance, as a matter of conditionality, we are undermining our own security. It does not mean you cannot do it to some extent, but that, we have tied our own hands behind our back in terms of using conditionality, because of the nature of the policy and the strategy that we have in the country.

Senator PETERS. Thank you.

Senator PAUL. Thank you for your testimony. Thanks for joining us and keep up the good work.

We are going to go to our second panel now.

[Pause.]

Thank you. I would like to welcome our second panel. Our second panel is Greg McNeill and Sergio Gor. At the behest of this Subcommittee, they recently participated in a bipartisan staff delegation to Afghanistan to conduct oversight of Federal spending.

Mr. McNeill has served on the FSO Subcommittee majority staff since 2015, and as Staff Director for 1 year. Prior to joining the FSO Subcommittee, Mr. McNeill spent 8 years as a budget analyst on the Senate Budget Committee. Additionally, he served as the Minority Staff Director for the Senate Budget Committee Task Force on Government Performance from 2009 to 2015. He holds a bachelor's degree in political science from the University of Oregon and a master's of public administration from Central Michigan University.

Mr. McNeill, you are recognized for your opening statement.

TESTIMONY OF GREGORY McNEILL,[1] MAJORITY STAFF DIRECTOR, SUBCOMMITTEE ON FEDERAL SPENDING OVERSIGHT AND EMERGENCY MANAGEMENT

Mr. MCNEILL. Thank you, Chairman Paul. Chairman Paul, Ranking Member Peters, and Members of the Committee, it is an honor to be here today to report on the Subcommittee's recent bipartisan and fact-finding mission to Afghanistan. I want to thank all of those from the State Department, the U.S. military, and SIGAR for making this fact-finding mission possible. Most importantly, I want to recognize the soldiers who served and sacrificed in Afghanistan, particularly those that have given their lives.

Over 2½ half days, our bipartisan team participated in approximately 12 meetings with personnel on the ground and four site visits at various locations in Kabul and at Bagram Air Base. I would say that we barely scratched the surface.

The first thing I want to report is that we were told repeatedly that this was only the second congressional oversight mission to Afghanistan, whereas appropriators and authorizers go roughly every 10 days. If you do the math, that is 1 in about 150 trips. That means that congressional oversight is at a decided disadvantage to congressional spenders.

I want to highlight just a few things that we saw while we were there. First, the U.S. efforts to provide electricity to the Afghan people, and second, U.S. demilitarization and disposable property.

First, we investigated the northeast power system, and, really, the entire electrification effort in Afghanistan. In 2001, roughly 6 percent of the Afghan population had power. Today that number is over 30 percent and we are aiming for full electrification by 2020.

But this effort, which is expected to cost about $750 million, is riddled with problems. To begin with, we are building towers on people's land without getting their permission first. Let me pause there. I should not say we are building these, because though U.S. dollars can go to these locations, U.S. personnel cannot because of safety concerns, so we are trusting contractors to do it for us.

Nonetheless, this electric grid is being build, and though it does not even meet the standards of the contracts that we are writing, eventually it is turned over to the Afghan power authority. Last year, the Afghan power authority reported a net loss of $23.4 million. Now this could be for a couple of reasons. One could be that the Taliban keeps blowing up their transmission towers. We assume it is the Taliban and not the landowner who woke up 1 day to find a tower in his backyard. Nonetheless, these are getting blown up, sometimes dozens of times.

Now, U.S. officials think that this is still a success because the Afghan power authority is now very accomplished at rebuilding towers and restringing line. We were told a couple of times it is done in hours now, whereas before it was done in days. Of course, this ignores the wasted money we spent building the original tower, and we still, through various means, provide funding to the Afghan electric authority.

The end result is the same. Either the power authority eventually pays the Taliban a bribe to stop blowing up the towers or the

[1] The prepared statement of Mr. McNeil appears in the Appendix on page 58.

Taliban just takes over the towers and then charges the local population. This, apparently, is seen as a success.

The other item I want to talk about is a project this Committee has been working on for 4 years. Several years ago, we heard from a whistleblower that brand-new, never-used equipment and vehicles were being destroyed in industrial shredders in Afghanistan. We have been asking about this for 4 years, and we keep getting told that either it is not happening at all or it is just extremely rare.

We went to the facility at Bagram Air Base to see for ourselves, and we saw a lot of worn-out equipment being shredded in industrial shredders. But you can imagine how surprised we were, after being told that this was not happening, walking into a warehouse and finding three large bins full of brand-new electrical equipment—breaker boxes and breakers, still in their original packaging.

Now we do know that during the drawdown the U.S. scrapped roughly $7 billion worth of military equipment, and we have been told repeatedly that there was a lot of waste during the early part of the war, and then, of course, during the drawdown. We heard that during the first panel that there was a blank check. But these things that I am reporting on here are not old items. Three weeks ago there were brand-new breaker boxes ready to be shredded in an industrial shredder. Right now we are building towers and they are being blown up. This is not a problem that has been solved.

This gets back to my original point. Oversight in Washington is much different than oversight on the ground, and on-the-ground oversight cannot be a 1-in-150 affair.

Let me close with this. Oversight does not compromise the mission, as some have argued, in Afghanistan or, frankly, anywhere else in the government. Tough questions and consequences condition and strengthen us. Moreover, they force us to assess the merits, or lack of merits, of what the government does.

And with that I would be happy to answer any questions.

Senator PAUL. Thank you. Our next witness is Sergio Gor. Mr. Gor currently serves as my Deputy Chief of Staff for Communications. In this capacity, he oversees staff and the communications department, coordinates on matters of foreign policy, and administers special projects for the office.

Prior to joining my staff, Mr. Gor worked as a producer at Fox News Channel and as a Communications Director in the U.S. House of Representatives. Mr. Gor holds a double major in international affairs and political science from George Washington University. Mr. Gor.

TESTIMONY OF SERGIO GOR,[1] DEPUTY CHIEF OF STAFF FOR COMMUNICATIONS, OFFICE OF SENATOR RAND PAUL

Mr. GOR. Thank you, Mr. Chairman. Thank you for holding this hearing.

I would like to start by expressing our gratitude for all those that hosted us on the ground, to the embassy, especially Ambassador Bass, the Deputy Chief of Mission (DCM), all the security and per-

[1] The prepared statement of Mr. Gor appears in the Appendix on page 62.

sonnel that were involved. A specific thank you to SIGAR and IG Sopko for his incredible work and the work they do.

With that I will jump straight into it, and I would like to highlight some of the things that we actually saw, and I believe we have some photos to go along with it.

The first project that we visited was nicknamed the Kabul Marriott. This project was started 11 years ago, and it was initiated with a $60 million loan from Overseas Private Investment Corporation (OPIC). The building was supposed to be completed several years ago, and, unfortunately, there was almost no oversight. One of the things that we saw over and over again on this trip was good intentions gone bad. When this building started being built, the only oversight consisted of the contractor submitting pictures back to headquarters, back to the United States.

The one thing that I must mention is this building is about 400 feet from the U.S. Embassy. We have 7,000 personnel there. This was a $60 million project and nobody went over there to look at it, to see that it was not completed. The updates would say it is ready for opening in 2 months. At best, this building, in our opinion, is at 30 percent completion.

In addition to that, because this building was going so well, they decided to fund an adjacent building for $30 more million, so now we are at $90 million in the hole and nothing has been completed. This building has become a security threat to the point where we must provide 24-hour service protection because it is so close to the embassy. The State Department indicated to us that they are now acquiring this land with the ultimate goal of tearing down the building completely, for security reasons.

The next project I would like to highlight is the Ministry of Interior, and this was a nice building from the outside. We spent $210 million building it. One of the rumors that we persistently heard was that the former minister was not happy with the lack of marble that was inside of this ministry. He compared himself to the Defense Minister of Afghanistan, and said, "Well, if this guy has it, I surely want it too." While we are not able to verify exactly that those were his words, we did find $2.6 million in a follow-up upgrade, and that specifically included marble work.

Additionally, as you look at the line items for this building, $7,000 was billed for lost time, waiting for instructions. So people standing around, not being told what to do; $10,000 was billed for a car and driver, and you would think with $210 million we would get something that would at least function. However, when we got a tour of the building on the inside, from local Afghan staff that work there, they pointed to one thing after another, including air conditioning units that do not work, fire doors that do not meet certification requirements, fire sprinkler systems that are not even connected to anything, and one interesting thing that we found in the building there was actually an item listed as "disconnect the fire alarm system."

Those are the two main projects that I would like to highlight. However, there are two other points I would like to make. Corruption. Corruption is a massive problem. Every meeting that I attended, one of the points that I would ask was, "What percentage do you think disappears due to corruption, waste, fraud, or abuse?"

and that number ranged anywhere from 20 percent to as high as 50 percent.

Countless stories. The Kabul Bank, which was headed by former President Karzai's brother, basically ran a Ponzi scheme, defrauded close to a billion dollars and almost no accountability. One thing we kept hearing over and over again, "It is part of the way things are here."

There is an internationally recognized group, Transparency International, and one of the things they put out is a Corruption Perception Index. In last year's ranking, they ranked Afghanistan as 177th out of 180 in terms of corruption. So the only countries ahead of them, I believe, are Somalia and Syria.

My last point that I will make is something we kept hearing both from our side and the Afghan side, and that is Afghans that are leaving Afghanistan. They call it a brain drain. After contacting the State Department here, the number that we have received is 51,000 Afghans have moved to the United States. These are educated individuals. These are individuals that went to school, whether it is in Europe or in the United States, and they are not contributing back to their nation. Their president has actually been pretty good on this, and I quote, "I have no sympathy for these people. They should remain and join efforts in rebuilding our own home."

So with that I will take any questions.

Senator PAUL. Well, thank you both for your testimony.

Mr. McNeill, when you were talking about—in your testimony I think you were talking about oversight. When you said only 1 in 150, you were referring to only 1 out of 150 projects have oversight, or what was your point?

Mr. MCNEILL. No. One in 150 trips, either by members or staff, are oversight. The remainder are generally authorizers or appropriators.

Senator PAUL. Do you have an estimate of the projects, what percentage of the projects are able to have oversight? You and the previous panel talked about, because of the safety concerns, not being able to actually go to the sites of some of these projects. Ten percent getting visually seen or 20 percent?

Mr. MCNEILL. I do not have an exact number but I imagine that that is even probably a rosy figure. We asked to go see the gas station. We were told that was unsecure. Mr. Sopko testified to that.

Many of these projects, U.S. personnel cannot go to when they are being built, let alone oversight conducted. The electric grid, I looked up the distances. At one point it is 13 miles from Bagram Air Base, where our largest U.S. presence is. We cannot go 13 miles from there to look at a project that we are spending money on.

Senator PAUL. Right. Well, in looking at how we figure out solutions, people are saying, well, we can spend more going to the sites, but I think that sort of begs the question. The Marriott was 400 feet from the embassy, so, it is still within the compound, right?

Mr. GOR. It is on the outside, so there is a wall separating it.

Senator PAUL. You can walk across the street.

Mr. GOR. However, there is a closed street that is not open to traffic. So there are different perimeters, and it is one of the outer

perimeters, but it is close enough that everybody passes it every day.

Senator PAUL. Right. That sort of begs the question that that is not a lack of access. Everybody is, in fact, seeing it.

Mr. GOR. Correct.

Senator PAUL. It is sort of a big eyesore, that it has not been finished, and I believe it has been 11 years since it was started.

Mr. GOR. Correct.

Senator PAUL. So I think these are the bigger, broader questions we face in this, is that government is full of waste. Do we try to fix the waste? Sure. We should try to make, whether it is less wasteful spending. The question is, is it possible, really, to eliminate the waste or do we need to readdress where the resources are going, whether they should go to Afghanistan or whether they should remain here at home.

With regard to the Ministry of the Interior, you said it was $210 million, and the $2 million referred to an upgrade in marble?

Mr. GOR. Correct. So there was a refurbishment, they called it, of $2.4 million, I believe, which was in addition to the $210 million initial investment, to build the building from scratch.

Senator PAUL. And do you think the contractors here are local or——

Mr. GOR. So one point to make on that refurbishment, the refurbishment was paid by NATO, with some of our funds. So while we paid the initial $210 million, the $2.4 million was divided, just for full disclosure. They would put out bids for all these projects, whether it is the Marriott—it varies. The Marriott was by Jordanians. We saw some contracts by Tunisians. And there were some local contracts also.

Senator PAUL. With the question related to hundreds and hundreds of doors not being fireproofed, do you think that we are looking at not just waste but malfeasance, if they did not give them exactly what they ordered.

Mr. GOR. Absolutely, and not only that, people get upcharged. We pay a certain amount and hundreds of dollars for a fireproof door that is supposed to sustain 30 or 40 minutes of a fire, so people are able to get out. Unfortunately, we get skimmed, and this happened not in just the Ministry of Interior but at multiple other locations that we heard about that we were not able to visit. But it is an ongoing problem. There is too much money, there is no oversight, and no one is held responsible.

Senator PAUL. Mr. McNeill, we talked about having conditions in contracts, sort of conditions of behavior, but I guess you can also condition contracts based on performance. People talk about government contracts being cost-plus, and people just adding and adding and adding their costs. Is there an example of government where we do contract that you think works better, contracts that have incentives, either for completion or for quality, or for ways that we can have oversight to the fact that you do not get your money unless you do your job, etc?

Mr. MCNEILL. Sure. It is not a Federal example but after the San Francisco earthquake, the Bay Bridge was rebuilt on a performance contract, and it was built ahead of schedule and under budget because the contractor would get an incentive for doing so.

That is something we could certainly do here in the Federal Government.

But I wanted to point out, the projects are not meeting the standards of even the contracts we are writing, and what we have seen is they rewrite the contracts. With the fire doors, they noticed, these are not the right fire doors, these do not have the right labeling on them. SIGAR pointed this out to the U.S. Army Corps of Engineers (USACE) and so the Army Corps of Engineers sent an email to the contractor, saying, "We are accepting what you are doing now as meeting the terms of the contract."

Senator PAUL. Stick a different label on it?

Mr. MCNEILL. Basically, yes.

Senator PAUL. With the previous panel we talked a little bit about getting the system to work. How do you get people to be held accountable for their decisions? And we talked a little bit about the Inspectors General, there are some that DOD has and then there are some that are more traditional Inspectors General that report to Congress.

Mr. McNeill, do you have an opinion on ways to get the advice to be listened or acted upon, getting rid of bad people who make bad decisions, how we would do that better, or whether we should alter the Inspector General program within DOD to make things better?

Mr. MCNEILL. Well, certainly I think there should be reform with the Inspector General process. Inspector General Sopko does an excellent job. I have dealt with Inspectors General over my entire career and some of them are, frankly, I would say, in bed with their agency.

But I think this gets to a broader problem that, I think, Inspector General Sopko talked about, it is hard to fire people in government. A lot of times it is easier to just look the other way or transfer them, or something like that, or wait for their tenure in a place to be over.

I mean, our personnel policy was written in the 1880s. We are still basically operating off of the Pendleton Act, which was created in response to the assassination of President Garfield. So I think it is probably time to update our personnel policy, so that we can hold people accountable.

Senator PAUL. SIGAR you hear about, and it has gotten notoriety for looking into waste in Afghanistan. I do not recall as much notoriety with the Inspector General from DOD. Are we paying the same amount of attention to the independent Inspector General for the DOD?

Mr. MCNEILL. I would not say so. Their mission is different. Mr. Sopko made the point that he is the only one that has kind of cross-jurisdictional capabilities to look at spending elsewhere. We do pay attention to some of it that DOD talks about. For example, we have talked about the $700—was it million or billion—dollars in ammunition purchases. That was a DOD Inspector General report.

Senator PAUL. Well, I think that as a future project from this is we ought to look at that and see how well it works, and whether or not having two different sets of Inspectors General, whether that is a problem, whether they could be consolidated, whether the one

that they have had in place that is reporting to DOD chain of command is useful or not useful, whether we should maybe have those resources directed more toward the Inspector General office that is independent or reports to Congress.

I think there are some reforms. I think that and trying to figure out ways that we can waste less money within the system, and incentives that we can change.

But with that I think we are going to close the hearing, unless you have a final comment, from either one of you.

Mr. GOR. I think what Inspector General Sopko does and what SIGAR does, going back to your previous question, is he is not afraid to rock the boat, and one thing that we kept hearing over and over again is the SIGAR team in Kabul is not welcome, even among other Americans on base, because they show up and they do not take any prisoners. And as Mr. McNeill mentioned, some of the other Inspectors General, they are from that branch. They are from that department. They have to see these people. They have to live with them. So I think the more independence, the better.

Senator PAUL. I think this makes a strong argument for looking at the Inspector General process within DOD, because you need to have independence and you need to have people who are unafraid to do this.

Thank you very much for your testimony, and the hearing is adjourned.

[Whereupon, at 3:54 p.m., the Subcommittee was adjourned.]

APPENDIX

Opening Statement of Chairman Rand Paul, M.D
Federal Spending Oversight Subcommittee

Afghanistan in Review – Oversight of U.S. Spending in Afghanistan
5/9/2018

I call this hearing of the Federal Spending Oversight Subcommittee to order.

Almost 17 years ago the U.S. invaded Afghanistan to topple the Taliban regime that provided safe harbor to the perpetrators of the 9/11 terrorist attacks.

I think that was the right thing to do at the time, but I think we have simply stayed too long. This is the longest military engagement in U.S. history. We have already been there 7 years longer than the Soviets, and their occupation is often characterized as a failure – their Vietnam.

Instead of learning from their experience, we seem to want to duplicate it. We have occupied their old bases, we are trying to build the same kind of infrastructure, and we are fighting the same kind of guerrilla force.

What is more troubling is that some talk about never coming home. We are told our mission there is vital and that we are making a stable country in the region which will pay a peace dividend even if we have to stay 50 years. 50 years?

Recently, Secretary Pompeo admitted there is not a military end to the Afghan War, and yet this administration just upped our troop numbers.

- We build dams and electric transmission lines and the Taliban blow them up, or worse, take them over and sell the power back to the Afghan people. And by the way, while we are building infrastructure there, our infrastructure back home is aging and crumbling.

- The country isn't safe. You cannot leave the embassy and most of the time our personnel cannot even visit many of the infrastructure projects we pay for. Let me repeat that: We cannot even visit many of the projects we are paying for.
- We have an opium problem here in the U.S., and despite spending over $8 billion, Afghanistan is still a leading producer of poppies.

This is just insane. And to top it all off, we are spending over $40 billion, each year for this. So this hearing is to really take a deeper dive to examine that spending.

We have the Special Inspector General for Afghan Reconstruction here today, to talk about some of his great work exposing things like the $42 million natural gas, gas station, the $60 million power transmission system that doesn't work, buildings that melt in the rain, and the $80 million consulate we never occupied because it was not secure. We want to hear about their ongoing corruption review as well.

Our second panel will be staff from this Subcommittee who recently returned from an oversight trip to Kabul. As mindboggling as the waste seems back here in Washington, I understand from them it is all the more galling when you are there on the ground.

I've made it no secret I think we should come home. I think we went in for the right reasons but we stayed way too long. It isn't our job to build countries and frankly I think we do a poor job of it. I think we anger as many people as we help – and that should make the taxpayers back home angry.

With that, I'll recognize Ranking Member Peters for his opening statement. Senator Peters.

U.S. Senate Homeland Security and Governmental Affairs Committee

Subcommittee on Federal Spending Oversight and Emergency Management

"Afghanistan in Review: Oversight of U.S. Spending in Afghanistan"

May 9, 2018

Senator Gary C. Peters, Ranking Member

Opening Statement

Thank you, Mr. Chairman. I would like to join you in welcoming Inspector General Sopko and Ms. Miller to the Subcommittee. I look forward to their testimony.

Today's hearing is notable, not just because of its important topic—reconstruction spending in Afghanistan—but also because of its venue. Although the Senate regularly holds hearings related to our nation's efforts in Afghanistan, until now, those hearings have generally been held before the Armed Services and Foreign Relations Committees. It is rare for our oversight committees to focus on spending in Afghanistan, and we must.

In the 17 years since September 11th, the American taxpayer has been asked to bankroll hundreds of billions of dollars of spending on combat, relief, and reconstruction in Afghanistan. Our total bill is quickly approaching 900 billion dollars, not counting what we spend here at home treating and caring for our veterans. More than 125 billion dollars has been spent on relief and reconstruction alone. Even accounting for inflation, that's more than what we spent on the Marshall Plan to rebuild Western Europe in the aftermath of World War II. Frankly, calling it "reconstruction" is a bit of a misnomer. Much or our work in Afghanistan is construction, building infrastructure and capacity where none exist.

After 17 years and hundreds of billions of dollars, it is more than fair for taxpayers to ask, "Is it worth it?" "What is the return on our investment?" "Are we throwing good money after bad?" "Why are we spending hundreds of billions of dollars on infrastructure thousands of miles away, when roads and bridges are crumbling right outside my door?"

What do I tell the people of Flint, Michigan who ask me, "Why are my taxes paying for clean water in Kabul when I don't have clean water in my own home?"

These are important questions, and hard ones. Partly, they are policy questions. Put simply, the money we spend in Afghanistan is intended to promote our national security. Thanks to the incredible dedication and sacrifice of our servicemembers, frontline civilians, and their families, we have been successful in driving al-Qaeda out of Afghanistan and denying safe haven to

transnational terrorists. We have made progress in democracy and development, and in helping to strengthen Afghan institutions. There are more roads, more electrical lines. Literacy is up; infant mortality is down.

And yet, Afghanistan is not secure. We are constantly warned that chaos would follow a precipitous withdrawal of our forces and funding. Every year, we add tens of billions of dollars to the bill. But taxpayers are growing weary. My constituents tell me: we can't afford to write a blank check.

To draw America's longest war to a successful conclusion we must empower Afghans to achieve and sustain the peace. We must responsibly reduce our spending as we continue to transition military and governing capacity to Afghans. How we achieve that is as much about process as policy. The right policies don't ensure success on their own. Far from it. When the money we spend in Afghanistan is wasted, stolen, or ends up in the hands of the very enemies we seek to defeat, it undermines our policy, however well intended.

And I hope that's what we focus on today. How do we prevent waste, fraud, and abuse of our spending in Afghanistan? How do we ensure that each dollar is put to its highest and best use? How do we track it? How do we measure its effectiveness? Are the right oversight structures in place to provide us with the information we need to make the tough decisions?

I know from my own visit to Afghanistan, and from the visit made by our staff last month, that our security posture severely limits the ability of Americans to work "outside the wire." In many cases American aid workers and auditors can't even visit the projects our taxpayers fund. What oversight options, if any, do we have in that kind of security environment?

I'm grateful to be able to hear from Mr. Sopko and Ms. Miller, who have years of experience working on these questions, inside and outside of Afghanistan. Between them, they can speak to the challenge of conducting reconstruction programs and the challenge of auditing and overseeing those programs. Thank you for your service and thank you for being here today.

Members of this Subcommittee have a wide range of views about our nation's involvement in Afghanistan. But whatever your views, our success depends on spending money effectively, even as we seek to reduce our overall expenditures. Waste fuels corruption, undermines the institutions in Afghanistan that we seek to empower, and breaks faith with the American taxpayer. I hope today's hearing will help address these issues and send a strong message that Congress's role doesn't end when we pass a budget and write a check. We have an obligation to follow the money and ask the tough questions. And with that, I yield back.

Special Inspector General for Afghanistan Reconstruction

SIGAR

Testimony

Before the Homeland Security and Governmental Affairs Committee (HSGAC) Subcommittee on Federal Spending Oversight and Emergency Management (FSO)
U.S. Senate

Oversight of U.S. Spending in Afghanistan

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

May 9, 2018

Chairman Paul, Ranking Member Peters, and Members of the Subcommittee,

I am John Sopko, the Special Inspector General for Afghanistan Reconstruction, or SIGAR. Thank you for inviting me to appear before the Subcommittee today to discuss our oversight work in Afghanistan and to summarize our view of the status of the reconstruction effort there.

To start, I would like to make four overarching observations:

1. SIGAR has reported on many signs of progress in Afghanistan reconstruction, but also continues to document a disturbing amount of waste, fraud, and abuse.
2. SIGAR and its other oversight colleagues have made a difference, identifying billions in potential savings, recoveries, and redirection of funds. SIGAR alone has identified more than $2 billion of potential savings, and nearly 80 percent of our recommendations for improvements have been implemented or effectively addressed by the federal agencies we have audited.
3. SIGAR is working closely with the U.S. military, the U.S. Agency for International Development, Department of State, international donors, the Afghan government, and other entities to seek improvements in reconstruction.
4. Although overall the reconstruction effort in Afghanistan has had serious flaws, it has not failed and has improved over time. With continued refinement and oversight, it should be able to do an even better job of helping the Afghan people while promoting U.S. security and humanitarian policy objectives.

Costs and challenges of reconstruction

The U.S.-led reconstruction effort in Afghanistan was launched shortly after our country overthrew the Taliban regime that had sheltered the 9/11 terror-attack mastermind Osama bin Laden. That effort is now in its seventeenth year.

During this time, the human cost of the struggle against Afghan insurgents and terrorist groups has led to more than 2,400 American military fatalities, about 1,100 among other members of the NATO-led Coalition, and tens of thousands of Afghan deaths.[1]

The financial costs appear in terms of federal spending. Congress has appropriated $126 billion for Afghanistan reconstruction since Fiscal Year 2002.[2] As SIGAR reported in 2014, total appropriations for Afghanistan reconstruction, after adjustment for inflation, had

[1] iCasualties.org, "Operation Enduring Freedom: Coalition Military Fatalities By Year," http://icasualties.org/oef/, accessed 5/2/2018.

[2] SIGAR, *Quarterly Report to the United States Congress*, 4/30/2018, p. 62.

already exceeded the total of U.S. aid committed to the Marshall Plan for rebuilding much of Europe after World War II.[3]

That vast sum does not include the more than $750 billion committed so far to U.S. military operations in Afghanistan.[4] So total financial costs for the U.S. military and reconstruction operations in Afghanistan are approaching $900 billion, and the common expectation is that the United States will be involved there for years to come.

Reconstruction has proceeded along many lines. This has included rebuilding Afghanistan's national security forces, promoting the rule of law, fighting widespread corruption and the narcotics trade, improving public health and education, promoting respect for human rights, expanding electric and transportation infrastructure, and furthering economic development.

SIGAR has examined and reported on many projects and programs in all those areas and more. We have seen much good work done, but we have also seen and reported on far too many instances of gross incompetence, poor planning, sloppy execution, lack of follow-up, outright theft and corruption, and a basic lack of accountability for these many failures. Our quarterly reports have summarized audits, inspections, and special projects that involved, among other outrageous misuse of U.S. taxpayers' money:

- Purchasing nearly a half-billion dollars' worth of second-hand transport planes that were unusable in Afghanistan and were scrapped for $32,000;
- Building a dry-fire range for Afghan security-force training that literally began dissolving when it rained;
- Constructing schools and clinics with unsafe walls and ceilings, unfinished and dangerous electrical systems, and no provision for the costs of supplying and sustaining them; and
- Paying for roads that soon deteriorate due to poor construction and failure to plan for repairs.

In some respects, these discoveries are not surprising. SIGAR's very first quarterly report, written in October 2008, observed that the U.S. effort to reconstruct and develop Afghanistan was "exceedingly difficult and complex." SIGAR noted the country had been devastated by decades of war, suffered from an ongoing insurgency, and had a complex tribal culture, a history of foreign domination, widespread illiteracy, and porous borders.[5] More recent reports have expanded the list of challenges to include slowing economic

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[3] SIGAR, *Quarterly Report to the United States Congress*, 7/30/2014, p. 5.

[4] DOD Comptroller, "Estimated Cost to Each U.S. Taxpayer of Each of the Wars in Afghanistan, Iraq and Syria," http://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2018/Section_1090_FY17_NDAA_Cost_of_Wars_to_Per_Taxpayer-July_2017.pdf, July 2017. Estimates cover FY 2001 through the FY 2018 Overseas Contingency Operations budget request. DOD notes that "Estimated costs for Afghanistan include related regional costs that support combat operations in the U.S. Central Command area of responsibility."

[5] SIGAR, *Quarterly Report to the United States Congress*, 10/30/2008, p. 9.

growth, high unemployment, deep poverty flight of human and financial capital, constraints on institutional capacity and sustainability, and endemic corruption.

All of these issues recur in our reports over our agency's decade of oversight. Because the challenges of the Afghan setting were known or soon foreseeable 17 years ago, their persistence should be deeply troubling to this Subcommittee and the American taxpayer.

A word about SIGAR

SIGAR's statutory mandate is to report to Congress and the Administration on the status of the reconstruction effort, and to offer recommendations for improvements.[6] Our creation in 2008 sprang from years of mounting dissatisfaction with the pace and robustness of progress in Afghanistan and the ability of then existent oversight bodies to address problems there.

The U.S. role in Afghanistan evolved from a purely military intervention in late 2001, to an international effort to provide security assistance, improve Afghan institutions, suppress narcotics production, offer humanitarian relief, and foster economic development, among other purposes. The United States threw itself into reconstruction with haste and hubris, with untested assumptions and unrealistic expectations, and with piles of cash and tight deadlines for spending it—too much, too fast, with too little oversight. The early years of the reconstruction effort therefore suffered from ad hoc, scantily staffed, and loosely coordinated initiatives with no dedicated oversight organization to watch for waste, fraud, and abuse.

To improve this situation, Congress created SIGAR in 2008. This is our 10th year of operation, and my sixth year as IG. We employ a staff of some 190 auditors, criminal investigators, analysts, and engineers. Most work at our home office in Arlington, Virginia, with many traveling to Afghanistan and other locations as work requires. About 30 SIGAR staff are stationed full-time at the U.S. Embassy compound in Kabul, where in mid-April they briefed staff representatives of the Chairman and the Ranking Member of this Subcommittee.

We welcome and encourage such visits from Members of Congress and their professional staff. From my personal experience as a former federal and state prosecutor, I can attest that first-hand observations of the daily work of federal civilian employees and military members, and of the Afghan setting, is the best way to support effective congressional oversight. The interaction with staff also helps us to improve the relevance and usefulness of our work and our means of reporting it. I would add that SIGAR also appreciates the

[6] Public Law 110-181, Section 1229 (2008).

attention that lawmakers like Senator Paul, Senator Lankford, Senator McCaskill, and others have given to its work in their statements and reports.

The outcome of SIGAR audits, inspections, and investigations has been—so far—to identify more than $2 billion of taxpayer money that can be, and often has been, saved, recovered, or put to better use.[7]

SIGAR and the "Whole of Governments" Phenomenon

SIGAR's mission resembles that of this Subcommittee and of your parent Committee on Homeland Security and Governmental Affairs. You are tasked with "studying the efficiency, economy, and effectiveness of all agencies and departments of the Government."[8] Congress has directed SIGAR to do likewise for all federal entities involved in Afghanistan reconstruction. We are in fact the only Office of Inspector General authorized to examine all aspects of reconstruction, regardless of departmental or agency boundaries.

Like you, we are empowered to look at not only individual programs or practices but also at the broader "whole of government" and whole of "governments" approaches to national problems. This broader approach is particularly relevant in Afghanistan, and also for potential hot spots around the world, which national security advisors note will require "whole of government" approaches like witnessed in Afghanistan.

This "whole of government" phenomenon explains why during SIGAR's first decade of reconstruction oversight in Afghanistan, we have audited, inspected, evaluated, and investigated programs of the U.S. Agency for International Development (USAID), and the Departments of Defense, State, Justice, Treasury, Commerce, Agriculture, and others.

It also explains why our work necessitated reviewing the use of U.S. reconstruction funds that are administered by international organizations such as the United Nations, NATO, the Asian Development Bank, and the World Bank.

Our work with the World Bank should be of particular interest to this Subcommittee's hearing today due to the size of U.S. contributions involved, and also because of far-reaching implications for reconstruction in Afghanistan. In brief, the World Bank administers the multi-donor Afghanistan Reconstruction Trust Fund, or ARTF. Set up in 2002, the ARTF is a partnership between the United States, 33 other donors, and the Afghan government. Donations provide direct assistance through the fund to the Afghan government. As of

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[7] SIGAR, *Quarterly Report to the United States Congress*, 4/30/2018, p. 19.

[8] U.S. Senate Rule XXV.

December 2017, donors had contributed over $10 billion to the ARTF; the United States has been the biggest donor, with $3 billion channeled to the trust fund via USAID.[9]

Exactly what has been done with that $3 billion is hard to say. A SIGAR audit report released last month explains that the World Bank is not transparent about its uses of donors' funds, and may not itself have full information about how that money is being spent. One of our startling conclusions was that the Bank does not require its monitoring agents to verify the existence of Afghans who receive salaries for teaching. In the course of the audit, USAID advised SIGAR that the World Bank cannot provide reasonable assurance that ARTF funding, which covers approximately 40 percent of all Afghan civilian expenditures, is reimbursing only proper government expenditures. SIGAR also found that the World Bank limits donors' access to information on how it monitors and accounts for ARTF funding, and does not follow its own policy to provide donors and the public with access to certain ARTF records. This lack of visibility and access to records means that large amounts of U.S. direct-assistance money may be at risk of waste, fraud, and abuse.

This audit further highlights the need for Congress to take a similar "whole of government" approach to oversight, for what we have found in Afghanistan may have implications elsewhere. As the United States and other donors face increasing security threats to development assistance around the world, there is a tendency to shift more monies to international organizations and trust funds such as the ARTF. SIGAR does not question that policy, but cautions that in doing so, federal agencies must insist on effective monitoring and accountability by the recipient international organizations.

SIGAR Investigations

Less visible than our public reports, but also vital to our mission, the agents of our Investigations Directorate have been instrumental in developing criminal cases and referrals for suspension and debarment, as well as using their law-enforcement powers to make arrests. During the second quarter of FY 2018, SIGAR investigations resulted in one indictment, a guilty plea, three sentencings, two arrests, $6,527,491 in restitutions, and $264,563,451 in cost avoidance and recoveries to the U.S. government. To date, SIGAR investigations have resulted in 124 criminal convictions.[10] Cumulative criminal fines, restitutions, forfeitures, civil settlements, and recoveries total more $1.5 billion.[11] We also have 199 ongoing investigations.[12] In addition, SIGAR investigations have supported

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[9] The ARTF discussion is based on SIGAR, *Afghanistan Reconstruction Trust Fund: The World Bank Needs to Improve How it Monitors Implementation, Shares Information, and Determines the Impact of Donor Contributions*, SIGAR 18-42 Audit Report, 4/2018, highlights pages.

[10] SIGAR, *Quarterly Report to the United States Congress*, 4/30/2018, p. 42.

[11] SIGAR, *Quarterly Report to the United States Congress*, 4/30/2018, p. 42

[12] SIGAR, *Quarterly Report to the United States Congress*, 4/30/2018, p. 42.

referrals to proper authorities to consider suspending and debarring individuals and firms for fraud, corruption, and poor performance in Afghanistan. These referrals have so far led to 136 suspensions and 532 finalized debarments/special-entity designations of individuals and companies engaged in U.S.-funded reconstruction projects.[13]

In one major case, SIGAR investigators uncovered a bid-rigging scheme for a $1 billion U.S.-funded contract to supply fuel to Afghan forces. When SIGAR reported this illegal scheme to President Ghani, he promptly cancelled the contract, fired those involved, and rebid the contract, saving U.S. taxpayers about $200 million that otherwise would have accrued to the colluding vendors.[14]

All of this work and all of these reports are aimed, as Congress intended, to provide accurate, objective, and useful assessments of U.S. reconstruction programs, and to point the way to improvements. That leads us to the central oversight concern of today's hearing: what is the status of the reconstruction effort in Afghanistan?

To address that question, I will start with the issue that accounts for more than 60 percent of total appropriations for Afghanistan reconstruction: security.

Security: the necessary underpinning of successful reconstruction

Congress has appropriated some $78 billion since FY 2002 to support the security element of reconstruction. With a per capita income of about $612 per year, Afghanistan's ability to fund a modern and effective security force is severely limited.[15] Therefore, U.S. funding pays nearly all the costs of recruiting, training, equipping, housing, transporting, and resupplying the Afghan National Defense and Security Forces, the ANDSF. Those forces comprise the Afghan National Army and Air Force, and the Afghan National Police.

Developing an effective and sustainable ANDSF is essential for the whole reconstruction effort. As SIGAR observed in the October 2008 quarterly report, "Successful reconstruction relies on a secure environment, effective governance, and economic development."[16] Unless the host nation can achieve and maintain a substantial level of security, insurgents and terrorists can degrade or neutralize improvements in other areas. They can—and have—shut down health clinics, interfered with schools, blocked highways, assassinated officials, blown

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[13] SIGAR, *Quarterly Report to the United States Congress*, 4/30/2018, p. 46.

[14] SIGAR, *Quarterly Report to the United States Congress*, 1/30/2017, pp. 4-5.

[15] IMF, *Staff Report For The 2017 Article IV Consultation And Second Review Under The Extended Credit Facility Arrangement, And Request For Modification Of Performance Criteria*, 11/21/2017, p. 36.

[16] SIGAR, *Quarterly Report to the United States Congress*, 10/30/2008, p. 9.

up electric-transmission towers, extorted money from citizens, and potentially weakened popular support for the government by staging bloody terror bombings of innocent civilians.

The current security situation in Afghanistan is not the one envisioned by the international London Conference of 2006, which accepted the original version of the Afghanistan Compact prepared by the Afghan government. One benchmark in that compact was, "All illegal armed groups will be disbanded by end-2007 in all provinces."[17]

That did not happen in 2007, and still has not. Taliban insurgents and assorted terrorist groups remain active in Afghanistan. For the past couple of years, a phrase often used to characterize the security situation there is "an eroding stalemate."[18] The Pentagon has told us that Afghan forces' battlefield performance is improving, and that Afghan and Coalition air strikes, augmented by special-forces operations and other support, have inflicted heavy losses on adversaries. But Afghan government casualties have also been large, and the Afghan government has recently asked DOD not to release those figures publicly.[19]

Through its congressionally mandated quarterly reports, SIGAR has been able, however, to report some data essential for the public to understand the current security situation in Afghanistan and the progress of our reconstruction efforts there. One set of data involved government-versus-insurgent control of the Afghan population. As of January 31, 2018, about 65 percent of Afghanistan's estimated 32.5 million people lived in areas under Afghan government control or influence. Insurgents controlled or influenced areas containing 12 percent of the population. The remaining 23 percent of the population lived in contested areas. In the same period a year ago, insurgent control or influence was exerted over 9.2 percent of the population, so the recent increase to 12 percent may be significant.[20]

The other data set attracting special attention by analysts is SIGAR's reporting of a significant decline in the actual strength of the ANDSF over the last year. In the most recent unclassified figures that U.S. Forces-Afghanistan (USFOR-A) provided to SIGAR, the ANDSF stood at a total of 296,409, nearly 36,000 fewer personnel than reported in January 2017.[21] This is well below the 352,000-personnel goal agreed upon years ago by the

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[17] Government of the Islamic Republic of Afghanistan, The Afghanistan Compact (2005), Annex I, "Benchmarks and Timelines," quoted in SIGAR, *Quarterly Report to the United States Congress,* 10/30/2008, p. 94.

[18] A 2016 Washington Post story attributed the phrase to "a senior administration official," Washington Post, "An 'eroding stalemate' in Afghanistan as Taliban widens its offensive," 10/14/2016. Besides appearing in various commentaries, the phrase made its way into a UN report last summer: UN Secretary-General, *Special report on the strategic review of the United Nations Assistance Mission in Afghanistan,* 8/10/2017, p. 4.

[19] SIGAR, *Quarterly Report to the United States Congress*, 4/30/2018, p. 79.

[20] SIGAR, *Quarterly Report to the United States Congress*, 4/30/2018, p. 86.

[21] SIGAR, *Quarterly Report to the United States Congress*, 4/30/2018, pp.93, 112. The most recent ANDSF figures did not include civilians, while the 2017 figures did include them.

international donors—mainly the United States—who bankroll the ANDSF as part of reconstruction.

Military effectiveness, of course, is not purely a matter of numbers. And as U.S. military officers point out, insurgents have not been able to capture and hold high-profile objectives like provincial or district capitals. But even a brief capture, such as the Taliban's September 2015 taking of the northern city of Kunduz for nearly two weeks can plant doubts about the government's ability to maintain security.[22] While government forces must defend many points, insurgents can pick and choose targets, avoiding pitched battles with more heavily armed opponents if they wish.

Whether the current security situation in Afghanistan is in stalemate or not, the President's new South Asia strategy, with troop additions to bolster the train, advise, and assist mission in support of the ANDSF, and with the intent to pressure the Taliban to seek a political solution, may change that. Time will tell, and SIGAR will continue to fulfill its duties to report as best it can on the security situation there.

However, I can say that insecurity in Afghanistan has definitely complicated life for USAID and State Department reconstruction efforts, as well as for oversight agencies like SIGAR, just as it has for nongovernmental organizations, international aid missions, and Afghan citizens. Reconstruction from severe and widespread damage is difficult even in a developed setting like post-hurricane New Orleans, New Jersey, or Puerto Rico. Reconstruction in one of the world's poorest countries is a heavier lift. And rampant violence that targets our reconstruction workers and projects compounds the difficulty.

State's movement restrictions and support charges raise impediments

It is difficult and dangerous to move around in Afghanistan, and the steep drawdown in U.S. forces since 2014 has sharply reduced the availability of military transport and security support. I have seen this problem first-hand on my 19 trips to Afghanistan over the past six years.

SIGAR has responded to the security constraints on travel in several ways. We have used remote sensing data like satellite imagery to monitor some projects. We employ some Afghan nationals who can move about without attracting hostile attention. We have also partnered with an Afghan nongovernmental civil society organization to augment our data collection.

I must tell you, however, that SIGAR and other U.S. agencies working in Afghanistan are increasingly restricted by the highly risk-averse policies of the State Department, which has statutory control over the movements of U.S. civilians overseas. Although State's own policy

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[22] SIGAR, *Quarterly Report to the United States Congress*, 10/30/2015, pp. 86-87.

requires balancing the risks and benefits of allowing movement in dangerous areas, department leadership adopted a deeply restrictive posture that effectively confines federal employees to the Embassy compound for much of the time.

In addition, State Department policies have imposed a tremendous financial burden on agencies such as SIGAR that operate in Afghanistan. The burden has two parts. First, State is the service provider for ICASS, the International Cooperative Administrative Support Services system. ICASS charges for administrative and support services to agencies working at more than 250 U.S. embassies and consulates.[23] SIGAR is billed for services it uses at Embassy Kabul. Unfortunately, ICASS charges have soared, even though our staff count of 30 in Kabul is the same as it was in 2009. ICASS charges consumed 1.2 percent of SIGAR's budget in 2009, have risen to just under 15 percent in this fiscal year, and are expected to reach 18 percent in FY 2019—nearly a fifth of SIGAR's entire budget.[24]

The second part of the cost burden consists of State's Embassy Air fees for every employee who makes the roughly three-mile trip from the Embassy to Kabul International Airport. This fee is for helicopter expenses since SIGAR staff, like all Embassy personnel, are forbidden to travel by road to the airport. This trip is a key component for anyone travelling to or from Afghanistan as well as elsewhere in the country or even part of Kabul city. A one-way Embassy Air flight, recently costing $1,350, is expected to increase to $2,252; by comparison, Emirates Airline will fly an economy-class passenger from Kabul to Dulles International and back for $1,846.[25] As Embassy Air cost increases take effect, it will literally be cheaper to fly half-way around the world and return to Kabul than to travel three miles from Embassy Kabul to the Kabul airport.

I am happy to report that Ambassador John Bass, the new ambassador in Kabul, is working with us on this matter. Nonetheless, SIGAR's budget, as well as budgets of other civilian agencies working in Kabul, is under heavy pressure from these costs, which inevitably limits our resources to perform oversight.

I cannot predict when or whether success will come in Afghanistan. But I can tell you that if State's movement restrictions and prohibitive ICASS and air-movement charges continue on their recent trajectory, both the reconstruction and the oversight effort will likely suffer because no one will be able to afford to operate there. State is properly concerned with safety, but in my opinion, it is improperly weighing concern for safety above concern for mission success. We are cautiously optimistic that under the new Ambassador in Kabul and

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[23] State, "What is ICASS?" information page at icass.gov/what-is-icass, n.d., accessed 5/6/2018.

[24] SIGAR Management & Support Directorate, internal predecisional budget slide, 4/2018.

[25] SIGAR Management Support Directorate, email, 5/4/2018; Emirates Air, quoted price for one adult, economy ticket KBL-IAD-KBL round trip starting 6/1/2018, via fly4.emirates.com/CAB/IBE/SelectPrice.aspx, accessed 5/6/2018.

the new Secretary of State, this situation will improve. We deeply appreciate their cooperation to date and their willingness to consider our concerns.

Bearing in mind that security remains the fundamental challenge in Afghanistan, both for the country's future and for the conduct of effective reconstruction oversight, I will move on to some other aspects of SIGAR's work.

Common problems in reconstruction programs

SIGAR has audited or examined scores of programs and project sites. Some keep good records, monitor and evaluate their progress, correct deficiencies, and meet their performance and budget targets. That fact testifies to America's good fortune in having many skilled and dedicated federal civilian employees, military personnel, NGO staff, and contractors working in the difficult and dangerous setting of Afghanistan. They deserve our thanks.

All too often, however, SIGAR discovers problems. You will find examples of these problems in abundance on SIGAR's website at www.sigar.mil. Our reports have called attention to costly, useless, or dangerous practices including:

- Touting dollars spent as a metric of success, or counting outputs like training courses held or school books purchased rather than documenting actual outcomes of activity;
- Lack of adaptation to relevant circumstances in Afghanistan, such as ethnic rivalries, patronage networks, and cultural practices;
- Poor coordination among U.S. agencies, rather than a whole-of-government approach that avoids duplication and gaps, aligns efforts toward intended results, and strives for sharing information and best practices;
- Failure to specify details of required work and performance measurement;
- Failure to enforce contract terms, maintain good records, conduct site visits, and obtain timely defect corrections, and ensure completion before paying vendors;
- Failure to assess Afghans' ability to operate programs and sustain them after handoff;
- Illegal acts like soliciting bribes, taking kickbacks, or stealing money and supplies; and
- Failure to hold individuals or firms accountable for poor performance.

To give you an example, in 2013, we inspected a U.S.-funded school for training teachers in Sheberghan, Afghanistan. The Sheberghan teacher-training facility was incomplete four years after construction started because two successive contractors engaged by the U.S. Army Corps of Engineers, USACE, had abandoned the project. Among other problems, the electrical system was not finished and the wiring did not meet required code standards,

posing a risk of electrocution and fire. In addition, the building's well was drilled near its sewage system, potentially creating health risks. These concerns were not hypothetical: Afghans were already using the unfinished and unsafe building. Inexplicably, however, USACE had paid both contractors and released them from their contractual obligations—even though neither had performed the required work. SIGAR's report noted "a disturbing trend" of USACE failures to hold contractors accountable.[26]

Other U.S.-funded reconstruction work addresses a threat that injures and kills people in Afghanistan and in many other countries while also providing a major cash resource for the insurgency: opium-poppy cultivation. Afghanistan has long been the world's leading producer of opium, and since FY 2002, the United States has committed about $8.8 billion to a variety of counternarcotics programs there. But as SIGAR's latest quarterly report notes, the total area of Afghan land under opium-poppy cultivation increased by 63 percent during the 2017 growing season from the year before, and raw opium production jumped by an estimated 88 percent. This might suggest some serious shortcomings in the U.S. approach to counternarcotics programming that need addressing. In response to a SIGAR inquiry, however, USAID said it will not plan, design, or implement any new programs addressing opium-poppy cultivation.[27] I will mention here that SIGAR's Lessons Learned Program will soon be issuing a comprehensive review of the counternarcotics effort in Afghanistan, complete with findings of fact, broad-based lessons, and recommendations for the future.

Another example involves Da Afghanistan Breshna Sherkat, or DABS, the national electric utility. This past fiscal quarter, USAID moved nearly $400 million of previously on-budget power sector funds off-budget, meaning its use would no longer be controlled by DABS. USAID had determined that DABS lacked the capacity to adequately manage on-budget assistance and oversee construction projects. In addition, USAID will not fund any DABS projects whose construction is not already under way, and plans to return millions to the U.S. Treasury. The action will, however, delay expansion of Afghanistan's power system.[28]

The expansion of the electric power grid in Afghanistan, where most people have no electrical service, has also been delayed due to poorly planned and executed programs by the U.S. Army Corps of Engineers. For example, a USACE contract awarded to an Afghan firm to extend the Northeast Power System, NEPS, provided for a "NEPS III" project to design and build two transmission lines and a connecting substation. SIGAR inspectors found that NEPS III has been built, but that USACE mismanagement of the contract has resulted in the U.S. government spending almost $60 million on a project that is not operational because land-

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[26] SIGAR, *Sheberghan Teacher Training Facility: U.S. Army Corps of Engineers Paid Contractors and Released Them from Contractual Obligations before Construction Was Completed and without Resolving Serious Health and Safety Hazards*, SIGAR Inspection 13-9, 7/2013, "What SIGAR Found" highlights page.

[27] SIGAR, *Quarterly Report to the United States Congress*, 4/30/2018, pp. 59, 61.

[28] SIGAR, *Quarterly Report to the United States Congress*, 4/30/2018, p. 58.

acquisition and right-of-way issues have not been resolved, and because the contract did not provide for permanent connections to a power source. It gets worse. The NEPS III facilities may be structurally unsound and pose a risk to Afghans who live near transmission towers and lines, or work in the new substation.[29]

A different kind of risk and a different kind of waste sits literally across the street from the U.S. Embassy in Kabul. Construction of the Marriott Kabul Hotel and Kabul Grand Residences was supported by $85 million from the federally sponsored Overseas Private Investment Corporation, or OPIC. In late 2016, SIGAR issued an alert letter pointing out that the site appeared to be neglected and abandoned by the Afghan contractor, and that OPIC had not conducted direct inspections or obtained independent progress reviews before disbursing funds, resulting in a significant loss of U.S. taxpayer dollars. SIGAR also noted that an abandoned building overlooking the U.S. Embassy presented a security threat. Taxpayers' losses from the apparent fraud against OPIC were increased by the need for State to pay for guarding the empty shell across the street.

With the unfinished building still derelict in late 2017, SIGAR issued a follow-up inquiry letter asking State about its plans. State replied that it had effectively taken control of the building and blocked access.[30] As in other cases of contracting in Afghanistan, the waste of money and the security risk might have been avoided if the funding source, in this instance OPIC, had adequately monitored performance on the site and verified the contractor's invoices. I understand that staff members of this Subcommittee inspected the hotel-and-residence project during their recent trip to Afghanistan and got a first-hand look at the extent of the waste and fraud at that site.

SIGAR: making a difference

In addition to reporting on problems, investigating criminality, and proposing recommendations, SIGAR takes a strong proactive approach to foster improvements to the reconstruction effort.

For example, concerned about the DABS electric utility's capacity to manage donor funds, SIGAR discussed the need for greater transparency of the utility with President Ghani in February 2018. As a result of that discussion, SIGAR and DABS signed a memorandum of understanding that allows SIGAR to review DABS's use and management of past and current

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[29] SIGAR, *Afghanistan's North East Power System Phase III: USACE's Mismanagement Resulted in a System that Is Not Permanently Connected to a Power Source, Has Not Been Fully Tested, and May Not Be Safe to Operate*, SIGAR Inspection 18-37-IP, 3/2018, "What SIGAR Found" highlight page.

[30] SIGAR, inquiry letter to Secretary of State Rex Tillerson and Ambassador John Bass, SIGAR 18-15-SP, 12/11/2017, p. 1. A PDF of the letter and State's response are posted at www.sigar.mil.

donor funds to improve internal controls. We expect to begin that review in the summer of 2018.[31]

Likewise, SIGAR worked with President Ghani to obtain all of the bank records related to the 2010 near-collapse of the Kabul Bank, the country's largest. Nearly a billion dollars was essentially stolen from the bank by its top executives.[32] SIGAR investigators, along with Department of Justice attorneys, are currently reviewing this vast store of material to attempt to recover assets for the Afghan government and bring any wrongdoers to justice.

SIGAR interacts in other ways with the government of Afghanistan. Our Investigations Directorate, for example, works closely with the country's attorney general on criminal cases, and one of our investigators has appeared as witness in an Afghan criminal trial—the only U.S. law enforcement agent to do so.

SIGAR also has access, via State and USAID, to AFMIS, the Afghan Financial Management System. This permits us to do deep-dive analysis of budgetary operations and track the uses of U.S. aid dollars.

At President Ghani's invitation, a SIGAR observer attends the weekly meetings of the National Procurement Council. President Ghani established the body to increase oversight of large contracts. Our attendance enhances our visibility into Afghan use of U.S. support funds, and allows our representative to answer any questions from the council on the spot.

I and other members of SIGAR have also discussed with President Ghani his deep interest in tackling Afghanistan's longstanding problems with corruption. He is well aware that unchecked corruption undermines government legitimacy and effectiveness, and risks alienating the international donors who provide funds for 60 percent of the country's operating budget. We also maintain good relations with Chief Executive Dr. Abdullah Abdullah, who is also committed to improving his fellow citizens' wellbeing through reform and development.

SIGAR is also working with President Ghani and with other Afghan officials to carry out a new oversight task assigned to us by Congress. As you know, the House and Senate Appropriations Committees directed SIGAR to assess the Afghan government's progress toward developing and implementing a whole-of-government anticorruption strategy. This was a requirement of the 2016 Brussels Conference on Afghanistan. SIGAR will report its findings in an audit report by May 31, 2018. Additionally, the Committees' FY 2018 joint explanatory statement calls upon SIGAR to conduct a second audit of the Afghan government's progress against corruption over the next year.

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[31] SIGAR, *Quarterly Report to the United States Congress*, 4/30/2018, p. 170.

[32] SIGAR, *Quarterly Report to the United States Congress*, 4/30/2018, p. 158.

SIGAR's work has also produced helpful action by U.S. officials.[33] Last summer, Secretary of Defense James Mattis took note of a SIGAR report that DOD had spent as much as $28 million unnecessarily by purchasing camouflage uniforms for the ANDSF that used a proprietary pattern that involved extra fees, and had not been shown to be any more effective than standard patterns. In addition, the pattern chosen was designed for a woodland setting, while only about 2 percent of Afghanistan is forest.[34] Secretary Mattis fired off a memo to his DOD under secretaries citing the SIGAR report and saying wasteful spending actions "connect directly to our mission and budget situation." He instructed them that "Cavalier and casually acquiescent decisions to spend taxpayer dollars in an ineffective and wasteful manner are not to recur."[35]

We have also been encouraged by the welcoming attitude of senior U.S. military officers to our work. The U.S. military made use of our Lessons Learned Program report on security-sector assistance to Afghanistan in crafting the new South Asia strategy. I and my staff briefed General Dunford, the Chairman of the Joint Chiefs, as well as the Commandant of the Marine Corps, the head of Central Command, and General John Nicholson, the commanding general in Afghanistan, among many others. SIGAR staff were also asked to serve on a Joint Chiefs' panel reviewing the last 15 years of effort in Afghanistan.[36]

Another DOD response to SIGAR reports has been action by the Combined Security Transition Command—Afghanistan to resume control of fuel-purchase funds for the Afghan Ministry of Defense and to impose added conditionality on direct financial assistance to the ministry.

Other encouraging steps include:

- I met recently with USAID Administrator Mark Green, who told me that USAID is weighing the comparative successes of its Afghanistan programs to identify areas for improvement and to weed out ineffective programs. SIGAR has long urged agencies to perform such "rack and stack" reviews. As noted earlier, USAID will also be pulling back on-budget assistance where the risks of mismanagement are too high.

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[33] Unless otherwise noted, comments in the remainder of this section are based on meeting remarks by Special Inspector General Sopko at SIGAR headquarters, 5/3/2018.

[34] SIGAR, *Afghan National Army: DOD May Have Spent Up to $28 Million More Than Needed to Procure Camouflage Uniforms That May Be Inappropriate for the Afghan Environment,* Special Projects report SIGAR-17-48-SP, 6/2017, pp. 2-3, 8.

[35] Secretary of Defense James Mattis, "Our mission and stewardship responsibilities," memorandum to DOD under secretaries, 7/21/2017, pp. 1-2.

[36] John F. Sopko, "Private Sector Development and Economic Growth: Lessons from the U.S. Experience in Afghanistan," prepared remarks for the United States Institute of Peace, Washington, DC, 4/19/2018, p. 2.

- Ambassador Bass and Administrator Green are offering suggestions for new research studies by SIGAR's Lessons Learned Program, and DOD has incorporated some of SIGAR's Lessons Learned work into the new Afghanistan strategy.
- Senior U.S. military officers including General John Nicholson, commander of U.S. and NATO forces in Afghanistan, are working with SIGAR on its recommendations for bolstering the train, advise, assist mission there.

All of these developments are good news for the U.S. reconstruction effort, and show that active oversight can do more than hold a rear-view mirror up to mistakes and failures. That is an important function, but it is equally important to use that learning to bring about change that saves money and yields better results.

Conclusion

The overall results of the reconstruction effort in Afghanistan have been decidedly mixed. But judging the effort against the unrealistic assumptions and expectations of 2002 and the surge of 2009 would be both harsh and unproductive.

Afghanistan reconstruction is a work in progress—and slow progress at that. But there has been progress, including lower maternal and infant mortality, increased school enrollments, better-trained judges and judicial staff, increased opportunities for women, better tools for ministries' financial management, new systems to confirm identities among the security forces and voters, and increased attention to the aid restrictions of the Leahy Laws for Afghan security units that commit gross violations of human rights.

Great obstacles remain, the insurgency standing at the forefront, accompanied by poverty, illiteracy, corruption, lack of capital and infrastructure, and uneven application of the rule of law. But I believe, on balance that the reconstruction effort in Afghanistan can provide genuine support of the avowed U.S. policy that the country must not again be a launching pad for terror attacks against the United States.

That support requires our implementing agencies to do a better job of planning, overseeing, monitoring, and imposing accountability for misconduct and incompetence. Doing that job better requires that U.S. agencies take realistic views of the scope of possible impacts and the time required to achieve their goals. It is also incumbent on them to remain aware of and sensitive to realities on the ground, and that they are ready to be honest to Congress and the American taxpayer by acknowledging failures and challenges and redirecting resources to build on successes. All of that work requires continuing extensive oversight, for which SIGAR is the chief source in Afghanistan.

SIGAR does not make national policy or advocate for changes in that policy, but we can and will persist to the utmost, for as long as it takes, in striving to improve the work of

reconstruction, and in presenting the facts and our recommendations to Congress and the Executive Branch for improving reconstruction in Afghanistan.

Thank you for your attention. I look forward to your comments and questions.

Testimony

The Challenges and the Benefits for U.S. National Security of Providing Foreign Assistance to Afghanistan

Laurel E. Miller

CT-493

Testimony presented before the Senate Homeland Security and Government Affairs Committee, Subcommittee on Federal Spending Oversight and Emergency Management, on May 9, 2018.



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The Challenges and the Benefits for U.S. National Security of Providing Foreign Assistance to Afghanistan

Testimony of Laurel E. Miller[1]
The RAND Corporation[2]

Before the Committee on Homeland Security and Government Affairs
Subcommittee on Federal Spending Oversight and Emergency Management
United States Senate

May 9, 2018

Good afternoon, Chairman Paul, Ranking Member Peters, and distinguished members of the subcommittee. Thank you for the invitation to testify at this important hearing. In the context of the subcommittee's oversight of U.S. government spending in Afghanistan, I have been asked to address the effectiveness of U.S. spending toward building a stable democracy in that country. I will offer the subcommittee several observations on the ways in which this type of spending is thought to advance U.S. national security interests and on the challenges that the Afghan context poses for implementation of U.S. assistance. My intent is to take a broadly framed approach to considering the question of effectiveness and to suggest factors that could be considered in setting realistic expectations for the impact of U.S. assistance to Afghanistan. I will conclude by recommending a path forward in Afghanistan that might enable the United States to continue gradually reducing the scale of its financial commitment while mitigating risks. U.S. assistance to Afghanistan over the past sixteen-plus years has been enormous in scale and enormously complex in its substantive details, with security and civilian assistance components and multiple U.S. agencies involved in implementation; my brief comments today will, therefore, necessarily be broad-brush.

The Logic Behind U.S. Assistance to Afghanistan

A useful starting point is to recall the rationale for U.S. government spending in Afghanistan. The U.S. motivation for invading Afghanistan in 2001 and ousting the Taliban regime was not,

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[1] The opinions and conclusions expressed in this testimony are the author's alone and should not be interpreted as representing those of the RAND Corporation or any of the sponsors of its research.

[2] The RAND Corporation is a research organization that develops solutions to public policy challenges to help make communities throughout the world safer and more secure, healthier and more prosperous. RAND is nonprofit, nonpartisan, and committed to the public interest.

of course, to make Afghanistan a nicer place for Afghans but, rather, was to pursue U.S. national security interests in destroying al-Qaeda and—because it had provided safe haven to al-Qaeda—the Taliban. The driving imperative of the U.S. strategy thereafter has been to prevent al-Qaeda and other international terrorists from regaining or gaining a foothold in Afghanistan and to prevent the return to power of the Taliban regime. This has necessitated filling the vacuum created by the U.S. invasion by supporting the establishment of a government of a different regime type from the Taliban and by developing that government's capabilities to fight the Taliban, provide for the country's security over the long-haul, and serve as a counter-terrorism partner for the United States.

Focusing in on the U.S. effort to build Afghan security forces so that they can bear the main burden of providing security in the country, the primary challenge has been to create security institutions that are well led, are reasonably free of corruption, and have self-sustaining systems for logistics and management. Experience has shown that those institutional attributes cannot be manufactured through short-term or narrowly conceived technical advisory efforts; they are part of a broader landscape of governance and the uses and abuses of power in Afghanistan. Improving that landscape is a lengthy and multifaceted endeavor. Moreover, getting Afghanistan to a place where it can afford to pay for its own security requirements presents a further challenge. The Afghan government spends about a quarter of its resources on security—a huge proportion by international standards—but that contribution covers only about a tenth of the costs of the government's security forces; the United States and other foreign donors cover the rest. Without a lot of help in setting a foundation for economic growth, the Afghans will be hard-pressed to even begin to close that wide gap in any foreseeable time frame.

The basic dilemma of policy in Afghanistan—and the reason why high levels of U.S. spending have continued to be seen as required—remains what it has been since the Taliban insurgency arose in the years following the U.S. invasion and since American leaders decided that the United States needed to counter the insurgency: The United States cannot only battle its way to establishing enduring stability in Afghanistan. Decisions that the United States made in pursuit of its own security interests led to the adoption of an Afghanistan strategy that depends on producing, at American expense, sufficient political stability, government popularity, and economic development in a country that is still one of the world's poorest and least institutionalized.

The Macro-Level Picture of Assistance Impact

The effectiveness of U.S. assistance to Afghanistan can be examined on a project-by-project basis, looking at whether particular initiatives were competently executed and achieved the specific intended results. But using a wider lens, it is also possible to gauge effectiveness by examining the impact that the totality of U.S. and other international aid has had on Afghan society. Effectiveness in this sense is more about the achievement of broad policy goals than it is about questions of aid-project efficiency and waste. U.S. assistance has certainly produced important macro-level positive development results—although I would caution that recent dips in some indicators, corresponding with declines in aid levels and the U.S. and NATO troop drawdown, raise concerns about the sustainability of results.

A variety of statistical indicators show that health, education, access to information, and other facets of life in Afghanistan have improved significantly, spurred largely by foreign donor spending. A few examples are:

- Life expectancy has increased from 55.5 years to 63.7 since 2000.[3]
- The size the economy has nearly doubled since 2008, although with a slight drop since 2014.[4]
- The number of children in school has increased from an estimated 1 million, mostly boys, in 2002, to more than 9.2 million, 39 percent of whom are girls.[5]
- Mobile phone subscriptions per 100 people have gone from 0 to over 62 since 2000.[6]

Although Afghans routinely tell outside observers that their country is vastly changed since 2001, a characterization supported by data such as those highlighted briefly above, the economic picture has begun to deteriorate together with the security picture. The economic growth rate in 2017 was 2.6 percent, well below the 9.6 percent average annual rate from 2003 to 2012, according to the World Bank.[7] As economic growth became sluggish, the poverty rate increased to just above 39 percent in 2013–2014 (the latest available data), up from 36 percent in 2011–2012, meaning that 1.3 million people fell into poverty in the intervening period. Rural areas, where most of the population resides, saw the biggest increase, from 38.3 to 43.6 percent. Most jobs created in the service sector prior to 2014 were lost.[8] Adding to the mixed picture, data compiled by the World Bank for its Worldwide Governance Indicators show that Afghanistan has made modest progress in improving government effectiveness and regulatory quality, but none in controlling corruption.[9]

Those positive development outcomes that have been achieved as a consequence of U.S. and other foreign donor spending in Afghanistan have no doubt improved the lives of many Afghans. Whether these outcomes have had an impact on the main security-oriented goals that have driven that spending is a separate question. Again, the theory behind using U.S. assistance to promote Afghan economic and human development, public service delivery, and institutional capabilities is that doing so will produce political stability, popular support for the government, and sustainable capacity for Afghans to take care of their own security and economic needs and work with the United States in denying space to terrorist groups that could threaten U.S. interests.

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[3] World Bank, World Bank Open Data, Afgahnistan, 2018 (https://data.worldbank.org/country/afghanistan).

[4] World Bank, World Bank Open Data, Afgahnistan, 2018 (https://data.worldbank.org/country/afghanistan).

[5] U.S. Agency for International Development, "Afghanistan: Education," webpage, last updated April 25, 2018, citing data from the Afghan Ministry of Education (https://www.usaid.gov/afghanistan/education).

[6] World Bank, World Bank Open Data, Afgahnistan, 2018 (https://data.worldbank.org/country/afghanistan).

[7] For 2017 real GDP growth rate, see World Bank, "The World Bank in Afghanistan," last updated April 10, 2018 (http://www.worldbank.org/en/country/afghanistan/overview#1); for 2003–2012 average annual rate, see World Bank, *Afghanistan Development Update, November 2017*, Washington, D.C., 2017 (https://openknowledge.worldbank.org/handle/10986/28928).

[8] World Bank, "The World Bank in Afghanistan," last updated April 10, 2018 (http://www.worldbank.org/en/country/afghanistan/overview).

[9] World Bank, Worldwide Governance Indicators (http://info.worldbank.org/governance/wgi/#home).

Reality has shown, however, that the linkage between producing development outcomes of the kinds cited earlier and achieving Afghan government stability, legitimacy, and sustainable capabilities is, at a minimum, not a straight and direct line, at least not within the time frame of a single generation. Although in certain areas government capabilities appear to have improved markedly in recent years (for instance, in public revenue collection and in some elements of the security forces), on the whole, neither political nor security conditions in Afghanistan are more stable than they were a decade ago.

Challenges of the Afghan Context

Despite the macro-level improvements noted earlier, Afghanistan is still one of the world's poorest countries.[10] It remains—as it historically has been—dependent on external financing, and it will forever be arid and landlocked. Moreover, several decades of conflict have helped to entrench predatory economic practices and have impaired the development of the country's human capital. And Afghanistan has long attracted interference by neighbors and regional powers. Against the backdrop of these fundamental conditions and, importantly, the fact that conflict is ongoing and intensifying, it can hardly be surprising that implementing assistance programs is extraordinarily difficult. Certainly, it is the case that U.S.-funded projects have not all been perfectly conceived, planned, and executed, and U.S. agencies should always strive to do better in improving the elements of assistance delivery that are within their control. But in realistically setting expectations and evaluating effectiveness, the significant limitations imposed by the conditions in Afghanistan need to be appreciated.

The challenges posed by such conditions are not unique to Afghanistan. A RAND study found that even though most nation-building interventions of the last quarter century have resulted in improved security, economic growth, and human development, they do not rapidly transform societies. Even where important progress is made, the local conditions tend to limit the absolute outcomes of outsiders' interventions. Within a decade after such interventions, ineffective governments largely remained so, poor societies remained poor, and lootable resources continued to be looted.[11]

A particularly difficult condition to alter is corruption, and in this regard, too, Afghanistan is not unique. Despite burgeoning growth since the mid-1990s in anticorruption initiatives and in attention to the problems the initiatives are meant to solve, progress in actually reducing levels of corruption in countries around the world has been exceedingly limited. Success stories are few (and nonexistent among countries at Afghanistan's level of development), positive change is slow at best, and evidence of the constructive impact of external actors (aid donors and other

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[10] Afghanistan is number 210 out of 228 countries and territories in terms of GDP per capita. CIA, "Country Comparison: GDP Per Capita," *The World Factbook*, 2017 (https://www.cia.gov/library/publications/the-world-factbook/rankorder/2004rank.html).

[11] James Dobbins, Laurel E. Miller, Stephanie Pezard, Christopher S. Chivvis, Julie E. Taylor, Keith Crane, Calin Trenkov-Wermuth, and Tewodaj Mengistu, *Overcoming Obstacles to Peace: Local Factors in Nation-Building*, Santa Monica, Calif.: RAND Corporation, RR-167-CC, 2013 (https://www.rand.org/pubs/research_reports/RR167.html).

foreign partners) is slight. In countries where corruption is endemic, it is deeply embedded in the social order and not susceptible to rapid correction.[12]

To be clear, I am not suggesting that the challenges of the Afghan environment, and the friction those challenges create for effective delivery of U.S. assistance, mean that the United States should not be providing any such aid. Rather, I am suggesting that expectations of the pace and scale of change that such external financing can promote should be realistic and that U.S. policy choices should reflect such realism. One lesson that could be drawn from U.S. spending in Afghanistan is that, where starting conditions are particularly difficult, time is probably more valuable that money. Altering those conditions cannot be greatly sped up by pushing out large sums of assistance quickly rather than stretching them over a longer time frame.

An Alternative Way Forward

If the record of effectiveness is mixed and the baseline conditions inhibit more-dramatic results, then the crucial question comes back to one of policy: To what extent do U.S. national security interests justify continuing to spend assistance dollars while accepting that, inevitably, there will be leakages, losses, and imperfections? Answering the question should take into account that the Afghan government and security forces that have been established with U.S. financing are, in their current form, dependent on the continuation of such financing. At the extreme end of a range of options, rapid elimination of U.S. assistance—particularly funding for Afghan security forces—would likely lead to a rapid downward slide of security and political stability.

In my judgment, U.S. national security interests in Afghanistan could best be advanced by mounting a robust diplomatic initiative to negotiate a settlement of the conflict that would fold the Taliban into Afghan politics, enable the United States to narrow its security mission to counterterrorism, and set the conditions for ultimately normalizing the scale of the U.S. assistance commitment. Maximizing the potential for success of this approach would require putting the U.S. military effort, and the assistance effort, in support of diplomacy—in particular to demonstrate U.S. resolve to prevent the failure of the Afghan government until a settlement is concluded. A political settlement would not obviate the need for some continued U.S. assistance to Afghanistan to support the implementation of an agreement, although aid priorities would probably require adjustment. Indeed, signaling that the United States would be prepared to marshal the international assistance needed for implementation could help to achieve a settlement.

Current U.S. policy nominally acknowledges the need, ultimately, for a negotiated settlement, and recent statements by some senior U.S. officials suggest that the level of interest in pursuing a settlement may be on the rise. However, actual policy execution is still heavily dominated by the military effort. A concerted and prioritized initiative to negotiate would be a

[12] For an excellent exploration of the challenges of countering corruption, see Alina Mungiu-Pippidi, *The Quest for Good Governance: How Societies Develop Control of Corruption*, Cambridge: Cambridge University Press, 2015.

major foreign policy undertaking, requiring both clear political backing and significant diplomatic muscle. As yet, those requirements do not appear to be met.

Testimony of Gregory E. McNeill
Majority Staff Director
Federal Spending Oversight Subcommittee

Given Before:
The Federal Spending Oversight Subcommittee
Afghanistan in Review – Oversight of U.S. Spending in Afghanistan
5/9/2018

Chairman Paul, Ranking Member Peters, and members of the committee. It is an honor to be here today to report on the FSO subcommittee's oversight trip to Afghanistan.

Over two and a half days our bipartisan team participated in approximately 12 meetings with personnel on the ground, and four site visits at various locations in Kabul and at Bagram Air Base.

I want to thank all those from the State Department, the U.S. Military, and SIGAR for making this trip possible. Most important, I want to recognize the soldiers who have served and sacrificed so much in Afghanistan, particularly those who have given their lives there.

I want to focus on three overarching take away from our oversight work:

1. We are not RE-Building in Afghanistan; for example in 2001 when we "broke it" as people often say, only 6 percent of the Afghan population had reliable electricity, today it is somewhere over 30 percent and we were told the goal is full electrification in the 2020. Electric power is certainly good for the Afghan population, but it is not something they lost as a result of the war, they never had it - we are not putting things "back together," we are building new – that's not rebuilding, that's nation building; That goes to my second point,

2. As is often the case with government programs, we look at <u>what</u> "successful" people have and try to give that to people we want to help. Government rarely asks <u>why</u> people are successful and seeks to foster those attributes instead; and finally

3. Oversight makes our efforts stronger and more effective, and cannot be done at arm's length and cannot be shorted.

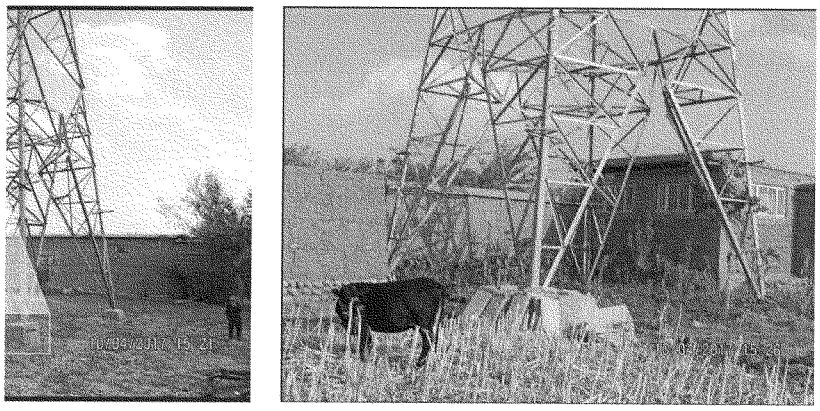
To the second point, economists would tell you that the fundamental building blocks of a successful society are, (1) rule of law, (2) free-markets, and (3) private property rights… not necessarily in that order. Most importantly the Afghans are telling us that this is what they want. Integrity Watch Afghanistan reports that Afghans cite insecurity, unemployment, and corruption as the top three problems in their country. We're working on those things, but half the time we

shoot ourselves in the foot by focusing on other things at the expense of these attributes – rule of law, free-markets, and private property rights.

I mentioned electric power earlier, let's look at that. Electricity is important, but it is a "what," of success, not a "why" – so in our quest to build a power grid, the U.S. literally built transmission towers on people's land without procuring it or getting permission. And the excuse used is that many Afghans don't have title to their land – the U.S. does not know who really owns it. That may be true, but I'm sure the people living on the land believe it is their land.

So, what does it do when you build a tower on someone's backyard without their permission? Well, it probably makes them unhappy; they might resort to violence, which we heard on the ground happened in some cases. That fosters insecurity – and it also breeds a sense of corruption. Worse, the power itself is going to a population center miles away, not the person whose property has been compromised.

You can almost hear them say, "The U.S. and Afghan governments took my land for a power grid and didn't even give me power, what a bunch of crooks."



Transmission towers built in Afghan's back yards. –SIGAR Photos

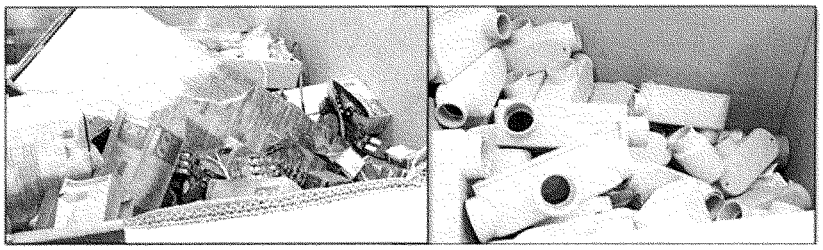
So right here, in an effort to give people a "what" that we think they need for success, we have totally invalidated the underlying "whys" of success. Can you imagine how much better it would have been to procure the land before building? We would have reinforced property rights and just compensation, and the U.S. and Afghan governments been seen as humbled by other's ownership and honest brokers.

To my next point, let me switch gears a little. We had a whistleblower contact us several years ago describing how new goods were being vastly over ordered, shipped overseas, and then destroyed in Afghanistan – in their original packaging, brand new.

For almost four years we have been asking different groups to look into this, SIGAR said it had merit but was in the Defense Criminal Investigative Service's (DCIS) jurisdiction. We turned to DCIS, who told us nothing criminal was happening and it didn't warrant further investigation.

GAO went pretty far digging through old records and found that about $50 million worth of new, in the packaging, equipment was being destroyed, but they said that was only one quarter of one percent of all that has been demilitarizes and disposes of. In short if it happens it is extremely rare.

So, you can imagine how shocked we were when we walked into a warehouse at Bagram and found three large bins (out of less than ten in the warehouse at the time) full of thousands of dollars of brand new electrical equipment slated for disposal.



New Breakers (in manufacturer packaging) and Conduit Connections W/Cover slated for disposal – FSO Photos



Breaker Boxes (In manufacturer packaging) slated for distruction. - -FSO Photos

We'd been given the run-around and told this was not an issue for almost four years. Then, we see it right there before our eyes. This never would have happened if we hadn't gone and looked.

The point is that you can only do so much from Washington. We were told our staffdel was only the second or third oversight trip in the past 17 years - whereas groups of appropriators and authorizers come about every 10 days. That comes out to a ratio of greater than 100 to 1. Beyond that, SIGAR, the key oversight entity on the ground, told us every congressional group is invited to meet with them, but it has only happened a hand full of times.

Quite simply congressional oversight is at a disadvantage against congressional spenders in Afghanistan. That means wasted money, but also a less effective mission.

We clearly didn't scratch the surface. We were booked solid the whole time we were there, but still weren't able to investigate the U.S. taxpayer financed cricket league, or visit *ITV* whom we as taxpayers have given exclusive broadcasting rights to and even trained them on sports broadcasting.

We did not get to talk about the $1 million variety show the U.S. taxpayer is paying for. We did not get to talk to the people in charge of $29 million in cranes and bulldozers that were lost. And of course, we didn't get to see the $43 million natural gas, gas station.

There is a desperate need in Afghanistan for better oversight engagement from Congress. I want to emphasis that is not anti-war and oversight does not compromise the mission- tough questions and consequences, condition us and makes us all stronger.

With that I thank you and I'd be happy to answer questions.

Testimony of Sergio Gor, Deputy Chief of Staff, Senator Rand Paul (R-KY)

Before the U.S. Senate Homeland Security and Governmental Affairs Committee, Subcommittee on Federal Spending Oversight and Emergency Management

May 9, 2018

Chairman Paul, Ranking Member Peters, and Members of the Subcommittee:

Thank you for providing us with an opportunity to testify today regarding our experiences on the ground in Afghanistan.

We found it extremely valuable to visit firsthand all of the locations and projects that you will hear from us about in this hearing. Pictures, videos, and reports simply can't compare with directly witnessing America's massive involvement, commitment, and undertaking in Afghanistan.

I would like to start by also thanking Ambassador Bass and his Deputy Chief of Mission, Annie Pforzheimer, for ensuring we had access and logistical support and for enabling our team to conduct our oversight mission.

I would also like to mention the incredible American men and women who work on the ground at our embassy and various bases. These individuals risk their lives for the betterment of others. Unfortunately, our objectives are unclear, and our mission remains murky, difficult, and, I would wager, unattainable in the current situation.

Finally, I want to acknowledge the extraordinary work the Special Inspector General for Afghanistan Reconstruction (SIGAR) is doing on behalf of the American taxpayer. IG Sopko and his entire team are performing a vital service to the American taxpayer in a very dangerous part of the world and have not received the level of praise their incredible efforts deserve.

Though I could spend hours recounting our experiences, today I will focus on three distinct areas: **1.) Infrastructure and Accountability, 2.) Rampant Corruption, and 3.) Resettlement of Afghans in the United States to the Detriment of Afghanistan.**

Infrastructure and Accountability

One of the projects we got a firsthand look at in many ways summarizes our entire nation-building efforts in Afghanistan. It represents a bold idea for a brighter future that fell apart along the way, wasting taxpayer dollars and placing Americans living in Afghanistan in even greater danger.

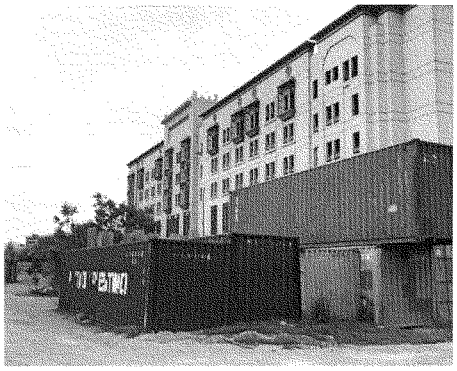
You may have heard of what was to be the Marriott Hotel in Kabul, initially said by the Overseas Private Investment Corporation (OPIC) in 2007 to be "expected to generate several million dollars annually in foreign exchange" and create hundreds of jobs for the Afghan people.[1]

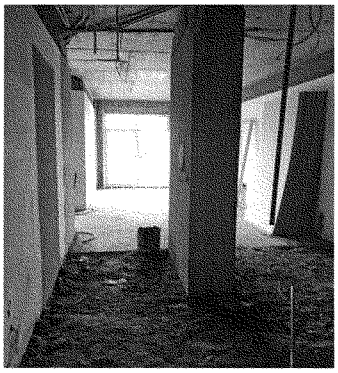
While OPIC invested nearly $60 million in the project over time, its oversight of those dollars was severely lacking, relying mostly on those receiving the loan to provide accurate updates.[2] Even worse, in a story that has become all too familiar with government projects, OPIC gave almost $30 million more to the same underperforming developer to build an apartment building adjacent to the hotel.[3]

Eleven years later, I walked the halls of this deserted, unfinished shell of a dream. Barren rooms, empty elevator shafts, and no electric power greeted us. Like something out of the Old West, both buildings in this ghost town are uninhabited and uninhabitable.

But we cannot simply wash our hands of these projects. Our government now spends an unknown amount every week to protect these multistory buildings due to their proximity to the Embassy. In the end, multiple individuals advised us that the Embassy is seeking to acquire the land, demolish the infrastructure, and start anew.

In summary – poor planning, no oversight, money wasted, and, the worst part of all, absolutely zero accountability. Every day that we distribute money, people squander or steal it, and no one is ever held accountable. And the process repeats itself.





[1] Overseas Private Investment Corporation. "OPIC Board Approves $60 Million for Hotel Project in Afghanistan." January 2007. https://web.archive.org/web/20081011172919/http://www.opic.gov/news/pressreleases/2007/pr011907.asp

[2] Special Inspector General for Afghanistan Reconstruction. "SIGAR-17-13-SP Review Letter: Abandonment of OPIC Projects in Kabul," pp. 2, 6. November 2016. https://www.sigar.mil/pdf/special%20projects/SIGAR-17-13-SP.pdf

[3] Ibid, 2.

We also visited the Ministry of the Interior in Kabul.

The United States spent $210 million on a brand-new building that was riddled with construction deficiencies, and before occupying the building, an additional $2.6 million was spent on "Ministry HQ Enhancements," including adding marble and spending $7,000 on "Lost time waiting for instructions" and $10,000 on a car and driver.

Multiple individuals described the Ministry of the Interior as a "Mini-Pentagon" of Kabul. After passing through multiple security checkpoints, we found ourselves in a large, ornate, marble-covered lobby. We had an interesting meeting with senior officials, who discussed their mission in rooting out corruption but ultimately admitted that much remains to be done.

At the time of construction, the contract mandated certain features – instructions that ultimately weren't followed, were ignored, or were completely passed over. For example, recent inspections have revealed that the doors installed are not considered "fire-rated," meaning they burn through much faster. According to MOI staff, the sprinkler systems and air conditioning systems work haphazardly. Elevator problems abound throughout the building. Unfortunately, this is another example of funds being squandered through corruption and lack of oversight.

According to a recent SIGAR report:

> *"Phase 2 construction of the MOI headquarters project experienced lengthy delays and cost increases because of the need for three contracts to complete the project, one of which was terminated for default for poor work that was demolished and redone by the second contractor. The phase 2 project was completed in November 2015, more than two and a half years after the originally planned completion date of May 1, 2013. In addition, the phase 2 project's cost rose to approximately $46.2 million or $15.6 million more than originally planned.*
>
> *"During 13 site visits between October 2015 and August 2016, SIGAR found seven instances where the phase 2 contractors did not comply with contract requirements. Most significantly, Yuksel Insaat did not install certified fire-rated doors in the headquarters, communications buildings, and gatehouse, as the contract required, which raises safety concerns should a fire occur. Due to the seriousness of this issue, on October 5, 2016, SIGAR sent an alert letter to USACE, CSTC–A, and other Department of Defense components notifying them that none of the 153 doors installed under phase 2 were certified. In its May 9, 2017, response, USACE acknowledged that the doors did not meet certification requirements and stated that it requested corrective-action plans from Yuksel Insaat. USACE also stated that it was investigating the suitability of the noncertified doors that had been installed and the contractual issues involved, as well as developing several potential courses of action to address SIGAR's concerns. USACE further noted that it was implementing a personnel training program that entails a detailed review of fire-door assemblies, to include contract requirements and referenced standards."*[4]

[4] Special Inspector General for Afghanistan Reconstruction. *Quarterly Report to the United States Congress*, pp. 37-38. October 2017. https://www.sigar.mil/pdf/quarterlyreports/2017-10-30qr.pdf

Rampant Corruption

One of the questions which I asked every individual or group we met with was, "What part of funding goes to corruption, waste, fraud, and abuse?" The answers varied from a low of 20% to a high of 50%, depending on whom I was speaking with.

Corruption is so rampant, it has been accepted as the norm. There are efforts to root out some of it, but as a State Department official explained, it is also part of the culture and will never be eradicated. Corruption can range from literally billions of dollars disappearing, to preferential hiring and nepotism. Ministers tend to hire from within their own tribes, their own villages, or quite literally from their immediate family.

President Ghani has attempted to spread jobs and contracts beyond his immediate circle; however, the practice of hiring family and tribe members has not ceased.

Corruption is so rampant, we don't have a clue what percentage actually disappears from the top line. Oversight is greatly lacking.

Some members of SIGAR we met with described Afghanistan as the most corrupt nation in the world, surpassing other hot spots around the world where we are involved. Americans have an unrealistic view on corruption in Afghanistan. Simply put, some level of corruption will always exist, because it is their way of life.

Unfortunately, it is extremely easy to scam the United States and our partners because so much construction occurs with ZERO supervision from our entities. The situation has gotten so volatile that the United States is unable to build, inspect, or certify projects. Our government relies on volunteers, NGOs, or local Afghans to certify that work has started, has been completed, or is up to standards.

One of our most valuable meetings during our time in Kabul was with a watchdog group called Integrity Watch Afghanistan (IWA). Through various grants and funding from the United States, IWA is able to monitor work being carried out throughout the country that is financed by the United States or other international partners.

Unfortunately, outside of SIGAR, IWA is the closest thing the United States taxpayer has to an accountability monitor. They assess the work on projects funded by the U.S. taxpayer, as well as their progress and completion. IWA employs close to 80 staff and also has hundreds of volunteers who visit such sites.

Additionally, IWA assists in trials throughout Afghanistan. In the past year, they have monitored nearly 1,000 trials across Afghanistan.

IWA has been ignored in the past by our Embassy, with their findings discarded. However, we have reason to believe that Ambassador Bass aims to foster a better relationship with their leadership.

While IWA is not directly involved in monitoring elections, they reaffirmed earlier statements by countless other individuals that election fraud was rampant and continues to be a problem.

An interesting anecdote from our meeting with IWA concerned their belief that some localities have received so much money to fix their communities that they are refusing to self-improve their own towns for free. As one individual stated, "Why would I keep my street clean or my park tidy, when the United States will pay me to do it?" In this instance, our aid has had a detrimental impact. No longer do people care about their communities. They are trying to get that incentive from our funding.

Resettlement of Afghans in the United States to the Detriment of Afghanistan

While our oversight focused on the spending of American monies and resources, one glaring issue kept appearing throughout our meetings.

Although the United States won the war in 2001, we have continued to resettle individuals who have assisted us on the ground through "Special Immigrant Visas" (SIVs). These could include Afghan embassy staff, translators, or individuals who have assisted our armed forces.

According to the Pew Research Center, which cited the U.S. State Department Bureau of Consular Affairs, 48,601 special immigrant visas have gone to Afghans between 2007-2017.[5]

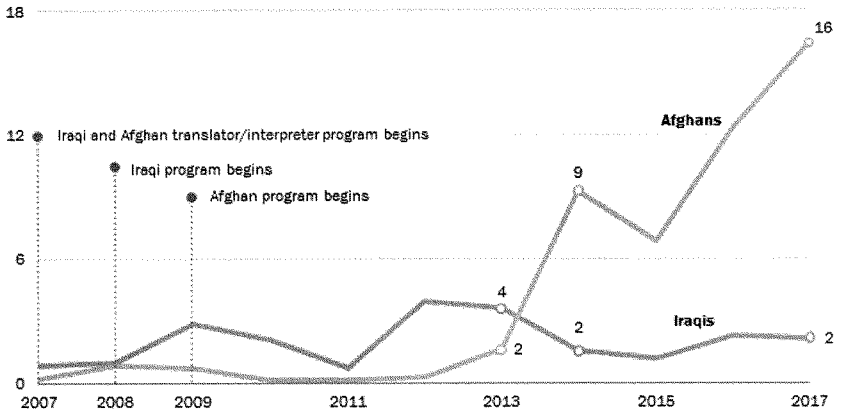
From the Pew Research Center:[6]

[5] Radford, Jynnah, and Jens Manuel Krogstad. "Afghans who worked for U.S. government make up growing share of special immigrant visa recipients." Pewresearch.org. December 2017. http://www.pewresearch.org/fact-tank/2017/12/11/afghans-who-worked-for-u-s-government-make-up-growing-share-of-special-immigrant-visa-recipients/

[6] Ibid.

More Afghans than Iraqis entered U.S. under special immigrant visas since 2013

Number of Afghan and Iraqi citizens entering the U.S. under special immigrant visa programs, by fiscal year (in thousands)



Note: Totals include principal applicants and dependents. Principal applicants eligible for special immigrant visas worked for the U.S. government in Iraq and Afghanistan. Fiscal years begin Oct. 1. Dependents who are citizens of countries other than Iraq and Afghanistan are not included.
Source: U.S State Department Bureau of Consular Affairs, accessed Oct. 25, 2017

PEW RESEARCH CENTER

"More than two-thirds of special immigrant visas have gone to Afghans (48,601) since fiscal 2007 – the first year visas were awarded under the programs – while Iraqis have received 21,961 such visas. Totals include visas issued to the principal applicants who worked for the U.S. government, as well as their spouses and unmarried children younger than 21. ..."

"A primary benefit of the programs is lawful permanent residence, which allows a person to live and work in the U.S. and offers a path to citizenship. ..."

"In 2009, Congress authorized special immigrant visas for Afghan citizens under what today is the largest of the three programs. Since fiscal 2016, 7,000 visas have been made available, reflecting the continued U.S. military presence in Afghanistan. Under current rules, those eligible to apply must have worked on behalf of the U.S. government for at least two years in Afghanistan at some point since Oct. 7, 2001. Applications must be filed before December 2020, and the program will end when all allocated visas are taken. ..."

"Recipients of these special immigrant visas can receive refugee resettlement benefits from the U.S. government, which include 30 to 120 days of financial assistance. About 85% of those who have entered the U.S. under the special immigrant visa programs (from Oct. 1, 2007, to Sept 30, 2017) have received refugee assistance and resettled in states across the country. Top resettlement states during this time include California (17,416), Texas (10,598), and Virginia (7,249)."[7]

Throughout our trip, we kept hearing about a "brain-drain" of Afghans that are educated, intellectual, entrepreneurs, or businessmen – anyone who knew how to work the system – being able to work for the United States and eventually obtain an SIV.

Various State Department employees discussed the automatic incentive for coming to work at the Embassy or a U.S. mission. Those doing so knew that in a year or two, they could start their process to immigrate to the United States.

While I agree that some individuals might have been targeted for working with the United States, I also strongly believe that many took advantage of this system and have resettled in America.

Over 50,000 individuals have resettled in the United States. This number does not include many more Afghans who have resettled in Europe and other safer nations.

President Ghani has not been supportive of Afghans who have felt compelled to leave Afghanistan. Instead, he has called for his citizens to focus on and rebuild their own nation.

According to the BBC, "Afghanistan's President Ashraf Ghani has taken a tough stance on the tens of thousands of his citizens who are fleeing the country to make the dangerous journey to Europe."[8]

They reported the following: "'I have no sympathy,' he told the BBC's Yalda Hakim, while calling on his countrymen to remain in the war-ravaged nation and join in the effort to rebuild it."[9]

KEY TAKEAWAYS

CUT AID

The United States needs to lessen our aid dramatically to Afghanistan. So much of our aid is lost to waste, fraud, abuse, and corruption. Some estimate that as much as 50% of our money is misspent, mismanaged, or disappears entirely. According to recent testimony before the Senate

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[7] Ibid.

[8] British Broadcasting Corporation. "President Ghani: 'No sympathy for Afghan migrants.'" BBC.com. March 2016. https://www.bbc.com/news/av/world-asia-35932120/president-ghani-no-sympathy-for-afghan-migrants

[9] Ibid.

Foreign Relations Committee, the United States' involvement in Afghanistan will cost taxpayers a whopping $45 billion in 2018.[10]

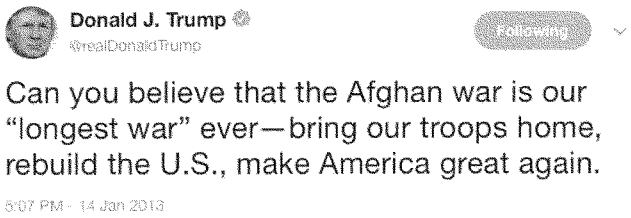
IMPLEMENT ACCOUNTABILITY

Much more accountability is needed to root out corruption. There is virtually no oversight on countless projects, and there is very little accountability. Money is stolen, wasted, and abused, and almost no one is held accountable.

END THE SPECIAL IMMIGRANT VISAS

Afghanistan will never be able to succeed if the smartest individuals are all leaving for the United States and Europe. Over 50,000 individuals have been resettled in the United States in the last ten years.

I agree with President Donald J. Trump, who said in 2013:[11]

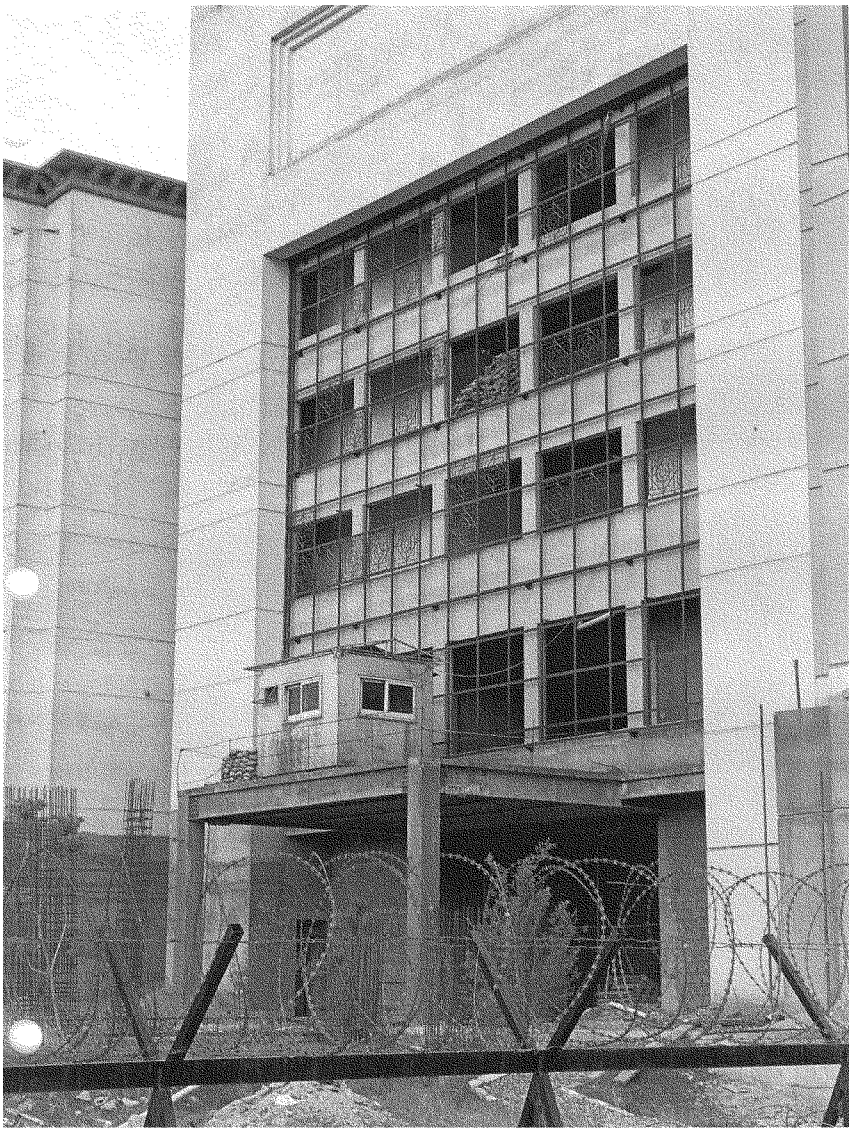


Thank you again for this opportunity to testify, and I look forward to answering any questions you may have.

[10] Mitchell, Ellen. "Pentagon: War in Afghanistan will cost $45 billion in 2018." TheHill.com. February 2018. http://thehill.com/policy/defense/372641-pentagon-war-in-afghanistan-will-cost-45-billion-in-2018

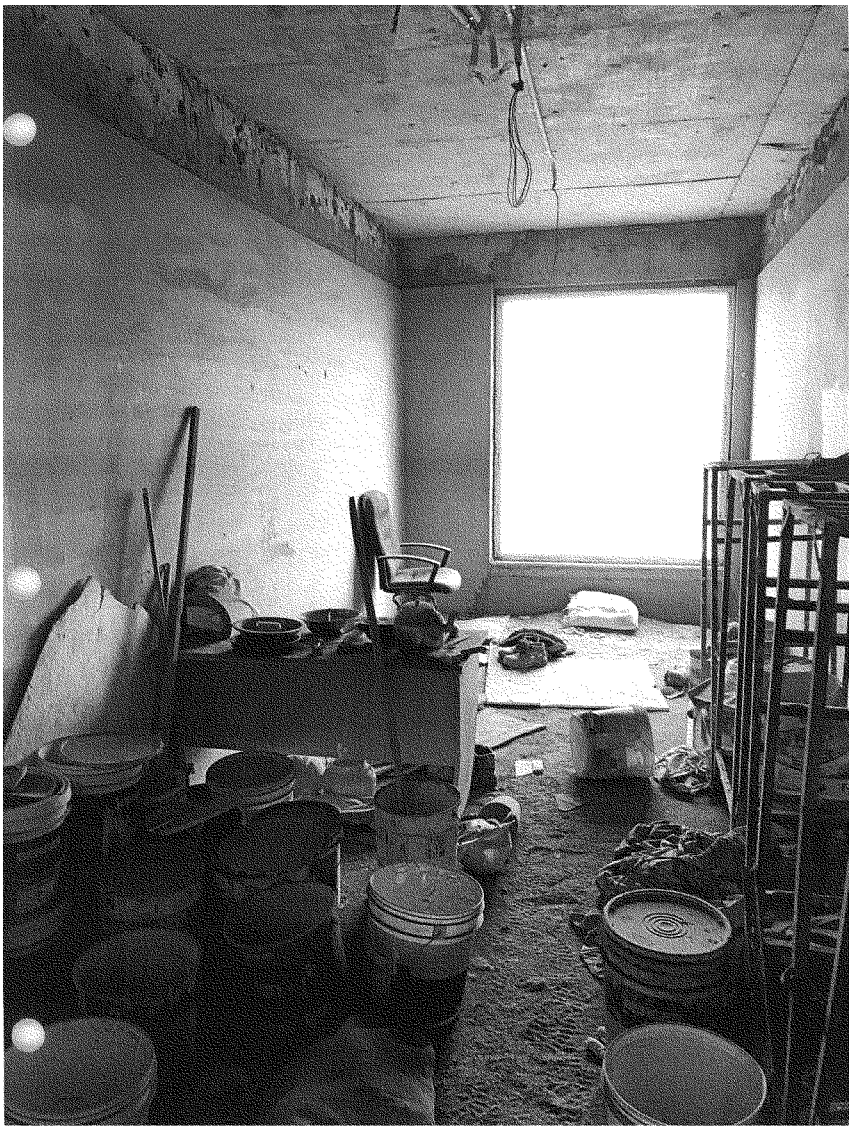
[11] https://twitter.com/realdonaldtrump/status/290943315791204352?lang=en


CHARLES HOTEL









HSGAC

MINORITY STAFF REPORT

FAST CARS, EASY MONEY:

How the Pentagon Mismanaged the Afghanistan Legacy Program



UNITED STATES SENATE
Committee on Homeland Security & Governmental Affairs
Ranking Member Claire McCaskill

April 26, 2018

Executive Summary

The Legacy and Afghanistan Source Operations Management (ASOM) Programs, an expensive American effort to build the intelligence capacity of Iraq and Afghanistan security forces from 2007 to 2016, have been repeatedly scrutinized by Ranking Member Claire McCaskill and other federal officials, including the Defense Contract Audit Agency (DCAA) and the Special Inspector General for Afghanistan Reconstruction (SIGAR). In August 2017, Ranking Member McCaskill revealed extensive financial abuses by the subcontractor on the Legacy Program contracts, which had spent over $51 million on, among other things, luxury cars, exorbitant salaries, and unallowable airfare.

While the Army was responsible for executing the Legacy and ASOM Program contracts, a small office in the Pentagon, the Combating Terrorism Technical Support Office (CTTSO), developed the program. At the time of the Legacy Program, the Program Manager for CTTSO was Richard Higgins, a subsequent White House aide whose controversial statements ultimately resulted in his widely-publicized dismissal from the National Security Council in 2017.

The Legacy Program was executed by a contractor named Jorge Scientific Corporation, later known as Imperatis Corporation (Imperatis), which has since become insolvent. This company first attracted the attention of Senator McCaskill in 2012, when allegations arose of drug and alcohol abuse and other misconduct at its compound in Kabul. Last year, Ranking Member McCaskill learned that at the same time Imperatis personnel were reportedly getting drunk and high in Afghanistan, its subcontractor was billing taxpayers for Bentleys, Porsches, and other luxury cars under the contract.

At the request of Ranking Member McCaskill, minority Committee staff sought to determine who was responsible for the Legacy Program and how the contract was awarded. The investigation also sought to determine how such egregious costs could have been approved, whether they would be recovered, and what sort of oversight the military had over the effectiveness of the program. Key findings include:

Nearly all work on the contracts passed through to the subcontractor, NCC.

- The subcontractor, New Century Consulting (NCC), pitched the program and did the vast majority of the work in the Legacy and ASOM Programs—an estimated 80% on the Legacy Program contracts. NCC's CEO, Michael Grunberg, was previously involved in a scandal related to international arms deals. Mr. Grunberg has also been employed by private military companies involved with conflicts in Papua New Guinea, Sierra Leone, and Liberia, and he has connections to multiple diamond companies associated with nonstate activity in West Africa.

- The Department of the Army (Army) acknowledged that if Ranking Member McCaskill's 2013 contracting reform legislation had been in place at the time of the Legacy Program contracts, then it would have at least had to justify allowing NCC to perform the overwhelming majority of the work, and might have disallowed it.

The original Legacy contract was both developed by the subcontractor and steered towards it.

- NCC, rather than the prime contractor, originally pitched the program to Mr. Higgins's office.
- Though Mr. Higgins's office claimed it had no influence on NCC's pursuit of subcontractor work on Legacy Program, his office notified NCC that Imperatis was in line to win the Legacy Program contracts and made contact arrangements for NCC.

The contract award process lacked effective competition. CTTSO and the Army relied on an obscure contracting vehicle to award and continue the Legacy Program.

- The Legacy Program was awarded using a "research and development" contract vehicle that never mentioned training or mentoring security forces, but instead called for research proposals in hard sciences like chemistry, electronics and physics. The award hinged on a passing reference to "HUMINT", human intelligence, that occurred once in a nearly 150-page proposal.
- Proposals accepted under these types of contract vehicles, known as Broad Agency Announcements (BAAs) do not need be competitively bid, even if they are unique. Minority staff found no evidence that the Army received any other training and mentoring proposal for the Legacy Program contracts.
- The Department of Defense (DOD) continued to use the BAA "research and development" vehicle to award further Legacy and ASOM Program contracts long after the Legacy Program had been established and was no longer new.

The performance and financial oversight of the Legacy and ASOM contracts was deficient.

- The Legacy and ASOM Programs failed to establish adequate quantitative metrics measuring the programs' progress, making it difficult to identify the effectiveness of the programs.
- Although the DCAA successfully identified $51 million in egregious costs under the Legacy Program contracts, post-performance audits are not a fully reliable method for preventing waste, fraud and abuse.
- DCAA's audit only investigated costs between 2008 and 2013, and was not completed until 2016—nearly three years after that period ended and almost eight years after the first costs were incurred. Its audit of the remainder of NCC's costs will not be complete until later this year. DCAA's audit backlog, a longstanding concern of Ranking Member McCaskill, has resulted in an audit inventory whose average age is 14 months.
- Prior to DCAA's audit, Imperatis filed for bankruptcy, meaning that the government may never recover its claim submitted after DCAA completed its work.

Despite egregious waste and an investigation of NCC by the Army's Criminal Investigative Command (CID), the Army continues to allow NCC to receive government contracts and subcontracts.

- In April 2016, NCC entered into a subcontract with a prime DOD contractor, Raytheon, that continues to this day. In December 2014, the Army awarded NCC a research and development contract with a ceiling of more than $83 million that continued through September 2017.

- The Army has elected to delay a decision to suspend or debar NCC until after CID's investigation is complete, even though a CID investigation of the prime contractor took over two years.

I. Legacy Program Organization and Structure

The Legacy Program was an American effort to build the intelligence capacity of Iraq and Afghanistan security forces. The Legacy Program was executed by a contractor originally named Jorge Scientific Corporation, later known as Imperatis Corporation (Imperatis). Imperatis bid on the contract, was awarded the contract, and served as the prime contractor until September 2013, when the Legacy Program transitioned into ASOM Program and a new contract was awarded.[1]

While the Army was responsible for executing the Legacy and ASOM Program contracts, a small office in the Pentagon developed the program, or "requirement," to be bid out. The office, Combating Terrorism Technical Support Office (CTTSO) falls under the Assistant Secretary of Defense for Special Operations/Low-Intensity Conflict (SOLIC). Typical CTTSO contracts are worth anywhere from $500,000 to $1 million, and expected to deliver within 12 to 24 months. The office's base budget is roughly $70 million a year.[2] At the time of the Legacy Program, the Program Manager for CTTSO was Rich Higgins, who has a history of provocative positions and statements, one of which resulted in his widely-publicized dismissal from the National Security Council last year.[3]

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[1] Special Inspector General for Afghanistan Reconstruction, Afghanistan National Defense and Security Forces: DOD Spent $457.7 Million on Intelligence Capacity-Building Programs, but Impact Cannot Be Fully Assessed Because of a Lack of Performance Metrics (July 27, 2017) (SIGAR 17-57-AR).

[2] Department of Defense, Technical Support Working Group, Combating Terrorism Technical Support Office (https://www.tswg.gov/?q=vendors_about) (accessed Jan. 30, 2018); *Counterterrorism Rapid Acquisition Group Touts its Success*, National Defense (Dec. 20, 2017) (http://www.nationaldefensemagazine.org/articles/2017/12/20/counterterrorism-rapid-acquisition-group-touts-its-success).

[3] Mr. Higgins authored a controversial memo entitled "POTUS & Political Warfare" arguing that the Trump Administration is "suffering under withering information campaigns designed to first undermine, then delegitimize and ultimately remove the President." In the memo, Mr. Higgins names several adversaries of President Trump, including the mainstream media, academia, the "deep state", global corporations and bankers, the leadership of both political parties, and "Islamists." The release and circulation of Mr. Higgins's memo resulted in his dismissal from the NSC. *See, e.g., An NSC Staffer is Forced Out Over a Controversial Memo*, The Atlantic (Aug. 2, 2017) (https://www.theatlantic.com/politics/archive/2017/08/a-national-security-council-staffer-is-forced-out-over-a-controversial-memo/535725/); *White house Aide Forced Out After Claim of Leftist Conspiracy*, The New York Times (Aug. 11, 2017) (https://nyti.ms/2uOHH4j); *Memo highlights friction within White House National Security Council*, CNN (Aug. 11, 2017) (http://www.cnn.com/2017/08/11/politics/mcmaster-memo-wh-struggle/index.html).

The Legacy Program arose from a 2007 counterinsurgency pilot program.[4] The Army awarded Imperatis a contract to address intelligence deficiencies in counterinsurgency, the global war on terrorism, and counter transnational threats.[5] Specifically, Imperatis and its subcontractor NCC were tasked with embedding mentors alongside select Iraqi and Afghani police and military intelligence to help professionalize their operations.[6]

The Army applied the Legacy Program to Afghanistan through an additional four contracts to Imperatis valued at over $314.4 million.[7] Each new contract was considered a new "pilot," ostensibly to determine the effectiveness of the Legacy Program in a new territory.[8] The first, Legacy Afghanistan, was granted between April 2010 to May 2012, and valued at $42.3 million;[9] The second, Legacy South, was a cost-plus-fixed-fee term[10] contract granted between July 2010 to May 2012, valued at $47.9 million; The third, Legacy Kabul was another cost-plus-fixed-fee term[11] contract between September 2010 and May 2012, valued at $46.6 million; The fourth, Legacy East, shifted to a cost-plus-fixed-fee completion[12] contract between October 2011 and September 2013, and was valued at $177.6 million.

Each contract was organized into four chronological phases: First was "recruiting, reception and staging"—which recruited, vetted and prepared training and mentoring personnel; Second was "onward movement and training delivery"— which trained and mentored host nation security forces; Third was "integration and implementation"—which aimed to provide the required information, training support, and mentoring while simultaneously refining appropriate publications and documents for the supported command; And fourth was

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[4] Special Inspector General for Afghanistan Reconstruction, Afghanistan National Defense and Security Forces: DOD Spent $457.7 Million on Intelligence Capacity-Building Programs, but Impact Cannot Be Fully Assessed Because of a Lack of Performance Metrics (July 27, 2017) (SIGAR 17-57-AR); Department of the Army, U.S. Army Security Assistance Command, Statement of Work Project Legacy: Professionalization Program Intelligence Management Continuation (copy on file with Committee).

[5] Special Inspector General for Afghanistan Reconstruction, Afghanistan National Defense and Security Forces: DOD Spent $457.7 Million on Intelligence Capacity-Building Programs, but Impact Cannot Be Fully Assessed Because of a Lack of Performance Metrics (July 27, 2017) (SIGAR 17-57-AR).

[6] Department of the Army, U.S. Army Security Assistance Command, Statement of Work Project Legacy: Professionalization Program Intelligence Management Continuation (copy on file with Committee).

[7] For the purposes of this report, the four contracts will be collectively referred to as the Legacy contracts. The four components of the Legacy contracts were the following: (1) Legacy Afghanistan, (2) Legacy Kabul, (3) Legacy South, and (4) Legacy East. Special Inspector General for Afghanistan Reconstruction, Afghanistan National Defense and Security Forces: DOD Spent $457.7 Million on Intelligence Capacity-Building Programs, but Impact Cannot Be Fully Assessed Because of a Lack of Performance Metrics (July 27, 2017) (SIGAR 17-57-AR); Department of the Army, U.S. Army Security Assistance Command, Statement of Work Project Legacy: Professionalization Program Intelligence Management Continuation (copy on file with Committee).

[8] Office of the Special Inspector General for Afghanistan Reconstruction, Briefing with Minority Staff (Mar. 6, 2018).

[9] Minority Staff could not identify the cost reimbursement structure for the Legacy Afghanistan contract.

[10] FAR 16.306 states that cost-plus-fixed-fee are a type of cost-reimbursement contract in which the contractor is paid a negotiated fee that is fixed at the contract's inception. This type is preferred when the objective is geared towards research performance or preliminary exploration and when the level of effort required is unknown.

[11] FAR 16.307 describes Term forms as general conditions in which the contractor is obligated to devote a specified level of effort for a stated time. Under term forms, performance is satisfactory if the fixed fee is payable at the expiration of the agreed duration, and when the contractor indicates that the work specified has been completed.

[12] Completion forms require the contractor to complete and deliver a specified end product within an estimated cost, if possible, as a condition for payment of the entire fixed fee.

"drawdown, transition and institutionalization"—which required the contractor or subcontractor to develop a logical plan for withdrawal and or transition of capabilities to host nation forces.[13]

Following the conclusion of the Legacy Program contracts in May 2012,[14] the Army requested competitive proposals for a new contract to provide training and mentoring services in Afghanistan. The resulting ASOM contract was awarded to NCC in July 2013 and ran through its conclusion in February 2016.

II. Investigation by Senator McCaskill

On March 12, 2012, two former Imperatis (then-named Jorge Scientific) employees working as contractors on the Legacy Program filed a complaint in the United States District Court for the District of Columbia, alleging that Imperatis employees engaged in "numerous violations of Afghan and U.S. law; international and/or bilateral agreements; and contractual requirements."[15] Specific inappropriate activity included the possession and use of illegal weapons, including grenades; the possession and use of alcohol and drugs; and the intentional defrauding of the U.S. government by misrepresenting the location of Imperatis employees and by submitting forged documentation necessary to perform Imperatis's contractual duties.[16] Senator McCaskill, then-Chairman of the Senate Committee on Homeland Security and Governmental Affairs Subcommittee on Contracting Oversight, began an inquiry into the Army's management and oversight of contracts with Imperatis.[17] Following this inquiry, Army officials informed the Subcommittee that the individuals involved in the misconduct at issue were no longer employed by the company and that leadership in Kabul had been replaced recently.[18]

An initial audit of Imperatis' expenditures from October 21, 2011 through March 15, 2014, was commissioned by SIGAR and conducted by Crowe Horwath LLP. The audit, published in April 2015, revealed a lack of proper reporting and accounting standards, specifically as they related to costs billed by NCC. This resulted in the questioning of over $130 million in costs billed to the U.S. government.[19] Alarmed by the conclusions reached in the Crowe Horwath audit and the large amount of money questioned, Senator McCaskill, then-Ranking Member of the Senate Committee on Homeland Security and Governmental Affairs Permanent Subcommittee on Investigations (PSI), joined by PSI Chairman Rob Portman, wrote a letter to the Commanding General of the Army Contracting Command (ACC), requesting a briefing on the contracts

[13] Department of the Army, U.S. Army Security Assistance Command, Statement of Work Project Legacy: Professionalization Program Intelligence Management Continuation (copy on file with Committee).

[14] Special Inspector General for Afghanistan Reconstruction. Afghanistan National Defense and Security Forces: DOD Spent $457.7 Million on Intelligence Capacity-Building Programs, but Impact Cannot Be Fully Assessed Because of a Lack of Performance Metrics (July 27, 2017) (SIGAR 17-57 Audit Report).

[15] Plaintiff's Complaint for Violations of the False Claims Act, 31 U.S.C. §§ 3729, et seq. (March 12, 2012), *United States of America, ex rels. John Melson & Kenneth Smith v. Jorge Scientific Corporation*, D.D.C. (No. 1:12-cv-00389-EGS).

[16] Plaintiff's Complaint for Violations of the False Claims Act, 31 U.S.C. §§ 3729, et seq. (March 12, 2012), *United States of America, ex rels. John Melson & Kenneth Smith v. Jorge Scientific Corporation*, D.D.C. (No. 1:12-cv-00389-EGS).

[17] Letter from Chairman Claire McCaskill, Subcommittee on Contracting Oversight, to Secretary John McHugh, Department of the Army (Oct. 22, 2012).

[18] Letter from Secretary John McHugh, Department of the Army, to Chairman Claire McCaskill, Subcommittee on Contracting Oversight (Nov. 27, 2012).

[19] Special Inspector General for Afghanistan Reconstruction. Department of the Army's Legacy East Project: Jorge Scientific Corporation's Lack of Supporting Documentation Results in about $135 Million in Questionable Project Costs (Apr. 21, 2015) (SIGAR 15-43 Financial Audit).

audited, any other contracts ACC had with Imperatis, and the status of any investigations into Imperatis.[20]

The Crowe Howarth audit led DCAA to perform its own nonpublic audit of NCC, which it completed on August 31, 2016. DCAA examined NCC's incurred costs between 2008 and 2013 and revealed that NCC improperly incurred costs over $50 million, including exorbitant salaries, unallowable travel expenses, and Bentleys, Porsches and other "luxury" cars that were used by NCC executives and their assistants.[21]

In July 2017, SIGAR released a performance audit of the Legacy and ASOM Programs, which examined the programs from 2010 through their conclusion in 2016, questioning their success, effectiveness, and whether or not they were properly monitored. SIGAR concluded that because of a lack of metrics for the Legacy Program and a reliance on contractor-provided data for ASOM, it is almost impossible to gauge the U.S. government's return on investment for the $457.7 million spent on both programs.[22] SIGAR also found that NCC's accounting system was so poor that the government could and should have disallowed its use, but the agencies responsible for contract oversight continued to permit it. Had NCC been required to use a satisfactory accounting system from the beginning, its unallowable costs could have been identified earlier and before the company was reimbursed.

In August 2017, after DCAA's 2016 audit of NCC and SIGAR's 2017 audit report of the Legacy and ASOM Programs were provided to Committee staff, Ranking Member McCaskill sent a letter to DOD Secretary James Mattis, questioning waste of millions of taxpayer dollars spent by NCC.[23] In response, DOD provided Committee staff with an in-person briefing with CTTSO,[24] Army Contracting Command-Aberdeen Proving Ground (ACC-APG), the Defense Contract Management Agency (DCMA), the DCAA, and the Office of the Deputy Assistant Secretary of the Army for Procurement.[25] Following this briefing Committee staff requested white papers, contracts, performance and compliance reports, and statements of work and training manuals related to the Legacy Programs. In response to these requests, DOD provided limited information, including the Legacy Afghanistan, Kabul, South, and East contracts and statements of work, two compliance reports and weekly updates for July 2011 and December 2012, two trip reports from December 2012 and October through November 2013, a monthly status report from June 2013, three Contractor Performance Assessment Reports, two of DCAA's audits of Imperatis, and performance assessments from Army Generals. DOD did not provide Committee

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[20] Letter from Senator Claire McCaskill and Senator Rob Portman to MG Theodore Harrison, U.S. Army Contracting Command (May 12, 2015).

[21] Defense Contract Audit Agency, Independent Audit Report on New Century Consulting Ltd's Proposed Amounts on Unsettled Flexibly Priced Contracts for Fiscal Years 2008, 2009, 2010, 2011, 2012, and 2013 (Aug. 31, 2016) (Audit Report No. 02191-2015T10160001).

[22] Special Inspector General for Afghanistan Reconstruction, Afghanistan National Defense and Security Forces: DOD Spent $457.7 Million on Intelligence Capacity-Building Programs, but Impact Cannot Be Fully Assessed Because of a Lack of Performance Metrics (July 2017) (SIGAR 17-57 Audit Report).

[23] Letter from Senator Claire McCaskill to Secretary James Mattis, Department of Defense (Aug. 7, 2017); This letter incorrectly stated the salaries for the executive assistants reached "approximately $420,000 each." The correct average salary reached for the assistants was $190,500 each.

[24] The Combating Terrorism Technical Support Office is an office within the office of the Assistant Secretary of Defense for Special Operations/Low-Intensity Conflict.

[25] Combating Terrorism Technical Support Office, Army Contracting Command-Aberdeen Proving Ground, Defense Contract Management Agency, Defense Contract Audit Agency, and Office of the Deputy Assistant Secretary of the Army for Procurement, Briefing with Senate Committee on Homeland Security and Governmental Affairs Staff (Oct. 4, 2017).

staff with any of the other information requested. In addition, SIGAR briefed minority staff regarding their audit of the Legacy East contracts.

In addition to investigating the Legacy Program contracts, minority staff also attempted to review other DCAA audits that may have identified similar waste, fraud and abuse among other contractors. While DCAA offered an overview of questionable costs that it had identified over the past two years, it refused to provide any further audits to minority staff. Senator McCaskill most recently requested access to these audits at a Senate Committee on Armed Services hearing earlier this month.[26]

This report is a staff analysis of the information received by the Committee.

III. Nearly All Work under the Contracts Passed Through to Subcontractor NCC

In September 2007, the Army, through ACC, awarded an indefinite delivery-indefinite quantity contract to develop the doctrine that would become the Legacy Program to Jorge Scientific Corporation. Founded by Judith Jorge Hartman in 1986, Jorge Scientific Corporation, later rebranded as Imperatis, was a contractor for the United States for decades, and was awarded its first contract with the Departments of Labor and Navy in 1992.[27] Imperatis has had 1,739 contract actions with the United States government since 1992, of which 66% were with DOD.[28]

Following the award of each Legacy Program contract, Imperatis subcontracted a significant portion of the work to NCC. The Army estimated that NCC was responsible for approximately 80% of the work on the Legacy East contract[29]—but that percentage could be even higher. Despite numerous inquiries, minority staff was unable to identify evidence of any substantive work that Imperatis conducted in Afghanistan. According to monthly reports provided by both DOD and SIGAR, all of the mentoring and training of Afghanistan security forces under the Legacy Program appeared to be completed by NCC. NCC takes credit for creating and implementing the Legacy and ASOM Programs on its website.[30] This arrangement effectively made Imperatis a pass-through organization. It operated as the prime contractor in name only, allowing NCC to develop the doctrine and perform the vast majority of the work for the Legacy Program.[31]

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[26] Senate Committee on Armed Services, *Hearing on Posture of the Department of the Army* (Apr. 12, 2018).

[27] Federal Procurement Data System (https://www.fpds.gov/common/jsp/easySearchDocumentController.jsp?agencyID=1152&PIID=11520199209DCCP0502C0020280&modNumber=0&transactionNumber=0&idvAgencyID=&idvPIID=&actionSource=searchScreen&actionCode=&documentVersion=1.0&contractType=AWARD&docType=D) (accessed Jan. 30, 2018).

[28] Of the 1739 contract obligations listed on FPDS, 1148 of them were with some agency with the Department of Defense. Action obligations are the amount of federal government's obligation, de-obligation, or liability, in dollars, for an award transaction. Federal Spending Transparency: DATA Act Collaboration Space (https://fedspendingtransparency.github.io/whitepapers/amount/) (accessed Oct. 24, 2017).

[29] Email from Lieutenant Colonel Michael D. Jones, Legislative Counsel, Office of the Chief, Legislative Division, Department of the Army, to Senate Committee on Homeland Security and Governmental Affairs (Dec. 8, 2017).

[30] NCC's website states that NCC "created techniques for recruiting and handling sources in hostile environments such as Iraq and Afghanistan" through the Legacy Program while crafting a "specialist intelligence program in Afghanistan to support national and provincial police command structures" through its ASOM contracts with the DOD. New Century, The Legacy Model (http://www.newcentcorp.com/the-legacy-model/) (accessed Oct. 24, 2017); New Century, Afghanistan Source Operations Model (http://www.newcentcorp.com/afghanistan-source-operations-model/) (accessed Oct. 24, 2017).

[31] Jorge Scientific Corporation, *Monthly Financial Status Report: March 1st-March 31st 2013* (copy on file with Committee).

NCC is a closely held corporation headquartered in the Channel Islands between Great Britain and France.[32] NCC's website offers only broad descriptions of its business: "capacity building", "intelligence led solutions", "security sector reform", "specialist military training", and "doctrine-based training", providing subject matter expertise, interpreters, and accredited cultural advisors.[33] NCC's current leadership includes CEO and co-founder Michael Grunberg, Chairman and co-founder Colonel Tim Collins (a retired British Army officer), and CFO Guy Hendry.[34] Prior to co-founding NCC, Mr. Grunberg worked closely with a series of companies described as private military firms.[35] He worked for several years as a spokesman and advisor for Sandline International, a British private military company that was involved in conflicts in Papua New Guinea, Sierra Leone, and Liberia, as well as multiple diamond companies associated with nonstate activity in West Africa.[36] In 1998, Sandline was investigated for potential sanctions violations related to a United Nations arms embargo that followed a 1997 coup in Sierra Leone.[37] The company was so deeply involved in a 1997 internal conflict in Papua New Guinea—resulting in a near military coup and the resignation of the prime minister—that the events were dubbed the "Sandline Affair."[38]

Imperatis continued to perform its role as prime contractor for all of the Legacy Program contracts, subcontracting the majority of work to NCC until NCC became the prime contractor for the ASOM Program in 2013.[39] Imperatis ceased all operations on May 9, 2016.[40] Citing "financial distress," Imperatis subsequently filed for bankruptcy and is no longer a contractor with the U.S. government.[41]

Under current procurement law, Imperatis' pass-through arrangement to NCC likely would have been heavily scrutinized, if not prohibited. Ranking Member McCaskill was the chief

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[32] Specifically, NCC is headquartered in the Bailiwick of Guernsey, a self-governing possession of the English Crown. The Crown is the state in all its aspects within the jurisdiction of the Commonwealth realms and their sub-divisions.

[33] New Century, Services and Expertise (http://www.newcentcorp.com/services-and-expertise/) (accessed Oct. 24, 2017).

[34] New Century, Executive Leaders (http://www.newcentcorp.com/about-new-century/#executive) (accessed Oct. 24, 2017); Defense Contract Audit Agency, *Independent Audit Report on New Century Consulting Ltd's Proposed Amounts on Unsettled Flexibly Priced Contracts for Fiscal Years 2008, 2009, 2010, 2011, 2012, and 2013* (Aug. 31, 2016) (Audit Report No. 02191-2015T10160001).

[35] *With One Foot in the Grave*, The New York Times (May 3, 2004) (https://nyti.ms/2GWt3Tk).

[36] *Mercenaries in Africa*, BBC News (Mar. 15, 2004) (http://news.bbc.co.uk/2/hi/africa/3501632.stm); *A Sierra Leone Contract: LETTERS TO THE EDITOR*, International Herald Tribune (Aug. 28, 2001) (http://www.nytimes.com/2001/08/28/opinion/a-sierra-leone-contract-letters-to-the-editor.html); Dean Andromidas, *Sandline scandal causes tremors in Tony Blair's 'Cool Britannia'*, Executive Intelligence Review (June 5, 1998); *Abdel-Fatau Musah and J. 'Kayode Fayemi*, Africa in Search of Security: Mercenaries and Conflicts—An Overview (2000); Ian Smillie, Lansana Gberie, & Ralph Hazlton, *The Heart of the Matter: Sierra Leone, Diamonds & Human Security* (2000).

[37] Parliament of the United Kingdom, House of Commons, *Report of the Sierra Leone Arms Investigation* (July 27, 1998) (https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/235405/1016.pdf).; Parliament of the United kingdom, House of Commons, Select Committee on Foreign Affairs, Minutes of Evidence: Appendix 2, Sierra Leone Arms Investigation (Legg Inquiry): Note of a hearing with lt Colonel Tim Spicer OBE (Sandline) held at 2.00 pm on 24 June 1998 (June 24, 1998) (https://publications.parliament.uk/pa/cm199899/cmselect/cmfaff/116/116app05.htm).

[38] *Sir Julius Chan Says He Has No Regrets Over handling of Sandline Affair*, Australian Broadcasting Corporation, (Mar. 17, 2016) (http://www.abc.net.au/news/2016-03-17/no-regrets-over-papua-new-guinea-sandline-affair-sir-julius/7256118).

[39] Department of the Army, ACC- Adelphi, *Afghanistan SOM Contract* (W911QX-13-C-0170) (copy on file with Committee).

[40] *Vendor hired to improve security of OPM's network goes out of* business, Federal News Radio (May 16, 2016) (https://federalnewsradio.com/contractsawards/2016/05/vendor-hired-improve-security-opms-network-goes-business/).

[41] *Vendor hired to improve security of OPM's network goes out of business*, Federal News Radio (May 16, 2016) (https://federalnewsradio.com/contractsawards/2016/05/vendor-hired-improve-security-opms-network-goes-business/).

architect of legislation in 2013 to address pass-through contracting abuses, ensuring that where an offeror on a DOD contract informs the agency it intends to award subcontracts for more than 70% of the total cost of the work to be performed under the contract, the contracting officer must consider alternative contracting vehicles.[42] If the contracting officer determines the offeror who anticipates subcontracting over 70% of the contract out is the best option, it must provide the basis for such determination.[43] Had this reform been in effect beginning in 2007, the Army would have been forced to justify the need for a contracting structure in which NCC performed approximately 80% of the work on the Legacy Program.[44] The Army acknowledged that had that requirement been in place at the time, it might have decided this pass-through contract was unacceptable.[45]

IV. Contracts Developed by NCC, Steered to NCC

Subcontractor NCC, rather than Imperatis, originally pitched the Legacy Program proposal to CTTSO. This finding further questions the need for Imperatis to have served as a prime contractor. In addition, CTTSO advised NCC on how to become the subcontractor for the Legacy Program work. Given that Imperatis became the prime contractor for the Legacy Program, it might be expected that Imperatis would serve as the driving force behind the program. Instead, NCC initially presented to CTTSO in mid-2006 the intelligence gathering and mentoring program that would become the Legacy Program.[46] NCC made a subsequent presentation to the Marine Corps Intelligence Activity (MCIA) in February 2007.[47] Next, Andrew Lomax, a CTTSO contractor supporting Mr. Higgins, the Program Director, informed NCC that Imperatis was in line to secure a contract to execute the Legacy Program in Iraq.[48] CTTSO then provided NCC contact arrangements with Imperatis.[49] In an interview with Committee staff, Mr. Lomax denied that he influenced NCC to seek out Imperatis for work on the Legacy Program.[50] However, his disagreement conflicts with accounts provided by NCC to SIGAR.[51] As NCC stated,

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[42] National Defense Authorization Act for Fiscal Year 2013, Pub. L. 112-239, Sec. 802(1) (2013).

[43] National Defense Authorization Act for Fiscal Year 2013, Pub. L. 112-239, Sec. 802(3) (2013).

[44] The initial contract was awarded to Imperatis by ACC on September 27, 2007. The first task order awarded to Imperatis with NCC as subcontractor was later in September 2007. Special Inspector General for Afghanistan Reconstruction. *Afghanistan National Defense and Security Forces: DOD Spent $457.7 Million on Intelligence Capacity-Building Programs, but Impact Cannot Be Fully Assessed Because of a Lack of Performance Metrics* (July 2017) (SIGAR 17-57 Audit Report).

[45] Combating Terrorism Technical Support Office, Army Contracting Command-Aberdeen Proving Ground, Defense Contract Management Agency, Defense Contract Audit Agency, and Office of the Director of the Army Staff, Briefing with Senate Committee on Homeland Security and Governmental Affairs Staff (Oct. 4, 2017).

[46] Email from Programme Manager, New Century Consulting, to Office of the Special Inspector General for Afghanistan Reconstruction Staff (Dec. 3, 2016).

[47] Email from Programme Manager, New Century Consulting, to Office of the Special Inspector General for Afghanistan Reconstruction Staff (Dec. 3, 2016).

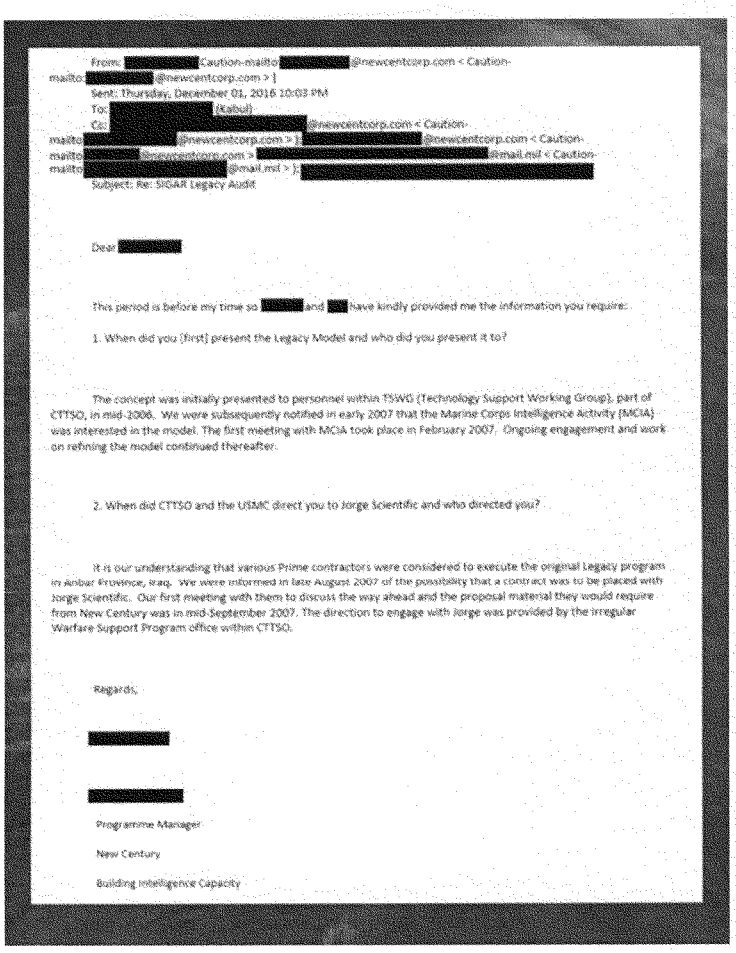
[48] Email from Programme Manager, New Century Consulting, to Office of the Special Inspector General for Afghanistan Reconstruction Staff (Dec. 1, 2016).

[49] Email from Programme Manager, New Century Consulting, to Office of the Special Inspector General for Afghanistan Reconstruction Staff (Dec. 3, 2016).

[50] Combating Terrorism Technical Support Office, Army Contracting Command-Aberdeen Proving Ground, Defense Contract Management Agency, Defense Contract Audit Agency, and Office of the Director of the Army Staff, Briefing with Senate Committee on Homeland Security and Governmental Affairs Staff (Oct. 4, 2017).

[51] Email from Programme Manager, New Century Consulting, to Office of the Special Inspector General for Afghanistan Reconstruction Staff (Dec. 3, 2016).

"The direction to engage with [Imperatis] was provided by the Irregular Warfare Support Program office within CTTSO."[52]



From: [redacted] Caution-mailto:[redacted]@newcentcorp.com < Caution-mailto:[redacted]@newcentcorp.com >]
Sent: Thursday, December 01, 2016 10:03 PM
To: [redacted] (Kabul)
Cc: [redacted]@newcentcorp.com < Caution-mailto:[redacted]@newcentcorp.com >] [redacted]@newcentcorp.com < Caution-mailto:[redacted]@newcentcorp.com > [redacted]@mail.mil < Caution-mailto:[redacted]@mail.mil >] [redacted]
Subject: Re: SIGAR Legacy Audit

Dear [redacted]

This period is before my time so [redacted] and [redacted] have kindly provided me the information you require:

1. When did you [first] present the Legacy Model and who did you present it to?

The concept was initially presented to personnel within TSWG (Technology Support Working Group), part of CTTSO, in mid-2006. We were subsequently notified in early 2007 that the Marine Corps Intelligence Activity (MCIA) was interested in the model. The first meeting with MCIA took place in February 2007. Ongoing engagement and work on refining the model continued thereafter.

2. When did CTTSO and the USMC direct you to Jorge Scientific and who directed you?

It is our understanding that various Prime contractors were considered to execute the original Legacy program in Anbar Province, Iraq. We were informed in late August 2007 of the possibility that a contract was to be placed with Jorge Scientific. Our first meeting with them to discuss the way ahead and the proposal material they would require from New Century was in mid-September 2007. The direction to engage with Jorge was provided by the Irregular Warfare Support Program office within CTTSO.

Regards,

[redacted]

[redacted]
Programme Manager
New Century
Building Intelligence Capacity

[52] Email from Programme Manager, New Century Consulting, to Office of the Special Inspector General for Afghanistan Reconstruction Staff (Dec. 1, 2016).

V. Lack of Effective Competition

CTTSO and the Army relied on an obscure contracting vehicle to award and continue the Legacy Program without effective competition.

A. DOD Used a Broad Agency Announcement "Research and Development" Contract Vehicle for the Legacy Program

In order for the Legacy Program to move forward, DOD needed a vehicle by which to award a contract. Such a tool was attained through a seemingly unrelated announcement by the Army in October 2006. The Army had publicly issued a BAA for Basic and Applied Scientific Research. A BAA is a procurement procedure used to seek proposals for basic and applied research when facing a development challenge that does not have a clear solution or shows an opportunity for innovation.[53] BAAs are designed for agencies to explore scientific study and experimentation for the purpose of advancing knowledge, rather than focusing on a specific system or hardware solutions.[54] Once proposals are submitted, the agency selects one (or more) for an award. An advantage of BAAs is that they allow the government to solicit creative ideas that may be missed if an agency prescribed a specific solution. However, a disadvantage of BAAs is that they can allow contractors to win awards that extend far beyond the original purpose of the research solicitation.

With regard to the Legacy Program, Defense officials stated that the purpose of the BAA was to defeat improvised explosive devices, which at the time were killing and wounding American service members in Iraq at alarming rates. The BAA sought research proposals from educational institutions, nonprofit organizations, and commercial organizations for research in "chemistry, electronics, environmental sciences, life sciences, materials science, mathematical and computer sciences, mechanical sciences, physics, computational and information sciences, sensors and electron devices, survivability/lethality analysis, and weapons and materials research."[55]

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[53] Army Research Lab, Broad Agency Announcements Page (https://www.arl.army.mil/www/default.cfm?page=8) (accessed Feb. 15, 2018); United States Agency for International Development, Broad Agency Announcements Page (https://www.usaid.gov/partnership-opportunities/respond-solicitation/broad-agency-announcements) (accessed Feb. 15, 2018).

[54] FAR 35.016.

[55] Army Research Laboratory, Army Research Laboratory and the Army Research Office Broad Agency Announcement for Basic and Applied Scientific Research (W911NF-07-R-0001-03) (FY 2007 – FY 2011) (Oct. 16, 2006).

Description of Research called for under the BAA used to award the Legacy Contract:

Research proposals are sought from educational institutions, nonprofit organizations, and commercial organizations for research in chemistry, electronics, environmental sciences, life sciences, materials science, mathematical and computer sciences, mechanical sciences, physics, computational and information sciences, sensors and electron devices, survivability/lethality analysis, and weapons and materials research. Proposals shall be evaluated only if they are for scientific study and experimentation directed toward advancing the state of the art or increasing knowledge and understanding.

Source: Army Research Laboratory, Army Research Laboratory and the Army Research Office Broad Agency Announcement for Basic and Applied Scientific Research (W911NF-07-R-0001-03) (FY 2007 – FY 2011) (Oct. 16, 2006) (p. 5 of 147)

The list makes no mention of Iraq or Afghanistan, let alone providing training or mentoring programs in those countries. However, the BAA goes on to describe in greater detail research that is needed. On page 78, roughly halfway through the 147-page solicitation, under a section describing research proposals in "Mathematical Sciences" the BAA stated described a need for "Information Fusion in Complex Networks." It stated that this included not only information gathered through technology, using physics-based sensors, but also human intelligence.

Portion of BAA used to award the Legacy Contract:

especially in urban conflict, there are often not a lot of them in places where needed. Operations depend not only on information from physics-based sensors but also on signals intelligence (SIGINT—information from intercepted communications, radar, and other forms of electromagnetic transmissions), communications intelligence (COMINT—intercepted messages or voice information), open-source intelligence (OSINT—newspapers, radio and TV programs), human intelligence (HUMINT) and databases, which we will call "soft information". Extraction

Source: Army Research Laboratory, Army Research Laboratory and the Army Research Office Broad Agency Announcement for Basic and Applied Scientific Research (W911NF-07-R-0001-03) (FY 2007 – FY 2011) (Oct. 16, 2006) (p. 78 of 147)

Imperatis and NCC would go on to make hundreds of millions of dollars on the Legacy Program, a proposal that hinged on the term "HUMINT" appearing only once in an approximately 150-page BAA for basic and applied scientific research. While the BAA that was used for the Legacy Program has expired, earlier this month the Army posted another 122-page BAA calling for new research and development proposals through March 2022.[56]

2. BAAs Allow for Elimination of Competition, And DOD Continued to Award "Research and Development" Contracts Even After Legacy Program Matured

Once an agency collects responses to a BAA[57], it can select one or more proposals for a contract, without needing to conduct a standard contract competition. As a substitute, the Army conducts a "scientific review process" prior to selection.[58] However, given the wide variety of proposals that are possible under BAAs—and certainly under the nearly 150-page BAA—proposals are frequently unique. In a briefing to investigators, DOD officials acknowledged that BAAs allow for the possibility of unique proposals that eliminate competition. When a contractor submits a proposal with distinct solution, that contractor may be placed in its own, solo, category—void of competition.[59]

Minority Committee staff sought the proposals, or "white papers," that the Army received in response to the BAA in order to examine both how many proposals were received, which were selected, and whether any were similar to the Legacy Program proposal. However, the Army never produced them. Staff was therefore unable to identify whether there was an effective competitive bid to provide mentoring and training services to Iraqi intelligence services.

DOD also continued to use the BAA vehicle to award further "research and development" Legacy Program contracts long after the Legacy Program had been established and was no longer new. By design, the majority of research and development contracts are directed toward objectives for which the work or methods cannot be precisely described in advance.[60] Legacy Afghanistan, Kabul, South and East, however, were all granted as research and development contracts after the original Legacy Iraq contract ended in March 2010. By that point, DOD had three years of experience in running the Legacy Program. Every Legacy Program contract in Afghanistan was considered a "pilot program," even though the only difference between them was geographic location.[61] It is unclear why DOD continued to fund the program through the BAA research and development vehicle, given its flaws, once the program matured.

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[56] Army Research Laboratory, Army Research Laboratory and the Army Research Office Broad Agency Announcement for Basic and Applied Scientific Research (W911NF-17-S-0003) (01 April 2017 – 31 March 2022) (Apr. 1, 2017).

[57] FAR 36.016. BAAs are published annually (at minimum), typically through the public website, www.fbo.gov to induce competition at least at the beginning of the process.

[58] In this case, proposals were selected based on technicality, importance to agency programs, and fund availability. Army Research Laboratory and the Army Research Office Broad Agency Announcement for Basic and Applied Scientific Research (W911NF-07-R-0001-03) (FY 2007-2011).

[59] Combating Terrorism Technical Support Office, Army Contracting Command-Aberdeen Proving Ground, Defense Contract Management Agency, Defense Contract Audit Agency, and Office of the Director of the Army Staff, Briefing with Senate Committee on Homeland Security and Governmental Affairs Staff (Oct. 4, 2017).

[60] FAR 35.002.

[61] Office of the Special Inspector General for Afghanistan Reconstruction, Briefing with Committee Staff (Mar. 6, 2018).

VI. Deficient Contract Management and Oversight

The Army served as the projects' contracting officer's representative (COR),[62] and was responsible for the oversight of Imperatis and NCC's performance.[63] CTTSO used "performance metrics for Legacy Program field work, collecting feedback from the Commands, and the respective Army-appointed military Technical Monitors on the ground; [CTTSO also] organized and managed numerous RAND Corp. third-party assessments; and conducted routine in-theater oversight visits," according to DOD.[64] Finally, the Army delegated administrative contracting officer responsibility to DCMA, which gave them the responsibility of reviewing and approving invoices. DCMA delegated DCAA as its authorized representative to assist with reviewing contractor and subcontractor invoices.[65] Despite (or perhaps because of) this delegation of responsibilities, there were deficiencies in the oversight of the Legacy Program and ASOM programs. This included both Imperatis's and NCC's performance under the contract, as well as financial controls.

1. The Legacy and ASOM Programs Failed to Establish Adequate Metrics Measuring the Program's Effectiveness

Performance oversight of the Legacy and ASOM Programs suffered because the contracts themselves lacked adequate performance metrics, and because the Army tolerated poor performance reporting. While each contract required regular reporting and planning, none of the contracts—Legacy Iraq, Legacy Afghanistan or ASOM—included quantitative performance metrics.[66] Without quantitative metrics, it is difficult to determine the success or value of the Legacy and ASOM Programs.

Minority staff sought all of the Army's monthly reports for the Legacy and ASOM Program contracts in order to examine the Army's oversight efforts, but the Army only provided a limited assortment of reports.[67] In the COR monthly reports provided to minority staff by SIGAR, the qualitative ratings suggested a lack of robust oversight. Mostly satisfactory ratings were awarded in each report[68] and the overwhelming majority of reports did not include comments to support the evaluation rankings.[69] The Army explained that evaluation similarities were due in

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[62] Special Inspector General for Afghanistan Reconstruction, Afghanistan National Defense and Security Forces: DOD Spent $457.7 Million on Intelligence Capacity-Building Programs, but Impact Cannot Be Fully Assessed Because of a Lack of Performance Metrics (July 27, 2017) (SIGAR 17-57-AR).

[63] FAR 1.604.

[64] Email from Office of Assistant Secretary of Defense for Legislative Affairs to Senate Committee on Homeland Security and Governmental Affairs Minority Staff (Apr. 24, 2018).

[65] Special Inspector General for Afghanistan Reconstruction, Afghanistan National Defense and Security Forces: DOD Spent $457.7 Million on Intelligence Capacity-Building Programs, but Impact Cannot Be Fully Assessed Because of a Lack of Performance Metrics (July 27, 2017) (SIGAR 17-57-AR).

[66] Special Inspector General for Afghanistan Reconstruction, Afghanistan National Defense and Security Forces: DOD Spent $457.7 Million on Intelligence Capacity-Building Programs, but Impact Cannot Be Fully Assessed Because of a Lack of Performance Metrics (July 27, 2017) (SIGAR 17-57-AR).

[67] The Army provided the Committee with a July 2013 compliance report for Legacy Afghanistan, a December 2012 and July 2011 in-theater report, a trip report from December 2012 and another ranging from October to November 2013, a June 2013 monthly status report, a December 2011 RAND evaluation, three Contractor Performance Assessment Reports, two of DCAA's audits of Imperatis, and an end of course report ranging from April to May 2013.

[68] Despite the Committee's request to DOD for all performance reviews conducted throughout Legacy and ASOM between 2007 and 2016, DOD only provided COR monthly reports between January 2013 and February 2014. The Committee was unable to obtain additional monthly reports.

[69] Department of the Army, ACC-Adelphi, *COR Monthly Report: Afghanistan* (W911QX-12-C-0011) (copy on file with Committee).

part to the operational design of the Contractor Performance Assessment Reporting System (CPARS).[70] The operational design, however, does not account for the lack of comments to support evaluation rankings or explain why the Army could produce only 13 months of oversight reports for a nine year program. The Army also provided excerpts of statements and letters written between 2009 and 2011 by Army senior leadership advocating for the increase in Legacy Program training and implementation, although again, none appeared to be based on any quantitative performance metrics.[71]

As part of its oversight responsibilities, CTTSO awarded two contracts to facilitate management responsibilities to Research and Development Corporation (RAND) and ManTech International Corporation (ManTech).[72] RAND was responsible for six-month incremental study evaluations summarizing work performed and offering recommendations for the next period.[73] RAND also completed a final evaluation and compiled lessons learned throughout the project duration. Between RAND, and Mantech, the two firms shared a number of potential oversight tasks, including visits to mentoring sites in Afghanistan, reviews of NCC reports, and interviews of contractor and subcontractor personnel.

DOD asserted that CTTSO collected significant, positive performance information on the Legacy and ASOM Programs.[74] Minority staff sought to evaluate any oversight products that CTTSO or its contractors produced. In response, CTTSO provided RAND studies evaluating the Legacy Program between January 2010 and September 2012, as well as two trip reports completed by a ManTech Subject Matter Expert (SME).[75] While overall characterizations of the Legacy and ASOM Programs were positive, these documents provided limited perspective of programs that spanned from 2007 to 2016. A December 2012 trip report, one of two provided by CTTSO, noted several deficiencies. Notably, the report questioned the ability of the Legacy Program to transition to a sustainable and long lasting HUMINT program in Afghanistan. The report noted high leader and mentor turnover which caused disruptions to program progress. At some sites, despite years of mentoring, Afghan mentees had only completed a few months of training. Some key leaders questioned the Legacy Program's effectiveness in Afghanistan due to possible lack of commitment by the host nation. The report's overall conclusion was that lack of commitment from the host nation may prove to be the overreaching factor for success of the

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[70] Combating Terrorism Technical Support Office, Army Contracting Command-Aberdeen Proving Ground, Defense Contract Management Agency, Defense Contract Audit Agency, and Office of the Director of the Army Staff, Briefing with Senate Committee on Homeland Security and Governmental Affairs Staff (Oct. 4, 2017). The system is known as the Contractor Performance Assessment Reporting System (CPARS).

[71] Department of the Army, CTTSO, Senior Leader and Congressional Authorization Quotes on Program Effectiveness (copy on file with Committee).

[72] Special Inspector General for Afghanistan Reconstruction, Afghanistan National Defense and Security Forces: DOD Spent $457.7 Million on Intelligence Capacity-Building Programs, but Impact Cannot Be Fully Assessed Because of a Lack of Performance Metrics (July 27, 2017) (SIGAR 17-57-AR).

[73] Department of the Army, U.S. Army Security Assistance Command, Statement of Work Project Legacy: Professionalization Program Intelligence Management Continuation (copy on file with Committee).

[74] DOD stated that the success of the Legacy Programs was validated through senior officer requests for expansion, annual funding continuation, and praise from the House Committee on Armed Services. Email from Office of Assistant Secretary of Defense for Legislative Affairs to Senate Committee on Homeland Security and Governmental Affairs Minority Staff (Apr. 24, 2018).

[75] Department of the Army, Combating Terrorism Technical Support Office, Dec. 2012 Legacy Trip Report (copy on file with Committee); Department of the Army, Combating Terrorism Technical Support Office, Oct. 23-Nov. 21, 2013 Legacy Trip Report (copy on file with Committee); Department of the Army, Combating Terrorism Technical Support Office, Pre-ASOM RAND Studies (copy on file with Committee).

Legacy Program and that host nation commitment should be reviewed before investing a similar program for any designated country.[76]

2. Delayed Audits of the Legacy Program and Bankruptcy of Contractor Raise Risk that Government Will Never Fully Recover $51 Million in Questioned Costs

Under the Legacy Program contracts, like other companies, Imperatis submitted its invoices to DCAA at regular intervals—typically monthly—and DCAA would make an initial review for questionable costs. Once DCAA approved the invoice, it sent them to DCMA to pay the contractors as required by the contracts.[77] DCAA was allowed five days to review the invoices, which were not detailed enough to identify unallowable costs in that time. If DCAA had identified a "red flag," or questionable cost, DCMA would then perform an audit of that specific invoice to determine if the costs should be questioned. Under the Legacy Program contracts, no questionable costs were identified during the invoicing period.[78]

However, as with other contracts, DCAA conducted a second, more thorough review. After completion of the contract, DCAA performed an audit, examining the contractor's and subcontractor's books and records to confirm that the original costs paid were appropriate. Any questionable costs could be referred to DCMA. DCMA could then negotiate with the contractor for reimbursement, or pursue a civil action against the contractor. It was this second DCAA review which identified $51 million in questionable costs by NCC.[79]

According to the Army, DCAA's ultimate identification of NCC's outrageous spending indicated that there was adequate financial oversight of the Legacy Program contracts. The Army denied any officials should be held accountable for NCC's spending, because the Army had identified the spending and was taking action to recoup the money. ACC explained that future contract provisions could allow for additional scrutiny of invoices prior to payment, such as by requiring additional cost detail or by delaying payment to allow DCAA more time for examination. However, such provisions would likely reduce the number of interested bidders and would result in increased costs.[80]

Reliance on a post-performance audit for financial oversight is not foolproof, as the Legacy Program itself demonstrates. Such audits need to be timely, but DCAA's audit of costs between 2008 and 2013 was not completed until 2016—nearly three years after that period

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[76] Irregular Warfare Support Program, In Country Review: Legacy, Insider Threat—Situational Awareness Training and Intelligence—Mobile Education and Training Team Trip Report (Dec. 12, 2012).

[77] The process was described to Committee staff at a briefing by representative from multiple agencies responsible for the different aspects of contract awarding and oversight; Combating Terrorism Technical Support Office, Army Contracting Command-Aberdeen Proving Ground, Defense Contract Management Agency, Defense Contract Audit Agency, and Office of the Deputy Assistant Secretary of the Army for Procurement, Briefing with Senate Committee on Homeland Security and Governmental Affairs Staff (Oct. 4, 2017).

[78] Combating Terrorism Technical Support Office, Army Contracting Command-Aberdeen Proving Ground, Defense Contract Management Agency, Defense Contract Audit Agency, and Office of the Deputy Assistant Secretary of the Army for Procurement, Briefing with Senate Committee on Homeland Security and Governmental Affairs Staff (Oct. 4, 2017).

[79] Combating Terrorism Technical Support Office, Army Contracting Command-Aberdeen Proving Ground, Defense Contract Management Agency, Defense Contract Audit Agency, and Office of the Deputy Assistant Secretary of the Army for Procurement, Briefing with Senate Committee on Homeland Security and Governmental Affairs Staff (Oct. 4, 2017).

[80] Combating Terrorism Technical Support Office, Army Contracting Command-Aberdeen Proving Ground, Defense Contract Management Agency, Defense Contract Audit Agency, and Office of the Deputy Assistant Secretary of the Army for Procurement, Briefing with Senate Committee on Homeland Security and Governmental Affairs Staff (Oct. 4, 2017).

ended and almost eight years after the first costs were incurred. Although the Legacy Program ended two years ago, DCAA's audit of the remainder of the program will not be completed until later this year.[81] This delay is not unusual. For many years, DCAA has had a severe backlog of audits.[82] This backlog has been a source of concern for Ranking Member McCaskill. A report last fall by the Government Accountability Office (GAO), prepared in part at her request, found that despite improvements in reducing the backlog, DCAA would be challenged in eliminating audits more than two years old by the end of 2018.[83] In response to a request from Ranking Member McCaskill last October, DCAA stated that the average age of DOD incurred cost audits is 14.3 months.[84]

Additionally, a post-performance audit, by definition, requires that the government recoup money after it has already paid it to the contractor. But, as in the case of the Legacy Program, if the contractor has gone out of business, the government may be at a loss (Although DCAA questioned the costs of NCC, the government can only recover money from the prime contractor, rather than the subcontractor). Because Imperatis ceased business operations in 2016, the government has been forced to submit its claim for reimbursement with the company's bankruptcy trustee. Unfortunately, Imperatis's assets amount to only $900,000. Even if the Army becomes the highest priority creditor, it is unlikely that it would ever recoup the full $51 million that DCAA questioned.[85]

VII. NCC is Under Criminal Investigation But Continues to Profit from Federal Contracts

As discussed, the Army is legally handicapped in recovering the $51 million in questioned NCC costs because the prime Legacy Program contractor is insolvent. However, DCMA is attempting to negotiate a voluntary settlement directly with NCC. DCMA could not say how much, if anything, the Army has successfully recovered at this point in its negotiations.[86]

There have also been criminal investigations related to the Legacy Program. According to DCAA, Imperatis was the subject of a joint Defense Criminal Investigative Service (DCIS) and

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[81] Combating Terrorism Technical Support Office, Army Contracting Command-Aberdeen Proving Ground, Defense Contract Management Agency, Defense Contract Audit Agency, and Office of the Deputy Assistant Secretary of the Army for Procurement, Briefing with Senate Committee on Homeland Security and Governmental Affairs Staff (Oct. 4, 2017).

[82] Combating Terrorism Technical Support Office, Army Contracting Command-Aberdeen Proving Ground, Defense Contract Management Agency, Defense Contract Audit Agency, and Office of the Deputy Assistant Secretary of the Army for Procurement, Briefing with Senate Committee on Homeland Security and Governmental Affairs Staff (Oct. 4, 2017).

[83] Government Accountability Office, Federal Contracting: Additional Management Attention and Action Needed to Close Contracts and Reduce Audit Backlog (GAO-17-738) (Sept. 2017).

[84] Letter from Anita F. Bales, Director, Defense Contract Audit Agency, to Senator Claire McCaskill (Nov. 13, 2017).

[85] The Defense Finance and Accounting Services (DFAS) submitted a claim with the bankruptcy trustee for $23.1 million. It is unclear why DFAS submitted a claim for $27.9 million less than the DCAA Audit questioned. DCAA stated that this claim "represents the outstanding NCC overbillings and other DCAA questioned amounts from Imperatis incurred cost audits including penalties and interest." It is unclear whether the reason this claim is $27.9 million less than the DCAA audit is because NCC or Imperatis had already reimbursed the government for questioned costs or whether further work had led DCAA to reduce the amount of costs it had questioned. Combating Terrorism Technical Support Office, Army Contracting Command-Aberdeen Proving Ground, Defense Contract Management Agency, Defense Contract Audit Agency, and Office of the Deputy Assistant Secretary of the Army for Procurement, Briefing with Senate Committee on Homeland Security and Governmental Affairs Staff (Oct. 4, 2017).

[86] Combating Terrorism Technical Support Office, Army Contracting Command-Aberdeen Proving Ground, Defense Contract Management Agency, Defense Contract Audit Agency, and Office of the Deputy Assistant Secretary of the Army for Procurement, Briefing with Senate Committee on Homeland Security and Governmental Affairs Staff (Oct. 4, 2017).

U.S. Army CID investigation that began in October 2014. However, DCIS and CID closed the Imperatis case in January 2017, with no apparent action.[87] On the other hand, a CID investigation of NCC is currently underway.[88]

Despite the findings of the DCAA and SIGAR audits, the attempts by DCMA to recover questioned costs, and an ongoing criminal investigation, NCC apparently continues to profit from government contracts. In April 2016, NCC entered into a subcontract with a prime DOD contractor, Raytheon, that continues to this day.[89] In December 2014, the Army awarded NCC another research and development contract with a ceiling value of more than $83 million that continued through September 2017.[90] At a Senate Committee on Armed Services hearing on April 12, 2018, Senator McCaskill asked Secretary of the Army Dr. Mark Esper for a full list of contracts on which NCC is a contractor or subcontractor.[91]

Although suspension and debarment is one of the most powerful tools that government has to hold contractors accountable, in this case the Army has not yet chosen to wield it. Even though there is no legal requirement to wait, and even though the standard for suspension and debarment is far lower than for criminal liability, the Army stated that it would delay a suspension and debarment decision until after CID completes its investigation of NCC.[92] Given that the CID investigation of Imperatis took over two years, it may be a profitable wait for NCC.[93]

VIII. Conclusion

Ranking Member McCaskill's investigation into the Legacy and ASOM Programs uncovered several deficiencies in the Army's contract award processes. The Army granted the Legacy and ASOM Programs under a "research and development" contract vehicle, which allowed Imperatis to win the Legacy Program contracts without effective competition. The programs lacked effective performance metrics and were considered pilot programs even after they matured. Additionally, the Army allowed Imperatis, its prime contractor, to subcontract an estimated 80% of the work to NCC. The pass-through contracting between Imperatis and NCC would have been severely restricted had laws sponsored by Ranking Member McCaskill been in place at the time of the award. This legislation requires that alternative vehicles be considered if

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[87] Defense Contract Audit Agency, DCAA Oversight of Imperatis (formerly Jorge Scientific Corporation) June 2017 Update (copy on file with Committee).

[88] Combating Terrorism Technical Support Office, Army Contracting Command-Aberdeen Proving Ground, Defense Contract Management Agency, Defense Contract Audit Agency, and Office of the Director of the Army Staff, Briefing with Senate Committee on Homeland Security and Governmental Affairs Staff (Oct. 4, 2017).

[89] Email Office of Assistant Secretary of Defense for Legislative Affairs to Senate Committee on Homeland Security and Governmental Affairs Minority Staff (Apr. 24, 2018); Defense Contract Audit Agency, DCAA Oversight of Imperatis (formerly Jorge Scientific Corporation) June 2017 Update (copy on file with Committee).

[90] Federal Procurement Data System (https://www.fpds.gov/DataCollection/contracts/jsp/1_4/idvController.jsp?agencyID=9700&PIID=W911QX15D0002&modNumber=0&actionSource=searchScreen&actionCode=&status=F&documentVersion=1_4) (accessed Apr. 13, 2017); Email Office of the Chief, Legislative Liaison, Department of the Army to Senate Committee on Homeland Security and Governmental Affairs Minority Staff (April 25, 2018). The contract number for the December 2014 NCC contract is W911QX-15-D-0002.

[91] Senate Committee on Armed Services, *Hearing on Posture of the Department of the Army* (Apr. 12, 2018).

[92] Combating Terrorism Technical Support Office, Army Contracting Command-Aberdeen Proving Ground, Defense Contract Management Agency, Defense Contract Audit Agency, and Office of the Deputy Assistant Secretary of the Army for Procurement, Briefing with Senate Committee on Homeland Security and Governmental Affairs Staff (Oct. 4, 2017).

[93] Defense Contract Audit Agency, DCAA Oversight of Imperatis (formerly Jorge Scientific Corporation) June 2017 Update (copy on file with Committee).

an offeror on a DOD contract informs the agency that it intends to award subcontracts for more than 70% of the total costs.[94]

Minority staff also found that financial and performance oversight of the Legacy and ASOM programs was deficient. While DCAA's audit examined costs incurred between 2008 and 2013, those costs incurred after 2013 have yet to be assessed. With DCAA's audit inventory backlog average of 14 months, additional recovery of wasteful spending by Army contractors and subcontractors will be delayed—and even uncertain, given the insolvency of Imperatis.

Despite its history of egregious waste and an ongoing CID investigation, DOD continues to conduct business with NCC. NCC is currently a subcontractor on another DOD contract.

[94] National Defense Authorization Act for Fiscal Year 2013, Pub. L. 112-239, Sec. 802(1) (2013).



UNITED STATES INSTITUTE OF PEACE

May 8, 2018

The Honorable Gary Peters
Ranking Member
Senate Homeland Security and Governmental Affairs
Subcommittee on Federal Spending, Oversight & Emergency Management
432 Hart Senate Office Building
Washington, DC 20510

Dear Ranking Member Peters:

At the request of the staff on the Senate Homeland Security and Government Affairs Subcommittee on Federal Spending Oversight and Emergency Management, I was asked to provide my views on U.S. government taxpayer resources spent on reconstruction and development efforts in Afghainstan. The views I express are my own and not those of the U.S. Institute of Peace.

As has been well documented and reported on by the SIGAR office, the media and others, there are too many examples of waste, fraud and abuse in terms of how some of these resources were spent. Without seeking to minimize this problem, U.S. reconstruction and development assistance has also helped contribute to some tremendously positive development outcomes.

I argue for the "goldilocks approach" that too much money for civilian and military reconstruction and stabilization programs during the period of the troop surge was a major factor promoting waste, fraud and abuse. But sharply reducing to too little assistance within too short a timeframe would likely lead to state collapse in Afghanistan, and an increase in the terrorist threat to the homeland. One should instead opt for moderate levels of civilian and military assistance that can be sustained over a longer period of time.

The good news is that during the 10 years I spent as a humanitarian and development aid worker in Afghanistan during the 1980s and 1990s, I could not have imagined such dramatic improvements in development outcomes during the period from 2002 until today. The following are a few notable achievements based on World Bank data:

- Economic growth averaged more than 9 percent per year during the decade from 2002 to 2011, among the highest rates of increase in the world.
- Average per-capita GDP has quintupled from $120 to around $600.
- School enrollment has multiplied 10-fold from 800,000 to over 8 million, and female primary school enrollment increased from negligible levels to around one-third of the total.

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- Infant and child mortality (as indicated by the under-5 mortality rate) has plunged from 137 to 55 per 1,000 live births.
- Maternal mortality dropped from an estimated 1,100 to 396 per 100,000 live births.
- Life expectancy at birth has risen from 44 years to 61 years.
- Connectivity has burgeoned from none to 18 million mobile phone subscribers.

These are impressive development success stories that often get lost in an environment where too often 'good news is no news.' While Afghans deserve tremendous credit for these gains, they would not have been possible without generous foreign assistance from donors led by the U.S.

That said, the gains are fragile and reversible. It is also important to note that despite these and other major accomplishments Afghanistan remains a very poor country with low human development indicators. Moreover, development gains have eroded in recent years, in large part due to the following factors:

- The sharp downturn in economic growth to negative per-capita GDP growth rates, primarily due to the sharp reduction in international troops and associated shock to aggregate demand;
- The sharp deterioration in security following the withdrawal of most international forces, and the resulting shrinkage of government "reach", which among other things makes it harder to deliver government services in many parts of the country and deters private business activity and investment; and
- The political problems and uncertainty caused by the disputed 2014 presidential election and the National Unity Government arrangement that followed (and now growing political uncertainty in the lead-up to parliamentary and presidential elections scheduled during the next year).

As a result, poverty has increased in recent years, unemployment and underemployment have worsened, and primary school enrollment/attendance rates have declined slightly, with girls' enrollment suffering disproportionately. These trends highlight that the very real development improvements seen in Afghanistan since 2001 remain fragile and at risk in the current situation. Maintaining US and other international support, and in particular aid to the Afghan government budget which delivers essential services to the population, will be crucial for protecting gains and providing a good foundation for further progress.

There is a destabilizing effect of too much money – and too little money. Between 2009-2013, I was a vocal critic of the amount of reconstruction and development assistance the U.S. was pouring into Afghanistan, both through civilian agencies as well as the military's Commanders Emergency Response Program (CERP). Based on the assumption that development assistance was an effective stabilization tool, or a 'weapons system' in Counterinsurgency (COIN) operations that could win the hearts and minds of local populations, vast amounts of foreign aid resources were poured into some of the most unstable regions of southern Afghanistan.

Unfortunately, there was little empirical evidence to suggest that it was an effective stabilization tool. Instead, research I conducted in Afghanistan between 2008-2010 while at Tufts University suggested that assistance programs intended to promote stability often had the opposite effect.

The pressure to spend large amounts of money quickly in areas with little implementation or oversight capacity helped fuel the massive corruption that delegitimized the government, which in turn fueled the insurgency. The problem was compounded by perverse bureaucratic incentive structures that rewarded the quantity of money spent and the number of projects implemented over the quality, relevance and positive impact of projects. Many of SIGAR's reports highlight the significant problems assistance programs from different agencies during that time when there were 100,000 U.S. troops in Afghanistan, USAID's annual budget exceeded $4 billion, and the military's CERP budget for COIN-related stabilization projects was around $1 billion.

Today there are no more PRTs spending CERP money, and USAID's requested FY18 budget for Afghanistan was been sharply reduced during the past several years to $650 million, approximately 15 percent of what it was at its peak. A combination of a lot less civilian and military money being spent, along with stronger oversight mechanisms, means significantly fewer US resources are being lost to waste, fraud and abuse than before.

My concern today is that we will go from one extreme of spending too much money in Afghanistan, which was destabilizing, to the other extreme of sharply reducing resources too quickly, which I fear will be even more destabilizing. In 1992 I was working in Peshawar for an American NGO managing a cross-border humanitarian and reconstruction program in Afghanistan, when the Soviet-backed Najibullah regime in Afghanistan collapsed. I witnessed first-hand the sharp reductions in donor funding for aid agencies when, with victory of the *mujahideen* over the communist regime achieved, the U.S. and our allies felt the mission in Afghanistan had been accomplished. But it was the anarchic environment that ensued that gave birth to the Taliban movement, which subsequently provided sanctuary to Al-Qaeda with devastating consequences.

It is important to remember that our civilian assistance to Afghanistan is an integral part of our strategy to achieve our national security objectives. The measure of success must take into account the difficult context of an active war zone and a very fragile state. We should not expect the same levels of efficiency that domestic spending achieves.

The Afghan state is still highly dependent on foreign assistance for its survival, and further sharp reductions in U.S. civilian and military assistance levels will likely once again lead to state collapse. Like the 1990s, this will again create ungoverned spaces that transnational terrorist groups will inevitably exploit. Let's learn from the lessons of the past and not repeat them.

Sincerely,



Andrew Wilder
Vice President of Asia Programs

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The Challenges and the Benefits for U.S. National Security of Providing Foreign Assistance to Afghanistan

Addendum: Responses to Post-Hearing Questions for the Record

Laurel E. Miller

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Document submitted June 28, 2018, as an addendum to testimony before the Senate Homeland Security and Government Affairs Committee, Subcommittee on Federal Spending Oversight and Emergency Management, on May 9, 2018.



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The Challenges and the Benefits for U.S. National Security of Providing Assistance to Afghanistan

Testimony of Laurel E. Miller[1]
The RAND Corporation[2]

Addendum to testimony before the Committee on Senate Homeland Security and Government Affairs Committee
Subcommittee on Spending Oversight and Emergency Management
United States Senate

Submitted June 28, 2018

Following the hearing on Wednesday, May 9, 2018, the congressional committee sought additional information and requested answers to the questions in this document. These answers were submitted for the record.

Questions from Senator Gary C. Peters

Question 1

In the most recent Quarterly Report to Congress, SIGAR's Lessons Learned Program states that, although Afghanistan was initially characterized as a "post-conflict nation" in 2002, "In retrospect, it was unrealistic to expect sustainable economic growth in an environment in which an insurgency and other forms of insecurity and uncertainty were increasingly present." This touches upon the danger of setting expectations based on optimism rather than a frank assessment of conditions. This can be true when conducting oversight as well since there is risk in applying peacetime metrics to a wartime mission. ***How do you reconcile audit standards and mission objectives when assessing the execution of the U.S. reconstruction mission in Afghanistan? How do we measure success and failure? What challenges and opportunities do***

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[1] The opinions and conclusions expressed in this addendum are the author's alone and should not be interpreted as representing those of the RAND Corporation or any of the sponsors of its research.

[2] The RAND Corporation is a research organization that develops solutions to public policy challenges to help make communities throughout the world safer and more secure, healthier and more prosperous. RAND is nonprofit, nonpartisan, and committed to the public interest.

you see in the current methodology for audits and investigations, and are there changes that should be made to ensure this audit methodology better supports overall oversight activities in Afghanistan? If taxpayers are footing the bill for programs that live on in perpetuity despite not achieving their stated goals, what good are metrics if no amount of realistic spending can achieve them?

Answer

Audit standards for assistance programs necessarily should focus on efficiency of execution; adequacy of metrics; how well programs are meeting their stated objectives; and detection of waste, fraud, and abuse. It is more difficult, however, for auditing to grapple with assessing the impact of spending on progress toward achieving broad policy goals in complex overseas missions—that is, in terms of mission "success" or "failure"—particularly considering that assistance is only one potential contributor to such outcomes. And it is also more difficult for auditing to grapple with questions of what should be considered "waste" in particular circumstances and whether some level of waste should be regarded as a tolerable transaction cost. This is not to say that auditing standards should be changed but, rather, that auditing results need to be viewed in context. Attention should be paid to the limits of what audits reveal about the value of assistance in missions driven by U.S. national security interests.

For instance, in a mission like the one in Afghanistan (but not unique to that mission), there are times when it may be justifiable to spend funds to achieve short-term stabilization objectives, win the allegiance of particular individuals or groups, or support war-fighting requirements. At such times, there may be at least tactical value in accepting the risk or even likelihood of some waste because of the exigencies of the circumstances. In some situations, spending to achieve short-term stabilization could be a prerequisite for establishing a baseline of security sufficient to allow longer-term efforts to succeed.

One lesson for oversight of future interventions may be to urge policymakers to be clearer about when, in their spending decisions, they are weighting short-term needs more heavily than longer-term impacts. Relatedly, there could be value in conducting oversight in a way that enables policymakers to frankly acknowledge risks and some degree of anticipated waste rather than claim "sustainability" and minimization of risk even when unrealistic. Frank interactions in this regard could put both congressional overseers and policymakers in better positions to judge the policy merits, or lack thereof, of spending allocations and to set realistic benchmarks for progress.

This points to another lesson from Afghanistan: Characterizing assistance programs conducted during conflict, rather than post-conflict, as "reconstruction" unhelpfully obscures clarity about mission objectives, contextual constraints, and likely results—and thus creates challenges for auditing and oversight. In Afghanistan, the first few years after the United States toppled the Taliban regime were relatively quiescent, and U.S. spending in that period was relatively modest. "Reconstruction" assistance surged once the conflict intensified and the situation could not, in any genuine respect, be considered post-conflict. Assistance efforts in Afghanistan were then framed as being geared toward producing sustainable outcomes even in areas in which experience would have suggested that such outcomes would be exceedingly

difficult to achieve on the planned timelines in a country still mired in conflict and having a very low baseline level of development.

Many of the activities in Afghanistan characterized as "reconstruction," "nation-building," or elements of "counterinsurgency" have actually differed little from development activities—except that they were planned to achieve different (political and security-oriented) ends and to be accelerated beyond any normal development parameters in terms of timelines, spending volumes, and achievements. One lesson that can be drawn from this experience is that money, donor will, and urgency are not sufficient to produce stability by speeding up development results.

Development results have been achieved in Afghanistan—and at comparatively impressive rates until spending began to decline after 2014. As noted in my prepared testimony, assistance programs have resulted in important advances in socioeconomic indicators, such as health, education, per capita income, and life expectancy. Other areas, such as infrastructure, have seen mixed results, and many governance-oriented programs have produced only limited outcomes. But Afghanistan's continued high degree of aid dependency in both security and development is at odds with the inflated rhetoric, or even genuine expectations, of significant progress toward self-sufficiency, and stability remains elusive.

Question 2

Your testimony indicates that the Afghan government and security institutions currently providing a modicum of stability in the country are in large part dependent on U.S. aid in its present form, and that the rapid elimination of this financing would lead to a significant deterioration of the security situation in Afghanistan. Despite these facts on the ground, U.S. taxpayers cannot be expected to foot this bill in perpetuity. ***In your judgment, on the continuum of options for adjusting the longer-term U.S. presence in Afghanistan, how should we responsibly reduce our spending while best serving U.S. national security interests?***

Answer

First, it should be noted that U.S. spending on civilian, nonsecurity programs has already been significantly reduced over the past several years. The gradualism of this change has enabled U.S. agencies to manage the reductions responsibly and continue to leverage U.S. spending in soliciting contributions from other donors. U.S. spending in support of the Afghan security forces is the far greater portion of overall spending, however, and it is the area in which the Afghan government's dependence on foreign financing is most acute. It has long been clear that the Afghan security forces built and sustained since 2002 with U.S. and NATO funding, training, and equipping would not be financed predominantly through Afghan government revenue in any foreseeable time frame. Given the role of these forces in countering the insurgency, there is no realistic prospect of greatly reducing U.S. spending on security in Afghanistan so long as the conflict with the Taliban continues—unless the United States is prepared to countenance the defeat of the Afghan government.

A negotiated settlement of the conflict offers the best prospect of enabling the reduction of Afghan security costs and of the U.S. military presence in Afghanistan. This would entail

reaching a compromise agreement to which the Afghan government, the Taliban, and the United States would be parties, and which would comprise political and security elements—including, necessarily, a commitment by the Taliban to renounce any future links with international terrorist groups. Although a settlement would not erase Afghanistan's aid dependence in the near term, it could improve the Afghan government's revenue potential by removing security-related obstacles to economic growth.

A settlement with the Taliban ending the insurgency also would enable the United States to focus its continuing security activities in the region more narrowly on counterterrorism goals. It is likely that a negotiated settlement with the Taliban would not lead all violent extremists in Afghanistan to lay down arms; there would probably be some Taliban affiliates or splinter elements that choose to stay outside a deal, and there would still be non-Taliban groups, such as the Islamic State of Iraq and Syria (ISIS), that would pose a threat to U.S. interests. But the residual security challenges for the Afghan state, and residual risks to U.S. national security interests, would likely be much smaller than they are today.

