Before the
Subcommittee on
Readiness and Management Support

COMMITTEE ON
ARMED SERVICES

UNITED STATES SENATE

HEARING TO RECEIVE TESTIMONY ON OVERSIGHT OF TASK
FORCE FOR BUSINESS AND STABILITY OPERATIONS
PROJECTS IN AFGHANISTAN

Wednesday, January 20, 2016

Washington, D.C.

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Subcommittee on Readiness and Management Support
Committee on Armed Services
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The subcommittee met, pursuant to notice, at 3:03 p.m. in Room SR-232A, Russell Senate Office Building, Hon. Kelly Ayotte, chairman of the subcommittee, presiding.

Committee Members Present: Senators Ayotte [presiding], Rounds, Ernst, Kaine, McCaskill, Shaheen, and Heinrich.
OPENING STATEMENT OF HON. KELLY AYOTTE, U.S. SENATOR
FROM NEW HAMPSHIRE

Senator Ayotte: Welcome, everyone. I appreciate both of our witnesses being here today for this important hearing to receive testimony on the oversight of the 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 Kaine, for joining me in leading this subcommittee and for his hard work every day on behalf of our servicemembers and their families. I look forward to the work we will do together this year.

We begin this subcommittee’s first hearing of the year to receive testimony on the Task Force for Business and Stability Operations, TFBSO, projects in Afghanistan. We are joined this afternoon by Secretary Brian McKeon, the Principal Deputy Under Secretary 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 was a Department of Defense task force created to address economic revitalization efforts in Iraq. Then in early 2010, TFBSO began operations in Afghanistan.
The goals of TFBSO in Afghanistan were to reduce violence, 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 fiscal year 2009 for TFBSO programs and operations in Afghanistan. Of that $820 million, about $759 million was obligated, and $638 million was 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 measurable 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 am going to briefly touch on them. First, in July 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 produce, and serve as a transit point for trucks. According to SIGAR's report in July 2014, it has never been used and
is not being maintained.

In April 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 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 cost only between $200,000 and $500,000 to build.

In November 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.

Then most recently in January 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 $215 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, raise 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. 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 2014, and the task force ceased operations in March 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 2015, at that point, 2 months after the task force ceased. Yet, DOD repeatedly failed to provide documents, claiming the department no longer processed 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 Secretary of Defense beginning in June. In fact, a hard drive of over 100 GB 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.

It is 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. We have only recently received the dispute of what the number is.

But most importantly to this, putting aside the dispute on how much the compressed natural gas station actually
cost, there are many other important questions that need to be addressed today. First of all, what happened to the money, all of it? Second, 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 did we spend $150 million on villas and security for 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 worth of Afghanistan mineral 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 were any of TFBSO's projects not transferred to State or USAID, so that we have continuity after having spent hundreds of millions of taxpayer dollars?

Every dollar the Pentagon wastes is a dollar that we do not 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 constrained
defense budgets, 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 in what they need to do to defend this station.

So today, I will be asking these questions and many
more. I look forward to this hearing, and I thank both of
you for being here.

With that, I would now like to call on the ranking
member, Senator Kaine, for his opening remarks.
STATEMENT OF HON. TIM KAINE, U.S. SENATOR FROM VIRGINIA

Senator Kaine: I want to thank you, Madam Chair, and my colleagues, 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 in its own way, but there are a number of lessons here that we need to dig into do make sure, A, that 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 development or reconstruction work, is the DOD the best agency to do it, or should we rely upon agencies of the United States Government that do it as their normal, everyday work, like USAID, for example. I think that is 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 is 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 is supposed to? We are all human beings. We can understand there might be some natural tension in the relationship of an agency to an IG, but the public looks at us as all part of the same family, and we are all supposed to be working together.

The role of the IG is a critical one. Congress would not pass statutes empowering IGs if we did not 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 is a very important question.

There are also some questions about the IG. The report 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 have 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 is charged with providing the facts that we need to exercise oversight is producing different answers depending upon which division of SIGAR is speaking, that is a question as well. What is the reason
for that? Is there communication between the different
divisions of SIGAR? Do the different divisions of SIGAR,
Special Projects and Audit Division, use different
accounting standards?

I think when the $43 million report came out, a lot of
us were outraged. Many took to the floor, 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 am not in the business. I do not 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.

If there is 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 is something that we will explore as well.

So this is a big hearing because it is about what is
the right role for DOD in reconstruction. Has DOD wasted
money in this now defunct project? And should there be
lessons learned 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 am interested in exploring today and in the future.

Madam Chair, I would like to just ask for a few items to be put into the record, with consent, first the TFBSO activities 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 SASC from Jim Bullion, who is a former director of the TFBSO; fourth, a letter to the Readiness Subcommittee from Paul Brinkley, a former Deputy Under Secretary of Defense and director of the TFBSO; and finally, a letter to SIGAR from Paul Brinkley's counsel. I would just like to make those part of the record, without objection.

Senator Ayotte: Without objection.

[The information referred to follows:]

[SUBCOMMITTEE INSERT]
Senator Kaine: Thank you, Madam Chair.

Senator Ayotte: Thank you.

First, we are going to receive testimony from the Principal Deputy Under Secretary for Defense Policy, Secretary Brian McKeon.
STATEMENT OF HON. BRIAN P. McKEON, PRINCIPAL DEPUTY
UNDER SECRETARY OF DEFENSE FOR POLICY

Mr. 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 2006 by then-Deputy Secretary Gordon England. He charged the task force with transforming military contracting in Iraq so that the task force could generate stability through economic development and job creation.

In March 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 projects to other government agencies and the
Government of Afghanistan.

Consistent with the 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 3-month administrative sunset period, during which a small number of the task force employees engaged in closeout 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 policy, including Generals McChrystal, Petraeus, and Allen, and Ambassadors Eikenberry and Crocker, to understand the history and rationale for the task force. These conversations make 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 are 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 either by U.S. Army Central in Kuwait, by DOD headquarters elements, 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 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 and OSD policy, who have reported they had regular meetings with task force leadership.

In April 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 operations, financial actions, and contracts. The IG declined to do so due to limited resources and the need to focus its efforts on "projects with the greatest potential return on investment."

After my arrival in DOD of August 2014 until the final administrative closeout in March 2015, I met every few weeks with the acting director. My primary focus was on ensuring 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 policy engagement with SIGAR over the last 2 years. Let me comment on the issue of SIGAR's access to the task force records.

First, at all times, 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 that 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 station project that has been mentioned, I would offer two observations and point you to my statement for the record for more detail.

First, SIGAR has issued two reports conducted by its Office of Audits on U.S. Government support for the extractives industry in Afghanistan, one issued last April and one issued last week, both of which review 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 was
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 EIA 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 their
memo to the committee staff indicating that total costs of
the station are likely well under $10 million.

With that, let me break down the costs of the station,
as we understand them.

First, the cost for the entire station project was $5.1
million. Of this amount, the gas station itself cost $2.9
million. This is consistent with the amount reported by
SIGAR in its April 2015 audit report.

Second, the data that they EIA team reviewed suggests
that 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 costs as being directly attributable to the CNG station. As with the labor costs, 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 extractives industry, when analyzing the costs of projects, it also appears to apply similar methodology to the one I just described.

Reports that we commissioned to assess the task force work as well as SIGAR's work tell us that 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 extractives industry portrayed a mixed record of the various projects in the energy sector by the task force, some meeting their objectives, some not, some partially meeting their objectives.

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

Thank you for listening.

[The prepared statement of Mr. McKeon follows:]
Senator Ayotte: Thank you. I would now like to call on Mr. Sopko. Mr. Sopko is the Special Inspector General for Afghanistan Reconstruction.
STATEMENT OF JOHN F. SOPKO, SPECIAL INSPECTOR GENERAL FOR AFGHANISTAN RECONSTRUCTION

Mr. 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 Under Secretary McKeon.
That comptroller told our staff that he confirmed, first of
all, the $12 million of direct costs, but he also said that
while his "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.

I would remind all of the members, our requirement is
to report the best number available. We do not make numbers
up. We do not call people in Afghanistan to get their
opinion or send an email to someone 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 Under Secretary McKeon on September 24, we
again repeated our request to please explain that number, explain that overhead, because we ourselves realized it was a very 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 in 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 are 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 is better late than never.

In the end, whether it is $43 million or $20 million or $10 million, it is 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 Sheberghan. That is all the U.S. taxpayer got out of it.

The second issue I want to address -- and, Senator Kaine, I am 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 Inspectors General on Integrity and Efficiency Silver Book standards.

Senator Kaine, you pointed out that we have used different numbers in different reports. I am certain your staff has read the reports and has told you that the reports where we use the $5 million number was because we were comparing TFBSO programs and AID programs, and we did not have overhead numbers for those reports. So in fairness to TFBSO, in fairness to AID, we did not want to compare apples and oranges. So we used just direct costs to make the comparison.

With the special projects report, which was a discrete report that was based upon work that our auditors and investigators uncovered, we had seen this tremendously high expenditure of overhead, we had the overhead cost numbers. We had them from the DOD contractor. I must to 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 did not 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. My staff has spent the weekend doing a preliminary review. What does that review show 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 by TFBSO.

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 accountants now reviewing it to determine if the data has been manipulated. We are also concerned that we are missing emails, major email files.

We are also concerned that this is supposed to be all of the records of TFBSO and it only amounts to 100 GB of data. That seems extraordinary for an organization that lasted for 5 years and employed up to 80 people. As one
younger staffer in my office has said, 100 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. 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 working in 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.

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 are conducting, and bad for the U.S. taxpayer.
Thank you very much, Senators.

[The prepared statement of Mr. Sopko follows:]
Senator Ayotte: Thank you, Mr. Sopko.

I want to start with a basic question, Secretary McKeon. That is, there was roughly $638 million disbursed over the life of the TFBSO task force. Can the DOD account for how each of those dollars was spent? As I look at the big picture here, and a lot of the questions that have been raised on recordkeeping, can you fully account to the taxpayers as to how each of those $638 million was spent?

Mr. 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 to an inadequacy in the way they kept the books in the task force in terms of allocating the support costs to specific projects. They did not 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 my understanding, based on what I have 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, or contracts that went through the Department of the Interior, for example. So I think we have all the paper that shows —
Senator Ayotte: Let me just ask you a basic question, then. If we can account for each of these dollars -- but I have serious questions given even this dispute listening to this that we can -- was it worth it? What did we get for the taxpayers? That is the fundamental question. What can we say in terms of deliverables for the mission that is anything sustainable that we get to accomplish the purpose of economic development in Afghanistan?

Mr. McKeon: That is the big question, Senator, and it is the right one. As I said in my statement, I think it is a mixed record. I also think it is 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 the ministry, that kind of thing, the jury is still out on that. There are 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.

As I think even the task force's most recent audit on the extractives industry says, it is ultimately up to the Government of Afghanistan to carry the ball forward.

Senator Ayotte: Right. So did we keep metrics or anything like that for this task force?

Mr. McKeon: I have not seen, in all the materials I
have reviewed, specific metrics.

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

Mr. McKeon: I cannot dispute that, Senator. We have not found in our search of the records what we would understand to be a feasibility study.

Senator Ayotte: So there are a number of other issues, one that I wanted to ask about as well, and I am going to give Mr. Sopko an opportunity to comment on the questions that I have raised, but there was a letter that was written about $150 million that was spent on villas and security for TFBSO staff. That is 20 percent, roughly, of the money appropriated by Congress.

Why could they have not 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?

Mr. McKeon: Senator, we owe SIGAR an answer to that letter. We are still digging into the questions that he asked about the housing in Kabul and Herat and a couple other places.

What I understand was the reason for this was, first, the task force was unique insofar it was not under the Chief of Mission authority. They were somewhat entrepreneurial
and took a little risk.

I think part of the reason for the housing was housing for staff coming from Washington in and out. I do not 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 to do business.

Senator 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?

Mr. McKeon: Senator, I cannot tie a specific visit of an executive in one of these houses to a later investment. I would not make that claim.

The other thing I would say is the task force had 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 have seen in the records that --

Senator Ayotte: Could they not have? I mean, they were a DOD task force. Could they not have asked the DOD and allocated some of the cost to support that?

Mr. McKeon: I have not asked that question of CENTCOM, whether that would have been feasible at the time. I have seen one document where they signed an MOU between USFOR-A and the task force as a contingency, essentially, for the
task force to go on base or to be supported by the military. It was signed by a one or two star general who wrote a note to the commander and said he had a little misgivings about this because he was not sure if they were going to be able to support it completely.

Senator Ayotte: Well, it just seems to me as a DOD task force, $150 million, this is 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 investments 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?

Mr. McKeon: Senator, what I know about that is the task force assisted the Afghan Ministry of Mines to offer a tender in accordance with general international principles, and the Chinese company competed and won. I cannot tell you whether it was completely transparent and followed all the rules that we would expect in such a tender.

Senator Ayotte: But stepping back for a second, my time is expiring and I know a number of others have questions, and I am, certainly, going to want another round
of questions, but I am just trying to think how I tell the
people of New Hampshire that we spent $55 million to
facilitate an oil tender process so that we could pave the
way for the Chinese to get a contract in Afghanistan, where
apparently what is at issue is their ability to exploit an
estimated $1 trillion worth of Afghanistan mineral
resources.

I am laying it out there. Just in your opinion, do you
think that was a wise use of our resources?

Mr. McKeon: Senator, it is my opinion, the
foundational work, as I said, of advising the Ministry of
Mines may pay off in the future. There are a lot of ifs.
It will require some significant advances in security,
significant advances in the rule of law, and significant
embedding, essentially, of a culture of openness and
transparency in business practices.

So I am not going to tell you that we are happy about
the Chinese Government winning that tender. I do not think
we tried to skew the results toward a non-Chinese firm. I
do not know great detail about who else bid on the contract.
We will go back and try to look at that.

But, 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.
Senator Ayotte: Mr. Sopko, did you want to add on that?

Mr. 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 has been even more analysis done by Afghans themselves that during the time 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 is a public study provided to all government agencies about how corrupt and incompetent that ministry was under the leadership of Minister Shahrani.

Now what is important about this, and some of you know I am a former prosecutor, but I also was an attorney and partner for Akin Gump, representing a lot of Fortune 100 firms. One thing you know when you deal with corporate America, American businesses know their customers, they know where they are 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 does not know who their clients were and what the bottom-line cost was for
all of this.

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 are dealing with. I think that is the big picture question about TFBSO. They did not know where they were working.

Senator Ayotte: Thank you.

Senator Kaine?

Senator Kaine: Thank you, Madam Chair.

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.

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 am a member of the Senate Foreign Relations Committee. I am ranking on the committee that oversees USAID. Whether it is USAID or another agency that does economic development as their daily work -- we would not ask USAID to do military operations, for sure. I appreciate your concession that activities of this kind are probably best done somewhere else in government. So I am not going to beat that one. I think we have established that.

I have then one line of questioning for SIGAR, and one
other one for DOD.

So on SIGAR, just looking at the record, I have the April 2015 audit report, Audit Report 1555. There is a discussion on page 6 of the compressed natural gas station. There is a listing of its cost, distributed funds, $5.051 million.

By my read of this, I see no caveat that does not include overhead or this is an incomplete number. Maybe that is somewhere else in the report, but I do not see a caveat or qualification with respect to that.

I will get to my question in a second, and I would love to hear if there is a caveat there.

I see, after that, an April 2015 report saying the cost is $5.051 million, and the October 2015 special projects report with the title, "DOD's Compressed Natural Gas Filling Station in Afghanistan: An Ill-Conceived $43 Million Project."

Then I am looking at the January Audit Report 1611, basically saying TFBSO spent at least $39.4 million, $5.1 million toward a compressed natural gas infrastructure development and $33.8 million for other activities. I do not see a caveat on that $5.1 million number, that it does not include overhead costs, although in the next paragraph, there is a reference to the special projects report and the $42.7 million number.
So the questions that I have are basically these, and
you testified to this, and 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 IGs. But are these done according to Generally
Accepted Government Auditing Standards, the special project
department's work?

Mr. Sopko: By definition, GAGAS, which is the
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. They
use different terms.

Senator Kaine: Okay, this is very helpful.

Mr. Sopko: Of those 11 other IGs -- and actually, the
GAO issues reports that are not GAGAS. Now we follow the
general overarching policies of GAGAS in all of our reports,
and that is that 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 the statements you
make.

In some areas, and it is very interesting, even in
GAGAS for audits, you are not required to do indexing and
referencing, but we do indexing and referencing for even our
special project reports.

Senator Kaine: Do you believe the audit reports of
April and January from your agency were performed in accordance with GAGAS?

Mr. Sopko: Yes.

Senator Kaine: Because they are audits?

Mr. Sopko: Yes, they are audits. By definition, they have to. They take longer because of --

Senator Kaine: They take longer. Are they more elaborate?

Mr. Sopko: Well, yes, the whole audit process, and that is one of the reasons why we created special projects and why other IGs have created it. For an audit, usually, and the way we work, we get together with the GAO, State, AID, the Department of Defense IGs, and do an audit plan based upon what the big issues are out there.

When we do an audit, there is a set policy of sitting down, having an entrance conference, and do planning. Audits usually take up to a year to get out.

When I took this job 4 years ago, I met with the staff of this committee and the staff of many other committees, including the Foreign Relations Committee --

Senator Kaine: Just really quickly, because I am going to be out of time. I just want to put on the record that there is 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 are consistent, and the
special projects division uses a different set of standards
-- I am not saying they are inappropriate; I gather that
they are the standards that are used by IGs -- that come up
with a different number. That kind of leaves us in a jump
ball as to which we believe and how we harmonize those.

Some I am just going to put on the record that that may
be a point for some additional conversation, because I,
certainly, find it confusing to see that $5 million number
in two audits, and the $43 million number on the headline of
the report. So that is something that we want to dig into.

I want to come back to DOD with a minute 20.

Mr. Sopko's testimony was not too complimentary about
this "we will turn over the records at the 11th hour." I
mean, I find that pretty disappointing, because while I
certainly get the natural human tension between an agency
and Inspector General -- I have been in this business for a
while -- we are all on the same team. This is all of our
taxpayer dollars. We have to be accountable for them.

So, Secretary McKeon, you spoke first, 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, okay, here are all the records that
you ought to take a look at?

Mr. McKeon: Sure. Senator, I would 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 discs of CD-ROMs of
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 SIGAR the task force records that were
set aside in a reading room at the Washington Headquarters
Services. They had full access to those records, which is
what the IG Act requires, which is access to records. What
we said to them is that if you want to copy any of these
documents and take them back to your office, we need to
review them for FOIA releasability.

The reason we did that, sir, is, in a prior case,
working closely with SIGAR, our Afghanistan and Pakistan
Office had given over 18,000 records from the Commander's
Emergency Response Program. Those records were then
released to media organizations subject to a FOIA request
submitted to SIGAR. There were names of soldiers and Afghan
partners in that dataset that was put on the Internet. It
is still on the Internet. We have 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 is why we did not simply
hand over the records.

Secondly, we did not have task force employees. In the
normal case, our Office of Afghanistan and 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 is a dialogue.
"Tell us what you need and we will 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 unredacted.

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.

Senator Kaine: Thank you, Madam Chair.

Thank you to the witnesses.

Senator Ayotte: Senator Rounds?

Senator Rounds: Thank you, Madam Chair.

Mr. Sopko, I am just curious, maybe just in terms of
the toplines that we have been looking at, a lot of
discussion has been occurring based upon the CNG station. It would appear that this is just part of the overall number of projects. 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 that was disbursed. The delta between the two, was it simply a matter that the other money was not released? Where is that, the delta between the $822 million that was appropriated and the $638 million that was actually spent, or that we can find disbursements for?

Mr. Sopko: Senator, I do not have a good answer on that. I will ask one of my auditors, who probably knows.

What he is saying is that the numbers could have been obligated, but not yet disbursed. And that is delta we are talking about.

Mr. McKeon: Senator, my understanding is this is not atypical for assistance programs, that an amount is allocated and put on the contract, but then over the course of the contract, they decide they do not need to spend as much of it. So the actual disbursements are lower. I do not know whether the ratio here is typical in an AID setting, but having that kind of delta is not atypical.

Senator Rounds: The reason why I ask is I just want
make sure we had an understanding of where we are beginning
from, in terms of what the TFBSO was actually responsible
for disbursing. That appears to be $638 million. A fair
statement? The big picture, that is what we are talking
about?

Mr. McKeon: I think we have a slightly different
number, but we are in the ballpark, yes, sir.

Senator Rounds: Okay. Of the $638 million, there
seems to be a question of 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.

I will direct this to Mr. McKeon. Is there a broad
understanding between both you and Mr. Sopko's office that
there is an understandable appropriation or at least
allocation among the different projects for overhead?

Mr. McKeon: Senator, I do not know that we have had
that discussion.

Senator Rounds: You have not quite gotten to that
point?

Mr. McKeon: I am happy the engage in --

Mr. Sopko: I think that probably both of our staffs
feel that it is very difficult to find out how they did
allocate.

Mr. McKeon: Senator Rounds, I think we can say that
the spending was roughly evenly divided between project spending and overhead and security. Security costs are quite high because it is in a warzone. I talked about this at length with General Petraeus, and he sort of walked me through why it was so expensive.

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

Senator Rounds: Mr. McKeon, did TFBSO personnel actually attend a designer and tradeshow event in Europe in support of the TFBSO’s Afghanistan carpet initiative?

Mr. McKeon: I do not know the precise answer to your question about the show, Senator. I know it is listed in our activities reports, the task force activities reports to 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 markets.

Senator Rounds: Could you then perhaps, just for the record, provide a summary of where the TFBSO personnel traveled in Europe in support of the carpet initiative, how long they stayed, and the total costs of those trips?
Mr. McKeon, I 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?

Mr. McKeon: I have not heard that, Senator. We will have to check.

Senator Rounds: Okay, will you provide that for the record for us as well, please?

Mr. McKeon: Yes.

Senator Rounds: Thank you.

I was going to ask whether or not the goat initiative was a success or failure, but apparently you are not in a position to find that out.

Mr. McKeon: I am pretty sure if it happened, it happened before my time.

Senator Rounds: My time has expired. Just looking at this project, I have one question for Mr. Sopko. That is, if you are not already looking at the entire $638 million in disbursements, do you have the capability 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 are 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?

Mr. Sopko: In part. We can only find all of 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 is 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 am probably 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. It was not 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. 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 dropped paper on him and gotten him in here for an interview, so that would have been helpful.

Senator Rounds: Mr. McKeon, I just want to give you an opportunity to respond. Based upon the discussion that we have 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 or that you have available to you, and that that information would also be made available to Mr. Sopko on a timely basis?

Mr. 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.

Senator Rounds: By that, would you be suggesting that in a classified setting, you would have it additional information that you would share with this committee?

Mr. McKeon: No. I do not have additional information. 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 on the hard drive that we gave Mr. Sopko.

Senator Rounds: Meaning the Department of the Interior?

Mr. McKeon: Department of the Interior or U.S. Army Central or Washington Headquarters Services.

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

Mr. Sopko: Yes, sir. We will pursue wherever we can, where the records are. I think we are probably going to do either a complete financial audit -- we have been asked by some Senators to do that -- or we will do an entire programmatic audit of TFBSO.

Senator Rounds: Thank you, sir.

My time is expired. Thank you, Madam Chair.

Senator Ayotte: Thank you. I would just say that we would 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, how they were spent, we can account to taxpayers for that.

I would like to call on Senator Shaheen.

Senator 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 is, in March 2009, Secretary Gates issued a memo indicating he had asked Mr. Brinkley to continue the task force efforts. 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
did 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
2011 and because of concerns by General Petraeus and the
Chairman of the Joint Chiefs, Mike Mullen, they came back
and asked Chairman Levin and Senator McCain to change the
provision and not require the shutdown of the task force.

So clearly, there were a lot of hands in why we got to
the place that we got on the TFBSO.

I wonder if, Mr. Sopko, you can 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.

Mr. Sopko: I would be happy to provide that to you. I
think right now I will go back to the point I made to
Senator Kaine based upon my experience dealing with
companies, corporations. Corporate America understands whom
they are selling to. They understand their market.

Again, this may have been the problem. We are asking
the Department of Defense to start thinking like corporate
America. I represented clients who knew how many pickles
were being used on any particular day in a city, when I
worked for Akin Gump. DOD does not think in those terms.
I remember having a nice conversation with a three star general who said, "Look, we are good at blowing things up. We are not really good at building things." Now, they will do it, and they may do it, if the State Department and AID are not there and are not sitting at the table. Like on many of these provincial reconstruction teams, we knew there were seats for State and AID, and we actually reported on it, but State and AID for financial reasons, they did not have the bodies, they are not there. So DOD is then forced to take up the slack.

I think, Senator, it is great that you are sitting on both committees because you realize -- and you, too, I am sorry, Senator Shaheen -- it is going to be a whole-of-government approach the next time we do this. And if we just plus-up DOD and do not plus-up State and AID, then who is going to be left doing this kind of work?

I agree with Secretary McKeon, but I cannot speak from a GAGAS point of view or audit point of view. We have not done the report yet. That is a serious question that needs to be asked: Is this the proper role for DOD?

Senator Shaheen: Well, I would, certainly, agree with Secretary McKeon and with Senator Kaine. I think that this is not the proper role for DOD. 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 in to 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 the need for military action sometimes to get to diplomacy, but they were not 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?

Mr. Sopko: Senator, I think it is important to look at lessons learned. Now, the TFBSO hired CSIS, the Center for Strategic and International Studies, to do lessons learned on Iraq. What we found out is that issued a pretty good report, but it does not 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 Under Secretary 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 are leaving that to us to do.

So I think lessons learned is so important. You may want to require every agency that participated that is under your jurisdiction in Afghanistan, ask them if they are doing real lessons learned.

Now, we are trying to do that, because we are required to do it. Actually, General Allen said we are the only agency in the government that has this broad ability, because we are not housed in any government agency. We can do an across-the-board, whole-of-government approach. So we are doing that. But each particular agency can also help.

Clearly, not only lessons observed, but you have to apply them. I do not think this was done in this case at all.

Senator 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 2012 that would have allowed subpoena power for SIGAR. I think it is something that we actually ought to consider again. I do not know if either of you would like to comment on whether that is helpful.

Secretary McKeon, I think we have already heard Mr. Sopko's view of that. Do you have thoughts about whether that is legislation that should be in existence that might
help deal with some of these questions before we get to this point?

Mr. McKeon: Senator Shaheen, the power of the IGs is a little bit outside my lane in OSD policy. What I have said and committed to is 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 he needs subpoena power or the IGs need subpoena power, that is 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 said the Army does not 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 startup, 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 the Foreign Service Act of 1980 that says everybody is under the Chief of Mission except Voice of America correspondents and people under combatant commander authority.

It is 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 am just
speaking impressionistically -- some of the antibodies in
government and human nature come out. They look at who are
these people, and why are they in our swim lanes? I think
it is quite clear that there were challenges in cooperation
across interagency at least in the beginning, and then it
was mandated that the State Department concur on projects,
and I think it got a little bit better.

But there is 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 is what made us
different. We were entrepreneurial. We did not follow the
normal government rules. We were able to do things quickly.
Those are some of the comments I heard from General Petraeus
and General Allen.

So it is a trade-off. If you want to do it that way,
you are breaking a little china in the normal governmental
systems, and the other side of the ledger is
institutionalizing them in normal government entities.

So I do not have a clear answer for you. Obviously, I
have a bias that this is not a DOD function, but that is
something you need to think about.

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

Thank you, Madam Chair.

Senator Ayotte: Senator McCaskill?

Senator McCaskill: 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 task force to the AIF, no proof that the metrics worked on any of it in terms of fighting counterinsurgency. There has never been any data presented that the walking around money in CERP helped. There has never been any data presented that the ridiculous fuel station in Afghanistan helped anything. It was dual fuel and totally impractical and not sustainable. There has 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.

So the idea that we are worried about yellow book standards today, give me a break. We have almost $1 billion -- no metrics, no cost-benefit analysis, no sustainability analysis, a program that is dumb on its face.

The average person in Afghanistan, their annual income is $690. It costs $800 to convert a car to natural gas. 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 are going to spend -- I do not care if it was $2.9 million or $200 million. Who made the brilliant decision that this was a good idea to put a natural gas station in Afghanistan?

Mr. McKeon: Senator McCaskill, the project started in 2011. Mr. Brinkley left in June 2011. I am not sure if it was in the first half or second half that this decision was made to start it. I think it was under Mr. Brinkley, but I will have to get that --

Senator McCaskill: 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.

Do you not agree that sounds improbable on its face that we are going to get a good result out of that?

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

Senator McCaskill: Okay.
When SIGAR asked questions about this, you said in a letter that DOD lacked personnel expertise to address the questions. I am quoting from your letter.

Is it true that Dr. Joseph Catalino, a former acting director of TFBSO, was actually working in your office at the time?

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

Senator McCaskill: Okay. But when he was, did you offer him up, since now you had personnel that obviously knew an awful lot about it because he was the director of the program?

Mr. McKeon: Senator, he started as the director in 2014. He was interviewed at length by SIGAR before the task force shut down. He was interviewed again earlier this month. So he has been available to the task force.

Senator McCaskill: You know, the point I am trying to make, Secretary, is the program has been shut down for 5 months and all of a sudden nobody is home, nobody knows nothing. We have nobody here to help you. We have no personnel to help you, because nobody is here. And it has been shut down for 5 months.

Do you think you would be frustrated if you were trying to get to the bottom of what occurred and why the money was spent and how it was spent?
Mr. McKeon: Senator, it was a unique task force, as we discussed. It is far from the core competency of the Department of Defense. We do not have investment bankers and energy sector advisers working in OSD Policy or even in AT&L.

So what we thought and understood was SIGAR was set up for success. We 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 let the task force people go, and we brought back Mr. Catalino to perform a different function. He has been advising me and helping me respond to these queries that the committee has given us, and the SIGAR questions. But this expertise does not normally reside in OSD Policy, ma'am.

Senator McCaskill: Well, there is a lot of expertise that normally does not reside in the Department of Defense. It does not mean that they did not start building highways and they did not start building a lot of other things in both Iraq and Afghanistan that never were good investments of taxpayer money because of sustainability and security issues.

So let us talk about security. If you are spending close to $800 million and 20 percent of the money 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 do not want them
to be military because you do not 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 have one company making $50 million.
You have 24/7 -- I mean, I wish our embassies had the
security these villas had.

We have a whistleblower who says they sat empty except
for the security personnel most of the time. I mean, it was
amazing the security they had in place, besides the queen-
size bed, flat-screen TVs in each room 27 inches or larger,
a DVD player in each room, a mini refrigerator in each room,
and an investor villa that had even upgraded furnishings.

But we are talking about $51 million for secured
accommodations 24 hours a day, 7 days a week by armed guards
and a CCTV monitoring system where you can view the entire
perimeter and surrounding area. They paid another person
$40 million to provide transportation and personal
protection from terrorists or criminal attacks.

I mean, look at the money we are spending supposedly
keeping the people safe that we are trying to get there to
come open businesses.

This is not exactly a traditional Chamber of Commerce
move. If you have to spend that much money on security, do
you think most businesses are going to go, "We cannot afford
to open a business here, especially if the average Afghan
make $690 a year?"

Mr. McKeon: Senator McCaskill, I am not a businessman.
You make a lot of valid points. Investing in a warzone 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, recognizing that it was high cost.

Whether it has succeeded, the jury is out, but it is a
pretty mixed picture. I agree with a lot of what you have
said. The costs sound quite exorbitant. We are digging
into this villas question.

Senator McCaskill: I apologize for being so short but
you have no idea how many hearings like this I have sat in
and gone through project after project not well thought out.
These 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.
The argument that has 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 that somehow it was
not $43 million when you cannot even say where the $30
This is a terrible waste of taxpayer money when we have so many other uses for it.

Mr. Sopko, I wish we could get you testimonial subpoena power. A bunch of us are trying for both you and the IGs. We are running into roadblocks, but we are going to keep trying, and thank you for your work.

Senator Ayotte: Thank you, Senator McCaskill.

I fully support what Senator McCaskill and Senator Shaheen have said, that our IGs 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.

Senator Heinrich: Thank you, Madam Chair.

I want to get back to this issue of core competency. At this point, it seems very clear to all of us that this was not a natural place or function for DOD. I want to pick at a little bit why this occurred in the first place. I am trying to remember back.

What years, for starters, Secretary, did this task force exist? From what fiscal years?

Mr. McKeon: It was created in June 2006 by Deputy Secretary England to operate initially in Iraq. Then Secretary Gates in 2010 directed them to operate in support
of Operation Enduring Freedom, which technically would have
put them in places other than Afghanistan. Mr. Brinkley's
book details exploratory efforts in Pakistan.

Senator Heinrich: That is consistent with my memory.
In 2009, I was a new Member of Congress in the House and
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.

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?

Mr. McKeon: Senator Heinrich, at the time, I was
working at the Senate Foreign Relations Committee for then-
Senator Biden. So that was the conventional wisdom, that
the Department of Defense could more easily get the funds
from Congress, and there was some skepticism about State and
AID's ability to operate, particularly in a warzone. 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, and I cannot remember exactly how it got done, but essentially 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 sort of in the atmosphere at the time.

Senator Heinrich: That is actually quite helpful. I am 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 do think we need to learn some lessons in terms of when you sort of play those games, what the potential ramifications are, because, obviously, this simply has not worked.

Mr. Sopko, do you have any opinion on that matter whatsoever? Or is that outside the scope of what you look at, at SIGAR?

Mr. Sopko: As to how this came about, in our analysis we basically identify, 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 could not move fast enough and was not quite attuned to it.

Now, again, State and AID, and particularly AID, they have implementing partners who have the same flexibility in movement that TFBSO did. We were a bit surprised when we interviewed Mr. Brinkley that Mr. Brinkley had never known that. He had never talked to an implementing partner.
So there seemed to have been a parallel track, and they were not well coordinated.

Senator Heinrich: Clearly.

Mr. Sopko: One of our audits said that. They did not coordinate very well.

It did cause a lot of resentment. 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.

Senator Heinrich: Would you ever think it would be appropriate to have an agency or task force that could pay contractors who do not keep project-by-project financial numbers?

Mr. Sopko: I would never do that, particularly in Afghanistan. You are just basically asking to lose all your money.

That is the big problem now. We do not really know how much money of this was stolen. I mean, I can 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, his predecessor disappeared to Germany with $35 million in cash, as reported in the press.

Senator Heinrich: As a standard matter, should access to those kinds of records be contractually obligated for any
contract?

Mr. Sopko: Absolutely. And the interesting thing is, USAID did an analysis of the ministry it is dealing with and withheld money because they did not trust it. TFBSO, no problem, let us just give them the money.

I think that is a good analysis of how USAID is used to this. 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 short 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 said, hey, this sounds like a great idea and we have an unlimited budget, let us just do it and see if it works.

That is why no one can really say with any credibility that the programs were effective.

Senator Heinrich: Thank you, Madam Chair.

Senator Ayotte: Thank you.

I am actually going to call on the ranking member, Senator Kaine, first, and then I am going to go to my questions.

Senator Kaine: Thank you, Madam Chair.

She knows I just have one question while she has multiple.
My question, actually, Mr. Sopko, I want to give you a chance to respond to some of what Secretary McKeon said in response to one of my questions. Your testimony had a litany of kind of instances where it was difficult for SIGAR to get the records that you needed to basically offer the oversight that you want to. I find that troubling. I think it is not a capital offense, but at least it is a cardinal offense to not cooperate with an IG that Congress has put in place to give us information that we need to exercise oversight.

Since you testified after he testified, I asked him to respond, and he kind of went through a response. 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 DOD to SIGAR that was, I guess, mistakenly released via a FOIA 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 did not give you a chance to respond, so I wanted to just see if you had any response.

Mr. 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 -- remember, we did not put it up on the Web. Somebody filed a FOIA, and we responded to the FOIA. 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 or barred from being released.
We have actual DOD regs that talk about the Department of
Defense privacy program dated 2007, which says civilian
records can be revealed that include the names, titles, et
ceurter. I can give you a copy of that. So they are not
covered.

The other thing is the Privacy Act does not really
protect names. It protects records about the names. The
name itself you can reveal. I am happy to put into the
record, if you want to, dozens of press releases from the
Office of Secretary of Defense where they not only name the
soldiers serving in Iraq, they name their wives, they name
their kids, and they give their addresses.

So we find this as a red herring. It is 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 IG Act.
Remember, I am supposed to be independent. I cannot let the department apply FOIA exemptions to my request for documents, and that is what Mr. McKeon was suggesting. "All" means all under the IG Act.

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

Mr. Sopko: There was a mistake because it was a multiple filing and you had to dig down. We accepted that the person did not understand. We do that just as a courtesy, if we are asked to do it.

Senator Kaine: Is that a courtesy that you do because you are aware that there could be security sensitivities to names?

Mr. Sopko: If there is specific security sensitivity, we will definitely do that. We do not release -- we follow that.

But this was a case where you had a name of so-and-so was a CERP official or did something 3 or 4 or 5 years ago at some PRT. I doubt there was any security implication from that.

Senator Kaine: There is a statement in Secretary McKeon's written testimony, not in his verbal testimony, I
went back and checked, that as 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 not?

Mr. Sopko: She was not removed. She left. She got a
job somewhere else. We are a temporary agency. A lot of
our people move on. No, nobody was fired or anything.

Mr. McKeon: I did not mean to imply that she was
fired. I do not know.

May I respond, briefly, Senator?

Senator Kaine: Yes, please.

Mr. McKeon: So my colleague from the Office of General
Counsel has handed me a statute -- which I will read to you,
and which I assume came from this committee -- Title 10 U.S.
Code Section 130b, 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 routinely deployable unit.

But putting aside the legal debate about this provision
or what Mr. Sopko just said about the Privacy Act, as a
generic matter, we do not like to release names of personnel
who are downrange 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 is what animated our concern. You can go on the
Web site 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.

Senator Kaine: But what about Mr. Sopko's position
that the restricted nature of their access to these
documents is highly unusual within the IG's interaction with
DOD departments?

Mr. McKeon: I am happy to address that, sir.

Section 6 of the Inspector General Act of 1978, which
is one of the authorities that SIGAR has, says that the
department shall provide access to records. Those are the
words of the statute. We provided full access to the
records in this reading room. We never said you cannot 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 is in his control. He has
agreed that it is not the policy of SIGAR to release names.
So with that assurance and some other conditions that are set forth in the letters, he has these materials.

Senator Kaine: Thank you. I do not have any other questions.

Senator Ayotte: Thank you, Senator Kaine.

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 2015, May 2015, June 2015, October 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 2015. You yourself are who this task force reported to 9 months prior to its shutting down. And as I understand it, as soon as June 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 SIGAR's question was, listen, we cannot answer your questions, because the task force is shut down.

So to follow up on what Senator McCaskill asked, I mean, if that is the case, how are we ever going to have oversight on any task force? 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 their questions?

Mr. McKeon: Senator, if I could go back to about a year ago this time during the administrative shut down period from January to March, this task force and Mr. Catalino responded to fairly voluminous information requests from SIGAR, and 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 to successfully do its review. We provided access to the record. We already provided this information on several discs. And we provided a list of the former employees of the task force from 2010 to 2014.

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

Mr. McKeon: Ma'am, I have 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 have not seen the
list of personnel, so I cannot tell you what level of detail
about their assignments are.

Senator Ayotte: I will, certainly, want to come back
to that. But I think, Mr. Sopko, you had a comment on this
issue? I mean, obviously, with your history and experience
in doing these types of investigations, this struck you as
unusual, as I understand it?

Mr. Sopko: Extremely unusual. As I said, my deputy
was in GAO for nearly 40 years, and I did this for almost 20
years on the Hill, and I never heard of an organization --
it would be like Harry Truman in 1945 saying, "I cannot
answer any questions about dropping the bomb. The war is
over. We have shut down." This organization was not a DFAC
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 7 months. And then all of a sudden, it
is like, poof, amnesia.

It is not just access to individuals. They have a
responsibility to answer some of the questions. It is 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 30 meeting where his Deputy COO had just hired
back Mr. Catalino, he makes a 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.

Senator Ayotte: So you were told no one in the
department, in this meeting, can answer your questions, yet
at the time, they recruited or already hired --

Mr. Sopko: They had already hired. We interviewed Mr.
Catalino, and he told us he had been hired 10 days before
that meeting by the Deputy Chief Operating Officer, Mr.
Steve Schleien.

Now I have no idea. Maybe Mr. Catalino is mistaken.
It is very easy to pull out his hiring documents. We know
he knows Mr. Schleien. I do not know why Mr. Schleien then
makes a pronouncement to us at this June 30 meeting, after
he hires back Catalino, that I do not know anybody in the
department who can answer your questions.

Now that is what I am saying is an enigma. I have
never faced this before in my dealings with the Department
of Defense, both as a congressional staffer as well as a
private attorney. I have never heard of this before.

Senator Ayotte: The reason I wanted to ask whether
when you provided a list of employees, whether you provided
the names also of currently serving members of our military
is because we have someone in the audience that I want to
thank who is here, who 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 2014 until March 2015.

Mr. Sopko, I want to ask you, is this someone who you
spoke to in this investigation?

Mr. Sopko: We normally do not say whom we have spoken
to, but in this case, since I believe Colonel Hope has
already mentioned that he has given his permission, yes, he
has been very helpful to us and we are dealing with him and
have followed up on some of his allegations.

Mr. McKeon: Senator, can I respond briefly to what Mr.
Sopko just said about the June 30 meeting?

Senator Ayotte: Yes.

Mr. McKeon: I do not know what was said. I was not at
the meeting. We are not trying to hide Mr. Catalino. We
have made him available and will make him available again.
If Mr. Schleien made a mistake about the fact that Mr.
Catalino had already started, that is on us. We are
accountable for that.
But the irony is that if he was not in the department, as Mr. Sopko has said, he would be free to decline to talk to SIGAR, because of the lack of subpoena power for testimonial purposes.

So he is available to SIGAR, as are other former employees who are in the department.

Senator Ayotte: So I want to raise the issue of Colonel Hope's service, which we are grateful for, because I think it is 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. There is a long list of things 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 excessive travel, both from security and financial standpoints. I mean, this is a laundry list, that TFBSO had no property book or no property book officer over the lifetime of its existence.

He claims, and I have to say I am 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 he, in
particular, raised issues about this task force.

As I understand it, when the list of employees was
given to SIGAR, 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. That raised a flag
for him that caused him to not only bring information to the
attention of SIGAR but also, as 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 any member of our military would view as
a career-ender.

As result, not only was this review one where it should
have been issued in March and then was not 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 and who has really nothing to gain,
and at this point, obviously, I am concerned about being the
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 were his concerns not taken seriously? As I understand it, he sent to you an after-action report by email in 2015. In fact, he told me that he sent it actually in I believe March 2015, and he never received a response from you by email.

So I guess what worries me is I hear this course of conduct where SIGAR asks 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 did not get the new numbers on the gas station even though you had the draft report in September, and you had the final report in October, you had a follow-up written letter in December on this issue, we did not get the numbers until the night before.

I have to ask, what is going on here? This worries me. Can you address Colonel Hope? Can you address that we should not 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 played out in a way that we would normally see this type of investigation, the questions being answered and answered not without having to call a hearing on it but immediately?

Mr. 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 2014 until
the end of the task force operation. He asked me probably
about a year ago at this time to be a senior rater because I
was the next person above Mr. Catalino. He emailed me and
asked me to do that and asked to come see me so I could put
a face with the name, and I did meet with him last January.

His OER did not come to me until September. I cannot
account for the delay.

Senator Ayotte: What does OER stand for?

Mr. McKeon: I am sorry, ma'am. 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 am a little embarrassed to say this,
when I filled out the form, in filling out one part of the
form, I did not completely fill it out. But the computer
program that the Army has for its personnel allowed me to
hit the signature box even though I had not completed the
form. You know, with a lot of merchants or government Web
sites, if you go through and you do not fill out the key
one, it will not let you sign it and hit submit. But this
one did.
That is on me. It is my fault. I am not blaming the Army system. But that is what happened.

When it was called to our attention that it had not been completed, it was completed in mid-November, on November 19 by Mr. Catalino, and I signed it also the same day. Then the system pushed it to Colonel Hope.

That is my understanding of how it works, based on an 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 emailed it to me last March -- I will go back and look at my records -- I do not remember seeing it at that time or reading it at that time.

As to what the report says, 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 do not 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 received, I do not feel it is my place to discuss that in this open hearing.

As to the other issue raised, 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 did not have the expertise to dig 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. It was started before his time as deputy director. I talked to him about it, about his knowledge about it. It was not deep.

We have spent a lot of time in the last couple 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 in Mr. McCord's part of the organization. He is the comptroller for the Defense Security Cooperation Agency who reports to the Under Secretary for Policy. I asked him 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 do explain his analysis.

So what I am trying to say, ma'am, is, as I 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 has 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 and response to SIGAR's
requests. I am 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
these requests, but they had 150, 200 employees, a lot from
the business sector. They are all gone. To try to recreate
what happened 5 and 6 years ago is going to be a very hard
challenge for us.

We welcome the audit that you and other Senators have
asked for. As I said, Mr. Lumpkin, when he was performing
the duties of the Under Secretary in April 2014, asked the
DOD IG 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 have not, we will.

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

Senator Ayotte: Just so I can finish up this circle on Colonel Hope, because I am 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 his concerns about TFBSO?

Mr. Sopko: Offhand, I do not. I would have to check with the staff.

Senator Ayotte: Can you get that for me, for the record?

Mr. Sopko: Absolutely.

Senator Ayotte: I would appreciate it.

Mr. McKeon: Senator, if I can say one more thing about Colonel Hope. I did not witness his work firsthand. I read his report. It is 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.

Senator 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 is 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 will not face any potential for retribution.

I want to follow up on a couple specific issues to make sure that this committee, as we get information about the activities of TFBSO, in follow-up not only to Senator Rounds' questions, in addition to the goats and the carpet, I would like to make sure that we get travel records of where people traveled for the carpet industry, the purchase and shipment of the goats. But also I would like to have the same type of information about the jewelry manufacturing initiative. We have been given information that TFBSO traveled to India and other locations as part of that. I do not 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.

Apparently, TFBSO had a Herat ice cream project run out
of the villa in Herat, Afghanistan. And a former TFBSO employee says 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 the carpeting initiative.

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 investment?

Mr. McKeon: It did, Senator. That is why Mr. Lumpkin asked for the Inspector General to conduct an audit. That is why I asked for the financial audit. That is why we contracted the RAND Corporation to help us with the lessons learned examination.

Senator Ayotte: But that RAND report by its own admission is not an audit and does not fully account for how dollars were spent and also a cost-benefit analysis of those dollars.

Mr. McKeon: That is correct. It is a general, impressionistic review based on interviews of whether
projects were meritorious and succeeded. We do not have an audit ability in OSD Policy. We asked the IG 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. This is the former IG, Mr. Rymer. He has now left the department. I spoke to him briefly. That is why I asked for the financial audit, which WHS contracted for, which I believe you have. We support if SIGAR wants to undertake a full audit at your request or the committee's request. We have no objection to that.

Senator 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 are able to account for each of the dollars that were 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 draft report in September, when there was the final report in October, where there were issues raised even in December in a follow-up letter about the villas that again reiterated the $43 million number for the gas station, in each of those
instances, DOD did not challenge the number. I am just curious why it took basically the night before this hearing, or day before this hearing, for that to come forward and for you to then challenge the number.

I am not disputing whether the number is right or wrong in that. I am just trying to understand what took so long.

Mr. McKeon: As I said, Senator, we have been borrowing staff from other functions to try to answer the inquiries over the last few months on this issue and trying to drill down on the data and the records. I cannot remember when the comptroller from the Defense Security 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.

Senator Ayotte: Do you agree it would have at least been helpful to say to SIGAR we think there is a huge problem with this number and we are going to have a financial analysis done on it?

Mr. Sopko: Senator, if I can interject to maybe help Mr. McKeon, we spoke to that comptroller. As I told you, we just got his name. We have been asking Mr. McKeon for his name and contact information since December. He actually told us that he started his review on November 17 and
finished it on November 20. Like yourself, he finished it
on November 20, it would have been useful if we had gotten a
copy of it before last night. We still do not have a copy
of his final report. We have just interviewed him.

Senator Ayotte: Again, as I understand your testimony,
Mr. Sopko, even that individual cannot fully answer the
question about the number because of the lack of
recordkeeping.

Mr. Sopko: You are absolutely correct, Senator. He
basically said that the analysis underlying the overhead
number is probably incorrect, but due to poor recordkeeping,
there is no way to get a better number. Again, I reiterate
that under GAGAS, under CIGIE standards, we are required to
get the best number. So, therefore, he basically makes our
case that the number we gave -- which came from DOD, again
-- it was the best number.

His gut feeling, he indicated, it is 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
Senators have pointed out, and that there is poor planning,
poor management, and poor coordination at TFBSO. They
cannot even get their overhead numbers right. No wonder we
do not know how much money was spent on goats or if the
goats were even eaten or not. We do not know. This is so
poorly managed.

That is a problem that was identified by the General
Accounting Office years ago when they first did their first
audit. We have been identifying that since then.

Senator Ayotte: 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 as you
look at what is in the GAO recommendations, the lessons
learned from Iraq, none were taken into account as this
transitioned to Afghanistan. In fact, I do not think that
Mr. Brinkley could account for costs or feasibility. And,
in fact, projects seem to have been approved without knowing
what they would cost.

As you look at the GAO report, about how you should
establish project criteria, metrics, monitoring, these were
all lessons taken from Iraq and also from the CSIS report,
similar lessons, all that information, it does not appear to
me, Secretary McKeon, that any of that was considered or
addressed based on the lessons we learned in Iraq as this
task force undertook its activities in Afghanistan.

Would you disagree with me on that?
Mr. McKeon: I was not there at the time, Senator. Based on the record I have seen, I am not sure I can disagree.

What I would say is that Mr. Brinkley left in the summer of 2011 and a lot of senior people left with him. 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.

When they first went into Afghanistan, it is my understanding they asked McKinsey & Company to do an analysis of what sectors might be productive in terms of economic generation. They focused on a few set issues, including particularly the extractives industries, minerals and fossil fuels.

We have not found this review or study. In my experience with McKinsey, it is a 10-page slide deck, so I am not sure it is going to answer many questions anyway. But I am told that the McKinsey work helped to direct and guide the focus of the task force.

I think in terms of mineral resources that Afghanistan has, as I said earlier, there are a lot of ifs here, if you had security, if you had strong companies, if you had an open and noncorrupt government, there is a lot of potential there for Afghanistan to benefit from its natural resources. There are a lot of countries in the world who have as many
natural resources as Afghanistan, and they have not managed
them well, corrupt governments have not shared prosperity
with all. So it is a pretty big challenge even in the
absence of a war.

So whatever useful work was done by the task force and
USAID to lay the foundation for the Government of
Afghanistan, I am not sure we are going to see a payoff
anytime soon from that, if, indeed, there ever is a payoff.

Senator Ayotte: Yes, I think that is one of the
problems when we look at $800 million of taxpayer dollars,
and we cannot show any metrics or deliverables. I think
that is 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
does not happen again? I think we heard today that 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 that this does not 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 us information that we need to ensure that we
are doing our job on oversight for the taxpayers of this
country?

Mr. Sopko: Senator, I think you can make certain this
does not happen again by having hearings like this.
Oversight is important. Congressional oversight, and I am a
little biased, having spent 25 years doing it for Sam Nunn,
Carl Levin, and John Dingell, among others, and Warren
Rudman from your State. You need oversight.

Senator Ayotte: You have worked for really good
people.

Mr. Sopko: I learned from the best. It is important.
It has to be done. I can tell you, I am usually not shy in
expressing my concerns about issues.

One of the reasons why I am not shy is I realize, 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.

I say, Senators, you have 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 actually looking at
some of those numbers. I think you have a success already.

Now there are 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 on this, we can help give you more answers to these
questions.
Mr. McKeon: Senator, may I respond? I think I 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 that we welcome oversight from the IG or from SIGAR. It is unfortunate that some of this oversight of the task force work did not come earlier so we could have had course corrections. We are now doing retrospective history, which is still useful in its own right, but it is going to be a challenge, I wish to underscore, for us, without the people who were there, to recreate what happened, but we will do our best to respond.

Senator Ayotte: I appreciate that.

I want to thank both of you for testifying today. 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 repeating these lessons over and over again.

It is my hope, and I think the point that Senator McCaskill made today, that this is not the first instance where we have seen big issues with how taxpayer dollars have been spent and wasted. So we need to take the work that has been done, take it to heart, and actually apply the lessons from it, and 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.

    [Whereupon, at 5:12 p.m., the hearing was adjourned.]