Chairman Tierney, Ranking Member Flake, and Members of the Committee, thank you for inviting me to testify today on behalf of the Office of Inspector General (OIG) for the U.S. Agency for International Development (USAID). I am pleased to be here along with my colleagues from other oversight organizations, with whom we work closely as we execute our audit, inspection, and investigative responsibilities in

AFGHANISTAN AND PAKISTAN:
ACCOUNTABILITY COMMUNITY OVERSIGHT OF A NEW INTERAGENCY STRATEGY

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Afghanistan and Pakistan. We appreciate the subcommittee’s interest in the oversight of U.S. development and reconstruction funds that are provided to these two countries. We also acknowledge your expectation that these funds be spent wisely, not only to provide for effective security and economic development in those countries but also to enhance our own national security.

**USAID Universe and Resources**

USAID devotes substantial funding to this region, obligating nearly $11 billion from fiscal year 2002 through 2009: $8 billion for Afghanistan and approximately $2.8 billion for Pakistan. In addition, we have been informed that USAID plans to maintain its staff and recruit new employees to achieve a total of 334 positions in Afghanistan and 243 in Pakistan. This represents the Agency’s largest recruitment effort in almost 20 years.

**OIG Staffing and Leverage of External Resources**

Our staff of approximately 210 Foreign Service Officers and Civil Service employees oversees U.S. foreign assistance programs that exceed $15 billion. These programs are being implemented in about 100 countries around the world by USAID, the Millennium Challenge Corporation, the United States African Development Foundation, and the Inter-American Foundation.
Since fiscal year 2003, OIG has spent over $4.3 million in base appropriations and supplemental funding to oversee USAID’s activities in Afghanistan. In Pakistan, we expect to spend approximately $3 million on oversight operations in fiscal years 2009 and 2010 alone. Historically, we have provided general oversight of these countries from our regional office in the Philippines, increasing our staffing levels there as USAID funding in Afghanistan and Pakistan have increased.

To further enhance our oversight efforts, we recently established a full-time presence of Foreign Service officers in Afghanistan and Pakistan, placing an auditor and a criminal investigator in Kabul and two auditors and one criminal investigator in Islamabad. These employees will be in addition to those currently providing oversight in these two countries from our office in the Philippines.

In Kabul, we have assigned senior personnel who have prior experience conducting audits and investigations in Afghanistan. Through our contacts with local public accounting firms in Afghanistan, we have developed a list of eight firms that are eligible to perform audits of USAID-funded programs under our supervision. These firms help us expand audit coverage of locally incurred costs that are highly vulnerable to waste and misuse. We have provided financial audit training to representatives of
five of these firms as well as to the Government of Afghanistan’s supreme audit institution. Our excellent relationship with the USAID mission in Afghanistan, which has developed over many years, facilitates open communication, and in fact the mission staff approaches us frequently with problems or questions.

In Islamabad, we have assigned one of our most senior criminal investigators, who has many years of USAID experience and who recently completed an assignment to the Commission on Wartime Contracting in Iraq and Afghanistan—an independent, bipartisan commission established to study contracting practices in these two countries. We have also assigned two senior auditors, one of whom has 4 years of experience conducting audits in the region and another who has extensive worldwide experience and is fluent in Urdu, one of Pakistan’s official languages. We have access to 10 local public accounting firms who can assist with audits or perform financial audits under our supervision. We have provided financial audit and related training to 143 participants from these audit firms, the Government of Pakistan’s supreme audit institution, and other organizations. We have entered into a memorandum of understanding with the supreme audit institution to better ensure that USAID budget support funding provided to Government of Pakistan ministries can be audited. As
additional USAID funds flow to the Government of Pakistan, this relationship will be increasingly important. As in Afghanistan, we have an excellent relationship with the USAID mission in Pakistan, and our offices engage in extensive formal and informal communication.

In the event that Congress passes legislation to significantly increase foreign assistance to Pakistan in the next several years, we would seek to open a regional office in Pakistan or in another country within the region. Meanwhile, we are continuing our efforts to increase our staffing in Afghanistan and have requested the Department of State to authorize three additional Foreign Service officers in the country.

**Accomplishments**

To date in Afghanistan, we have conducted 27 program performance audits, in which we have made 84 recommendations for operational improvement of USAID’s programs. Moreover, we have issued nearly 30 financial audits that have identified more than $8 million in questioned costs, of which $1.3 million was sustained.

In addition to conducting audits, we investigate allegations of fraud and waste in these countries. In Afghanistan, we have opened 44 investigations that have resulted in 8 indictments, 9 arrests, and 3

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1 See http:/www.usaid.gov/oig for more detailed OIG performance data.
convictions, and savings and recoveries have totaled $87 million. We have had two recent investigations involving security contracts in Afghanistan. In one, a defendant pled guilty to conspiracy this past week for his role in a scheme to solicit kickbacks in connection with the awarding of private security contracts.

In the other, a seven-count indictment was returned on September 30, 2008, involving four individuals who had obtained reimbursement for inflated expenses submitted for rental vehicles, fuel, and security personnel. The company and the individuals charged have been suspended indefinitely from doing business with the U.S. Government, and one of the former employees of the contractor is serving a 2-year sentence for his involvement with the fraud. To date, more than $24 million has been saved in connection with this investigation.

You may be aware of our recent investigation involving the United Nations Development Program. This investigation revealed that the grant recipient had improperly withdrawn $6 million from a USAID letter of credit and spent nearly $2 million in additional funds without authorization. We identified several construction projects that the grant recipient had not completed and others that had construction defects. In addition to issuing
bills of collection amounting to more than $8 million, USAID saved close to $14 million by canceling contracts related to the cooperative agreement.

In Pakistan since 2002, we have conducted 5 program performance audits and made 12 recommendations for operational improvement. Our 23 financial audits conducted in Pakistan have identified approximately $6 million in questioned costs, of which $3.5 million was sustained, and we have several ongoing investigations in Pakistan.

**Coordination of Activities**

With respect to coordinating interagency operations, we have been working continually with staff at USAID and the office of Ambassador Richard Holbrooke, as well as with the Ambassadors to Afghanistan and Pakistan to keep them informed about our upcoming plans and coordination efforts.

We in the oversight community have been working diligently for several years to coordinate our oversight efforts in Afghanistan.

Our criminal investigators work closely with the National Procurement Fraud Task Force, created by the Department of Justice, to identify procurement fraud associated with Government contracting activity that relates to national security and other programs. We are also members of the International Contract Corruption Task Force, an
interagency law enforcement group that works to investigate contract fraud and dismantle corruption related to U.S. overseas contingency operations, such as those in Afghanistan.

In August 2007, the Inspectors General of USAID, the State Department, and the Department of Defense, along with the Government Accountability Office (GAO), issued to Congress a joint audit plan for Afghanistan. In 2008, this interagency working group joined the Southwest Asia Joint Planning Group. Chaired by the Department of Defense, this group issued its first Comprehensive Audit Plan for Southwest Asia in June 2008, which included plans for Afghanistan and Pakistan.

A new coordination group chaired by my office was formed in June 2009 in response to the administration’s focus on Afghanistan and Pakistan. This subgroup of the Southwest Asia Planning Group consists of representatives from the Offices of Inspectors General for the Department of Defense, the Department of State, the U.S. Agency for International Development, and the Government Accountability Office, as well as the Special Inspector General for Afghanistan Reconstruction.
The subgroup members have been working to minimize overlapping efforts and reduce the burden that the oversight process places on program management staff. Whenever feasible, the subgroup will:

- Work jointly on assignments to ensure that areas of mutual concern are examined most efficiently.
- Sequence oversight assignments to facilitate the sharing of information among oversight organizations.
- Share information (program documentation, analyses, findings, conclusions, and reports) with one another to reduce information requests to program management staff.
- Propose that program management staff establish “e-rooms” or other shared network spaces where program management staff can create, edit, and store program documentation and make program documentation available to oversight organizations.

There may be instances in which subgroup members will be required to conduct audits or inspections that cover programs or sources of funding that are closely related yet must be reviewed separately because they are governed by different legislative or administrative mandates. In these cases, the members will seek opportunities to conduct in-country fieldwork.
at the same time to minimize the number of separate visits by oversight organizations.

**FY 2010 Oversight Plans**

The Afghanistan-Pakistan Subgroup issued an oversight plan in August 2009, which I have attached for the record. This plan corresponds to strategies developed by the U.S. Government for assisting Afghanistan and Pakistan in addressing high-priority issues. The five areas addressed in the plan are (1) security; (2) governance, rule of law, and human rights; (3) economic and social development; (4) contracting oversight and performance; and (5) crosscutting programs. The subgroup will monitor this plan and make adjustments as necessary during quarterly meetings.

Under the oversight plan, USAID/OIG is involved primarily with overseeing programs that support economic and social development in Afghanistan and Pakistan, but we are also conducting an audit of private security contractors.

**Oversight of Private Security Contractors in Afghanistan**

Like other agencies, USAID relies on private firms to supply a wide variety of services in Afghanistan. Private security contractors are vital to U.S. efforts to stabilize and reconstruct Afghanistan. Nevertheless, USAID’s funding of armed contractors raises concerns about transparency
and accountability, including concerns about the organizations and individuals being contracted to provide security, their level of training, and their awareness of policies and regulations applicable to them.

My office is conducting an audit of private security contractors in Afghanistan to determine whether USAID is providing effective oversight of these contractors (to include whether the contractors are employing responsible personnel and reporting all incidents) and reviewing USAID’s expenses for private security services. We will be coordinating our efforts with the Special Inspector General for Afghanistan Reconstruction as that office undertakes related audits.

**Economic and Social Development**

In the year ahead, we will oversee various economic and social development programs. In Afghanistan, we will be reviewing programs that are designed to increase production of legal crops and decrease poppy production, support economic growth, improve health and education services, improve infrastructure (such as power, water, and transportation), and improve the quality of governance. We plan to conduct 10 audits of these programs in Afghanistan in the remainder of this fiscal year and in the coming year.
For example, we will be reviewing a $57 million USAID program in Afghanistan to construct hospitals, midwife training centers, and provincial teacher resource colleges in order to increase access to quality medical care and education for all Afghans. The program intends to place special emphasis on promoting equitable access for women and girls.

We also will audit the USAID program titled “Afghanistan Vouchers for Increased Production in Agriculture,” which is expected to be funded at $360 million. This program is designed to distribute wheat seed and fertilizer to small farmers through a voucher and training program. Target beneficiaries will be vulnerable but viable small farmers with 2 hectares of arable land or less.

In Pakistan, we will also audit USAID programs designed to promote economic and social development. Three of the seven audits planned for these program areas in Pakistan affect the federally administered tribal areas, or FATA.

One of the three programs involves a $43 million initiative in the FATA to help the Government of Pakistan, civil society, and the private sector to improve economic and social indicators. Another FATA program, funded by $300 million, intends to create jobs, increase incomes and teach employable skills, improve infrastructure, and support the
business community. Complementing these efforts is a $150 million program to increase access to education, health care, clean water, and sanitation in the FATA.

I want to emphasize that, in both Afghanistan and Pakistan, dangerous security conditions often pose great challenges to effective oversight. Security issues and restrictions can make field visits difficult, and security arrangements for these visits can change at the last minute.

We have taken steps to mitigate these difficulties and maximize the impact of our oversight efforts. For example, local public accounting firms sometimes have access to areas that are off limits to U.S. Government personnel because of security conditions. As previously mentioned, we have arrangements in place to access the capabilities of 18 accounting firms in Afghanistan and Pakistan. Our memorandum of understanding with the Auditor General of Pakistan provides us access to Government of Pakistan audit resources as well.

**Conclusion**

We know that the success of USAID programs in Afghanistan and Pakistan is critically important to the administration and Congress. We will continue to work with our colleagues to provide timely, effective oversight of foreign assistance programs in Afghanistan and Pakistan.
The members of the Afghanistan-Pakistan Subgroup have been working together to address oversight in this region for several years, and I am confident that we are effectively coordinating with one another to provide the best oversight possible. I want to emphasize, however, that oversight is everyone’s responsibility: that of the Inspector General community, the agencies we oversee, and contractors and subcontractors who implement foreign assistance programs. We must all be vigilant to ensure that tax dollars are not wasted.

I would be happy to answer any questions you may have at this time.