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COMMITTEE ON ARMED SERVICES

U.S. House of Representatives

Washington, DC 20515-6035

ONE HUNDRED FOURTEENTH CONGRESS

March 8, 2016

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ROBERT L. SIMMONS, II, STAFF DIRECTOR

The Honorable Ashton B. Carter
 Secretary of Defense
 1000 Defense Pentagon
 Washington, DC 20301-1000

Dear Mr. Secretary:

The Subcommittee on Oversight and Investigations will convene an unclassified oversight hearing entitled, "Evaluating DOD Investments: Case Studies in Infrastructure Projects and Weapons Sustainment" on Wednesday, March 16, 2016, at 4:30 PM in room 2212 Rayburn House Office Building.

The subcommittee seeks to receive testimony from witnesses regarding the Department's former Task Force for Business Stability Operations (TFBSO) initiative concerning the Afghanistan Compressed Natural Gas infrastructure project, the TFBSO requirements for accommodations and personnel protection in Afghanistan (commonly referred to as "The Villas" project), and the TFBSO Italian Cashmere Goat Textile project. The subcommittee also seeks testimony on how TFBSO projects and activities were conceptualized, vetted, developed, overseen, executed, and evaluated.

Furthermore, the subcommittee also seeks to receive testimony from witnesses of the Defense Logistics Agency regarding the findings and recommendations cited in the February 23, 2016 Department of Defense Inspector General report titled "Defense Logistics Agency Aviation Can Improve its Processes to Obtain Restitution From Contractors That Provide Defective Spare Parts" (DODIG-2016-052).

Accordingly, I ask that you provide witnesses from the Office of the Undersecretary of Defense for Policy (USD(P)) and the Defense Logistics Agency (DLA) whom are best qualified and knowledgeable to provide testimony to the subcommittee on these important issues. By separate letters, representatives from the office of the Inspector General for the U.S. Department of Defense (DODIG), and the Special Inspector General for Afghanistan Reconstruction (SIGAR) are also invited to provide testimony on the adequacy of DOD's efforts and oversight regarding the aforementioned projects and issues.



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(8 Mar 16)

Testimony will be organized and provided to the subcommittee in the form of two witness panels, allocated by issues. Panel one will comprise the witnesses from USD(P) and SIGAR to testify regarding the Afghanistan related issues. Testimony on panel one should also include how TFBSO projects and activities were conceptualized, vetted, developed, overseen, executed, and evaluated. Panel two will comprise the witnesses from DLA and DODIG to testify regarding the DLA issues. Testimony on panel two should also include how DLA plans to implement a mitigation strategy for rectifying the issues identified in the DODIG report, and the timeline for which the strategy will be implemented and the issues corrected.

Committee Rule 13 provides that written witness testimony must be delivered to the committee at least 48 hours in advance of the hearing, and also requires that written testimony from witnesses be provided to the committee in electronic form. These requirements may be satisfied by transmittal of the prepared witness statement via e-mail to Ms. Neve Schadler (nevada.schadler@mail.house.gov) by 4:30 PM on Monday, March 14, 2016. Should the written testimony be transmitted to the committee less than 48 hours in advance of the hearing, please deliver 30 copies of the written testimony to room 2216 Rayburn House Office Building, in addition to transmittal via e-mail.

I appreciate your willingness to provide witnesses to appear before the subcommittee and look forward to their testimony. Should there be any questions, please contact Mr. Heath Bope or Ms. Katy Quinn on the committee staff at (202) 225-3040, or at heath.bope@mail.house.gov, or (202)-226-2167, or at katy.quinn@mail.house.gov, respectively.

Sincerely,



Vicky Hartzler
Chairwoman
Subcommittee on Oversight and Investigations

cc: The Honorable William M. "Mac" Thornberry, Chairman
The Honorable Adam Smith, Ranking Member
The Honorable Jackie Speier, Ranking Member, Subcommittee on Oversight and Investigations
Lieutenant General Andrew E. Busch, Director, Defense Logistics Agency

VJH:hrb

COMMITTEE ON ARMED SERVICES

U.S. House of Representatives

Washington, DC 20515-6035

OFFICIAL BUSINESS

Mar Thomas

M.C.

The Honorable Ashton B. Carter
Secretary of Defense
1000 Defense Pentagon
Washington, DC 20301-1000

via DoD Courier



CONGRESSIONAL
(requires priority processing)

ANALYST CHECKSHEET

DATE: MAR 10 2016

CONTROL NUMBER: 002683-16

☒ Classification: UNCLASSIFIED ☐ CLASSIFIED

☒ Header (White House)

☒ Header (Congressional)

☐ Chairman or Ranking Member?

☒ Invitation event date within 2 weeks?

☒ 4-day or less suspense/request date? (Interagency/Front Office/Other)

☒ Coordination (s):

☒ Suspense date (if required):

☒ CMD Database checked for history/similar subjects

☐ Reference Documents?

☒ Front Office Distro Spread

☒ Data entry checked for typos/spelling/accuracy

☒ Distribution complete and accurate (Electronic Distro, etc.)

☒ Comments and caveats entered to explain routing is necessary


☒ Sensitivity requires hardcopy/restricted routing? (yes/no) no

☐ Reviewed by another analyst? B

CMD COVER SHEET

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S/A

PRIORITY Normal	SUSPENSE DATE 08-Aug-8888	DATE OF CORRESPONDENCE 08-Mar-2016	Control Number OSD002683-16
REQUEST TYPE Congressional Incoming		RESPONSE TYPE FAA-For Appropriate Action	 Action ID CMD003655-16 Package View <hr/> Congressional Incoming
FROM MOC HARTZLER, V			
TO SECDEF			
OPR LA		Afghanistan	

SUBJECT INVITE TO HEARING ON EVALUATING DOD INVESTMENTS CASE STUDIES IN INFRASTRUCTURE PROEJCT AND WEAPONS SUSTAINMENT ON 031616
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DISTRIBUTION AGENCY	DISTRIBUTION TYPE
RLB	*R
DSD	E R
LA	E

OCRs

NAME	SIGNATURE	DATE
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~~THE ATTACHED DOCUMENTS MAY CONTAIN SENSITIVE INFORMATION TO
INCLUDE PRIVACY ACT MATERIAL - PLEASE HANDLE ACCORDINGLY~~

DATE PRINTED 3/10/2016 4:09:25 PM

SECRETARY OF DEFENSE CORRESPONDENCE ACTION REPORT

Complete this form and forward to WHS/ESD/Correspondence Control Division,
Attention: Suspense Desk, Pentagon Room 3C843, Phone (703) 697-9287,
Fax (703) 693-7028, Email: SuspenseDesk@whs.mil,
Classified Email: suspensedesk@whs.pentagon.smil.mil

TASKED AGENCY	USP
SUSPENSE DATE (MMDDYYYY)	06/10/2016

1. REQUESTED ACTION

- ☒ a. ACTION COMPLETED ☒ COPY ATTACHED and/or ☐ SEE JUSTIFICATION BELOW
- ☐ b. REQUEST EXTENSION OF SUSPENSE DATE (MMDDYYYY) TO _____ (Justify below)
- ☐ c. INTERIM REPLY SENT (Attach copy); EXTEND SUSPENSE DATE (MMDDYYYY) TO _____ (Justify below)
- ☐ d. REQUEST CANCELLATION (Justify below)
- ☐ e. REQUEST TRANSFER TO _____ (Justify below, include POC name and telephone number)
- ☐ f. REQUEST DOWNGRADE TO _____ (Justify below)

2. JUSTIFICATION

Acting USDP signed letters are attached.

3. TASKED AGENCY

a. AGENCY NAME USP/APSA/APC	b. ACTION OFFICER NAME (b)(6)	c. TELEPHONE NUMBER (b)(6)
d. DATE (MMDDYYYY)	e. AGENCY APPROVING AUTHORITY SIGNATURE (Service Secretary/Under Secretary/ASD Military/ Executive Assistant Level) (b)(6)	

4. ACTION TAKEN (For ExecSec/Executive Support Office and Correspondence Control Division Use Only)

- a. ACTION COMPLETED ☒ APPROVED ☐ DISAPPROVED
- b. EXTENSION ☐ APPROVED ☐ DISAPPROVED
- c. CANCELLATION ☐ APPROVED ☐ DISAPPROVED
- d. TRANSFER ☐ APPROVED ☐ DISAPPROVED
- e. DOWNGRADE ☐ APPROVED ☐ DISAPPROVED
- f. OTHER (Specify below) ☐ APPROVED ☐ DISAPPROVED

RDC → Action Complete

g. DATE SIGNED
(MMDDYYYY)

06202017

h. SIGNATURE

(b)(6)

5. OSD CONTROL NUMBER



OSD006574-16/CMD008449-16

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26 MAR 16 9152W 92



POLICY

UNDER SECRETARY OF DEFENSE
2000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-2000

The Honorable Charles E. Grassley
Chairman
Committee on the Judiciary
United States Senate
Washington, D.C. 20510

JUN 17 2016

Dear Mr. Chairman:

I write on behalf of the Secretary in response to your letter dated May 26, 2016, regarding the Task Force for Business and Stability Operations (TFBSO). I assure you that the Department continues to cooperate fully with the ongoing audits of TFBSO by the Special Inspector General for Afghanistan Reconstruction (SIGAR), including SIGAR's comprehensive review of TFBSO's programs and activities in Afghanistan and its financial statement audit of TFBSO's activities related to Afghanistan reconstruction. We will share with you these audits once completed.

We work daily with representatives from SIGAR, the Department of Defense (DoD) Inspector General, the Government Accountability Office, and other audit agencies. Since 2008, DoD has worked closely with auditors on more than 500 audits, inspections, and other oversight projects related to the Department's reconstruction activities in Afghanistan, which includes DoD efforts to train, advise, and assist Afghan National Defense and Security Forces.

Moreover, the Department remains committed to accommodating congressional oversight of TFBSO. On December 7, 2015, and March 23, 2016, I provided you written responses to your previous inquiries, including your letters dated November 9, 2015, and February 5, 2016. Included with my responses were nearly 100 pages of documents. We are happy to provide an additional set as needed. Also, attached is my testimony before the Armed Services Committee from earlier this year. We continue to work with that Committee and have provided written responses to the many questions for the record from that engagement.

Sincerely,

Brian P. McKeon
Acting

Enclosure: As Stated

cc:

The Honorable Patrick Leahy
Ranking Member





POLICY

UNDER SECRETARY OF DEFENSE
2000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-2000

The Honorable Charles E. Grassley
Chairman
Committee on the Judiciary
United States Senate
Washington, D.C. 20510

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Sincerely,

Brian P. McKeon
Acting

Enclosure: As Stated

cc:

The Honorable Patrick Leahy
Ranking Member



CQ Transcriptwire
Jan 21, 2016 11:38
SENATE-HRG-AFGHANISTAN -00

**SENATE COMMITTEE ON ARMED SERVICES, SUBCOMMITTEE ON READINESS AND MANAGEMENT
SUPPORT HOLDS A HEARING ON OVERSIGHT OF TASK FORCE FOR BUSINESS AND STABILITY OPERATIONS
PROJECTS IN AFGHANISTAN**

JANUARY 20, 2016

**SPEAKERS: SEN. KELLY AYOTTE, R-N.H. CHAIRMAN SEN. DEB FISCHER, R-NEB. SEN. MIKE LEE, R-UTAH
SEN. JAMES M. INHOFE, R-OKLA. SEN. MIKE ROUNDS, R-S.D. SEN. JONI ERNST, R-IOWA SEN. JOHN
MCCAIN, R-ARIZ. EX OFFICIO**

**SEN. TIM KAINE, D-VA. RANKING MEMBER SEN. JEANNE SHAHEEN, D-N.H. SEN. CLAIRE MCCASKILL, D-
MO. SEN. MAZIE HIRONO, D-HAWAII SEN. MARTIN HEINRICH, D-N.M. SEN. JACK REED, D-R.I. EX
OFFICIO**

**WITNESSES: BRIAN P. MCKEON, PRINCIPAL DEPUTY UNDERSECRETARY FOR POLICY, DEPARTMENT OF
DEFENSE**

JOHN F. SOPKO, SPECIAL INSPECTOR GENERAL FOR AFGHANISTAN RECONSTRUCTION

[*] AYOTTE: Welcome, everyone.

**I appreciate both of our witnesses being here today for this important hearing to receive testimony on
the oversight of Task Force for Business and Stability Operations in Afghanistan. This is a hearing of the
Subcommittee on Readiness and Management Support.**

**I want to thank, first of all, my ranking member, Senator King, for joining me in leading the
subcommittee and for his hard work every day on behalf of our service members and their family. And I
look forward to the work we'll do together this year.**

**We begin the subcommittee's first hearing of the year to receive testimony on the Task Force for
Stability and Business Stability Operations, TFBSO, projects in Afghanistan. We are joined this afternoon
by Secretary Ryan McKeon, the principal deputy undersecretary of Defense for Policy, as well as Mr.
John F. Sopko, the special inspector general for Afghanistan Reconstruction.**

**I want to thank each of you for your willingness to testify today, and for your dedicated service to our
country.**

**TFBSO is a Department of Defense task force created to address economic revitalization in Iraq. And
then in early 2010 TFBSO began operations in Afghanistan.**

**The goals of TFBSO in Afghanistan were to reduce violence and enhance stability and support economic
normalcy for Afghanistan. The task force sought to: one, restore productive economic capacity; two,
stimulate economic growth; and three, serve as a catalyst for international investment in Afghanistan. In**

order to support these goals, according to SIGAR, more than \$820 million was appropriated since FY 2009 for TFBSO programs and operations in Afghanistan. Of that \$820 million about \$759 million was obligated and \$638 million were disbursed for the task force's operations and activities in Afghanistan.

The real purpose of today's hearing is to determine foremost whether these resources were spent wisely and properly, and whether measureable results were achieved from the hundreds of millions of dollars that were spent on task force TFBSO.

SIGAR has published a number of reports and inquiries on this task force. I'm going to briefly touch on them.

First in July of 2014 SIGAR released an inspection report about a cold and dry storage facility which cost TFBSO nearly \$3 million for this facility to store local produce, provide a location for sorting and packaging of produce and serve as a transit point for trucks. According to SIGAR's report in July of 2014 it has never been used and it is not being maintained.

In April of 2015 SIGAR released the first report about TFBSO and USAID extractive projects. This report identified a lack of a clear and cohesive development strategy by TFBSO, and that TFBSO had not improved interagency coordination subsequent to issues that were identified by the GAO as a weakness in 2011 when it evaluated this issue.

In October of 2015 SIGAR released a special projects report about TFBSO's compressed natural gas filling station project, which TFBSO paid \$43 million in direct and overhead costs to construct, according to a number originally provided by the DOD to the SIGAR, and was not subsequently disputed until we received Mr. McKeon's testimony recently. A somewhat similar facility in Pakistan, according to SIGAR, would only cost between \$200,000 or \$500,000 to build.

In November of 2015 SIGAR sent an inquiry to DOD questioning the expenditure of \$150 million, nearly 20 percent of its total budget, for villas and associated armed security. SIGAR found that TFBSO could have saved tens of millions of taxpayer dollars if TFBSO members had lived at existing DOD facilities, bases existing in Afghanistan.

And then most recently in January of 2016 SIGAR released an audit report on TFBSO's and USAID's efforts to assist Afghanistan's oil, gas and mineral industries. The report found eight of the 11 TFBSO extractive projects worth \$175 million of the total \$250 million disbursed either had little to no or partial project achievement. Further, not a single project was transitioned to the Department of State or USAID when the TFBSO task force ceased operations in Afghanistan.

The totality of these reports, and some of the conclusions reached in a RAND report that was actually commissioned by TFBSO itself, raised very serious questions about how the money that was appropriated by Congress for TFBSO and its work in Afghanistan was spent, and whether this money was wasted. SIGAR concluded that TFBSO generally has not delivered on its stated goals. SIGAR has received more -- according to SIGAR they have received more complaints of waste, fraud and abuse relating to TFBSO activities than for any other organization operating in Afghanistan.

These questions have been exacerbated by the failure of the Department of Defense to respond to SIGAR's legitimate questions. TFBSO ended its programs in Afghanistan in December of 2014, and the task force ceased operations in March of 2015.

One of the most troubling aspects of this task force and DOD's oversight is that on multiple occasions SIGAR asked DOD to answer questions about this task force, including about the compressed natural gas station, as early as May of 2015, only several months after -- actually at that point two months after the task force ceased. Yet DOD repeatedly failed to provide documents, claiming the department no longer possessed the personnel expertise to address these questions.

These assertions were made repeatedly, despite the fact that members of TFBSO were still working for DOD. And the former acting director of TFBSO worked in the Office of the Secretary of Defense beginning in June. In fact, a hard drive of over 100 gigabytes of documents was just recently made available to SIGAR only last week.

In Secretary McKeon's testimony today DOD disputes SIGAR's numbers on what the compressed natural gas station cost. According to SIGAR, DOD actually gave this number to a company called Vestige, the \$43 million figure that was contracted by DOD, which in turn provided this information to SIGAR.

And it's notable that when the draft report was issued by SIGAR on the compressed natural gas station in September, DOD did not dispute the \$43 million figure then, and did not dispute it at the time the final report was issued in October. And we've only recently received the dispute of what the number is.

But most importantly to this, putting it aside, the dispute on how much the compressed natural gas station actually cost, there were many other important questions that need to be addressed today.

First of all, what happened to the money, all of it? Second, and regardless of cost for this compressed natural gas station, was there ever even a feasibility study conducted before money was invested on this project and other projects in Afghanistan?

There are other troubling issues raised. Why do we spend \$150 million on villas and security when no more than five to 10 TFBSO staff a majority of the time when they could have stayed on base?

Why did we spend \$55 million to facilitate an oil lender process that resulted in a Chinese company winning a contract that some have said, and in fact this Congress has even noted, could be used to exploit an estimated \$1 trillion of Afghanistan middle resources?

What did DOD spend and should DOD have spent money to develop carpet, jewelry and ice cream businesses in Afghanistan? Why is it that after operating for years and spending millions of dollars that most of TFBSO's extractive projects failed to fully meet project objectives? Finally, why weren't any of TFBSO's projects transferred to State or USAID so that we have continuity after having spent hundreds of millions of dollars of taxpayer dollars. Every dollar the Pentagon wastes is a dollar that we don't have to restore military readiness and provide our troops with what they need to protect themselves and our country.

At a time of growing threats and strained defense budget, when we have issues like this raised, and where we have serious questions about how taxpayer dollars have been spent, this is a very important inquiry for this committee, and for the Senate because of our shared concern that we use every dollar to support our men and women in uniform and what they need to do to defend this nation.

So today we will be asking these questions. I will be, and many more. I look forward to this hearing and I thank both of you for being here. With that, I would like to now call on ranking member Senator Kaine for his opening remarks.

KAINE: I want to thank Madame Chair and to my colleagues and to the witnesses and all who are here. This was a hearing that got its momentum following the release of a SIGAR, Office of Special Projects report that was issued in October. The report had an attention-grabbing title -- DOD's Compressed Natural Gas Filling Station in Afghanistan, an Ill-Conceived \$43 million Project. I read and reviewed the report and there are a number of issues that are raised by the report.

TFBSO ceased existing at the end of 2014 so it is no longer a project kind of in its own way, but there are a number of lessons here that we need to dig into to make sure a) we understand the situation and b) if there were mistakes we need to correct them going forward.

Issues that interest me, first. In doing economic or reconstruction work is the DOD the best agency to do it, or should we rely upon agencies of the United States government to do it as their normal, everyday work like USAID, for example? I think that's a very important question for Congress.

Second, to the extent that DOD does work on economic reconstruction or other projects, has money been wasted? Can it be used better? That's a traditional oversight role that this subcommittee and the larger committee needs to take very seriously.

Third, what is the relationship between the Department of Defense and the IG's Office? Is it a cooperative one? Does the DOD provide the information that it's supposed to? We're all human beings, we can understand there might be some natural tension in the relationship, given an agency to an IG but the public looks at us as all part of the same family and we're all supposed to be working together. The role of the IG is a critical one. Congress wouldn't pass statutes empowering IGs if we didn't think they were important. And one of the issues raised by this report is whether the DOD has been cooperative with the IG or not, that's a very important question. There are also some questions about the IG. The report that talked with the attention-grabbing headline about the ill-conceived \$43 million expenditure was issued by one division of SIGAR, the Office of Special Projects, but there had been other reports issued earlier, in April, and subsequently in December, from the SIGAR's audit division suggesting that the cost of this filling station was not \$43 million but \$5 million. So if the SIGAR that's charged with providing the facts that we need to exercise oversight is producing different answers depending on which division of SIGAR is speaking, that's a question as well.

What is the reason for that? Is there communication between the different divisions of SIGAR? The different divisions of SIGAR Special Projects and Audit Division use different accounting standards? And I think when the \$43 million report came out a lot of us were outraged and many took to the floor or put out information about this as a classic example of government waste, but it was generally not put out at the same time that SIGAR had previously and subsequently reached a different calculation about the cost of this gas station.

Now I'm not in the business. I don't know whether \$5 million is an effective figure and \$43 million is not, but the fact that the IG is putting out material with two different numbers is something that I definitely want to dig into today and understand. And if there's a need for us to clarify that the government accounting standards should be used uniformly regardless of which division is looking at a problem, I hope that's something that we'll explore as well.

So this is a big hearing, because it's about what is the right role of DOD in reconstruction, has DOD wasted money in this now- defunct project, and should there be lessons learned in the way going forward for other projects. Does the DOD fairly cooperate and communicate with the IG which we expect them to do as members of the Senate, and why would the IG be producing reports with different numbers about this. Those are the questions that I'm interested in exploring today and in future.

And Madam Chair, I would like to just ask for a few items to be put into the Record with consent. First the TFBSO's activity reports to Congress beginning in 2011 through 2014. Second, a letter to Chairman McCain and Ranking Member Reed from the former Minister of Mines and Petroleum of Afghanistan. Third, a letter to SAS from Jim Boley who's a former director of the TFBSO. Fourth, a letter to the Readiness Subcommittee from Paul Brinkley, a former deputy undersecretary of defense and director of the TFBSO, and finally, a letter to SIGAR from Paul Brinkley's counsel, and I would like to just make those part of the Record without objection (inaudible).

Thank you Madame Chair.

AYOTTE: Thank you. First we are going to receive testimony from the Principal Deputy Under Secretary For Defense Policy, Brian McKeon.

MCKEON: Thank you very much Senator Ayotte, Senator Kaine, members of the Committee. You have my longer statement for the Record. Let me focus on a few key elements including the genesis and purpose of the Task Force for Business and Stability Operations and the oversight of the Task Force.

Ultimately time will tell whether the Task Force succeeded in its objectives. Independent assessments tell us that it had mixed results, with some successes and some failures. The origins of the Task Force are rooted in the chaos of Iraq before President Bush ordered the military surge early in 2007. It was created in June of 2006 (sic) by then-Deputy Secretary Gordon England. He charged the Task Force with transforming military contracting in Iraq, so the Task Force could generate stability through economic development and job creation.

In March of 2010, Secretary Gates directed the Task Force to expand its efforts to support Operation Enduring Freedom. In my statement for the Record I provide a detailed timeline of the Task Force's authority to operate in Afghanistan, including planning to transition the Task Force's project to other government agencies in the government of Afghanistan. Consistent with direction from Congress and the secretary of defense, and plans to draw down U.S. force levels in Afghanistan the Task Force ceased its operations at the end of 2014.

I requested authority for an additional three-month administrative sunset period during which a small number of the Task Force employees engaged in close-out activities as well as responded to SIGAR's request for information. I was not serving in the department for most of the period during which the Task Force operated, but I have spoken to many former senior U.S. officials involved in Afghanistan and policy, including Generals McChrystal, Petraeus and Allen, and Ambassadors Eikenberry and Crocker to understand the history and rationale for the Task Force.

These conversations made clear there was a strong demand signal from the field, strong support in the Pentagon, and strong support in the government of Afghanistan for the work of the Task Force, the

objective of which was to assist that government to generate economic activity in support of the military campaign plan.

You asked me to address DOD's oversight of TFBSO activities. Let me make two broad points. There's a lot more in my statement for the Record. First, the Task Force did not have independent contracting or procurement authority. All Task Force contracting and disbursement of funds, and other support functions were handled by either U.S. Army Central in Kuwait, by DOD Headquarters or by other U.S. Government entities.

Second, the reporting chain of the Task Force to the Under Secretary for Policy only commenced in August of 2011. Prior to that time the Task Force reported directly either to the secretary or the deputy secretary. I have spoken to all of my predecessors in OSD policy, who have reported that they had regular meetings with Task Force leadership.

In April of 2014, as the Task Force was winding down, Michael Lumpkin, then performing the duties of the Under Secretary for Policy asked the department Inspector General to perform an overarching audit of the Task Force's operations, financial actions and contracts. The IG declined to do so, due to limited resources and the need to focus its efforts on quote "projects with the greatest potential return on investment" end of quote.

After my arrival in DOD in August 2014 until the final administrative closeout in March of 2015, I met every few weeks with the acting director. My primary focus was on the orderly shutdown of the Task Force and responsible preservation of the records. In the fall of 2014 I requested a financial audit of the Task Force, which was completed last April. My written statement examines in some detail OSD's policies engagement with SIGAR over the last two years. My comment on the issue of SIGAR's access to the Task Force's records.

First, at all time SIGAR had unfettered access to TFBSO records, consistent with the Inspector General Act of 1978. Second, SIGAR now possesses a hard drive containing the unclassified records of the Task Force. The provision of the hard drive followed a meeting I initiated with SIGAR and followed an exchange of letters between myself and Mr. Sopko, setting forth the conditions of our doing so. With regard to the CNG project, that has been mentioned, I would offer two observations and point you to the statement for the Record for more detail.

First, SIGAR has issued two reports conducted by its office of audits and U.S. Government's support for the extractives industry in Afghanistan, one issued last April and one issued last week, both of which reviewed the CNG project in some detail. Notably, in the most recent report one of the projects that SIGAR concluded had generally met project objectives, is the CNG station project.

Second, in preparing this report on the CNG station project, SIGAR relied on information provided by an economic impact assessment prepared by a consulting firm that is hired by TFBSO. That assessment stated that the Task Force spent \$43 million to fund the station, of which \$12.3 million were direct costs and \$30 million were overhead costs.

We believe the methodology used by the EA (ph) is flawed, and that the project costs are far lower. The consulting firm that conducted the assessment has also reviewed its work and we have seen a copy of a memo to the Committee staff indicating total costs for the station are likely well under \$10 million.

With that, let me break down the cost of the station as we understand them. First, the cost for the entire station project was \$5.1 million. Of this amount, that gas station itself cost \$2.9 million. This is consistent with the amount reported by SIGAR in its April '15 -- April 2015 audit report.

Second, the data the EIA team reviewed suggested approximately \$7.3 million was spent on subject-matter experts, or SMEs. These experts were also involved in a broader effort to advise the Afghan government to develop a natural-gas industry. The figure of \$7.3 million appears to be an average of all labor costs across the energy sector, work by the task force, divided by the number of projects. We believe the assumption that the labor costs were equal across all projects is likely flawed. Third, we cannot validate the figure of \$30 million in overhead cost as being directly attributable to the CNG station. As to the labor cost, this appears to encompass the entire amount spent to support all natural gas or energy projects, which is a flawed method of accounting. I would note that in the most recent SIGAR audit on the extractive's industry, when analyzed in the cost of projects, it also appears to apply to similar methodology to what I just described.

Reports that we commissioned assess the task force's work as well as SIGAR's work, tells us the task force had a mixed record of success, as was highlighted by both Senator Ayotte and Senator Kaine. The most recent audit on the extractive's industry portrayed a mixed record of the various projects in the energy sector by the task force; some meeting their objectives, and some not, some partially meeting their objectives.

The overarching question of how we promote economic development during the contingency operation, a point which Senator Kaine emphasized, remains a challenge for all of us in the U.S. government. I personally am skeptical of the Department of Defense as a natural home for that mission. As a government, we need to consider, and figure, and develop a functioning mechanism so that we're prepared for future contingencies. I commend the committee for engaging in that discussion. Thank you for listening.

AYOTTE: Thank you. I would now like to call on Mr. Sopko. Mr. Sopko is the special inspector general for Afghanistan Reconstruction.

SOPKO: Thank you very much, Chair Ayotte, Ranking Member Kaine, and other members of the subcommittee. Thank you for inviting me to testify today about our ongoing work related to the Task Force for Business and Stability Operations, or TFBSO.

TFBSO, as has been stated, was an \$800 million experiment in which DOD attempted to attract private-sector investment to Afghanistan to stimulate the economy and create jobs. Unfortunately, what might have seemed like a good idea on paper, seems to have turned out rather differently in reality. SIGAR's review of the construction of the compressed natural gas filling station in Sheberghan, Afghanistan, highlights many of the problems we have found in other TFBSO programs dealing with planning, management, coordination, and oversight.

I would like to address two issues right now in my oral statement. My written statement covers a lot more issues. The first issue is this question about the cost of the CNG station. It is important to note that the \$43 million number is not a SIGAR number. That number came from the Department of Defense.

Although Mr. McKeon's testimony glosses over this, and makes it sound like the number came from their consultant, Vestige, or SIGAR, the truth is that number came from the Department of Defense.

SIGAR had an obligation to report that number when we found it. It was the best evidence we had at the time. It would have been irresponsible for SIGAR not to report it. In addition, yesterday, the Department of Defense made available to us, for the first time, the DOD comptroller, who reviewed that \$43 million number for Undersecretary McKeon. That comptroller told our staff that he confirmed, first of all, the \$12 million of direct cost, but he also said that while his, quote/unquote, "gut feeling," was that the overhead charge was wrong, and was probably less than \$30 million due to the poor records maintained by TFBSO. The \$43 million number with the \$30 million overhead was the best number available.

And I would remind all of the members, our requirement is to report the best number available. We don't make numbers up. We don't call people in Afghanistan to get their opinion, or send an e-mail to somebody in Afghanistan to get their opinion on what the number is. We tend to rely on the Department of Defense when we ask for records about DOD expenditures.

Remember, we asked the Department of Defense to comment on that number and explain that number as far back as May 18, 2015. Again, along with the rest of our draft report that we sent to Undersecretary McKeon on September 24th, we again repeated our request to please explain that number, explain that overhead, because we ourselves realized it was a very and extraordinarily high number.

We never got an answer. You never got an answer. The American taxpayer never got an answer until last night, when apparently, DOD discovered that the number was an error.

Now, if DOD now repudiates that number, and says it was actually \$10 million, or \$7 million, or \$5 million, or some other number, we're glad they finally decided to look at their own records and take a second look. But I have to say, senators, I wish they had done so earlier. But I guess it's better late than never.

In the end, whether it's \$43 million, or \$20 million, or \$10 million, it's still a lot more than should have been spent in Afghanistan. And DOD to date still has no real explanation for the expenditure, and what benefit the U.S. taxpayer got from that expenditure. It is very clear at this point that DOD never did a cost-benefit analysis before they spent whatever the amount is in Afghanistan.

Right now, essentially, this is a giveaway that apparently benefits 150 taxi drivers in Sherberghan. That's all the U.S. taxpayer got out of it.

The second issue I want to address -- and Senator Kaine, I'm glad you raised it -- is the mistaken notion that special reports issued by SIGAR for some reason do not follow professional standards. That is simply incorrect. All SIGAR reports are fact-based. All SIGAR reports note the sources. And all SIGAR reports comply with relevant professional standards, including CIGIE -- which is the Council of Inspector Generals Integrity and Efficiency -- Silver Book standards.

I would also note -- and Senator Kaine, you pointed out that we have used different numbers in different reports. I'm certain your staff has read the reports, and have told you that the reports where we used the \$5 million number is because we were comparing TFBSO programs and aid programs, and we didn't have overhead numbers for those reports.

So in fairness, the TFBSO, in fairness, the aid, we did want to compare apples and oranges. So we used just direct cost to make the comparison. With the special-projects report, which was a discrete report

that was based upon work that our auditors and our investigators had uncovered, we had seen this tremendously high expenditure of overhead, we had the overhead cost numbers. We had them from the DOD contractor.

And I must say, it is surprising now that it turns out DOD spent \$2 million for that contract report. And apparently, DOD is now saying that they wasted the \$2 million because they didn't know how to figure overhead costs.

Now, only late last Thursday, my office received from DOD a hard drive containing what DOD claims to be all of TFBSO's unclassified records. And my staff has spent the weekend doing a preliminary review. And what does that review show to us? It again corroborates the \$43 million number.

The records show that TFBSO managers, including senior managers of TFBSO, reviewed the draft economic impact statement numerous times, even corrected numbers, because the initial draft was \$50 million, they backed out \$10 million that had been erroneously put in. And TFBSO accepted the overhead charges. But now, mysteriously last night, the numbers are wrong.

In addition, we have not been able to find in our preliminary review any cost-benefit analyses done (ph) by TFBSO. Now, however, I will say this and caution you: The data provided is substantially inadequate. There is obviously a lot of data missing in this hard drive that we got, so much so, that we have forensic account that's now reviewing it to determine if the data has been manipulated.

We are also concerned that we are missing e-mails, major e-mail files. We're also concerned that this is supposed to be all of the records of TFBSO, and it only amounts to 100 gigabytes of data. That seems extraordinary for an organization that lasted for five years, employed up to 80 people. As one younger staffer, my office, has said, "One hundred gigabytes of data is what I have on my iPhone."

We are surprised by the assurances from DOD that these are all the records of TFBSO.

Finally, I want to raise one last issue, which is, again, a larger issue beyond how much money a gas station costs in Afghanistan; and that is the issue that since December 2014, the Department of Defense has been telling us because of legislation Congress passed. They have no authority, no money and no bodies to explain this important program to an inspector general who is required by statute to investigate allegations of fraud, waste and abuse.

Now, I worked for Sam Nunn for approximately 15 years, worked for John Dingell for other years. In my 20 some years on Congress I have never heard of that excuse.

My deputy worked for 38 years for GAO. He has looked at many closed programs. He has never heard that excuse.

And as a matter of fact, USAID and State Department and other elements of DOD have been reporting to us on a regular basis on closed programs. Only TFBSO has this institutional amnesia.

I close by saying if that institutional amnesia continues, it will be bad for oversight, bad for criminal investigations that we're committing, and bad for the U.S. taxpayer. Thank you very much, senators.

AYOTTE: Thank you, Mr. Sopko.

I wanted to -- I want to start with a basic question, Secretary McKeon, and that is there were -- roughly \$638 million disbursed over the life of the TFBSO task force.

Can the DOD account for how each of those dollars were spent? Because as I look at the big picture here, and a lot of the questions that have been raised on record keeping, can you fully account to the taxpayers as to each of how those \$638 million were spent?

MCKEON: Senator Ayotte, we can give you a list of the contracts. And I believe we can tell you how all the money was disbursed broadly by sector.

In answering the question about the CNG station, it points up to an inadequacy of the way they kept the books in the task force in terms of allocating the support costs to specific projects. They didn't do it on a project-by-project basis, which gives us the challenge of coming up with the right number for the CNG station.

But it is our -- it is my understanding based on what I've been told and what I have seen in reviewing some of the records that we know where all the money went. The money was contracted -- or disbursed through other parts of the department, either U.S. Army Central in Kuwait or other DOD entities such as the Washington Headquarters Services, our contracts, which went through the Department of Interior, for example.

So I think we have all the paper that shows...

(CROSSTALK)

AYOTTE: And let me just ask you a basic question then. If we can account for each of these dollars, but I have serious questions given this even dispute listening to this that we can. But was it worth it?

What did we get for the taxpayers? I mean that's the fundamental question. I mean what can we say in terms of deliverables for the mission of -- that is anything sustainable that we get to accomplish the purpose of economic development in Afghanistan? MCKEON: So that's the big question, senator, and it's the right one. As I said in my statement, I think it's a mixed record. I also think it's a little early to say.

So for example, some of the work the task force did and USAID has done in advising the Ministry of Mines and Petroleum on governance, competitive tenders, administration of a ministry, that kind of thing. The jury is still out on that.

There are a number of tenders that I am told are still in a decision-making process within the government. The Ghani government is looking closely at and reviewing a number of decisions by the Karzai government. And as I think even the task force's most recent audit on the extractives industry says, it's ultimately up to the government of Afghanistan...

AYOTTE: Right.

MCKEON: ... to carry the ball forward.

AYOTTE: So did we keep metrics or anything like this for this task force?

MCKEON: I don't -- I have not seen in all the materials I have reviewed...

AYOTTE: And is Mr. Sopko...

MCKEON: ... specific metrics...

AYOTTE: Is Mr. Sopko right when he said that using the gas station as an example that there was no feasibility study?

MCKEON: I can't dispute that, senator. We have not found in our search of the records what we would understand to be a feasibility study.

AYOTTE: So there's a number of other issues, one that I wanted to ask about as well. Then I'm going to give Mr. Sopko an opportunity to comment on the questions that I've raised.

But you're -- there was a letter that was written about \$150 million that was spent on villas and security for TFBSO staff. That's 20 percent, roughly, of the money appropriated by Congress.

Why couldn't they have stayed on base? And why was that decision made? And why is it justifiable for 20 percent of the money allocated for economic development for that purpose? MCKEON: Senator, we owe SIGAR an answer to that letter. We're still digging into the questions that he asked about the housing in Kabul and Hairatan and a couple of other places.

What I understand was the reason for this. First, the task force was unique insofar as it was not under chief of mission authority. It was under the authority of the COMISAF. And they were -- some were entrepreneurial and took a little risk.

And I think part of the reason for this housing was it was housing for staff coming from Washington in and out. I don't think a lot of people lived there permanently.

They were also used as offices, and they were used to show international businesses and executives that they could come to Afghanistan and do business.

AYOTTE: So did we get any deliverable contracts of international businesses there because we spent \$150 million on villas versus having them stay on base?

MCKEON: Senator, I can't tie a specific visit of an executive in one of these houses to a later investment. I wouldn't make that claim.

The other thing I would say is the task force has their own private security to help them with security movements. They were not relying on the United States military for movements within the country by and large.

There is a document that we've seen in the records that...

AYOTTE: Is it -- could they not have? I mean they were a DOD task force. Could they not have asked the DOD and allocated some of the costs to support that?

MCKEON: I have not asked that question of CENTCOM whether that would have been feasible at the time. I've seen one document where they signed an MOU between U.S. 4A (ph) and the task force, giving as a contingency essentially for the task force to go on base or to be supported by the military.

And it was signed by a one- or two-star general who wrote a note to the commander and said I have a little misgivings about this because I'm not sure we're going to be able to support it completely.

AYOTTE: Well, it just seems to me this is a DOD task force. \$150 million, this is a very important question. And obviously I think we as a committee would like to know why those decisions were made, and what were the justifications and what return on investment we think we got from taking 20 percent of the appropriations to do that.

I also wanted to follow up on the issue of the \$55 million that was spent to facilitate an oil lender process that resulted essentially in the Chinese company winning a contract for extractives in Afghanistan. Do you think that was a wise use of taxpayer dollars?

MCKEON: Senator, what I know about that is the task force assisted the Afghan Ministry of Mines to cover a tender in accordance with general international principles. And the Chinese company competed at one. I can't tell you whether it was completely transparent and followed all the rules that we would expect in such a tender. AYOTTE: But stepping back for a second, my time is expiring, and then I know a number of them have questions. And I'm certainly going to want another round of questions.

But I'm just trying to think how do I tell the people of New Hampshire that we spent \$55 million to facilitate an oil lender process so that we could pave the way for the Chinese to get a contract in Afghanistan where apparently what's at issue is their ability to exploit an estimated trillion dollars worth of Afghanistan mineral resources?

I just, I'm laying it out there. Is this -- just your opinion, do you think that was a wise use of our resources?

MCKEON: Senator, it's my opinion it -- the foundational work, as I said, of advising the Ministry of Mines may pay off in the future. And it's a lot of ifs.

It would require some significant advances in security, significant advances in the rule of law, significant embedding essentially a culture of openness, transparency and business practices.

So, I can't -- I'm not going to tell you that we're happy about the Chinese government winning a tender. I don't think we tried to skew the results toward a non-Chinese firm. I don't know great detail about who else bid on the contract. We'll go back and try to look at that.

But we go in -- as I understood it, the task force was going in to try to advise them about how to do an international tender the way that international businessmen would expect. That was the objective.

AYOTTE: Mr. Sopko, did you want to add on that?

SOPKO: Yes, Madam Chairman, if I could just add one thing about the Ministry of Mines. And I think Senator Kaine, this is also important to you because I know you got a letter from a former minister.

There has been a lot of analysis of that one tender. But there's been even more analysis done by Afghans themselves that during the time of that tender was done.

Remember, this is the Karzai regime. The Ministry of Mines was the most corrupt ministry in a very corrupt government. It was so corrupt that USAID pulled back any direct assistance because they did a study on that. And it's a public study provided to all government agencies about how corrupt and incompetent that ministry was under the leadership of Minister Shahrani.

Now, what's important about this -- and some of you know I'm a former prosecutor, but I also was an attorney and a partner for Akin Gump, represent a lot of Fortune 100 firms. And one thing you know when you deal with corporate America, American businesses know their customers. They know where they're going to be selling the products. And they know what the bottom line is.

If you look at TFBSO and apply just reason and common sense, what we are talking about is here the Department of Defense still doesn't know who their clients were and what was the bottom line cost for all of this?

And so I would caution before we have this pie in the sky that this is all going to come to fruition, we understand what we're dealing with. And I think that's the big picture question about TFBSO. They didn't know where they were working.

AYOTTE: Thank you.

Senator Kaine?

KAINE: Thank you, Madam Chair.

And I basically have three lines of questioning. But the testimony has knocked off the first one.

I wanted to ask DOD about the efficacy of DOD doing these kinds of reconstruction projects. And Secretary McKeon, I gather from your testimony that in analyzing this you think they should be placed somewhere other than DOD. I strongly believe that.

I'm a member of the Senate Foreign Relations Committee. I'm ranking on the committee that oversees USAID, whether it's USAID or another agency that does economic development as their daily work. We wouldn't ask USAID to do military operations for sure. I appreciate your concession that activities of this kind are probably best on somewhere else in government. So I'm not going to beat that one. I think we've established that.

I have then one line of questioning for SIGAR, and one other one for DOD. So on SIGAR, just, you know, looking at the record, so I have the April 2015 audit report, Report 1555, and there's a discussion on page 6 of the compressed natural gas station, and there's a listing of its cost; distributed funds, \$5.051 million. By my read of this, I see no caveat that doesn't include overhead, or, you know, this is an incomplete number. Maybe that's somewhere else in the report, but I don't see a caveat or qualification with respect to that.

I'll get to my question in a second, and I'd love to hear if there's a caveat there. I see after that, April '15 report saying the cost is \$5.0151 million. The October 2015 special-projects report with a title, "DOD's Compressed Natural Gas Filling Station, Afghanistan," (inaudible) \$43 million project.

And then I'm looking at January audit report, 1611, basically saying TFBO (sic) spent at least \$39.4 million, \$5.1 toward a compressed natural gas infrastructure development, and \$33.8 for other activities. I don't see a caveat on that \$5.1 million number, for this doesn't include overhead costs; although, in the next paragraph, there's a reference to the special-projects report and the \$42.7 million number. The questions that I have are basically these -- and you testified to this. I want to make sure I understand this. Does SIGAR's special-projects unit use the government accounting standards? You mentioned the standards that are unique to I.G.'s. But are these done according to generally-accepted government auditing standards, the special- project department work?

SOPKO: By definition, GAGAS, which is generally-accepted government auditing standards, only apply to audits. This is not an audit. SIGAR, like 11 other inspectors general, have other reports than audits. This is -- they use different terms. Of those 11 other I.G.s, and actually, the GAO issues report that are not GAGAS. Now, we follow the general overarching policies of GAGAS in all of our reports, and that is you have to be factual, you have to be independent, you have to be free of any conflicts of interest, and you have to support all of the statements you make.

And some areas -- and it's very interesting. Even GAGAS, for audits, you're not required to do indexing and referencing. But we do indexing and referencing for even our special-project reports.

KAINE: Do you believe the audit reports of April and January, from your agency, were performed in accord with GAGAS?

SOPKO: Yes.

KAINE: Because they're audits?

SOPKO: Yes, they're audits. By definition, they have to.

KAINE: Can they take longer? Are they more elaborate?

SOPKO: Well, yes. The whole audit process -- and that is one of the reasons why we created special projects, and why other I.G.s created it -- for an audit, you usually -- the way we work, is you get together with the GAO, State, aid, the Department of Defense I.G.s and do an audit plan, based upon what are the big issues out there.

When we do an audit, there is a set policy of sitting down, having an entrance conference, do planning, audits usually take up to a year to get out. When I took this job four years ago, I met with staff of this committee, and the staff of many other committees, including the Foreign Relations Committee.

KAINE: Can I -- just real quickly, because they're going to -- I'm going to be out of time. I just want to put on the record, there's a little bit of a challenge for those of us who are exercising an oversight function. If the auditing division of SIGAR issues reports that are consistent with GAGAS standards with one number, and they're consistent, and the special-projects division uses a different set of standards -- and I'm not saying are inappropriate. I gather that there are standards that are used by I.G.s -- that come up

with a different number, because then that kind of leaves us sort of in a jump ball; which do we believe, and kind of how do we harmonize those.

So I'm just going to put on the record that that may be a point for some additional conversation. But -- because I certainly find it confusing to see that \$5 million number in two audits, and \$43 million on the headline of the report. So that's something that we want to dig into. I want to come back to DOD in a minute-20.

Mr. Sopko's testimony wasn't too complimentary about this, you know, "We'll turn over the records at the 11th hour."

I find that, you know, pretty disappointing, because while I certainly get the natural human tension between an agency and the inspector general, I've been at this business for a while. We're all on the same team. It's all about taxpayer dollars. We've got to be accountable for them.

So Secretary McKeon, you spoke first, and then you heard his testimony. How do you respond to the notion that it was only when we had this hearing, and it was going to happen finally that DOD said, "OK, here. Here's all the records that you ought to take a look at."

MCKEON: Sure. Senator, I'd point you to my written statement for more detail on this. But let me try to talk through the story as quickly as I can. Last year around this time, from January to March, the task force responded to voluminous requests for information from SIGAR, and turned over about five disks of CD-ROMs and material, including a list of the former staff of the task force for the last several years.

When we got the request for information in the spring, we made available to the task -- to SIGAR, excuse me -- the task force records that were set aside in a reading room at the Washington headquarter services. They had full access to those records, which is what the I.G. Act requires, which is access to records.

And what we said to them was, "If you want to copy any of these documents and take them back to your office, we will need to review them for FOIA releasability."

And the reason we did that, sir, is in a prior case, working closely with SIGAR, our Afghanistan-Pakistan office had given over 18,000 records from the commander's Emergency Response Program. Those records were then released to a media organization subject to a FOIA request submitted to SIGAR. There was names of soldiers and Afghan partners in that data set that was put on the Internet. It's still on the Internet. We've asked this media organization to take it down because of our security concerns for our soldiers and their Afghan partners. They have refused to do so.

So that was why we didn't simply hand over the records. Secondly, we didn't have task-force employees. The normal case, our Office of Afghanistan-Pakistan works very closely with SIGAR. They come in and say, "We want to examine this program. Can you give us your records on these issues?"

We never hand over full hard drives and computer drives in the way that we have here. It's a dialogue, "Tell us what you need, and we'll provide it to you." So there were two reasons that we set aside this reading room for SIGAR to access. But there were no restrictions on what they could read, absolutely none. They could read the full records, un-redacted. The question was, could they come back, take those records back to their office?

After I met with Mr. Sopko in December, and we exchanged letters expressing our concern about the issue of the release of the information, and we came to a meeting of the minds on that, we agreed to turn over the hard drive, which SIGAR now has.

KAINE: Thank you, Madam Chair. Thanks to the witnesses.

AYOTTE: Senator Rounds?

ROUNDS: Thank you, Madam Chair. Mr. Sopko, I'm just curious, maybe just in terms of the top lines that we've been looking at, a lot of discussion has been occurring based upon the CNG station, the theory (ph) that this is just a part of the overall number of projects. And you did a pretty good job of laying out a series of projects down the line that this particular operation was responsible for.

But we started out by saying that there was about \$822 million that was appropriated, and we have approximately \$638 million, which was disbursed. Was there -- the delta between the two, can you share? Was it something (inaudible) the other money was not released, or where is that? What's the delta between the \$822 million that was appropriated and the \$638 that was actually spent, or that we couldn't find disbursements for?

SOPKO: Senator, I don't have a good answer on that. I'll ask one of my auditors who probably knows. What he's saying is, the numbers could have been obligated, but not yet disbursed, and that's the (inaudible) we're talking about.

MCKEON: My understanding of this is it's not atypical for assistance programs. An amount is obligated, put on the contract. But over the course of the contract, they've decided they don't need to spend as much of it. So the actual disbursements are lower. I don't know whether the ratio here is typical in an AID setting, but having that kind of delta is not atypical.

ROUNDS: The reason why I ask, I just wanted to make sure we had an understanding where we're beginning from, in terms of what the TFBSO was actually responsible for disbursing, and that appears to be \$638 million. Fair statement? Big picture, that's what we're talking about.

MCKEON: We agreed -- I think we have a slightly different number, but we're in the area, in the ballpark, yes, sir.

ROUNDS: OK. Of the \$638 million, there seems to be a question as to how we would appropriate, or at least allocate the resources for overhead, travel, and so forth, and whether it was appropriately laid out project by project. Is there -- right now, I'll direct this to Mr. McKeon. Is there a broad understanding between both you and Mr. Sopko's office that there is an appropriate understandable appropriation, or at least allocation among the different projects for overhead?

MCKEON: Senator, I don't know that we've had that discussion.

ROUNDS: You haven't quite got to that part...

MCKEON: We'd be happy to engage in...

SOPKO: I think probably both of our staff feel that it's very difficult to find out how they did allocate.

MCKEON: Senator Rounds, I think we can say that the spending was roughly evenly divided between projects pending and overhead and security. Security costs are quite high because it's in a war zone. I talked about this at length with General Petraeus, and he sort of walked me through why it was so expensive.

SOPKO: Senator, if I can just add, the comptroller who helped Senator -- I mean, Mr. McKeon -- take a look at -- actually contacted one of our staffs and gave some data. In that data, it looks like the overhead costs actually exceeded the amount of the actual programs. But I can't confirm that yet, but that was something he shared with our staff recently.

ROUNDS: Mr. McKeon, do TFBSO personnel actually attend a designer and trade show event in Europe in support of the TFBSO's Afghanistan carpet initiative?

MCKEON: I know the -- I don't know the precise answer to your question about the show, Senator. I know that -- and it's listed in our activities reports, or the task force's activities reports to the Congress.

There was support for the indigenous carpeting industry in Afghanistan. They thought it was one of the high-end industries that could be advanced through regional and international market.

ROUNDS: Could you perhaps, then, just for the record, provide a summary of where the TFBSO personal travel in Europe, in support of the carpet initiative, how long they stayed, the total cost of those trips?

And Mr. McKeon, I'd just want to add, is it true that the TFBSO actually imported a large number of Italian goats via air shipment from Italy to Afghanistan?

MCKEON: I've not heard that, Senator. We'll have to check.

ROUNDS: Would you provide that for the record for us as well, please?

MCKEON: Yes.

ROUNDS: Thank you. I was going to ask whether or not the goat implementation was a success or a failure, but apparently you were not in a position to find that out.

MCKEON: I'm pretty sure if it happened, it happened before my time.

ROUNDS: My time is expired.

Just looking at this project, I have one question for Mr. Sopko, and that is, if you are not already looking at the entire \$638 million in disbursements, do you have the capabilities to look through and to gain access to lay out where these disbursements were at, and do you have the capabilities to find the individuals who were working for us who were within the armed forces, or contractors responsible to the armed forces? Do you have the legal capabilities right now to follow this through with your existing powers, sir?

SOPKO: In part. We can only find all that and answer those questions if we have the total, full cooperation of the Department of Defense, because we need to find these individuals, and we need access to all the records. That's the only way we can do it

Now, we lack subpoena authority to get testimonial subpoena. I think there was legislation pending, but that would be very helpful. I think if -- I probably am not allowed to pontificate on pending legislation, but I think you can see right now if we had had subpoena authority to actually bring some of these people in, we may have gotten to the bottom of this a lot earlier than now.

Right now we have to basically beg people to talk to us who are nongovernment employees. We were trying to get Mr. Brinkley. He is an excellent witness but we kept contacting him and he kept blowing us off. And it wasn't until we put his name in the report, explaining why we were quoting his book but not him that all of a sudden he contacted us. And then, I must say, he submitted to an interview which was very helpful.

But if I had subpoena authority, like most prosecutors do, I could have then dropped some paper on him and gotten him in here for an interview. So that would've been helpful.

ROUNDS: Mr. McKeon, I just want to give you an opportunity to respond. Based upon the discussion that we've had here today, it would seem as though you are in a position to where we are going to be looking back at you for additional answers in the future. Can you make a commitment to this committee to provide as much information as possible that you have available to you, and that that information also be made available to Mr. Sopko on a timely basis?

MCKEON: Yes, Senator. To the extent we can help find additional records, if Mr. Sopko thinks there are shortcomings, we will do that. I believe the records that we turned over are the unclassified records. There may be other records elsewhere in the department not owned by the task force relative to this work.

ROUNDS: By that would you be suggesting that in a classified setting that you would have additional information that you would share with this committee? MCKEON: No, I don't have additional information that I am unaware of. For example, as I said, the contracting was done by other elements, not by the task force. There may be records in those components that are not in the hard drive that we gave Mr. Sopko.

ROUNDS: Department of the Interior.

MCKEON: Department of the Interior, or U.S. Army Central, or Washington headquarters service.

ROUNDS: One last question. Do you have the ability to follow through with the Department of the Interior, Mr. Sopko?

SOPKO: Yes, sir. I mean, we will pursue wherever we can where the records are, and I think we're going to probably do either a complete financial audit. We've been asked by some senators to do that. Or we will do an entire programmatic audit of TFBSO now.

ROUNDS: Thank you, sir. My time is expired.

Thank you, Madam Chair.

AYOTTE: Thank you. I would just say that we appreciate that audit. I think it would be very important for us to have a financial audit so that we can ensure that each of the dollars that were disbursed were -- how they were spent and we can account to taxpayers for that.

I would like to call on Senator Shaheen.

SHAHEEN: Thank you, Madam Chair, and thank you both for being here. I found the history of the task force very instructive, Secretary McKeon, because one of the things that you point out, as you point out, that in March of 2009 Secretary Gates issued a memo indicating he had asked Mr. Brinkley to continue the task force's efforts.

And then there was a new memorandum in 2010 directing Mr. Brinkley to continue the efforts. I think it was in 2009 that the chain of command was shifted so that he reported directly to Secretary Gates.

But what I particularly found instructive was looking at the role that this committee played, which I confess I do not remember with respect to continuing the organization in the 2011 National Defense Authorization Act, where we initially said that the authority should expire in September of 2011, and because of concerns by General Petraeus and the chairman of the Joint Chiefs, Mike Mullen, they came back and asked Chairmen Levin and McCain to change the provision and not require the shutdown of the task force.

So clearly there are a lot of hands in why we got to the place that we got on the TFBSO. And I wonder if, Mr. Sopko, you could suggest the kinds of questions that this committee should have asked, or what kind of information we should have been looking for as this issue of whether we should continue what they were doing came up before this committee.

SOPKO: I would be happy to provide that to you. I mean, I think right now I'll go back to the point I made to Senator Kaine, based on my experience dealing with companies and corporations. Corporate America understands who they are selling to, and they understand their market.

What DOD -- and again, this may have been the problem -- we are asking the Department of Defense to start thinking like corporate America. Now I represented clients who knew how many pickles were being used on any particular day in a city when I worked for Aiken Gump. DOD doesn't think in those terms.

I remember having a nice conversation with a three-star general and he said, look, we're good at blowing things up. We're not really good at building things. Now they will do it, and they may do it if the State Department and AID aren't there and they are not sitting at the table, like many of these provincial reconstruction teams. We knew there were seats for State and AID. We've actually reported on it. But State and AID, for financial reasons they didn't have the bodies, they are not there.

So DOD is then forced to take up the slack. And I think, Senator, it's great that you are sitting on both committees because you realize -- and you (ph) too, I'm sorry, Senator Shaheen. It's going to be a whole of government approach the next time we do this.

And if we just plus up DOD and don't plus up State and AID, well, who's going to be left doing this kind of work? And I agree with Secretary McKeon, but I can't speak from a (inaudible) point of view or audit

point of view. We haven't done the report yet. That's a serious question that needs to be asked: is this the proper role for DOD?

SHAHEEN: Well, would certainly agree with Secretary McKeon and with Senator Kaine. I think that this is not the proper role for DOD, and I appreciate the challenges that we were facing in Afghanistan, but it seems to me that one of the things that we do need to look at is what the role for DOD is and what the role for the Department of State is, and how diplomacy figures into what we are doing as we are facing conflicts in places like Afghanistan.

We had a hearing before the Armed Services Committee today where we heard comments from the people who were speaking about whether the need for military action sometimes to get diplomacy, that they weren't making the connection that we needed to do economic development through DOD in order to get diplomacy. So I do think it raises serious questions.

And I guess I would ask you, Mr. Sopko, are there other takeaways from your analysis of the TFBSO that you would urge us as a committee to look at?

SOPKO: Senator, I think it's important to look at lessons learned. Now the TFBSO hired CSIS, Center for Strategic and International Studies, to do lessons learned on Iraq. And what we found out is they issued a pretty good report. But it doesn't seem like anybody ever read it and followed up on it.

The Rand Corporation has been hired, and I give credit to TFBSO, and I think maybe Undersecretary McKeon was involved with that. Rand is a reputable organization. They came in and developed some lessons learned. The problem with the Rand report is they even admit in the beginning they did not consider the cost-benefit analysis, so they were leaving that to us to do.

So I think lessons learned is so important, and you may want to require every agency that participated and that's under your jurisdiction in Afghanistan, ask them are they doing real lessons learned. Now we are trying to do that because we are required to do it. Actually General Allen (ph) said we are the only agency in the government which has this broad ability because we're not housed in any government agency. We can do across-the-board whole of government approach.

So we are doing that, but each particular agency can also help. And clearly, not only lessons observed, you've got to apply them, and I don't think this was done in this case at all.

SHAHEEN: Just a final comment because you raised the question of being able to subpoena people to come before SIGAR. I would point out that, as you said, I was one of the people who introduced that legislation in August of 2012, that would've allowed subpoena power for the SIGAR, and I think it's something that we actually ought to consider again.

I don't know if either of you would like to comment on whether that's helpful. I don't know, Secretary McKeon, we've I think already heard Mr. Sopko's view of that. Do you have thoughts about whether that's legislation that should be in existence, that might help deal with some of these questions before we get to this point?

MCKEON: Senator Shaheen, the power of the ideas is a little outside my lane in OSD policy. What I have said and committed to is that any former task force employees who work in the department, we will

obviously make them available. And any former employees that we can help try to find, we will do that. Whether we need subpoena power, the I.G.'s need subpoena power, that's not really for me to say.

If I could comment on your other statement about lessons learned. First quickly. I suspect the Army Corps of Engineers would take exception to the unnamed general that the Army doesn't know how to build things. But I think one thing to think about as you think about this issue is the task force was a start-up, and they brought in a lot of business folks from outside the department, and were outside of chief of mission authority.

There is a law in Foreign Service Act of 1980, which says everybody is under the chief of mission except Voice of America correspondents and people under combatant commander authority. It's unusual for civilians, unless they work directly for the COCOM, to be under COCOM authority and not chief of mission. So you already had this very unusual animal of the task force being under COCOM authority.

The other parts of the department and other agencies -- and now I'm just speaking impressionistically -- some of the antibodies in government and human nature come out. They look at, who are these people, why are they getting in our swim lanes.

I think it's quite clear there were challenges with cooperation across the inter-agency, at least in the beginning. And then it was mandated that State Department concur on projects, and I think it got a little bit better.

But there's an opportunity cost any time you stand something up and you bring in people from outside the department who are not really of the department. Now Mr. Brinkley would say that's what made us different. We are entrepreneurial, we didn't follow the normal government rules, we are able to do things quickly. That's some of the comments I heard from General Petraeus and General Allen (ph), so it's a trade-off.

If you want to do it that way, you're breaking a little china in the normal governmental systems, and the other side of the ledger is institutionally in normal government entities. So I don't have a clear answer for you. Obviously I have a bias that this is not a DOD function, but that's something you need to think about.

SHAHEEN: Well, my time is up, but I would just say I think we'd all be OK with breaking a little china if they were efficient and effective in doing it. The challenge is there are real questions about how effective and efficient they were.

Thank you, Madame Chair.

AYOTTE: Senator McCaskill.

MCCASKILL: You know, this is like deja vu all over again, over and over and over and over again. We had an ugly morphing of CERP to this taskforce, to the AIF. No proof that the metrics worked on any of it in terms of fighting a counterinsurgency. There's never been any data presented that the walking around money in CERP helped. There's never been any data presented that the ridiculous fuel station in Afghanistan helped anything, it was dual fuel and totally impractical and unsustainable.

There's never been any data that the highway that we had to spend more on security to build than actually it cost to build it did any good. And so the idea that we are worried about yellow book standards today, give me a break. We've got almost 1 billion dollars. No metrics, no cost-benefit analysis, no sustainability analysis. A program that's dumb on its face.

The average person in Afghanistan, their annual income is \$690. It costs \$800 to convert a car to natural gas. Now did anybody in the room sit there and say, is there anybody in Afghanistan that can afford this? The 120 cars we did, we paid for.

Now what I want to know, Secretary McKeon, is who made this decision. Was it Brinkley, was it Petraeus? Who decided it was a brilliant idea when the people of a country make \$690 a year that we're going to spend -- I don't care if it was \$2.9 million or \$200 million, who made the brilliant decision that this is a good idea, to put a natural gas station in Afghanistan?

MCKEON: Senator McCaskill, the project started in 2011. Mr. Brinkley left in June of 2011. I'm not sure if it was in the first half or the second half that this decision was made to start it. I think it was under Mr. Brinkley, but I'll have to get that.

MCCASKILL: Well, I want to know because I want to talk to that person and find out what they were on that day because that is bizarre. Don't you agree that sounds improbable on its face, that we are going to get a good result out of that?

MCKEON: Senator, there's a long excerpt that I would point you to in the SIGAR report about what the theory of the case was and how this is a proof of concept. It's in the SIGAR audit report of April 2015. That's what we have as evidence of what the plan and what the thinking was behind it.

MCCASKILL: OK, when SIGAR asked you to explain, you know, asked questions about this, you said in a letter that DOD lacks personnel expertise to address the questions. I'm quoting from your letter. Isn't it true that Dr. Joseph Catalino, a former acting director of TFBSO, was actually working in your office at the time?

MCKEON: He was not working in my office at the time. He was employed after that letter was written.

MCCASKILL: OK, but when he was, did you offer him up? That now you had personnel that obviously knew an awful lot about it because he was the director the program?

MCKEON: Senator, he started as the director in 2013 -- no, 2014. He was interviewed at length by SIGAR before the task force shut down. He was interviewed again earlier this month. So he's been available to the task force.

MCCASKILL: The point I'm trying to make here, Secretary, is the program has been shut down for five months, and all of a sudden nobody's home. Nobody knows nothing. We've got nobody here to help you and we've got no personnel to help you because nobody is here and it's been shut down for five months.

Don't you think you'd be frustrated if you were trying to get the bottom of what occurred and why the money was spent and how it was spent?

MCKEON: Senator, it was a unique task force, as we discussed. It's far from the core competency of the Department of Defense. We don't have investment bankers and energy sector advisers working in OSD policy or even in AT&L.

What we thought and understood that the task force -- SIGAR, excuse me -- was set up for success. We had provided a lot of information in the first quarter of 2015. We made the records available. They had a list of all the former employees. We did not have -- we let the task force people go and we brought back Mr. Catalino to perform a different function. He has been advising me and helping respond to these queries that the committee has given us and SIGAR questions. But this expertise does not normally reside in OSD policy, ma'am.

MCCASKILL: Well, there's a lot of expertise that normally doesn't reside in the Department of Defense. It doesn't mean that they didn't start building highways, and they didn't start building a lot of other things in both Iraq and Afghanistan that never were a good investment of taxpayer money because of sustainability and security issues.

So let's talk about security. If you're spending close to \$800 million and 20 percent has to be spent on security, in order to convince businesses to come do business in Afghanistan, once again, common sense, do you see a problem with that scenario? And you don't want them to be military because you don't maybe want the businesses to know that they are going to have to spend multiples of millions just to be secure in this country if they want to come in and do business?

Do you see the fallacy in the logic there? That you've got one company making \$50 million, you've got 24-7 -- I mean, I wish our embassies have these security these villas had. And we have a whistleblower that says they sat empty except for the security personnel most of the time. I mean, it was amazingly the security they had in place. Besides the queen-size bed, flat screen TVs in each room, 27 inches or larger, the DVD player in each room and mini refrigerator in each room in an investor villa that had even upgraded furnishings.

But we're talking about \$51 million for secured accommodations, 24 hours a day, seven days a week by armed guards, and a CCTV monitoring system that can view the entire perimeter and surrounding area. They paid another person \$40 million to provide transportation and personal protection from terrorist or criminal attacks.

I mean, look at the money we are spending supposedly keeping the people safe that we are trying to get them to come and open businesses? This is not exactly a traditional chamber of commerce move. If you've got to spend that much money on security, don't you think most businesses are going to go, we can't afford to open a business here, especially if the average Afghan makes \$690 a year?

MCKEON: Senator McCaskill, I'm not a businessman. You make a lot of valid points. Investing in a war zone and conducting activities is dangerous and high cost. What I said at the outset is I think there was an understandable imperative and desire on the part of the commanding generals to get something going, and recognizing that it was high cost.

Whether it has succeeded, the jury is out, but it's a pretty mixed picture. I agree with a lot of what you have said. The costs sound quite exorbitant, and we're digging into this villas question. MCCASKILL: I apologize for being so short, but you have no idea how many hearings like this I've sat in and gone

through, project after project not well thought out. And this all began before we passed the contracting bill, where you have to show sustainability and you have to show some other measures.

But I will tell you that not cooperating and pulling the Band-Aid off as quickly as possible just makes it worse. And the argument that's been put forth in the press that somehow the figures in this are not correct -- I mean, frankly, all you did was fan the flames, you know, that somehow it wasn't \$43 million when you can't even say where the \$30 million went.

This is a terrible waste of taxpayer money. We have so many other uses for it. And I hope, Mr. Sopko, that you will -- I wish we could get you testimonial subpoena power. A bunch of us are trying, for both you and the I.G.s. We are running into roadblocks but we are going to keep trying, and thank you for your work.

AYOTTE: Thank you, Senator McCaskill. And I fully support what Senator McCaskill and Senator Shaheen have said, that our I.G.s deserve subpoena authority and full access to records, which they are not getting right now, and important legislation is being blocked by the Department of Justice, of all people.

But anyway, I would like to call on Senator Heinrich.

HEINRICH: Thank you, Madame Chair. I want to get back to this issue of core competency, and at this point, you know, it seems very clear to all of us that this was not a natural place or function for DOD. And I want to pick at a little bit why this occurred in the first place.

I'm trying to remember back. What years, for starters, Secretary, did this task force exist, from what fiscal years?

MCKEON: It was created in June of 2006 by deputy secretary England to operate initially in Iraq, and then Secretary Gates in 2010 directed them to operate under -- in support of Operation Enduring Freedom, which technically would have put them in places other than Afghanistan, and Mr. Brinkley has detailed some military efforts in Pakistan.

HEINRICH: That's consistent with my memory, and in 2009 I was a new member of Congress in the House, trying to understand why we would fund some of these things through DOD as opposed to through USAID and other State and other more appropriate places.

And I'm curious, if my memory serves me right there was to some degree an attitude that things that could get appropriated through DOD would never, ever get appropriated if they were sought through USAID or State.

Do you have an opinion as to whether or not some of these things landed in DOD's lap because it seemed at the time easier to put them in the budget there and actually get appropriations as opposed to where the core competencies would have existed to execute more appropriately?

MCKEON: Senator Heinrich, at the time I was working at the Senate Foreign Relations Committee for then-Senator Biden, and so that was the conventional wisdom, that the Department of Defense could more easily get the funds from the Congress, and there was some skepticism about State and AID's ability to operate particularly in a war zone.

There was even a case in the second term of President Bush where there was a lot of criticism of the police and security forces training program in Iraq. I can't remember exactly how it got done, but it seems like Secretary of State Rice pushed over a lot of the authority for that kind of training to the Department of Defense. So that was what was in the atmosphere at the time.

HEINRICH: That's actually quite helpful, and I'm in no way justifying the sort of lack of analysis or execution that may have gone into this CNG project or any other projects, but I think we do need to learn some lessons in terms of, you know, when you sort of play those games, what the potential ramifications are because obviously this simply hasn't worked.

I do want to give you -- actually, Mr. Sopko, do you have any opinion on that matter whatsoever? Or is that outside the scope of sort of what you would look at...

SOPKO: As to how this came about, in our analysis we basically identified, and I think we reported in some of our audits, similar to what the under secretary said. There was a view that State or AID couldn't move fast enough and wasn't quite attuned to it.

Now again, State and AID, particularly AID, they had implementing partners who have the same flexibility and movement that TFBSO did, and we were a bit surprised when we interviewed Mr. Brinkley, that Mr. Brinkley had never known that, that he had never talked to an implementing partner.

So there seemed to have been a parallel track, and they weren't well coordinated, and that was -- one of our audits said that. They didn't coordinate very well, and it did cause a lot of resentment.

You know, when we say we heard so many complaints, many of the complaints came from people inside our own embassy about how this program was being run. So there were warning bells about this program from the beginning.

HEINRICH: Would you ever think it would be appropriate to have an agency or a task force that could take contractors who don't keep project by project financial numbers?

SOPKO: I would never do that, particularly in Afghanistan. You're just basically asking to lose all your money. And that's a big problem now. We don't really know how much money of this was stolen. I mean, I could understand why the minister of mines loved this program and sent that letter. I saw a copy of it. Of course he did. I mean, you know, his predecessor disappeared to Germany with \$35 million in cash, as reported in the press... HEINRICH: And as a standard matter, shouldn't access to those kinds of records be contractually obligated for any contract that...

SOPKO: Absolutely. And the interesting thing is, USAID did an analysis of the ministry it's dealing with and withheld money because they didn't trust it. TFBSO, no problem, let's just give them the money. And I think that's a good analysis how USAID is used to this and they deal with this all the time. They work in some very difficult places and they understand the terrain and who they are dealing with.

The TFBSO team was just sort of a scattershot approach. I know one of the members started talking about the things with the goats and everything else. It sounded like they just got together and they said, hey, this sounds like a great idea, and we have an unlimited budget. Let's just do it and see if it works. And that's why no one could really say with any credibility that the programs were effective.

HEINRICH: Thank you, Madame Chair.

AYOTTE: Thank you. I'm actually going to call on the ranking member, Senator Kaine, first and then I'm going to go to my questions.

KAINE: Thank you, Madame Chair.

She knows I just have one question, while she has multiples. My question actually, Mr. Sopko, I want to give you a chance to respond to something that Secretary McKeon said response to one of my questions.

So your testimony had a litany of kind of instances where it was difficult for the SIGAR to get the records that you needed to do -- to basically offer the oversight that you want to. And I find that troubling. I think, you know, it's kind of -- it's not a capital offense but at least it's a cardinal offense, you know, to not cooperate with an I.G. that Congress has put in place to give us information that we need to exercise oversight.

So I asked him, hey, since you testified after he testified, I asked him to respond, and he kind of went through a response. And one of the elements of his response was the concern that kind of came up in this relationship over material that had been delivered from the office, DOD to SIGAR that was, I guess, mistakenly released via FOIA, and that led to the identities of U.S. personnel and some contractors being disclosed in ways that could jeopardize them.

He said that, and I didn't give you a chance to respond so I wanted to just see if you had any response.

SOPKO: Yes, I do. I mean, I think the claim that DOD has made that the individual names were covered under the Privacy Act is in error. The names that were in that CERP data -- and remember, we didn't put it up on the web. Somebody filed a FOIA and we responded to FOIA, and our staff normally, as just a courtesy, will take names out if we are asked, but we did release some names. The point is that names of soldiers, names of civilian employees are not covered by or barred from being released. We have actual DOD regs that talk about Department of Defense privacy program dated 2007, which says, civilian records can be -- records can be revealed that include the name, titles, etc. I can give you a copy of that. So they are not covered.

The other thing for the Privacy Act doesn't really protect names. It protects records about the names. The name itself you can reveal. And I'm happy to put into the record if you want to dozens of press releases from the office of the secretary of defense where they not only name the soldiers serving in Iraq, they named their wives, they name their kids and they give their addresses. So we find this is a red herring. It's not Privacy Act material.

Now what I also find is a red herring is, this access was restricted only for TFBSO. No other element of the Department of Defense restricted our access to records. And we deal with classified information all the time. Nobody had this concern. Only for TFBSO was there some concern, and they put in these restrictions that basically violate the I.G. Act.

Remember, I'm supposed to be independent. I can't let the department apply FOIA exemptions to my request for documents, and that's what Mr. McKeon was suggesting. All means all under the I.G. Act.

KAINE: Let me just follow up. You indicated that it is your normal practice, and I think you used the word courtesy, to, in releasing information pursuant to FOIA of this kind, to take the names out. But in this case that did not happen.

SOPKO: It was a mistake because it was a multiple file and you had to dig down, down. And we accepted that. The person didn't understand. We do that just as a courtesy if, you know, we are asked to do it.

KAINE: Is that a courtesy that you do because you are aware that there could be secure sensitivities to names?

SOPKO: If there is security, if there is specific certain security sensitivity, we will definitely do that. We don't release anything. We follow that. But this was a case where you had a name of so and so was a CERP official or did something three or four or five years ago at some PRT. I doubt there was any security implication from that.

KAINE: There's a statement in Secretary McKeon's written testimony, not in his verbal testimony, that I went back and checked that as a result of the release of these names via the FOIA, somebody at SIGAR was removed from a position for doing that. Is that accurate or is that not accurate?

SOPKO: She wasn't removed. She left. She got a job somewhere else. We're temporary and a lot of our people -- no, nobody was fired. KAINE: No, I didn't mean to imply that she was fired. I don't know that.

MCKEON: May I respond briefly, Senator?

KAINE: Yes, please.

MCKEON: So my colleague from the office of the general counsel has handed me a statute, which I would just read you, which I assume came from this committee. Title X, U.S. Code, Section 130(b), which gives the secretary the authority, notwithstanding the Freedom of Information Act, to withhold from disclosure to the public personally identifying information regarding any member of the armed forces assigned to an overseas unit, or a routinely deployable unit.

But putting aside the legal debate, whether this provision or what Mr. Sopko just said about the Privacy Act, as a generic matter we don't like to release names of personnel who are downrange or our Afghan partners who are getting money from us on CERP. Mr. Sopko is no doubt right that we have press releases that praise soldiers in this place or that, but that is our decision. That is the department's decision. It is not SIGAR's decision to release those names.

That was what animated our concern. You can go on the website of this media organization today. I did it last weekend, and still find these names of Afghan partners and soldiers. The information is still there.

KAINE: But what about Mr. Sopko's position that the restricted nature of their access to these documents is highly unusual within the I.G.'s interaction with DOD, department's...

MCKEON: I'm happy to address that, sir. Section 6 of the Inspector General Act of 1978, which is the authority, one of the authorities that SIGAR has, says that the department shall provide access to records. Those of the words of the statute. And we provided full access to the records in this reading room. We never said you can't go see this record or that record. He had full access to the records.

The issue, as I highlighted, was whether he could take the full records, and whether we would review them for releasability under FOIA. This is now water under the bridge in a sense because we have now come to a meeting of the minds on this issue, and he has the hard drive. It's in his control. He has agreed that it is not their policy of SIGAR to release names.

And so with that assurance, that that -- and some other conditions that are set forth in the letters, he has these materials.

KAINE: Thank you. I don't have any other questions.

AYOTTE: Thank you, Senator Kaine.

So I wanted to ask, as I looked at sort of the course of information here, one of the things that troubled me was that SIGAR either provided draft reports to DOD for comment, or requested TFBSO information in March of 2015, May of 2015, June of 2015, October of 2015, and of course this month again. And in each instance the OSD, or you, Secretary McKeon, responded by saying that the task force was shut down and that you could not answer questions about TFBSO because the task force was shut down.

Now this task force shut down in May of 2015. You yourself, this task force reported to nine months prior to it shutting down. And as I understand it, as soon as June of 2015, Dr. Catalino, who had a significant role in the task force, was actually working at DOD, I think in OSD itself. Yet the repeated answer to the SIGAR's question was, listen, we can't answer your question because the task force is shut down.

So to follow up on what Senator McCaskill asked, I mean, if that's the case, how are we ever going to have oversight on any task force? So can you explain to me why that was the answer each time?

The other issue is that, as I understand it, there were also military personnel who had assisted in the task force and had roles in the task force that were still serving, that could have been made available as well, and yet the answer was the same each time. Why would we answer in such a way, instead of just trying to get to the bottom of answering your question?

MCKEON: Senator, if I could go back to about a year ago this time during the administrative shutdown period from January to March, this task force Mr. Catalino responded to fairly voluminous information request from SIGAR and many -- I know Mr. Catalino was interviewed.

So after the task force staff dispersed and were gone from the roles of the department, we thought we had set up SIGAR for a way of success to do its review. We provided access to records. We already provided this information on several discs, and we provided a list of former employees of the task force from 2010 to 2014, so that's...

AYOTTE: Can I ask you a question? When you provided the list of the employees on the task force, did you provide, include on that list current members who were serving in the military?

MCKEON: Ma'am, I've not seen the list. I looked at the letter that was written from Mr. Catalino to SIGAR, setting forth what it was we provided. I've not seen the list of personnel so I can't tell you what level of detail about their assignments are.

AYOTTE: I'll certainly want to come back to that, but I think Mr. Sopko, you had a comment on this issue. I mean, you had some -- obviously your history and experience in doing these types of investigations, this struck you as unusual, as I understand it.

SOPKO: Extremely unusual. As I said, when my D.G., my deputy was GAO for nearly 40 years and I did this for almost 20 years on the Hill, and I never heard of an organization. It's like Harry Truman in 1945 saying, I can't answer any questions about dropping the bomb; the war is over. We've shut down.

This organization was not a defac (ph) out in Omaha. This was an organization that reported to the secretary of defense. It was the premier organization on developing the economy in Afghanistan by the Department of Defense. It was an organization that reported to my good colleague here for seven months, and then all of a sudden it's like, poof, amnesia.

It's not just access to individuals. They have a responsibility to answer some of the questions. It's not our responsibility to track down -- and again, I have no subpoena authority. Once they retire or once they leave the military, like Mr. Catalino -- we interviewed him when he was working for TFBSO. He then left.

Ironically, he was recruited in May and June by Mr. McKeon's deputy COO, who in that June 30th meeting, where his deputy COO had just hired back Mr. Catalino, he makes the statement in front of everybody, including multiple staff members, that I know of no one in the department who can answer any of your questions.

AYOTTE: So you are told no one in the department in this meeting can answer your questions, yet at the time they recruited or already hired...

SOPKO: They had already hired. We interviewed Mr. Catalino, and he said, told us he had been hired 10 days before that meeting by the deputy chief operating officer, Mr. Steve Schlein (ph). Now I have no idea. Maybe Mr. Catalino is mistaken. It's very easy to pull out his hiring documents. We know he knows Mr. Schlein (ph).

I don't know why Mr. Schlein (ph) then makes the pronouncement to us at this June 30th meeting, after he hires back Catalino, that I don't know anybody in the department who can answer your questions. Now that is what I am saying is an enigma, and I've never faced this before in my dealings with the Department of Defense, both as a congressional staffer as well as a private attorney. I've never heard this before.

AYOTTE: This raises also -- the reason I wanted to ask whether when you provided a list of employees, whether you provided the names also of currently serving military, members of our military, is because I want to -- we have someone in the audience that I want to thank, who is here, has given me I think permission to recognize him, and that is Colonel Hope, who is here with his wife.

Colonel Hope actually was assigned to the TFBSO task force and served as director of operations of TFBSO from August of 2014 until March of 2015. Mr. Sopko, I want to ask you, is this someone that you spoke to in this investigation, Colonel Hope?

SOPKO: We normally don't say who we've spoken to, but in this case, since I believe Colonel Hope has already mentioned that he has given his -- yes, he has been very helpful to us and we are dealing with him and have followed up on some of his allegations.

AYOTTE: And so... MCKEON: Senator, can I respond very briefly to what Mr. Sopko just said about the June 30th meeting?

AYOTTE: Yes.

MCKEON: I don't know what was said. I was not at the meeting. We are not trying to hide Mr. Catalino. We've made him available. We will make him available again. If Mr. Schlein (ph) a mistake about the fact that Mr. Catalino at already started, that's on us. We are accountable for that.

But the irony is if he was not in the department, as Mr. Sopko has said, he would be free to decline to talk to the SIGAR because of the lack of subpoena power for testimonial purposes. So he's available to SIGAR, as are other former employees who are in the department.

AYOTTE: So I want to raise the issue of Colonel Hope's service, which we are grateful for, because I think it's very important, as I look at the role that he played on this task force. When he was assigned to this task force, he started to raise issues immediately of deep concern about -- there's a long list of things that he raised about the lack of operation and financial oversight, about the lack of metrics or analysis to measure success, that essentially the oversight was lacking. No accounting of cost expenditures or money transfers, and serious questions about extensive travel, both from security and financial standpoint.

I mean, this is a laundry list that TFBSO had no property book or no property book of CERP the lifetime of its existence. And he claims, and I have to say I'm very troubled as I see this whole course of record, that not only him but the entire Afghanistan military team was subjected to and continues to be subjected to retribution and retaliation after their return from the task force, and after they were -- you know, he particular raised issues about this task force.

As I understand it, when the list of employees was given to SIGAR, the people like Colonel Hope were not listed on that list, and they obviously would have knowledge as current serving members of our military that were involved in important roles in this task force. And that raised a flag for him.

That caused him to not only make -- bring information to the attention of SIGAR, but also as a result of him raising this, he had to file a retribution complaint with the inspector general's office of the department, and he was given a review that was different than four other reviews he had received from very, very respected and senior members of our military, really from you, Secretary McKeon, is one that, you know, any member of our military would view as a career-ender.

And as a result, not only was this review one where it should've been issued in March and then wasn't issued until December, in violation of existing DOD policy, but essentially he raised all these issues about TFBSO, and now again, as someone who I would describe as doing the right thing as a whistleblower, has really nothing to gain. And at this point obviously I'm concerned about being -- having been a subject of retribution, is now in a position where this has been harmful to his military career.

So I guess my question to you, Secretary McKeon, is, as Colonel Hope's senior rater, what was it in his role, why was his evaluation so late, why weren't his concerns taken seriously? As I understand it, he sent to you an after-action report by e-mail in 2015. In fact, he has told me that he sent it actually in, I believe, March of 2015. He never received a response from you by e-mail.

So I guess what worries me is I hear this course of conduct where SIGAR asked a series of questions and they are told, well, the task force ended and no one can answer your questions right now. We had questions as a committee. I pushed to have this hearing, and we didn't get the new numbers on the gas station until -- even though you had the draft report in September, you had the final report in October, you had follow-up written letter in December on this issue, we don't get the numbers until the night before.

And I have to ask, what's going on here? This worries me. Can you address Colonel Hope? Can you address that we shouldn't be concerned that somehow this is being covered up? Because all this course of conduct raises this flag that very much concerns me as to why this is not being placed in a way that we would normally see this type of investigation, questions being answered, and answered not without having to call a hearing on it but immediately.

MCKEON: Senator Ayotte, let me first address the issue of Colonel Hope. He was the director of operations in the Kabul office starting, I believe, in September of 2014 until the end of the task force's operation. He asked me probably about a year ago this time to be a senior rater because I was the next person above Mr. Catalino. And he e-mailed me and asked me to do that, and asked me to -- asked to come see me so I could put a name with the face. I did meet with him last January.

His OER didn't come to me until September. I can't account for the delay. I...

AYOTTE: What does an OER stand for?

MCKEON: I'm sorry. Officer evaluation report. His OER came to me in September and I filled it out -- let me look at the dates that I have here. It was signed by Mr. Catalino on the 2nd of September. I signed it on the 11th of September.

At that time -- I'm a little embarrassed to say this -- when I filled out the form, in filling out one part of the form I didn't completely fill it out. But the computer program that the Army has for its personnel allowed me to hit the signature blocks, even though I hadn't completed the forms. You know with a lot of merchants or government officials, government websites, if you go through -- if you don't fill out the key one, it won't let you sign it and hit submit. But this one did.

That's on me. It's my fault. I'm not blaming the Army system, but that's what happened. When it was called to our attention, that it had not been completed, it was completed in mid-November, on November 19th by Mr. Catalino, and I signed it also the same day, and then the system pushed it to Colonel Hope. That's my understanding of how it works based on an O6 Army colonel who works in our front office.

Our records show that Colonel Hope signed it on 15 December. I read the after-action report only in the last month or so. If Colonel Hope e-mailed it to me last March, I will go back and look at my records. I don't remember seeing it at that time or reading it at that time.

As to what the report said, it says some of the things you said about the lack of a property book and property accountability, and Colonel Hope recites how he and his colleagues sought to remedy that. I don't recall that the report says some of the other things you said about travel abuse. But I would unequivocally deny that the rating he received had anything to do with that report. As to the rating he received, I don't feel that it's my place to discuss that in this open hearing.

As to the other issue you raise, Senator, about trying to answer SIGAR's questions, I think I tried to answer it earlier but I will do it again. Which is, I know it may sound odd that we didn't have the expertise to go through these records and understand them, but other than Mr. Catalino, we really had no one who had familiarity with these records. He was not steeped in the energy project, and it started before his time as deputy director.

I talked to him about it, about his knowledge about it. It wasn't deep. We had spent a lot of time in the last couple of months, by grabbing staff from other projects, to try to help sort through these records. The comptroller that Mr. Sopko referred to earlier is not a DOD -- he's not in Mr. McCord's (ph) part of the organization. He's the comptroller for the Defense Security Cooperation Agency, who reports to the under Secretary for policy. I asked to take a few days to sift through these records and see if he could make sense of the CNG project, as somebody who understands DOD financial practices.

The statements I make in my written testimony are derived directly from what he told me. So we have conveyed that and we made him available to SIGAR to explain his analysis.

So what I'm trying to say, ma'am, is, as I've said before, because of the unique nature of this task force, and because we shut it down and chose not to keep legacy employees around, it's been a challenge for us to go back and try to reconstruct these records. But we are doing that now in response to your requests, response to SIGAR's requests.

I'm trying to see if we can find a former employee of the task force to come work on a temporary basis to assist us. So we will work in good faith to try to respond to this request. But they had 150, 200 employees, a lot from the business sector. They are all gone. And to try to re-create what happened five and six years ago is going to be a very hard challenge for us. We welcome the audit that you and the other senators have asked for. As I said, Mr. Lumkin (ph), when he was performing the duties of the undersecretary in April of 2014, ask the DOD I.G. to perform a full audit. I requested a financial audit at the end of 2014, which Washington headquarters services paid for. I think we have provided that to you, but if we haven't, we will.

We are an open book on these records. SIGAR has them. If there are other records that he thinks are out there that we have not provided, we will look. We're not trying to hide anything. I think it's very useful to find out what happened, but it's going to be hard for us to re-create some of this history with all the task force employees gone except for a handful of people who might still be in the department.

AYOTTE: Just so I can finish up the circle on Colonel Hope, because I'm very appreciative of his service, I want to ask, Mr. Sopko, do you know generally when Colonel Hope started speaking at least to SIGAR about this concerns, about TFBSO?

SOPKO: Offhand I don't. I would have to check with the staff.

AYOTTE: Can you get that for me for the record?

SOPKO: Absolutely.

AYOTTE: I would appreciate it.

MCKEON: Senator, if I could say one more thing about Colonel Hope. I didn't witness his work firsthand. I have read his report. It's my understanding he did perform a critical function in Kabul. When I saw him here today before you arrived, I apologized to him for the delay in the OER. So I do apologize publicly for the delay. I deny and believe to my core there was no retaliation.

AYOTTE: Well, I think the concern is also when Colonel Hope was rated by General Odierno, who many of us know has a distinguished record of service, he called him a top 1 percent officer and one of the top 20 of the 100 colonels he had served with in his 40-plus years in the Army. So I just want to make sure that that is in the record because having certainly had the opportunity to know General Odierno, we know he's one of the finest generals to serve our nation.

So this issue does raise a flag for me, and I want to make sure that every member of our military or our civilian workforce understands that they can fully come forward with any issue that they have, or concern about not only how taxpayer dollars are spent but also how the business of the government is conducted, in a way that they know that they won't face any potential for retribution.

I want to follow up on a couple of specific issues to make sure that this committee, as we get information about the activities of TFBSO, and follow-up not only to Senator Rounds' question, in addition to the goats and the carpet -- and I would like to make sure that we get travel records of where people traveled for the carpet industry, to the purchase and shipment of the goats. But also I would like to have the same type of information about the jewelry manufacturing initiative, that we have been given information that TFBSO traveled to India and other locations as part of that. I don't know if you have information on that today, but I would like to understand that on the jewelry initiative, and also the ice cream initiative, that apparently TFBSO had a Herat ice cream project run out of the villa in Herat, Afghanistan, and a former TFBSO employee said this initiative was one of the primary reasons that they had a villa or safe house established in Herat.

So I would like to understand as we get the answer on the villa issue, the information about the ice cream initiative, the jewelry initiative, the goat initiative, and what there...

KAINE: Carpeting.

AYOTTE: And the carpeting initiative of course. Thank you. Thank you, Senator Kaine. So that's important.

And one of the issues that, as I heard you talking, Secretary McKeon, about the challenges of not having the employees, when we had the wind-down of the task force, did it not occur to anyone at that point that the Congress would want to have a full accounting of how the taxpayer dollars were spent and whether we actually got any return on the investments?

MCKEON: It did, Senator. That's why we sought -- Mr. Lumkin (ph) asked for the inspector general to conduct an audit. That's why I asked for the financial audit. It's why we contracted with the Rand Corporation to help us with lessons learned examination.

AYOTTE: But that Rand report doesn't, by its own admission is not an audit and doesn't fully account for how dollars were spent, and also a cost-benefit analysis of those dollars.

MCKEON: That's correct. It's a general impressionistic review based on interviews of whether projects were meritorious and succeeded. We don't have an audit ability in OSD policy. We asked the I.G. to do it. He declined, based on resources and wanting to work on current projects rather than backward looking. I only know that from his letter, and this is the former I.G., Mr. Reimer (ph). He's now left the department. I spoke to him briefly.

That's why I asked for the financial audit, which WHS contracted for, which I believe you have. We supported -- if SIGAR wants to undertake a full audit at your request or the committee's request, we have no objection to that.

AYOTTE: I would like to request that audit. I think the members of the committee would like to see that, and obviously we would hope that you would fully cooperate in getting whatever information is needed so that the SIGAR could conduct a full audit so that we could account for not only the initiatives that we talked about today, but we were able to account for each of the dollars that are expended and how they were expended in this task force. I do have to ask, though, on the gas station issue, why it took so long for DOD. I mean, when there was a draft report in September, when there was the final report in October, where there were issues raised even December and a follow-up enter about the villas that again reiterated the \$43 million number for the gas stations, in each of those instances DOD did not challenge the number.

And I'm just curious why it took, you know, basically the night before this hearing, or a day before this hearing, for that to come forward and for you to then challenge the number. I'm not disputing of whether the number is right or wrong in that. I'm just trying to understand what took so long.

MCKEON: Well, as I said, Senator, we've been borrowing staff from other functions to answer the inquiries of the last few months on this issue, and trying to drill down on the data and the records. I can't remember when the comptroller from the TransSecurity (ph) Cooperation Agency came up with his analysis. We knew you were planning this hearing, so I think it was before yesterday we certainly had some of this information and were preparing to provide it to the committee.

AYOTTE: Do you agree it would have at least been helpful to say to SIGAR, you know, we think there is a huge problem with this number and we're going to have a financial analysis done of it, so...

SOPKO: Senator, if I could interject and possibly help Mr. McKeon. We spoke to that comptroller. As I told you, we just got his name. We've been asking Mr. McKeon for his name and contact information since December. He actually told us that he started his review on November 17th and finished it on November 20th. And like yourself, he finished it on November 20th, if -- it would have been useful if we had gotten a copy of it before last night.

We still don't have a copy of his final report. We just interviewed him.

AYOTTE: And as I understand your testimony, Mr. Sopko, even that individual can't fully answer the question about the number because of the lack of record keeping.

SOPKO: You're absolutely correct, Senator. He basically said that the analysis underlying the overhead number is probably incorrect, but due to poor record-keeping there is no way to get a better number. And again, I reiterate that. Under (inaudible), under SIGI (ph) standards, we are required to get the best number.

So therefore, he basically takes our case that the number we gave -- which came from DOD, again -- it was the best number. He called his gut feeling, he indicated it's probably less, but he stated that there is no fidelity in the overhead numbers. It would be impossible to arrive at a more accurate estimate of the total overhead costs for CNG.

I think this is critical, not because of the number. The gas station number is really not that important. This goes back to the underlying problems that I think the senator has pointed out, and that is there is poor planning, poor management and poor coordination at TFBSO.

They can't even get their overhead numbers right. No wonder we don't know how much money was spent on goats, or if the goats were even eaten or not. We don't know. This is so poorly managed. And that's a problem that was identified by the General Accounting Office years ago when they first did their first audit. We've been identifying that since then.

AYOTTE: And that brings me to my final question, which is, there was the 2011 GAO report, based on what happened with TFBSO in Iraq, before the decision was made to transition to Afghanistan. And it strikes me that if you look at what's in that GAO recommendation that the lessons learned from Iraq, none of which were taken into account as this transition to Afghanistan.

In fact, I don't think that Mr. Brinkley, you know, could account for costs or feasibility or -- and in fact projects seem to have been approved without knowing what they would cost, and these are all things that came, as you look at the GAO report about how you should establish project criteria and metrics, monitoring, these are all lessons taken from Iraq.

And also from the CSIS report, similar lessons, all that information, it doesn't appear to me, Secretary McKeon, that any of that was considered or addressed based on the lessons we learn in Iraq as this task force undertook its activities in Afghanistan. Would you disagree with me on that?

MCKEON: I wasn't there at the time, Senator. And based on the record I have seen, I'm not sure I can disagree. What I would say is Mr. Brinkley left in the summer of 2011 and took a lot -- a lot of senior people left with him, and there was a gap before there was a new director hired. In 2012 there was an acting director. I think they probably had to reinvent the wheel a little bit.

They did have, when they first went into Afghanistan, it's my understanding they asked McKinsey and Company to do an analysis about what sectors might be productive in terms of economic generation, and they focused on a few set of issues, including particularly the extractive's industry, minerals and natural -- and fossil fuels.

We have not found this review or study. In my experience with McKinsey it's a 10-page slide-dex (ph), so I'm not sure it's going to answer many questions anyway. But I am told that the McKinsey work help to direct and guide the focus of the task force.

And I think in terms of the minerals resources that Afghanistan has, as I said earlier, there are a lot of it's here. If you had security, if you had strong companies, if you had open and non-corrupt government, there's a lot of potential there for Afghanistan to benefit from its natural resources.

There's a lot of countries in the world who have as many natural resources Afghanistan and they have not managed them well. Corrupt governments, they haven't shared prosperity with all. So it's a pretty big challenge even in the absence of a war. So I don't think we're going to see whatever useful work was done by the task force in USAID to lay the foundation with the government of Afghanistan, I'm not sure were going to see a payoff anytime soon from that, if indeed there ever is a payoff.

AYOTTE: Yes, I think that's one of the problems, when we look at \$800 million of taxpayer dollars and we can't show any metrics or deliverables. I think that's where my constituents certainly become upset about how we are spending their dollars.

I would just end with how can we make sure that this doesn't happen again? And I think we've heard today that this is not -- DOD is not the best place for this type of work, but unfortunately, as we look at what we do going forward, how do we make sure this doesn't happen again? And how do we make sure that you have what you need, Mr. Sopko, to properly conduct oversight and to make sure that the Inspector General's office has the teeth that it needs to get the information we need to ensure that we are doing our job on oversight for the taxpayers of this country?

SOPKO: Senator, think you can make certain this doesn't happen again by having hearings like this. Oversight is important. Congressional oversight, and I'm a little biased, having spent 25 years doing it for Sam Nunn, Carl Levin, John Dingell, among others, and Warren Rudman from your state. You need oversight.

AYOTTE: Really good people.

SOPKO: The best. It's important. It has to be done. And I can tell you, I'm usually not shy. It is one thing for expressing my concerns about issues. And one of the reasons why I'm not shy is because I realized, and I learned from those senators, that you sometimes have to publicize an event to reach over the heads of the people who are trying to protect their bosses from hearing bad news.

And I'd say, senators, you've already done quite a bit. By announcing this hearing, for the first time we have access to records. We have a list of names. We have for the first time in years -- Mr. McKeon's shop is actually looking at some of those numbers. I think you have a success already.

Now there is many more miles to go on this, but that is the importance of congressional oversight. Your hearing itself has started the ball rolling in the right direction, and I think with Secretary McKeon and myself working together in this, we could help give you more answers to these questions.

MCKEON: Senator, may I respond? I think I've said it a few times, but I have to rebut what Mr. Sopko just said. He had access to records and he had the names of employees all of last year.

The point I would make in response to your question is, we welcome oversight from the I.G. or from SIGAR. It's unfortunate that some of this oversight of the task force's work didn't come earlier so that we could have had course corrections. We are now doing a retrospective history, which is still useful in its

own right, but it's going to be a challenge -- I wish to underscore -- for us to, without the people who were there, to re-create what happened, but we will do our best to respond.

AYOTTE: I appreciate that. I want to thank both of you for testifying today, and I would just say that we had the lessons learned from the CSIS report and the GAO report from 2011. We just have to stop having, repeating these lessons over and over again. And it is my hope, and I think the point that Senator McCaskill made today, that this is not the first instance where we've seen big issues with how taxpayer dollars have been spent and wasted, and so we need to take the work that has been done and take it to heart and actually apply the lessons from it. I hope that we will.

But this committee still does expect to be able to account to the people of this country for how this money was spent. So I hope that every effort will be made to do that.

Thank you.

END

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May 26, 2016

Via Electronic Transmission

The Honorable Ashton B. Carter
 Secretary of Defense
 U.S. Department of Defense
 1000 Defense Pentagon
 Washington, DC 20301-1000

Dear Secretary Carter:

On November 9, 2015, I sent a letter to you requesting all records related to the Department of Defense's (DOD) Task Force for Stability and Business Operations (TFBSO). It is my understanding that the Special Inspector General for Afghanistan Reconstruction (SIGAR) finally received a copy of the hard drive containing certain TFBSO documents in January 2016, just days prior to the Senate Armed Services Committee (SASC) oversight hearing. Yet, I have not received any documents related to my request. I remain concerned that the Defense Department continues to impede the efforts of both Congress and SIGAR to determine how \$800 million of taxpayer dollars provided to TFBSO were spent.

SIGAR has raised serious concerns about TFBSO expenditures since it ceased all operations in March 2015. In one report, SIGAR raised concerns that TFBSO paid \$43 million for the construction of one compressed natural gas (CNG) filling station in Afghanistan.¹ SIGAR subsequently issued a report which questioned why the task force spent nearly \$150 million to house personnel in private villas instead of at a military base.² This separate housing required additional payments for private security, medical services, food services and high-end furnishings.

¹ <https://www.sigar.mil/pdf/special%20projects/SIGAR-16-2-SP.pdf>

² <https://www.sigar.mil/pdf/special%20projects/SIGAR-16-05-SP.pdf>



OSD008574-16/CMD008449-16

Since the release of these reports, there appears to be a concerted effort by DOD and others to discredit SIGAR's efforts to conduct much-needed oversight of funding spent on Afghanistan reconstruction and TFBSO in particular. The Defense Department has consistently used flimsy excuses to impede SIGAR's access to TFBSO documents and former employees. For instance, the Department told SIGAR that "there was no one left at DOD who could respond to [SIGAR's] questions related to the CNG filling station, or TFBSO activities more broadly."³ Yet the former TFBSO director, Joseph Catalino, is still employed at DOD, currently serving as "Senior Adviser for Special Operations and Combating Terrorism in the Office of the Assistant Secretary of Defense for Special Operations and Low Intensity Conflict [since] June, 2015."⁴

The TFBSO project expenditures have come under dispute since the SASC oversight hearing when the DOD Principal Deputy Under Secretary of Defense, Brian P. McKeon, testified that the task force spent only \$10 million to build the CNG filling station instead of the \$43 million figure cited by SIGAR. To back up his statement, Mr. McKeon referenced a memorandum (Attachment A) written by Robert Schraven, CEO of Vestige Consulting, the firm contracted by DOD to produce an economic impact assessment for TFBSO. The memo contains a questionable paragraph which states, "It has become apparent to all that the CNG Gas Station construction project involved a significantly lower level of SME [subject matter expert] effort and corresponding overhead than other energy projects (ie" four large tender support projects). A more accurate allocation is closer to 2%-4% versus 20%. This would put the total CNG station costs at well under \$10M."

According to a recent report from the Project on Government Oversight (POGO), Mr. Schraven "told SIGAR investigators that he didn't write the paragraph containing the cost estimate Mr. McKeon quoted at the hearing, and that he 'strongly disagreed' with the new lower cost figure."⁵ Given that DOD has only recently provided a hard drive of the TFBSO documents to SIGAR and has not yet provided the requested copy to my office, it is vital that the author of the disputed paragraph be identified so that Congress can question this person and gain a better understanding of how the \$10 million figure was determined. I also want to see the supporting documentation for the CNG station, including contracts, invoices, payment vouchers, and allocations for overhead, in order to verify its actual cost.

I am also concerned about a couple of incidents that could undermine SIGAR's efforts to provide effective oversight of the U.S. reconstruction program in Afghanistan. A May 1, 2016 article in *POLITICO*⁶, labeled an "investigation" on the political journalism organization's website, appears to be an editorial instead of objective journalism. The writer quoted a number of unnamed current and former DOD employees, including former TFBSO staffers, who question the Special Inspector General's methods and products, while also calling into question his integrity.

³ <https://www.sigar.mil/pdf/special%20projects/SIGAR-16-2-SP.pdf>, p. 9.

⁴ <https://www.linkedin.com/in/jocatalino>

⁵ <http://www.pogo.org/blog/2016/05/what-is-going-on-behind-the-attacks-on-sigar.html>

⁶ <http://www.politico.com/story/2016/05/john-sopko-afghanistan-reconstruction-goats-222418>

Moreover, the DOD Office of the Inspector General (DOD OIG) recently raised the issue of "Lead IG" to members of my staff. The National Defense Authorization Act for FY 2013 included a provision for the naming of a lead inspector general for **overseas contingency operations (emphasis added)** from among the DOD OIG, State Department OIG and the US Agency for International Development OIG. The Council of Inspectors General on Integrity and Efficiency (CIGIE) subsequently named the DOD OIG as Lead IG for Operation Freedom's Sentinel (OFS), DOD's current overseas contingency operation in Afghanistan (Attachment B). In that document, CIGIE states that OFS has two missions: 1) "to continue training, advising, and assisting Afghan security forces," and 2) "to continue our counterterrorism mission against the remnants of Al-Qaeda." CIGIE further advises, "Nothing in this designation is intended to limit or otherwise affect the authority and responsibilities of SIGAR as provided in the National Defense Authorization Act for Fiscal Year 2008." It is clear that CIGIE is acknowledging the different missions for the OIGs involved in oversight of Afghanistan programs but also expects full cooperation, not the in-fighting occurring behind the scenes.

The Defense Department has long resisted the efforts of both Congress and the DOD OIG to conduct oversight and increase transparency within the Department. These behind the scenes efforts to discredit an effective IG at SIGAR, or to generate conflict by pitting one IG against another, will not be tolerated. Therefore, I want assurances from you that the Defense Department is not involved in any effort to marginalize the work of Inspectors General who are responsible for conducting oversight of DOD programs.

Additionally, I sent letters to your office on November 9, 2015 and February 5, 2016 regarding oversight of TFBSO. As a simple courtesy, the answers along with those for all of my other outstanding inquiries should have been provided long ago. Please acknowledge receipt of these letters and provide responses to my questions by June 10, 2016.


Your prompt attention to this matter would be appreciated. Should you have any questions, please do not hesitate to contact Janet Drew of my staff at (202) 224-5225.

Sincerely,



Charles E. Grassley
Chairman
Committee on the Judiciary

CMD COVER SHEET

PRIORITY Normal	SUSPENSE DATE 10-Jun-2016	DATE OF CORRESPONDENCE 26-May-2016	Control Number OSD006574-16  Action ID CMD008449-16 Package View <hr/> Congressional Incoming
REQUEST TYPE Congressional Incoming	RESPONSE TYPE RDC-Reply Direct by OSD or DoD Component Head		
FROM USS GRASSLEY, C TO SECDEF OPR WSP			

SUBJECT
FOLLOW UP - TASK FORCE FOR STABILITY AND BUSINESS OPERATIONS

DISTRIBUTION AGENCY	DISTRIBUTION TYPE
RLB	*RWI
DSD	RWI
ES	RWI
LA	RWI
GC	RWI
PA	RWI
JCS	RWI
USA	RWI
CMO	RWI
IG	RWI
USP	RWI

OCRs

NAME	SIGNATURE	DATE
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