

TESTIMONY OF
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BEFORE THE
SUBCOMMITTEE ON CONTRACTING OVERSIGHT OF THE
SENATE COMMITTEE ON HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS

“OVERSIGHT OF RECONSTRUCTION CONTRACTS IN AFGHANISTAN
AND THE ROLE OF THE SPECIAL INSPECTOR GENERAL”

NOVEMBER 18, 2010

Madam Chairman and Ranking Member Brown, I am pleased to appear before you to testify on behalf of the Office of Inspector General (OIG) of the U.S. Agency for International Development (USAID) and to be joined by my distinguished colleagues from the Departments of State and

Defense. Today I would like to provide you with information about our oversight role in Afghanistan and coordination with other oversight and law enforcement entities operating abroad. In addition, I would like to share some perspectives on the proposal to create a permanent inspector general to oversee contingency operations.

The Role of USAID OIG in Afghanistan

USAID OIG oversees USAID programs around the globe, and we exercise especially vigorous oversight of USAID activities in Afghanistan. We regard oversight of USAID programs in Afghanistan as our top priority. Because of the scale of the U.S. assistance effort in Afghanistan and the high risk of waste, fraud, and abuse, our office in Kabul will soon be the largest of our eight overseas regional and country office locations.

In the current budget environment—provided we receive no additional funding for our high-priority programs—we recognize that we will need to substantially curtail oversight of USAID development assistance programs in other regions of the world to maintain the existing level of oversight in Afghanistan, as well as in other high-priority areas such as Pakistan, Iraq, and Haiti. We are preparing to sacrifice oversight elsewhere because of the importance of these efforts.

Our extensive commitment to oversight efforts in Afghanistan is nothing new. In fact, our Afghanistan oversight program dates back to November 2002—5 years before the establishment of the Special Inspector General for Afghanistan Reconstruction (SIGAR). Through our work over these years, we have instituted effective systems for detecting and investigating allegations of waste, fraud, and abuse in development assistance programs. Drawing on our strong in-country presence we: (1) execute a comprehensive plan of program audits on USAID’s performance, (2) perform financial audits of contractors and grantees, (3) conduct outreach to promote fraud awareness, and (4) conduct proactive and reactive investigations. Together, these efforts have reinforced the quality and integrity of U.S. development assistance and delivered important returns to taxpayers. Our presence and outreach work help deter those who would attempt to defraud the U.S. Government.

To date—at a cost of just over \$10 million—we have completed 39 performance audits and reviews of USAID programs and made 160 corresponding recommendations. In addition to this performance-focused work, we have scrutinized project finances and issued financial audits of more than \$800 million in USAID program expenditures.

Collectively, these audits have identified more than \$114 million in sustained questioned costs and funds to be put to better use.

While executing a robust audit program in Afghanistan, we have simultaneously built up a high-yield investigative enterprise there. Our criminal investigators have all of the traditional law enforcement authorities—including those for search, seizure, and arrests—and extensive training and expertise in investigating complex contract procurement fraud schemes.

In developing investigative partnerships and support, we rely on traditional law enforcement agencies, such as the Federal Bureau of Investigation, and on members of the statutory inspector general community. We have good working relationships with these organizations and have produced notable investigative results.

For example, we recently conducted a complex investigation of a contractor that has implemented reconstruction programs in Iraq and Afghanistan. The investigation spanned 5 years, produced more than 350 boxes of evidence, and required a 50-page affidavit for a search warrant. The investigation resulted in two guilty pleas and a settlement of \$69 million for criminal and civil violations.

Our office has opened 97 Afghanistan-based investigations addressing the full range of criminal activity—from theft, product substitution, and accounting fraud to solicitation of kickbacks. As of September 30, 2010, these investigations had led to 22 referrals for prosecution, 12 indictments, 9 convictions, and 48 administrative actions, such as contract terminations and debarments. In total, our investigative work has resulted in savings and recoveries of approximately \$152 million.

This history of effective engagement in Afghanistan has been predicated on the strength and resiliency of our workforce. Over the years, we have been fortunate to enlist skilled professionals who possess the knowledge and experience needed to conduct assertive oversight in conflict areas. That these employees are willing to be separated from friends and family, to do without certain basic amenities, and to endure the threat of violence demonstrates their commitment to the U.S. Government and the American taxpayer.

Their work—and that of our staff members in other parts of the world who support them—has yielded significant returns for taxpayers. For each dollar OIG has expended on oversight in Afghanistan since fiscal year 2003, we have returned a total of \$26 in sustained questioned costs, funds to be put to better use, and investigative savings and recoveries.

Law Enforcement and Oversight Coordination

We dedicate an exceptional amount of time and resources to coordination in Afghanistan. Although we are committed to effective coordination, coordination requirements in Afghanistan could be reduced if the statutory inspectors general did not have to coordinate with a special inspector general that has cross-jurisdictional authorities.

We engage in a number of forums to share information and coordinate with other oversight organizations. We participate in the Southwest Asia Joint Planning Group and chair the Afghanistan-Pakistan Subgroup, the focal point for sharing information and coordinating planned audits, reviews, and inspections. In addition to participating in these planning groups, our Country Director in Afghanistan regularly meets with other oversight bodies in the Inspector General Shura and routinely engages with oversight counterparts in person and by telephone and e-mail. OIG representatives also participate in Task Force 2010 and other efforts that are seeking evidence of diversion of U.S. assistance funds to insurgents. We also consult with Agency staff at the USAID mission and at headquarters in developing our oversight plans.

On the investigative front, we frequently conduct joint investigations with law enforcement counterparts and actively participate in the National Procurement Fraud and International Contract Corruption Task Forces. We work closely with U.S. prosecutors on all investigative matters within our jurisdiction subject to U.S. prosecution and, when appropriate, coordinate and collaborate with local law enforcement and prosecutors to bring cases to a successful conclusion in Afghanistan.

The establishment of SIGAR, with authorities that overlap those of the statutory inspectors general, has contributed to confusion and inefficiencies in audits and investigations. For example, USAID implementing partners are confused about whom to work with to address allegations of fraud, waste, and abuse. In addition, in January—2½ months after we issued an audit report on difficulties that a USAID power sector program had encountered in the construction of the Kabul power plant—SIGAR issued a similar report. The SIGAR report reiterated several of the findings we noted in our report, such as problems with sustainability of the Kabul power plant, the ability of the Afghan Government to collect revenue from users to support the plant, and cost overruns from the contractor. Although SIGAR's work in this area may have provided some marginal

value, we believe that the concerned parties would have been better served by less redundancy.

The Advisability of Creating a Permanent Inspector General for Contingency Operations

Contingency operations have become a prominent feature of our international engagement in recent years. The critical national security implications of our efforts in Afghanistan and Iraq, the kinetic operating environments in those countries, evolving control settings, and dynamic host-country governance conditions all dictate a need for intensive oversight.

Given the need for such intensive oversight, some may suggest that it would be productive to establish a permanent inspector general for contingency operations to oversee the subset of civil-military operations in conflict zones. We caution against such a move because it is unclear that a permanent inspector general of this kind would improve the oversight of civilian-military operations. Responding to the intensive oversight requirement by establishing a new bureaucracy is unnecessary because Congress has already created oversight organizations with the capacity to meet this requirement.

The statutory inspectors general for State, Defense, USAID, and other agencies serving abroad can, with adequate funding, respond effectively to future contingency operations in their respective areas of responsibility and provide the necessary oversight. Each of our organizations has unmatched knowledge of and experience working with the organizations that we oversee. We have a deeply ingrained institutional understanding of past management challenges and lessons learned from previous contingency operations. We bring this knowledge to bear on assessments of new contingencies and share this knowledge with our Agency counterparts. In addition to the work of the statutory inspectors general, the Government Accountability Office provides an overarching view of multiagency programs such as those in Afghanistan and Iraq.

An example of a statutory inspector general's ability to react quickly and effectively to an emerging large-scale operation is the earthquake in Haiti. To help USAID guard against waste, fraud, and abuse in Haiti following the January 2010 earthquake, for example, we produced a comprehensive oversight plan, which included audits, fraud awareness activities, and an investigative strategy. We also prepared a report for the USAID Administrator, providing examples of issues that we had observed in past humanitarian assistance efforts and suggestions for improving their

implementation in the future. We took all these actions within weeks of the disaster.

Another reason for not establishing a permanent inspector general comes from information in the Special Inspector General for Iraq Reconstruction's recent report on applying lessons from Iraq, which points out that there were no stabilization and reconstruction operations during 30 of the past 60 years. We therefore question what the mandate of this position would be in the absence of such efforts.

Agency inspectors general also have a track record of working together to ensure comprehensive oversight of multiagency matters. Offices of inspector general (OIGs) routinely participate in joint investigations and frequently conduct joint audits and reviews of interagency programs and activities both domestic and international. At Congress's direction, inspectors general across the government have come together to provide oversight of stimulus spending and established the Recovery Operations Center to help coordinate and focus investigative work and leads across offices. Similarly, following Hurricane Katrina, the inspector general community rallied to provide coordinated oversight across 13 federal departments and agencies. In international settings, OIGs develop coordinated annual oversight plans for Southwest Asia and for HIV/AIDS,

malaria, and tuberculosis programs. For Pakistan, we have coordinated the preparation of a quarterly report with the State and Defense OIGs on the progress of the civilian assistance program and related oversight plans and activities. These arrangements work well because each of the participating organizations has clearly distinguishable lines of authority and accountability for oversight of a specific agency or department.

This type of effective oversight coordination was in place in Afghanistan before SIGAR's establishment. Almost a full year before SIGAR came into being, our office was actively engaged in an Afghanistan Working Group with representatives of the Government Accountability Office and the State and Defense OIGs. This working group developed a strategic approach to oversight of U.S. Government activities in Afghanistan and worked to coordinate oversight plans and activities among the offices so that it could provide a comprehensive, objective perspective on U.S. Government efforts there. The working group offered to furnish Congress with quarterly reports on the progress of Afghanistan assistance like those that SIGIR was producing at the time in Iraq. Because the Afghanistan Working Group was already in place, our office opposed the formation of SIGAR as a costly duplication of existing institutions and an unnecessary additional layer of bureaucracy.

The prospects of a successful civil-military campaign in Afghanistan have not been improved by multilayered reporting requirements and oversight institutions. Rather, the resulting intensified need for coordination and deconfliction has diverted valuable time from audit and investigative work and program management. Now that an external peer review has identified weaknesses in SIGAR's systems and controls, some see a solution in folding SIGAR into a larger organization with the same overlapping authorities. Rather than replicate the inefficient arrangement in Afghanistan, we encourage Congress and the Administration to invest in the established statutory inspectors general that have served them well for so many years.

Thank you for this opportunity to address the Subcommittee. We appreciate your interest in our work and perspectives on these important topics. I would be happy to answer any questions you may have at this time.