

1 This is a hearing on the role of the Special Inspector
2 General in oversight of contracts in Afghanistan. This
3 Subcommittee was created at the beginning of the Congress to
4 provide oversight of Government contracting. Over the last
5 18 months, we have focused on two key areas: improving the
6 Government's oversight and reducing waste, fraud, and abuse.
7 Four of the Subcommittee's 15 hearings, including today's,
8 have examined contracting in Afghanistan and how to ensure
9 that the Government is getting the best possible value for
10 the billions of dollars we spend there.

11 Today's hearing on the Special Inspector General for
12 Afghanistan Reconstruction, called SIGAR, bridges these
13 issues. The origin of this hearing began in March of 2009
14 when I joined with Senator Lieberman, Senator Collins,
15 Senator Coburn, and Senator Grassley to introduce
16 legislation to give SIGAR better hiring authority. At that
17 time, General Fields had been the SIGAR for more than 7
18 months, and SIGAR had not yet completed any original audit
19 or investigative work. This raised serious concerns about
20 SIGAR's effectiveness at protecting against waste, fraud,
21 and abuse in Afghanistan.

22 Even though SIGAR received additional money and new
23 hiring authorities in the summer of 2009, the organization
24 did not improve. SIGAR continued to have difficulties in
25 recruiting adequate experienced staff. We learned that

1 SIGAR performed only one contract audit prior to December
2 2009 while devoting time and resources to reviews of
3 subjects outside of its mission, like a 2009 review of the
4 role of women in the Afghan election.

5 We were particularly concerned that SIGAR was failing
6 to establish the right priorities for its work, and so in
7 December of 2009, Senator Collins, Senator Coburn, and I
8 asked the President to conduct a thorough review of SIGAR.
9 In July 2010, the Council of the Inspectors General for
10 Integrity and Efficiency, abbreviated CIGIE, completed their
11 review. This review confirmed many of the problems that my
12 fellow Senators and I had been concerned about. SIGAR did
13 not have a plan and was not doing risk assessment. They had
14 not put the right investigative team in place. Their audits
15 were more focused on quantity than quality. And their
16 management and leadership had failed to create an efficient,
17 effective organization.

18 The focus of today's hearing is how SIGAR, under the
19 leadership of General Arnold Fields, whom I hold in high
20 regard as a decorated retired general in the United States
21 Marine Corps and one of our Nation's heroes, has fallen so
22 short of the mark. CIGIE found SIGAR's Investigations
23 Division failed to meet minimum standards and referred its
24 findings to the Attorney General to consider revoking
25 SIGAR's law enforcement authority. CIGIE also found that

1 SIGAR's Audit Division had no less than five major
2 deficiencies. Today we will ask General Fields how this
3 happened on his watch.

4 In the course of today's hearing, we will also examine
5 General Fields' decision to award a \$96,000 sole-source
6 contract to Joseph Schmitz, the former Defense Department
7 Inspector General, who did resign in 2005 and did have
8 allegations made against him. General Fields hired Mr.
9 Schmitz to act as a "independent monitor" of SIGAR's
10 compliance with the CIGIE review and to report SIGAR's
11 progress to the Department of Justice.

12 We have learned that SIGAR understood that by awarding
13 the contract to Mr. Schmitz, they would also be obtaining
14 the services of Louis Freeh, the former FBI Director, whom
15 SIGAR thought was act as an advocate for them at the Justice
16 Department. Interestingly, we have learned that Mr. Freeh's
17 organization spoke only briefly with Mr. Schmitz about this
18 contract and quickly decided that they were not interested
19 in participating. We will ask General Fields why he thought
20 that this contract was in the best interests of the
21 taxpayer.

22 We will also be hearing from four experts on conducting
23 oversight in a war zone: the Inspectors General for the
24 Defense Department, the State Department, USAID, and the
25 Special Inspector General for Iraq Reconstruction. They

1 will share their lessons learned and what needs to happen
2 going forward.

3 The Government's record on contracting in Iraq and
4 Afghanistan has not been pretty. That is why it is so
5 important that we have aggressive, independent, quality
6 oversight. With hundreds of billions of dollars at stake,
7 there is no room for error and no time to delay.

8 We are having this hearing today because a frank, open,
9 and on-the-record discussion is imperative to adequately
10 oversight going forward and to make sure that we protect the
11 men and women in uniform in the contingency theater and also
12 protect the American taxpayer.

13 I look forward to hearing the testimony of our
14 witnesses today and providing General Fields the opportunity
15 to address the Subcommittee's concerns. And I will now
16 defer to my colleague Senator Brown.

17 OPENING STATEMENT OF SENATOR BROWN

18 Senator Brown. Thank you, Madam Chair. Well said.

19 Today as Ranking Member of the Subcommittee, I would
20 like to specifically thank you, Madam Chair, for scheduling
21 this afternoon's hearing on this very important topic. And
22 since I joined the Subcommittee, this is the second hearing
23 I have participated in on this very important topic: the
24 oversight of contracts in Afghanistan.

25 As General Petraeus recently stated in his contracting

1 guidance, "The scale of our contracting efforts in
2 Afghanistan represent both an opportunity and a danger.
3 With proper oversight, contracting can spur economic
4 development and support the Afghan Government's and ISAF's
5 campaign objectives. However, we spend large quantities of
6 money on international contracting funds quickly, and with
7 insufficient oversight it is likely that some of these funds
8 will unintentionally fuel corruption, finance insurgent
9 organizations, strengthen criminal activities and networks,
10 and undermine our efforts in Afghanistan." And, Madam
11 Chair, I agree with General Petraeus, his guidance that if
12 our soldiers are willing to pay the ultimate sacrifice for
13 the success of the mission, the least we can do in Congress
14 is to ensure that the American taxpayers' funds go to the
15 right people for the right purpose.

16 Since the U.S. and its coalition partners began
17 operations in Afghanistan on October 7th of 2001, the United
18 States has invested approximately \$56 billion in
19 Afghanistan, which is more than the \$53.8 billion invested
20 in Iraq. Despite this substantial commitment on the part of
21 the American taxpayers, problems continue to persist, such
22 as waste, fraud, and the fueling of corruption. By far, the
23 most troubling finding is that American taxpayer money has
24 been flowing to Taliban insurgents, which I find
25 unconscionable.

1 Today we will examine whether the oversight in
2 Afghanistan is meeting the necessary level to accomplish the
3 mission and protect the taxpayers and use it how our
4 soldiers expect it to be used so they can be provided with
5 the tools and resources to do the job.

6 On January 28, 2008, Congress created SIGAR to provide
7 leadership in preventing and detecting waste, fraud, and
8 abuse of taxpayer funds used in the Afghanistan conflict.
9 To date, Congress has appropriated \$46.2 million for this
10 mission. While I fully appreciate the difficult
11 circumstances in which SIGAR must work, I am convinced that
12 we are not receiving the necessary return on our investment
13 in our oversight activities. As noted, we will soon,
14 hopefully, find out more about those numbers.

15 The recent council, noted as CIGIE, as you noted, madam
16 Chair, report on SIGAR found that it did not have the
17 robust, ongoing program of risk assessment and that it was
18 not looking in the right places for fraud, waste, and abuse.
19 The oversight army in Afghanistan includes the DOD, State,
20 Agency for International Development, Inspectors General,
21 and SIGAR. Yet the accountability of the American taxpayers
22 funds in Afghanistan remains limited.

23 In this hearing today, I plan to ask the Inspectors
24 General how we can better strategically align these
25 oversight resources to maximize the return on taxpayer

1 investment and achieve the accountability our mission
2 requires and our soldiers deserve.

3 Thank you, Madam Chair.

4 Chairman Lieberman. Thank you, Senator Brown.

5 Let me introduce the first panel. John T. Rymer has
6 served as the Inspector General for the Federal Deposit
7 Insurance Corporation since July of 2006. He is also the
8 Chairman of the Audit Committee of the Council of Inspectors
9 General on Integrity and Efficiency, which we have been
10 referring to as CIGIE. Mr. Rymer has served for 30 years in
11 the active and reserve components of the U.S. Army. Prior
12 to his confirmation as Inspector General, Mr. Rymer served
13 as a director at KPMG LLP.

14 Richard W. Moore has served as the Tennessee Valley
15 Authority's Inspector General since May of 2003. He is also
16 the Chairman of the Investigations Committee of the Council
17 of the Inspectors General on Integrity and Efficiency, known
18 as CIGIE. Prior to joining TVA, Mr. Moore served as an
19 assistant U.S. Attorney for the Southern District of Alabama
20 for 18 years.

21 It is the custom of this Subcommittee to swear in all
22 witnesses that appear before us, so if you do not mind, I
23 would ask you to stand. Do you swear that the testimony
24 that you will give before this Subcommittee will be the
25 truth, the whole truth, and nothing but the truth, so help

1 you God?

2 Mr. Rymer. I do.

3 Mr. Moore. I do.

4 Senator McCaskill. Let the record reflect the
5 witnesses have answered in the affirmative.

6 We will be using a timing system today. We would ask
7 that your oral testimony be no more than 5 minutes,
8 especially since we have three panels today. Your written
9 testimony will be printed in the record in its entirety.

10 Mr. Rymer.

1 TESTIMONY OF THE HONORABLE JON T. RYMER, INSPECTOR
2 GENERAL, FEDERAL DEPOSIT INSURANCE CORPORATION,
3 AND CHAIR, AUDIT COMMITTEE, COUNCIL OF THE
4 INSPECTORS GENERAL ON INTEGRITY AND EFFICIENCY

5 Mr. Rymer. Thank you, Chairman McCaskill, Senator
6 Brown. My name is Jon Rymer. I am the Inspector General of
7 the FDIC. I am appearing today before you in my capacity as
8 Chair of the CIGIE Audit Committee.

9 You have asked me to address the recent CIGIE peer
10 evaluation of SIGAR and specifically SIGAR's conduct of
11 audits. You have already agreed to put our report into the
12 record. Thank you.

13 In late February 2010, the CIGIE Chair received a
14 letter from General Arnold Fields, Special Inspector General
15 for Afghanistan Reconstruction, requesting a peer evaluation
16 of his operations. The CIGIE Executive Council was convened
17 to discuss SIGAR's request and determined that conducting
18 three separate yet coordinated standards-based reviews would
19 provide SIGAR with the information it was requesting.

20 I led a team to conduct a peer review of SIGAR's audit
21 organization, and I will speak on the results of that review
22 in just a moment. Mr. Moore led a team to conduct a quality
23 assessment of SIGAR's investigative operations, and he will
24 discuss the results of that review. Mr. Moore and I jointly
25 led a team to review the other management support operations

1 not covered by either of the two peer reviews.

2 I will focus the remainder of my remarks on the
3 external peer review of SIGAR's audit organization and
4 SIGAR's request for a follow-up review.

5 In the audit community, an external peer review is an
6 independent, backward-looking review, requiring a peer to
7 examine and opine at least once every 3 years an audit
8 organization's system of quality control. A peer review is
9 done in accordance with CIGIE's Audit Peer Review Guide and
10 is based upon GAO's Yellow Book standards.

11 The goal of a peer review is to provide reasonable
12 assurance that the audit organization has: one, adopted
13 audit processes that are properly designed to produce
14 accurate and reliable information and reports; and, two, is
15 following those processes in conducting its work. A peer
16 review is not designed to assess the reliability of
17 individual reports.

18 On July 14th this year, we issued our report on the
19 results of this review. We concluded that SIGAR's system of
20 quality controls was suitably designed, but its compliance
21 with those policies and procedures was inconsistent and
22 incomplete.

23 We specifically identified five deficiencies in the
24 audit organization's practices that could generate
25 situations in which SIGAR would have less than reasonable

1 assurance of performing and reporting on audits, in
2 conformity with the Yellow Book and with its own policies.

3 These deficiencies relate to quality assurance, audit
4 planning, documentation and supervision, reporting, and
5 independent referencing. We made eight recommendations for
6 improvement.

7 We believe the processes we followed, the procedures we
8 performed, and the deficiencies we identified in SIGAR's
9 audit organization provide a reasonable basis for a pass
10 with deficiencies opinion. In its response SIGAR concurred
11 with the results of our peer review and committed to
12 implementing corrective actions to overcome the
13 deficiencies.

14 Last month, General Fields contacted the CIGIE Chair to
15 request a follow-up review to address the extent to which
16 his audit organization had implemented recommendations.
17 Earlier this week, my office began a focused, limited-scope
18 review to do so. This review will not modify the opinion
19 and conclusions reached in our July 2010 report, nor will it
20 qualify as an external peer review of SIGAR's audit
21 organization. I have scheduled a full-scope peer review of
22 SIGAR's audit organization to commence next October.

23 At this time I would like to make two concluding
24 comments.

25 First, SIGAR's request for a peer evaluation was

1 unprecedented and warranted a unique approach. Despite
2 competing demands and challenges that our individual offices
3 faced, we responded in a fair, professional manner,
4 conducted a thorough review, and provided SIGAR with useful
5 and meaningful information.

6 Second, I would like to recognize the professionals who
7 volunteered to participate in these reviews and their
8 support of their respective IGs. I would also like to
9 acknowledge the courtesy and cooperation extended to us by
10 General Fields and his staff, and to acknowledge the
11 assistance of those who facilitated our travel to and our
12 work in Afghanistan.

13 This concludes my testimony. I look forward to
14 answering your questions. Thank you.

15 [The prepared statement of Mr. Rymer follows:]

- 1 Senator McCaskill. Thank you, Mr. Rymer.
- 2 Mr. Moore.

1 TESTIMONY OF THE HONORABLE RICHARD W. MOORE,
2 INSPECTOR GENERAL, TENNESSEE VALLEY AUTHORITY, AND
3 CHAIR, INVESTIGATION COMMITTEE, COUNCIL OF THE
4 INSPECTORS GENERAL ON INTEGRITY AND EFFICIENCY

5 Mr. Moore. Chairman McCaskill, Senator Brown, good
6 afternoon. As you mentioned, I am Richard Moore, the
7 Inspector General at TVA, and I am appearing before you
8 today in my capacity as the Chair of the Investigations
9 Committee for CIGIE. My colleague Mr. Rymer has ably laid
10 out how we got here in terms of these peer reviews, and I
11 will not restate that.

12 I would like to make a few comments about the work that
13 we did, however. The reviews, particularly, for example,
14 the investigations peer review, was not the work of one IG
15 or one office. It was a community-wide review. In the case
16 of the investigations peer review, there were six IGs who
17 participated--their offices participated, rather, in that
18 review. For the peer evaluation or Silver Book, as we call
19 it, there were seven IG offices that participated in that
20 particular review.

21 The investigations peer review resulted in a finding
22 that SIGAR was not in compliance, as you mentioned, with our
23 quality standards. There are only two possible outcomes in
24 our investigation peer reviews, and that would be either you
25 are in compliance or you are not. The determination that

1 SIGAR was not in compliance with our peer review standards
2 was based on ten specific findings which were attached to
3 the report, and I will be happy to discuss that in detail,
4 if you would like later.

5 As you mentioned, Chairman McCaskill, we were required
6 to alert the Attorney General of this finding, which I did.
7 The Attorney General supervises all of the IGs who exercise
8 statutory law enforcement powers, and it is conditioned--we
9 exercise those powers based on our compliance with the
10 Attorney General standards and the CIGIE peer review
11 standards. And as Mr. Rymer mentioned, there will be an
12 audit follow-on review, and there will be one on the
13 investigation side as well. I would reiterate what Mr.
14 Rymer said about the audit review for the investigation peer
15 review. This is not a new peer review, and it will not
16 change the finding or decision on the peer review, that is,
17 noncompliance. This is merely to determine whether or not
18 there has been remediation of the deficiencies that we
19 found.

20 As to the peer evaluation, that Silver Book review, as
21 we call it, was done pursuant to standards that are called
22 the Quality Standards for Federal Offices of Inspector
23 General. The Silver Book sets forth the overall approach
24 for managing, operating, and conducting the work of the
25 Inspector General. There are nine categories in the Silver

1 Book that we addressed with SIGAR, and in the end, the team
2 found 22 different suggestions or recommendations for
3 improvement of SIGAR.

4 That concludes my testimony, and I look forward to
5 answering any questions that you may have.

6 [The prepared statement of Mr. Moore follows:]

1 Senator McCaskill. Thank you, Mr. Moore.

2 Let me first start by asking--putting on the record
3 what peer reviews--how conservative peer reviews are. And
4 let me just say that every 3 years, as the elected auditor
5 of Missouri, we had a peer review. And I loaned some of my
6 senior staff to the national peer review effort that goes on
7 nationwide. So I am very intimately aware of what a peer
8 review is and what it means.

9 I also know that auditors by nature are extremely
10 conservative, and the only time they become even more
11 conservative is when they are passing judgment on their
12 peers.

13 So let me start with this question: How often does an
14 organization, based on all of your experience in the Council
15 of Inspectors General for Efficiency in operations, how
16 often does an organization fail its peer review, especially
17 in light of the failure of SIGAR?

18 Mr. Rymer. Well, let me start, ma'am, by saying the
19 Audit Committee has conducted or the Audit Committee of
20 CIGIE has supervised or administered now 58 peer reviews
21 from 2006 to 2009. Of those 58, 55 were pass, and there
22 were three pass with deficiencies. So three out of 58.

23 Senator McCaskill. And so we had three pass with
24 deficiencies. Have there been any that have failed?

25 Mr. Rymer. Not in that period, ma'am, that I know of.

1 Senator McCaskill. Okay. And what about on your end
2 in terms of the Silver Book?

3 Mr. Moore. On the investigations side, in terms of the
4 investigation peer reviews, I believe there has been one
5 noncompliance since we have been conducting peer reviews in
6 2003.

7 Senator McCaskill. How many have been done since 2003?

8 Mr. Moore. Approximately 50.

9 Senator McCaskill. Okay. So one time out of 50, and
10 that would be this one?

11 Mr. Moore. Yes--well, no.

12 Senator McCaskill. One other.

13 Mr. Moore. One other, other than this, yes.

14 Senator McCaskill. So this would be the second time
15 since 2003. And could you share with us what the
16 organization was that had these serious problems, the other
17 organization that was evaluated?

18 Mr. Moore. I was not the Chair then. My recollection--
19 -and, John, you may recall. I believe it was OPM.

20 Senator McCaskill. Office of Personnel Management?

21 Mr. Moore. Yes.

22 Senator McCaskill. Okay. How serious would you all
23 characterize the failures that you documented in your review
24 of SIGAR?

25 Mr. Rymer. Well, I think what you have already pointed

1 out and established, Senator, is the fact that it is very
2 rare. The overall deficiencies that we noted, the five
3 deficiencies on the audit side, were problems of
4 noncompliance. We did positively note that SIGAR had
5 established a policies and procedures manual and process
6 that we thought met the standards. However, they were
7 often--we often found that they were not in compliance. And
8 in most cases, we found situations where the compliance
9 levels were in the two-thirds or so. We would find--many of
10 the findings were--of the 12 reports we reviewed, we would
11 often find five, six--well, six, seven, or eight reports
12 would be in compliance, and then three or four would not be.
13 So that is the range I think I would describe.

14 Mr. Moore. And I would say on the investigations side,
15 the seriousness is, of course, if you have special agents in
16 an investigative component of an IG shop who have not been
17 trained or confronted with the guidelines that they are
18 required to adhere to. Use of deadly force and use of
19 confidential informants, the surveillance techniques, those
20 kind of things are in the Attorney General's guidelines.
21 You put at risk investigations that you are conducting, and
22 you potentially put at risk all the Federal law enforcement
23 simply because of the reputational damage that can occur if
24 agents are not fully knowledgeable of the guidelines and
25 adhering to them.

1 Senator McCaskill. Which obviously could be
2 exacerbated in a contingency theater where we are fighting a
3 battle, and one of the battles we are fighting is, in fact,
4 corruption.

5 Mr. Moore. I believe that is true.

6 Senator McCaskill. One response that SIGAR had to
7 these issues is that they were a new organization, and
8 normally Inspectors General are not given a peer review for
9 3 years. Now, I understand that the reason this happened
10 was because General Fields asked for the review. But is
11 that a valid response, that the kinds of problems that you
12 found could be attributable to the fact that they had not
13 been in existence for 3 fully years?

14 Mr. Rymer. Ma'am, we took that into consideration from
15 the perspective--I think it is valuable to note that, as I
16 said in my statement, it is unprecedented. No one else had
17 asked for a peer review at this stage as a de novo IG,
18 particularly none of the three now special IGs that are in
19 existence. So I think that was positive. I think we noted
20 that in terms of how we conducted the review. We were
21 concerned that over a fairly short existence, 18 months or
22 so when we began the review, there would not be sufficient
23 evidence of really how they were performing. So to
24 accommodate the fact that it was a short-term or an
25 accelerated peer review, I chose to do a 100-percent sample

1 of every audit they did, frankly, to try to give the
2 organization the opportunity to show improvement.

3 Senator McCaskill. To give them the benefit of the
4 doubt.

5 Mr. Rymer. Yes, ma'am, to make sure that if there were
6 opportunities to show improvement from Audit 1 to Audit 10
7 or 12, we can demonstrate that. But the results were really
8 mixed. There was some improvement on occasion, and then
9 some did not show improvement.

10 Senator McCaskill. So you did a 100-percent sample?

11 Mr. Rymer. Yes, ma'am.

12 Senator McCaskill. And you do not need to tell me that
13 is very, very unusual.

14 Mr. Rymer. Yes, ma'am.

15 Mr. Moore. On the investigations side, again, as Mr.
16 Rymer suggested, we have not looked at an organization this
17 early in their development. We were surprised to see the
18 absence of policies and procedures and the fact that agents
19 that we interviewed--and we interviewed agents here in the
20 United States and in Afghanistan, and they were not
21 conversant with the guidelines that they had to adhere to or
22 the standards. And as we reflected in our report, it
23 appeared that there were no manuals or standards at SIGAR's
24 headquarters that were being taught to the agents and
25 holding them accountable by when we went in, but there were

1 block stamp policies at the time that we conducted the peer
2 review. So it appeared that they were making good-faith
3 efforts to adopt policies, but they had not been in
4 existence before April of this year.

5 Senator McCaskill. Okay. Senator Brown?

6 Senator Brown. Thank you, Madam Chair.

7 First of all, thank you very much for your testimony.
8 I am trying to get my hands around the fact that we have a
9 group like SIGAR, and while I am appreciative that they
10 said, hey, can you come in and, you know, audit us and see
11 what is up and report back--I certainly appreciate. But the
12 results in terms of actual numbers that we have actually
13 expended in terms of providing them the resources and then
14 the return--I know Senator Coburn has here the comparison of
15 oversight in Afghanistan, the funds recovered by other
16 entities, USAID IG, DOD IG, and SIGAR.

17 Now if my numbers are correct, we have given
18 approximately \$46.2 million to SIGAR for this mission, yet
19 they have only identified and collected \$8.2 million. And I
20 am not--I know the value of a dollar, but that does not seem
21 to be a good value for our taxpayer dollars.

22 Do you have any comments as to whether you feel that we
23 are getting the value for our dollars and/or why do you
24 feel--if you could get into that. And then also, why do you
25 feel the recovery is so low compared to these other

1 entities?

2 Mr. Rymer. I might start and attempt to answer that,
3 Senator. The issue of funds put to better use I think is a
4 function, a direct function of the audits that the
5 organization chose to do. One of the observations we had in
6 the peer review and in the capstone review was that we were
7 concerned about the process that SIGAR went through in
8 selecting the initial audits, the first 12 or so, at least
9 the ones in the sample. We were concerned that they perhaps
10 were not as focused--we heard this in some of our
11 interviews, that the audits were not what I would call
12 audits that were focused on either contract oversight, funds
13 put to better use, or on improper payments.

14 Senator Brown. Well, wasn't that their mission,
15 though, contract oversight?

16 Mr. Rymer. Well, I think that would certainly be a
17 large part of their mission. Of the audits that we looked
18 at, I would--let me explain a little bit and put it in
19 greater context.

20 We did not really see any audits that were specifically
21 designed to recover funds. That is the principal objective
22 of the audit. But the IG has a responsibility also to
23 detect and comment on lapses of internal controls. We saw a
24 few audits directed at internal controls, really preventive
25 processes. And I think we saw three audits that were

1 really, in my judgment, internal control-related audits.
2 And then of the 12 we looked at, three were internal control
3 and the other 9 were audits that, in my view at least, were
4 audits of examining or looking at either U.S. policy rules
5 and regulations or at international policy rules and
6 regulations.

7 So in that continuum, we suggested--and SIGAR certainly
8 agreed--that a more risk-based approach to identifying the
9 audits that should be focusing along with something they
10 should do.

11 Senator Brown. Yes, but do you think--you have to give
12 them \$46-plus million--I mean, is it the fact that nobody
13 gave them the proper guidance as to where to go and what to
14 do? Or they just chose to ignore the guidance and do their
15 own thing in those areas that you just commented upon? And
16 let me just also ask, what is your independent professional
17 opinion as to whether we are actually getting our money's
18 worth out of this particular group?

19 Mr. Rymer. Well, Senator, I have to be a bit careful.
20 I mean, as a professional auditor, I have to stick to the
21 scope and approach and Senator McCaskill--

22 Senator Brown. I am asking you your professional
23 auditor opinion.

24 Mr. Rymer. --will agree to this, but the concern that
25 I had, as I said, was that the sort of level one, tier one

1 auditing was not in the original plan. We suggested that it
2 be in their plan. The other concerns I think would be ones
3 of perhaps not paying as much attention in the early stages
4 to the suggestions of auditees, of folks that have
5 responsibility for managing the programs. There was, in my
6 view, a bit of top-down and not enough bottom-up audit
7 planning. So I think the audit planning process was one
8 that was not quit balanced and I think needs improvement.

9 Senator Brown. And I recognize--certainly I think
10 everybody does--the difficult operating environment in
11 Afghanistan. I have been there. I understand it. In your
12 opinion, does SIGAR have the sufficient resources to
13 overcome that lack of direction or obstacles or not?

14 Mr. Moore. Well, Senator, I would say that we looked
15 at funding for SIGAR because that was raised to us by SIGAR
16 staff, that there were funding issues early on, and we were
17 particularly concerned about that on the investigative side,
18 whether they had the proper funding to put agents in
19 Afghanistan. We found that they did have appropriate
20 funding levels.

21 And I would just say in terms of performance of the
22 organization, which you have been asking us about here
23 today, there are at least three things that handicapped the
24 organization, in my opinion, and we cover this in the
25 report. One is what we have mentioned before, the lack of

1 risk assessment. Really what are the risks to the pot of
2 money, if you will, that you are charge with overseeing? We
3 typically in IG offices look at what are the likely frauds
4 that are most likely to occur? What is the likelihood of
5 that happening? And then we look at the severity if it
6 does. We make heat maps that give us an indication about
7 where we should put our dollars, where they would be most
8 effective. That was not done at SIGAR.

9 The second thing is strategic planning. Everybody, I
10 think, appreciates the importance of having goals, making
11 sure your priorities are understood, and, unfortunately,
12 that was not done very well at SIGAR, at least in the period
13 that we reviewed.

14 And, finally, I would say in terms of performance, a
15 handicap that we saw was the way that human resource issues
16 were handled--that is, the hiring decisions. As we point
17 out in the report, there was a decision to wait to hire the
18 head of investigations, to pursue one particular candidate,
19 and that cost them almost a year in terms of performance on
20 the investigative side. They decided not to hire a deputy
21 until recently. That is another human resource issue that
22 made it more difficult for them to perform.

23 Senator Brown. So were the hiring delays, do you
24 think, a lack of experience or knowledge in what the job at
25 hand was? I mean, where do you see the breakdown?

1 Mr. Moore. I would say that it goes back to not having
2 the kind of focus on risk and the plan. If you are not sure
3 exactly what the strategic plan is, what your priorities
4 should be, it can affect the hiring decisions that you make.

5 Senator Brown. Now, before I turn it back over to the
6 Chair, I would think out of everything that we have been
7 talking about here today that the number one priority of
8 every independent group here is to try--well, obviously,
9 dealing with Afghanistan specifically now--is to find out
10 how much and where the monies are going, if they going at
11 all to the Taliban and other groups that want to basically
12 kill us. I am shocked that this is not like the number one
13 priority, that we find out where that money is going and why
14 it is going and who is delivering the funds, under what
15 circumstances. Where is the breakdown? I am just
16 flabbergasted as to--and I know that, you know, I am going
17 to be asking the questions to the next panel, but am I
18 missing something? I mean, should not that be the priority
19 of SIGAR and any other entity that is there independently
20 finding where the waste, fraud, and abuse is? The biggest
21 abuse is the fact that we are giving money to people that
22 want to kill us, and they are not entitled to it. It is our
23 money. I mean, I am sorry, folks. I know I am still semi-
24 new here. We have a few new members now, but give me a
25 break.

1 Mr. Rymer. The one thing I would say, Senator, is with
2 the Special IG, to differentiate the Special IGs from the
3 IGs that are assigned to or work in existing, standing
4 Federal agencies. My opinion is both of the Special IGs in
5 this case should be primarily focused, in my opinion, on
6 contract oversight and management of dollars. The Special
7 IGs exist because they are essentially attached to an
8 appropriation or a series of appropriations, meaning to me
9 that the financial oversight should be a primary
10 responsibility.

11 Take the case of my organization, my primary
12 responsibility in a regulatory agency is to look for waste,
13 fraud, and abuse in the programs of a regulator, which do
14 not give me the same opportunities in a regulatory agency to
15 look at situations where appropriations are essentially
16 controls over cash and how it is spent in contracting.

17 So I think there is a difference, and I think it speaks
18 to all three of the Special IGs, that their principal
19 mission should be, in my view at least, looking at controls
20 associated with contracting and looking at specifically how
21 cash is being used.

22 Senator Brown. And just to note, I wholeheartedly
23 agree with you, so thank you for that independent statement
24 and assessment, because the taxpayers are being hurt and the
25 soldiers that are trying to defend us and do their jobs are

1 being provided with--they have a disadvantage because some
2 of our own monies are being potentially used to hurt or kill
3 them, and I find that deeply troubling. So, Madam Chair, I
4 will turn it back over.

5 Senator McCaskill. Thank you, Senator Brown.

6 In reading your reports, I was struck by how factual
7 and--which I was not surprised. I knew that these would be
8 very by-the-book, very factual recitations of compliance and
9 noncompliance that you found in the Yellow Book and in the
10 Silver Book. And I think that what I would--I just have
11 really one area I would like to cover with you, and that is
12 the management and oversight issue.

13 The head of an audit agency, their responsibility is
14 really to make the decision about how the resources of that
15 agency are going to be used. I think you all will both
16 agree that General Fields was never expected to do these
17 audits or to do these investigations. Is that correct?

18 Mr. Moore. That is correct.

19 Mr. Rymer. That is correct.

20 Senator McCaskill. But, rather, his entire
21 responsibility of taking over in this position was to look
22 at what was flowing into Afghanistan and figure out where
23 there was a risk. That was his most important job: first,
24 the risk assessment; and, secondly, the audit plan that
25 would address the risks that were assessed within the scope

1 of the work that he had the legal ability to audit or
2 investigate. Would that be correct?

3 Mr. Rymer. That is correct. Yes, ma'am.

4 Mr. Moore. Yes.

5 Senator McCaskill. All right. Now put, in this
6 context that we have been informed by major problems in
7 Iraq. I mean, my frustration with General Fields and his
8 position is that, as a former auditor, his job--it was like
9 shooting fish in a barrel. There was so much work to be
10 done as an auditor. I mean, everywhere you looked there was
11 a contract that needed another set of eyes. There was a
12 flow of money that needed investigation. There is potential
13 for corruption, waste, misuse of money in almost every
14 single location this money was flowing. I mean, this is a
15 free-for-all in terms of risk assessment.

16 But yet in the first 16 months of his tenure, there was
17 not one audit performed on one contract. Is that correct?

18 Mr. Rymer. Yes, ma'am, I believe that is correct.

19 Senator McCaskill. That is hard for me to get around.

20 Mr. Rymer. Ma'am, there were quality control--or
21 assessments of internal controls.

22 Senator McCaskill. Right.

23 Mr. Rymer. Specifically a contract on it, I do not
24 recall a contract on it.

25 Senator McCaskill. There was assessment of controls,

1 and there was also a study done on the participation of
2 women in the Afghan election. And I do not mean to
3 minimize--the participation of women in the Afghan election
4 is an important policy problem, and it is an important part
5 of the overall mission in Afghanistan because we want--
6 obviously, the capabilities of that country in terms of
7 keeping the Taliban at bay includes a healthy participation
8 in a democracy.

9 With all due respect, either one of you in your
10 experience as auditors, would that study--would that have
11 made your risk assessment if you had been given this job in
12 the first 18 months?

13 Mr. Rymer. The Afghan election? I think my focus--
14 again, as I said, as a Special IG, I think the focus should
15 be on the dollars. That should be the principal
16 responsibility of any of the three specials we have, I
17 think.

18 Senator McCaskill. Mr. Moore?

19 Mr. Moore. I would agree, and I would just point out
20 that, in addition to doing the risk assessment as to the pot
21 of money, if you will, one of the things that we discussed
22 with SIGAR staff and pointed out in our report was you have
23 to do that internal office risk assessment so that you know
24 what your limitations are, what your skill sets are, what
25 your resources are, what your priorities are, what is likely

1 to limit you from getting the mission accomplished. That
2 was not done at sigar.

3 Senator McCaskill. Right. That is all the questions I
4 have for this panel.

5 Senator Brown. I am all set, too.

6 Senator McCaskill. Thank you both very much for your
7 service, and CIGIE is a very, very important part of
8 oversight in this Government. It is unfortunate that most
9 Americans have no idea that many, many professional
10 Inspectors General in the Federal system give of their time
11 in overseeing other Inspectors General in the system. But I
12 certainly understand that we would not have the quality of
13 Inspectors General that we have in the Federal Government
14 were it not for the work of CIGIE. So thank you, and please
15 convey our thanks to your entire organization that does
16 these peer reviews.

17 Mr. Rymer. Thank you, ma'am.

18 Mr. Moore. Thank you.

19 [Pause.]

20 Senator McCaskill. General Fields, welcome. Thank you
21 for your attendance today. Let me introduce you to the
22 hearing.

23 General Fields has served as Special Inspector General
24 for Afghanistan Reconstruction since July of 2008. General
25 Fields previously served as Deputy Director of the Africa

1 Center for Strategic Studies at the Department of Defense
2 and is a member of the U.S. Department of State assigned to
3 the U.S. embassy in Iraq, where he performed duties as the
4 chief of staff of the Iraq Reconstruction and Management
5 Office. He retired as a major general from the United
6 States Marine Corps in January of 2004 after 34 years of
7 active military service.

8 Let me state for the record how much your record speaks
9 of you as an American, as a patriot, and how much our
10 country owes you a debt of gratitude for your many years of
11 service on behalf of the United States of America.

12 It is the custom of this Subcommittee to swear in all
13 witnesses that appear before us, so if you do not mind, I
14 would like you to stand. Do you swear that the testimony
15 that you will give before this Subcommittee will be the
16 truth, the whole truth, and nothing but the truth, so help
17 you God?

18 General Fields. I do.

19 Senator McCaskill. We welcome your testimony, General
20 Fields.

1 TESTIMONY OF THE HONORABLE ARNOLD FIELDS, SPECIAL
2 INSPECTOR GENERAL FOR AFGHANISTAN RECONSTRUCTION

3 General Fields. Thank you, Chairman McCaskill and
4 Ranking Member Senator Brown. I appreciate this opportunity
5 to be here today. I would say it is a pleasure, but I would
6 be telling a lie if I were to say so. But it is a privilege
7 as well as an opportunity, and I wish to take full advantage
8 of that opportunity.

9 I have worked in support of SIGAR for the past
10 basically year and a half. Funding we received in June of
11 2009 fully funded this organization. I have built SIGAR
12 from nothing but legislation to 123 very well informed and
13 talented staff, of which 32 to date are on full assignments
14 for 13 months to a very dangerous place known as
15 Afghanistan.

16 This work is challenging. I have to find people who
17 are willing to put their lives in harm's way in Afghanistan
18 conducting this work in the midst of a very competitive
19 market of investigators and auditors. I am proud of the
20 staff that we have.

21 We have conducted work in 22 of 34 provinces in
22 Afghanistan and 48 separate locations. We have produced 34
23 audits, over 100 recommendations, 90 percent of which have
24 been accepted by the institutions of this Federal Government
25 that we have scrutinized. They are using our work. I could

1 cite many cases, but I will not at this point. But our work
2 is, in fact, making a difference.

3 I did--and I appreciate that the Chairwoman
4 acknowledged that I requested the CIGIE assessment. We
5 would not normally have undergone such a thing until--the
6 earliest would have been 2012. I wanted to make this
7 organization what Senator McCaskill would wish that it be,
8 and that assessment for which I individually and
9 unilaterally made requests was intended to do just that.

10 My leadership has been referred to as "inept." That is
11 the first time, Senator, that in all my life, a man of 64
12 years of age, who has supported this Federal Government for
13 41 straight years, of which 34 have been as a military
14 officer. I do not even allow my own auditors to refer to
15 the people in Afghanistan as "inept" because it is too
16 general a statement for any human being. I have met with
17 many people in Afghanistan, from the President of
18 Afghanistan to the little children in the province of Ghor.
19 And when I ask those little children what is it on which
20 this reconstruction effort and \$56 billion that the United
21 States has invested in Afghanistan should be based, and I
22 want you to know that those children, who were no higher
23 than my knee, said to me the same things that President
24 Karzai said as well as his ministers. They want energy or
25 electricity or light. They want agriculture. They want

1 education. And what really broke my heart is when those
2 little children told me that, "What we really want is a
3 floor in our school." That is what we are up against in
4 Afghanistan.

5 We have created by way of this \$56 billion an
6 opportunity for the children in Afghanistan, who I feel
7 represent the future of Afghanistan, as well as the rest of
8 the people. And I would be the last, Senator McCaskill and
9 Senator Brown, to condone in any form or fashion any
10 activity that leads to less than the full measure of that
11 \$56 billion being used for the purposes for which it was
12 made available.

13 I want this Subcommittee to also note that I take this
14 work very seriously. Why? Because I raised up in South
15 Carolina in a family not unlike that in Afghanistan, where
16 the level of education for both my mother and father was
17 less than fifth grade. But, nonetheless, the best training
18 that I received in my life came from my mother who had less
19 than a fifth grade education. I wish that someone had
20 brought \$56 billion to bear upon my life. But here I am in
21 a very important position and trying to influence what is
22 going on in Afghanistan to the best of my ability, using a
23 very knowledgeable and competent staff if I wish to do so.

24 I raised up hard, ladies and gentlemen, in poverty
25 myself. I worked for less than \$1.50 a day, about what the

1 average Afghan makes today in the year 2010. On the day
2 President Kennedy was buried, which was a no-school day for
3 me, my brother and I shoveled stuff out of a local farmer's
4 septic tank with a shovel for 75 center per hour for the two
5 of us. I know what it is to live in poverty, and I know
6 what it is to have an opportunity, and my country has given
7 me that, and by which I am pleased and very grateful.

8 I will do my best, Senator McCaskill and Senator Brown,
9 to measure up to your full expectations. I appreciate the
10 emphasis that you have placed on contracting in Afghanistan,
11 but I want also to say that the legislation that I am
12 carrying out has three dimensions. Contracts is not the
13 exclusive one, but I will agree with you that is where the
14 money is, and we should focus more on that. But I am also
15 tasked to look at the programs as well as the operations
16 that support this tremendous reconstruction effort. And I
17 promise you, Senators, that I will do so.

18 Thank you.

19 [The prepared statement of General Fields follows:]

1 Senator McCaskill. Thank you, General Fields.

2 General Fields, I certainly respect your life story and
3 what you have accomplished, and no one--I can speak, I
4 think, confidently for Senator Brown and every other United
5 States Senator. No one questions your commitment to the
6 United States of America. That is not the question here.
7 The question here is whether or not the important work of
8 the Inspector General in Afghanistan has been fulfilled and
9 completed, especially within the time frames that we are
10 working with because of the contingency operation.

11 You submitted 12 pages of written testimony for this
12 hearing. Less than one page of those 12 addressed the
13 serious deficiencies found in your peer review by other
14 Inspectors General trying to measure the work of your audit
15 agency against the standards that are required in the
16 Federal Government. You did say in your testimony that the
17 findings have helped you strengthen your organization and
18 that you have now made changes.

19 Let me talk about the law that you are operating under.
20 The law that you are operating under, I am sure you are
21 aware, requires a comprehensive audit plan. Are you aware
22 of that, General Fields, that the law requires a
23 comprehensive audit plan?

24 General Fields. Yes, I am.

25 Senator McCaskill. And when did you begin work on a

1 comprehensive audit plan?

2 General Fields. We began work on a comprehensive work
3 plan, Senator, when I published the very first report in
4 which it contained our work of how we planned to proceed
5 with this very new organization and oversight entity. In
6 that report delivered to this Congress on the--I am sorry.
7 In that report delivered to this Congress at the end of
8 October of 2008, I laid out exactly in general what we would
9 pursue, and I am pleased to say that at the top of that list
10 is, in fact, contracting. That was followed up with the
11 hiring of Mr. John Brummet as my principal auditor, someone
12 who--

13 Senator McCaskill. And when was that hire--when did
14 that hire occur?

15 General Fields. That hiring actually occurred the
16 first week of January of 2009. That is when Mr. Brummet
17 actually reported aboard. But we commenced the process of
18 bringing him aboard, of course, much earlier than that. And
19 then we--

20 Senator McCaskill. And you had been at the agency how
21 long when he actually joined the agency?

22 General Fields. I had been at the agency--

23 Senator McCaskill. Since July of 2008, correct?

24 General Fields. That is when I was sworn in, yes,
25 ma'am.

1 Senator McCaskill. Now, in the audit plan that the law
2 requires--and I am sure that--I hope the first thing you did
3 was to look at Public Law 110-181, 122, Statute 235, and
4 look at the statutory requirements of your job. That plan
5 that was required lays out that it must be consistent with
6 the requirements of subsection (h), which are the audit
7 requirements that the Congress placed on SIGAR. Are you
8 familiar with the audit requirements in subsection (h),
9 General?

10 General Fields. In general, yes, I am.

11 Senator McCaskill. Could you tell us what those
12 requirements are?

13 General Fields. That we would conduct thorough audits
14 of the spending associated with our contribution to
15 reconstruction in Afghanistan.

16 Senator McCaskill. I am not trying to play "gotcha"
17 here, General, but there are seven requirements in Section
18 (h), and I am going to lay them out for the record, and
19 after I do each one, I would like you to tell me if that has
20 been completed and, if so, when.

21 General Fields. Yes, ma'am.

22 Senator McCaskill. The first one is--these are the
23 things at a minimum you are required to examine as Special
24 Inspector General. The first one is the manner in which
25 contract requirements were developed and contracts or task

1 and delivery orders were awarded. Has that been done by
2 SIGAR? Have you examined contract requirements in
3 Afghanistan and contracts or task and delivery orders, how
4 they were awarded? Has your agency done that at this date?

5 General Fields. We have conducted several contract
6 audits. Each of those audits has addressed matters
7 associated with how contracts came about.

8 Senator McCaskill. How many contract audits have you
9 completed?

10 General Fields. We have completed about four contract
11 audits.

12 Senator McCaskill. And how long--you have done four
13 contract audits, but isn't it true that all of those have
14 occurred essentially in the last 12 months?

15 General Fields. That is correct.

16 Senator McCaskill. Number two, the manner in which the
17 Federal agency exercised control over the performance of
18 contractors. Have you done that audit work?

19 General Fields. We have examined in each of our audits
20 the extent to which controls have been in place to guard
21 against waste, fraud, and abuse of the American taxpayer's
22 dollar. In so doing, yes, ma'am, we have looked at those
23 matters as they related to contracts specifically in those
24 areas in which we have conducted focused contract audits of
25 specific initiatives for which funding is being available.

1 Senator McCaskill. All right. So the first
2 requirement dealt with contract requirements and task and
3 delivery orders. The second requirement, the manner of
4 control over contractors of the Federal Government.

5 Number three, the extent to which operational field
6 commanders were able to coordinate or direct the performance
7 of contractors in the area of combat operations. Has that
8 work been done?

9 General Fields. Senator, the very first audit that we
10 conducted was an audit being--a contract being supervised by
11 CSTC-A, which is responsible for the oversight of training
12 and equipping the Afghanistan security forces. That
13 contract is worth \$404 million to the American taxpayer.

14 Senator McCaskill. And how many audits have you done
15 that address the oversight of contractors by field
16 commanders

17 General Fields. Forty percent, Senator, of our audits
18 have either been direct audits or focused contract audits or
19 contract-related audits.

20 Senator McCaskill. I thought you said you had done
21 four audits on contracts.

22 General Fields. I said four audits because I was
23 referencing four focused contract audits, which were of
24 multi-million-dollar infrastructure initiatives specifically
25 associated with the stand-up of the Afghanistan security

1 forces. But I am also saying that we have looked at
2 contracts from the not so much focused contract in that it
3 did not necessarily address a specific infrastructure
4 initiative, but those audits addressed contracts in general
5 that relate to the stand-up of the Afghanistan security
6 forces and other initiatives in Afghanistan.

7 Senator McCaskill. Number four, the degree to which
8 contractor employees were properly screened, selected,
9 trained, and equipped for the functions to be performed. Is
10 there a report that you could point me to where I could get
11 reassurance that we are doing adequate selection, training,
12 equipping, and screening of contract personnel in
13 Afghanistan?

14 General Fields. Senator, the very first audit, once
15 again, that we published, the \$404 million contract, we
16 found in that audit that, first, the supervision of that
17 particular contract was inadequate whereby the actual
18 entity, the expert in contract was really living in Maryland
19 and not physically located on a permanent basis in
20 Afghanistan.

21 Senator McCaskill. How many contracts are operational
22 in Afghanistan right now?

23 General Fields. I do not know, Senator.

24 Senator McCaskill. Can you give me a ballpark?

25 General Fields. I know that there are, based on our

1 most recent audit, between 2007 and 2009 of all contracts
2 for which we could find information at that point in time
3 6,900 contracts, among which I am confident are a number of
4 the type that you just mentioned.

5 Senator McCaskill. Okay. So I have asked several
6 questions. In each one you referred to the same audit of
7 one contract. So of the six thousand--what did you say the
8 number was?

9 General Fields. 6,900, Senator.

10 Senator McCaskill. So we have almost 7,000 active
11 operational contracts, and there have been four audits
12 completed of those contracts?

13 General Fields. The 6,900 is a roll-up of contracts in
14 general regarding Afghanistan between the years 2007 and
15 2009. How many of those might be defined as operational
16 contracts, I do not know.

17 Senator McCaskill. But you do not have any reason to
18 believe that has gone down, do you?

19 General Fields. No, ma'am, I do not.

20 Senator McCaskill. In fact, it has probably gone up.

21 General Fields. Absolutely.

22 Senator McCaskill. Absolutely. All right. The next
23 one, the nature and extent of any incidents of misconduct or
24 unlawful activity by contractor employees. How many audits
25 have you done that would reassure the American people that

1 you have, in fact, looked for, found, or are confident there
2 is no unlawful activity by contractor employees?

3 General Fields. Senator, I would say that in each of
4 the 34 audits that we have conducted, those matters have
5 been of concern. But each of those 34 audits may not
6 necessarily have been directly related to a contract.

7 Senator McCaskill. How many findings have you issued
8 dealing with misconduct or unlawful activity by contractor
9 employees? How many findings in these audits?

10 General Fields. I do not think that we have identified
11 misconduct per se. We have identified issues that we have
12 given to our investigators for further follow-up. And I can
13 specifically--

14 Senator McCaskill. The last--I am sorry. Excuse me.

15 General Fields. Well, I am sorry, Senator.

16 Senator McCaskill. That is okay. Go ahead.

17 General Fields. I can specifically tell you of a
18 specific audit that we have conducted which started out as a
19 general audit of the Kabul Power Plant, an item worth \$300
20 million to the American taxpayer. And during the course of
21 that audit, we found anomalies that we felt were
22 investigatory in nature, so we tailored and shortened the
23 scope of our audit, and the rest of those matters were
24 turned over to our investigators, and they are still being
25 pursued.

1 Senator McCaskill. The remaining two requirements in
2 terms of audits that must be performed: The nature and
3 extent of any activity by contractor employees that was
4 inconsistent with the objections of operational field
5 commanders. And, finally, number seven, the extent to which
6 any incidents of misconduct or unlawful activity were
7 reported, documented, investigated, and prosecuted.

8 To what extent have you been able to produce a report
9 as to how much unlawful activity has actually been
10 investigated and prosecuted?

11 General Fields. I do not have an answer for that
12 question at this time, but I will assure the Senator that,
13 as we conduct our audit work and as we conduct our
14 investigations work, all of those matters are, in fact,
15 taken into consideration.

16 Senator McCaskill. Thank you, General.

17 Senator Brown?

18 Senator Brown. Thank you, Madam Chair.

19 General, thank you once again. I mirror Senator
20 McCaskill's kind words about your service. As someone who
21 is still serving, I greatly appreciate that service. And I
22 noted in your testimony how you had great concern for the
23 Afghan children and the needs of the people in Afghanistan,
24 and I understand that. I also have, however, great concern
25 about our soldiers, the men and women that are fighting, and

1 also the taxpayers who are providing that \$56 billion. It
2 does not grow on trees.

3 And that being said, I know you have been in the
4 position since July of 2008, and the last panel that you
5 heard noted serious deficiencies, management deficiencies
6 during their review.

7 Now that you have held the office for over 2 years,
8 what major course corrections are you currently taking to
9 rectify these serious deficiencies?

10 General Fields. Thank you, Senator. July 2008, that
11 was the month during which I was privileged to be sworn into
12 this position, but funding for SIGAR did not really come
13 until much later. That is why I pointed out that we did not
14 receive full funding for this organization until June of
15 2009. But--

16 Senator Brown. So noted, and that is a good point.
17 Thank you.

18 General Fields. Thank you, Senator. But in reference
19 to course corrections, one of the reasons I asked for the
20 CIGIE to come in early, about 2 years in advance of the time
21 which it normally would have as we anticipated, was to help
22 me set the course correctly for this organization. And I am
23 using the results of both the audit, the investigations, and
24 the so-called capstone review of SIGAR to help chart the
25 course. So I have put in place as of the 30th of September

1 of this year the recommendations and suggestions made by the
2 review team.

3 Senator Brown. And how have you done that? What
4 specifically as to--the biggest thing where I think Senator
5 McCaskill and I are concerned about, which is the money. I
6 mean, I know you have done some good reports and
7 investigations on other things that you have commented on,
8 which is policy issues relating to the ability for the
9 Afghan people to, you know, live and grow. But in terms of
10 the things that many taxpayers right now are concerned about
11 is the dollars. They are growing weary. They want to know
12 where their money is going. What actions, based on the
13 recommendations, do you have in place?

14 General Fields. Thank you, Senator. I am a taxpayer
15 as well, so I have as much interest, if not more in my
16 particular case, as the individual American taxpayer. We
17 are doing a better job of risk assessment. We found that to
18 be a weakness to which earlier attention in a much more
19 pointed way should have been turned. So we are improving
20 the means by which we determine where it is that we should
21 focus our effort.

22 Senator Brown. And where is that leading you now?

23 General Fields. Well, it is leading us to a greater
24 focus on contracts, because that is, in fact, where the
25 money is. But as the initial questioning by Madam Chairman,

1 we have to also address the front end of this reconstruction
2 effort. To what extent are the policies being put in place
3 by those who are implementing this \$56 billion?

4 Senator Brown. I understand that and I respect that
5 approach. But right now, now that you have kind of been put
6 on notice by everybody that, hey, we understand the policies
7 and all that stuff, but what specifically are you doing now
8 based on the recommendations that you have been given? What
9 are you specifically doing so I can tell the people back
10 home in Massachusetts and all of our viewers--I do not know
11 how many there are, but all the viewers we have--where are
12 you focusing? Give me some specific examples so I can
13 advocate and say, hey, he is kind of learning--you know, he
14 is learning and growing, he has taken a spot, he has gotten
15 the funding after a year of being sworn in. He has now been
16 given an independent requested audit. So give me some
17 specific examples as to what you--I do not want to beat a
18 dead horse here, but I need to know where exactly you are
19 focusing. Are you focusing, for example, on how the heck
20 Taliban is allegedly getting money from us taxpayers? Are
21 you focusing on that? Are you focusing on the bribes and
22 payoffs? Are you focusing on the fact that the Afghan army
23 is not--after the \$6-plus billion we have spent, is still
24 not up and running. I mean, where are you focusing exactly?

25 General Fields. Sir, we are focusing on several broad

1 areas, but at the top of that list happens to be
2 contracting. And--

3 Senator Brown. What specifically in contracting? What
4 area are you doing? Are you looking at bridges, roads,
5 power? What are you doing specifically? I know contracting
6 is so big. We heard we have 7,000 contracts or more.

7 General Fields. Yes, sir.

8 Senator Brown. Give me an area. Have you actually
9 initiated some investigations already?

10 General Fields. Sir, we have 89 investigations ongoing
11 as we speak.

12 Senator Brown. And where are they being focused?

13 General Fields. They are focused on fraud and theft.

14 Senator Brown. And based on that, what types of things
15 are you investigating? What examples could you give to me
16 and the American taxpayers of what you are seeing? What
17 made you go to that particular area versus another area?

18 General Fields. Because that is where we feel that the
19 vulnerability is for the American taxpayer's dollar.

20 Senator Brown. Based on what? Some tip-off? Some
21 prior types of contracts? I mean, why did you specifically
22 want to go for that area?

23 General Fields. Based on all of the above, sir.

24 Senator Brown. Okay. Can you share your thoughts
25 about how we can strategically deal with this very complex

1 challenge in that you in your testimony you stated your
2 concern about the role and cost of private security
3 contractors, specifically as it relates to fueling
4 corruption and financing insurgents, as I said, or
5 strengthening criminal networks? What tangible actions are
6 required to try to defer this corruption? What can you tell
7 me about that?

8 General Fields. Sir, I believe that the fight against
9 corruption must take place on several levels and many
10 dimensions, the first of which we need to give consideration
11 to what it is that we are doing in support of the
12 reconstruction effort and the Government of Afghanistan. We
13 are conducting a reconstruction effort in three broad areas:
14 security, governance, and development. And each of those we
15 feel needs to be addressed.

16 We are devoting and have devoted \$29 billion to
17 security in Afghanistan itself, the stand-up of the Afghan
18 security forces, the police and the army. We have devoted
19 \$16 billion to governance and development, and therein lies
20 the vulnerability of the American taxpayer's dollar.

21 So we are pursuing audits and investigations that will
22 help mitigate the potential for the American taxpayer dollar
23 to be wasted, frauded, or abused.

24 Senator Brown. I know you are getting \$46 million to
25 complete your mission. That is a lot of money. And I noted

1 here on the chart that Senator Coburn referenced, you have
2 basically identified in terms of fraud, waste, and abuse of
3 about \$8 million. So 46 you have been given, \$8 million in
4 the time frame. Can you tell me and us why there has not
5 been more of kind of a collection on that fraud, waste, and
6 abuse up to this point?

7 General Fields. Sir, a contributing factor is the slow
8 start that this organization had in standing up, a part of
9 which I am inclined to attribute to the lack of funding--

10 Senator Brown. Listen, I am going to give you that one
11 because that is something that I would note. You are sworn
12 in, you get the funding, you get the funding, you got to get
13 it up, you got to get it running. So let us just take in
14 the last 9 months, for example, have you had any success
15 that you want to share with us?

16 General Fields. I feel that we have had some
17 successes. We have--

18 Senator Brown. Hard-dollar success?

19 General Fields. Hard dollars, \$6 million that we have
20 reported in our most recent report. We have an ongoing
21 forensic audit of \$37 billion looking at over 73,000
22 transactions from which we intend to be vectored towards
23 crime or potential crime. And we are moving in that
24 direction, so we are using forensics as a means by which to
25 fairly quickly identify the vulnerabilities, and then we are

1 structuring audits and our investigations accordingly.

2 Senator Brown. One final, and then I will turn it
3 back. In your latest SIGAR quarterly report, on page 6, it
4 mentions that Afghan private security contractor--I think it
5 is Watan Risk Management--has been suspended and debarred
6 after it was found funneling large sums of money to
7 insurgents.

8 Now, I have met with General Petraeus on many occasions
9 concerning our Afghan policy, and I agree with him that we
10 must be better buyers and buy from better people.

11 What oversight actions are you taking through your
12 audits and investigations to prioritize General Petraeus'
13 directive that those funds will be given to better people
14 and not to our enemies?

15 General Fields. Well, first, I applaud General
16 Petraeus and the initiatives that he has taken to address
17 this issue of corruption. The stand-up of Task Force 21 is
18 one of those very significant initiatives. We are working
19 very closely with Task Force 2010. We are also working with
20 the International Contract Corruption Task Force in order to
21 harness the investigatory initiatives of the Federal
22 agencies so that we can bring our wherewithal very quickly
23 to bear upon finding folks who are bilking the American
24 taxpayer out of money.

25 Senator Brown. Okay. Thank you, Madam Chair. Thank

1 you, General.

2 Senator McCaskill. General Fields, in your testimony
3 to me a few minutes ago, you referred to the CSTC-A audit.
4 The CSTC-A audit, the first audit you did.

5 General Fields. Yes, ma'am.

6 Senator McCaskill. Is that correct? That was the
7 first audit?

8 General Fields. That is correct.

9 Senator McCaskill. And do you recall how long that
10 audit was, how many pages?

11 General Fields. I do not recall how many pages, but I
12 am pretty sure it was not a very large audit, Senator.

13 Senator McCaskill. Does 12 pages sound right?

14 General Fields. That may be about right, the summary
15 of that audit, yes, ma'am.

16 Senator McCaskill. And how many pages in that audit
17 actually contained the audit work?

18 General Fields. I would have to review that audit
19 because it--

20 Senator McCaskill. Would four pages sound correct?

21 General Fields. Maybe, Senator.

22 Senator McCaskill. Okay. And the other audit you
23 referred to in the previous testimony was the audit on the
24 Kabul Power Plant?

25 General Fields. That is correct.

1 Senator McCaskill. And had not a very similar audit
2 been done by USAID exactly one year prior to the time that
3 you did that audit?

4 General Fields. That is correct.

5 Senator McCaskill. And let us talk about the funding
6 of your agency. USAID did a very similar audit to the one
7 that you did one year prior on the Kabul Power Plant. Do
8 you know what the funding for USAID has been in terms of
9 their Inspector General work in Afghanistan over the last--I
10 do not know how many--5, 6 years? Do you know what their
11 total funding has been?

12 General Fields. Funding for USAID in terms of its
13 operations in Afghanistan? I do not know.

14 Senator McCaskill. \$10 million. And do you see what
15 they have recovered for a \$10 million taxpayer investment?
16 \$149 million. And you have received \$46 million. Is that
17 correct, General?

18 General Fields. \$46.2 million, to be exact, Senator.

19 Senator McCaskill. And you all have recovered \$8.2
20 million?

21 General Fields. At this point in time, yes.

22 Senator McCaskill. Can you understand as an auditor,
23 as I look at those numbers, it is very hard for me to
24 reconcile the notion that a lack of funding has been your
25 problem?

1 General Fields. Senator, the recoveries that we have
2 thus far experienced are small, but the full measure of the
3 outcome of audits and investigations that are underway are--
4 that full measure has not thus far been determined, and our
5 forthcoming numbers will be much larger than the numbers
6 that we submitted to the CIGIE in their roll-up of work that
7 the Federal community in general, Federal IGs in general had
8 done for 2009.

9 Senator McCaskill. Let us talk about contracting. You
10 know, one of the things that is very important is how audit
11 agencies contract because your job is to oversee contracts.
12 And your job is to determine if there are contracts that are
13 not needed, put to better use, and out of the \$46 million
14 that you have received, how much money are you spending to
15 Deloitte & Touche just to prepare your reports for Congress?

16 General Fields. That contract, Senator, started out at
17 \$3.7 million at a time when we had a paucity of people to do
18 the very specific type of work for which we have contracted
19 Deloitte & Touche to help us. The intent of that
20 arrangement was to facilitate the gaps in our own personnel
21 and the skill sets that were needed at that point in time.
22 And over a period of time, we would commensurately reduce
23 that contract as we were able to bring that particular level
24 of talent aboard in SIGAR.

25 Senator McCaskill. Okay.

1 General Fields. And we are doing that, Senator.

2 Senator McCaskill. All right. You spent \$3.7 million
3 in the base year on Deloitte & Touche and \$2.7 million this
4 year for Deloitte & Touche, and their only function is to
5 produce reports to Congress, correct?

6 General Fields. Deloitte provides also assistance to
7 us in database management. That is one aspect of it. But
8 they principally assist SIGAR in putting together the
9 reports that we do submit to Congress, which is a very
10 detailed report, a very important report, and we feel that
11 the extent to which we have gone to ensure that that report
12 is put together correctly and is presentable to this
13 Congress is commensurate with the money that we have
14 invested in Deloitte & Touche to do so.

15 Senator McCaskill. So just because I want to clarify
16 this, because I will tell you, candidly, I do not want to
17 lay out my fellow Members of Congress here, but an
18 investment of that kind of money in a report to Congress
19 when there is the kind of audit work that needs to be done,
20 and when you are using the lack of funding as one of the
21 rationales because of why more audit work has not been done
22 and why it has taken so long for audits to really be
23 performed or produced in a manner commensurate with the size
24 of your agency, let us compare here. The contract total to
25 Deloitte & Touche is \$6.6 million, and the total amount of

1 funding to AIDIG is \$10 million. And for that \$10 million,
2 we got \$149 million back. Meanwhile, with the \$6.6 million
3 to Deloitte & Touche, all we have gotten is a shiny report
4 and pretty pictures for Members of Congress, most of which
5 will never see it.

6 Do you understand why that causes one pause about
7 whether or not that is a strong leadership decision, General
8 Fields?

9 General Fields. Senator, we have been told by Members
10 of this very Congress that they appreciate the report that
11 we provide for them. Similarly, the Federal community
12 elsewhere have told us that they appreciate the detail and
13 the correctness of the reports that we produce.

14 Senator McCaskill. And let us talk about the contract
15 with Joseph Schmitz. Now, you have an audit, and it is
16 completed, your peer review, and it is not good. And, in
17 fact, for only the second time in 50 peer reviews you have
18 been recommended to lose your law enforcement capability in
19 an arena where desperately needed law enforcement capability
20 is absolutely essential. You have had this audit, and after
21 the audit is done, you hire someone, it is my understanding,
22 to help you monitor compliance with the audit
23 recommendations. Is that a fair characterization of what
24 your contract with Joseph Schmitz was supposed to represent?

25 General Fields. That is a fairly fair

1 characterization, Senator. But we hired this independent
2 monitor commensurate with a plan of action and milestones
3 that I put in place in response to the results of the CIGIE
4 in order to move SIGAR quickly along to putting in place the
5 corrective action that had been identified for us. I set
6 that date at 30 September of this year, and we are a better
7 organization because we had this external agency to come in
8 and provide us this particular expertise during that period.

9 Senator McCaskill. And this was a no-bid contract.

10 General Fields. It was a sole-source contract for
11 which we made a request.

12 Senator McCaskill. That is a no-bid contract, sole-
13 source. Correct.

14 General Fields. That is correct.

15 Senator McCaskill. Okay. And what you said is you
16 needed the immediate establishment of an independent monitor
17 to independently validate and verify agency actions and
18 compliance in response to issues contained in the CIGIE
19 letter of July 15, 2010, to the Attorney General of the
20 United States. Is that correct? That is what you--

21 General Fields. Senator, we wanted to--

22 Senator McCaskill. That is the document that--the
23 information in the document for the justification and
24 approval of a no-bid contract.

25 General Fields. Senator, we wanted to quickly correct

1 the areas of concern pointed out by the peer eval. We did
2 not wish to lose or put in jeopardy any further the
3 authorities for criminal investigations that had been
4 provided to me by way of the Department of Justice. And we
5 felt that this entity would provide that independent look at
6 us, and we felt that that would help mitigate any concerns
7 that this Congress and the overseers on Capitol Hill of
8 SIGAR might have as well as to reassure anyone else who
9 might be interested in the outcome of that peer eval.

10 Senator McCaskill. Well, isn't CIGIE back doing an
11 independent monitor of whether or not you have complied with
12 the audit now?

13 General Fields. Please repeat the question, Senator.

14 Senator McCaskill. Isn't CIGIE looking now to see if
15 you have complied with the audit? Aren't they the
16 independent body you are looking for in terms of seeing if
17 you have, in fact, corrected the deficiencies?

18 General Fields. CIGIE is now looking at the audit
19 piece, but the investigation piece has yet to get underway.
20 But, nonetheless, I have made requests that they come back
21 in.

22 Senator McCaskill. Okay. And so Army Contracting
23 Command who awarded the contract on behalf of SIGAR said
24 this contract was sole-source because there was only one
25 person, Mr. Schmitz, who was available and qualified. Did

1 you reach out to any other retired IGs if you were going to
2 hire someone else to come in and tell you whether or not you
3 were complying with the audit?

4 General Fields. Not at that time, Senator.

5 Senator McCaskill. Did you ask for suggestions from
6 Mr. Rymer or, more importantly, Mr. Moore?

7 General Fields. No, we did not.

8 Senator McCaskill. And did you talk to them about
9 using Mr. Schmitz?

10 General Fields. Did I what?

11 Senator McCaskill. Did you talk to Mr. Moore and his
12 team, the group of independent peer review auditors that
13 looked at your process and quality control in criminal
14 investigations, did you discuss Mr. Schmitz with them, about
15 hiring Mr. Schmitz?

16 General Fields. No, I did not.

17 Senator McCaskill. All right.

18 General Fields. Someone may have done so on my behalf,
19 but I did not personally.

20 Senator McCaskill. When my staff spoke with your staff
21 in September, your staff said they had expected Mr. Schmitz
22 would be entering into a subcontract with Louis Freeh, the
23 former Director of the FBI, who also works with Mr. Schmitz,
24 on the independent monitor team for DaimlerChrysler. Or
25 Daimler now, I guess. SIGAR officials stated they believed

1 that Mr. Freeh would "be intimately involved" in the
2 outreach to Attorney General Holder. Was that your
3 understanding?

4 General Fields. That is not necessarily my
5 understanding, and I cannot account for what folks may have
6 communicated to your staff or to anyone else. My intent,
7 Senator, was to bring aboard an independent entity to
8 provide the oversight of the plan of action that we were
9 putting in place to move this effort quickly along so that
10 we could come into compliance with the Department of Justice
11 regulations.

12 Senator McCaskill. Did you expect that Mr. Freeh was
13 going to be working on this contract, General Fields?

14 General Fields. I did at the onset, yes, ma'am. I had
15 confidence--

16 Senator McCaskill. And what was Mr. Freeh's function
17 as it related to what you expected him to do? A reach-out
18 to General Holder?

19 General Fields. No, ma'am. I did not expect anyone to
20 reach out per se. I expected the oversight being provided
21 by this entity to help SIGAR and the Inspector General
22 correct the issues that had been pointed out.

23 Senator McCaskill. Well, your staff said to us that
24 Mr. Freeh would be intimately involved in an outreach to
25 General Holder. You understand what this looks like, don't

1 you?

2 General Fields. I would ask that the Senator explain
3 what you are referring to.

4 Senator McCaskill. It looks like that you all went out
5 and found somebody who could get to Louis Freeh, who could
6 get to Attorney General Holder, and make sure you did not
7 lose your ability to exercise law enforcement functions. It
8 looked like you were trying to hire someone to help
9 influence the Attorney General of the United States as
10 opposed to fixing the problem and then having the same
11 independent audit group come back and certify that you had
12 fixed the problem.

13 General Fields. Senator, I as Inspector General had
14 confidence in Mr. Freeh because he is a former Director of
15 the FBI, because he is a former judge, and because, as I
16 learned along the way, Mr. Schmitz was associated with his
17 firm, and in which I had confidence because of Mr. Freeh's
18 contribution already to this Government and also Mr.
19 Schmitz's contribution to the Government in a role that I
20 was playing at that time. That was my line of thinking. It
21 had nothing to do, Senator, with any other potential
22 influence in reference to the Attorney General. I wanted to
23 correct the issues that had been pointed out to me by the
24 peer eval., and that was my only objective.

25 Senator McCaskill. It is my understanding that Mr.

1 Moore's team--this contract was worth \$100,000, correct, to
2 Mr. Schmitz? He got a hundred grand?

3 General Fields. No, Senator. The contract was worth
4 \$95,000.

5 Senator McCaskill. Excuse me. The contract was worth
6 \$95,000. And how many days did Mr. Schmitz work on this for
7 \$95,000?

8 General Fields. He was with SIGAR for approximately 2
9 months.

10 Senator McCaskill. So 60 days and he got \$95,000.

11 General Fields. That is correct, and--

12 Senator McCaskill. About \$45,00 a month.

13 General Fields. Senator, we followed the rules in
14 engaging in this contract. We utilized the Contract Center
15 of Excellence in Washington that many other entities use,
16 and the \$95,000 was the fair market value for the specific
17 work that we were requesting that this--

18 Senator McCaskill. With all due respect, General, I
19 got to tell you the truth. You are supposed to be finding
20 ways to save the American taxpayers' dollars, and, please, I
21 do not think it is a good idea to say that it was fair
22 market value to pay somebody \$45,000 a month to try to fix a
23 problem in your investigations unit to the satisfaction of
24 the Attorney General. Isn't it true that Mr. Moore is going
25 to complete the work in just a few days and it is not going

1 to cost anything in terms of determining whether or not you
2 now have the proper procedures in place to do law
3 enforcement work as the Special Inspector General of
4 Afghanistan?

5 General Fields. Senator, I believe that the decision
6 that I made at that point in time was a good decision. I
7 did not anticipate all of the scrutiny that this particular
8 initiative has received since that decision. Had I had an
9 opportunity--if I had an opportunity to do it all over
10 again, I probably would have made a different decision.

11 Senator McCaskill. That is good news. That is good
12 news, General.

13 Senator Brown?

14 Senator Brown. Thank you. I just have a couple of
15 questions.

16 In fiscal year 2011, General, you are slated to get
17 \$16.2 billion. If approved, how will that money be tracked
18 and how will it be measured? And what expected return on
19 the investment would you expect the taxpayer to get?

20 General Fields. Senator, we would expect that the full
21 measure of the \$16.2 billion, which is primarily designed
22 for training and equipping of the Afghanistan security
23 forces, we expect that the full measure of the taxpayers'
24 investment in terms of a return will be achieved. To that
25 end, we have asked for additional funding for SIGAR so that

1 we can increase the numbers in our staff so that we can
2 provide the coverage and oversight necessary to ensure the
3 American taxpayer that that money is completely used for the
4 purposes for which made available.

5 Senator Brown. So when you say "full measure," what
6 does that mean exactly in laymen's terms, "full measure"?

7 General Fields. Well--

8 Senator Brown. I know there is some military in there.
9 I get it. So just tell--when you say you expect to get the
10 "full measure," what does that mean exactly?

11 General Fields. Well, "full measure" means, sir, that
12 the \$16.2 billion was requested for specific initiatives
13 associated with the stand-up of the Afghanistan security
14 forces. So the full measure means that that \$16.2 billion
15 would be exclusively used for that purpose without waste,
16 fraud, and abuse. That is what I am referring to, Senator.

17 Senator Brown. I see there is 25--if I am reading this
18 correctly--well, how much are you going to spend in
19 personnel compensation? Do you have any idea?

20 General Fields. Personnel compensation, not unlike the
21 rest of the Federal community, is high, and our personnel
22 compensation is, I believe, commensurate with my SIGIR
23 counterpart. Our staff who work in Afghanistan by way of a
24 compensation package approved by this Congress receives 70
25 percent in addition to their regular pay for danger pay and

1 location pay. We have to pay that, Senator. SIGAR is an
2 independent agency. I must pay as we go for everything that
3 we receive, personnel and otherwise. The cost is very high,
4 but we are also a temporary organization, Senator, so when
5 we bring people aboard, they know that. And we bring people
6 aboard for 13 months. It is not like a standing and
7 statutory Federal agency and the Inspectors General thereof.

8 We are also competing in a market where 70 other
9 Inspectors General in this city are looking for auditors and
10 investigators, and we have to compete in that regard with
11 their compensation in order to bring aboard the level of
12 talent that we need.

13 I wish it were cheaper, Senator. I certainly do.

14 Senator Brown. So, General, let me just finish with
15 this. Then I am going to move on, either to turn it back or
16 we are going to go on to the next panel. You know where I
17 would like you to focus? I just want you to follow the
18 money. I just want you to find out where the money is going
19 and zero in on the Taliban issue, why and how they are
20 getting any of our monies, number one. I want to know if
21 there are any bribes and payoffs and criminal activity going
22 on where the money should not be going. If there are people
23 that are doing it, then, you know, what are we going to do
24 to stop it and plug that leak? You know, and I understand--
25 but not for you telling me, I would have overlooked the fact

1 that you got appointed and then there was a transitional
2 period. So I get that. But now that you have done all the-
3 -you know, women in elections and all the policy stuff and
4 you have focused there, I think the message from me and
5 Senator McCaskill and the folks that did your independent
6 audit--and I commend you for reaching out and doing that.
7 Either it was a CYA situation or you seriously wanted to
8 actually get there and get some guidance, because maybe it
9 was new or maybe there was not any guidance. But they have
10 given you the guidance. I think we are giving you some
11 guidance. Please protect our money. Find a way to bring
12 that number up so that we can feel confident that the
13 millions we are giving you, we are getting millions in
14 return. At least make it a wash. That is my only message.

15 I have nothing further. Thank you.

16 Senator McCaskill. Let me clean up a couple of things.
17 I do not have a lot of other questions. But, in fact, Louis
18 Freeh never was engaged or declined to participate in any
19 way in this contract. Correct, General Fields?

20 General Fields. That is correct, Senator, as far as I
21 know. What assistance Mr. Freeh may have given Mr. Schmitz
22 of which I am not aware, then I am not able to comment on
23 that, Senator.

24 Senator McCaskill. And I have not gone into any of the
25 issues surrounding Mr. Schmitz in his previous tenure at the

1 Department of Defense. But were you aware at the time that
2 you hired him that there had been some controversy
3 concerning his previous tenure as a Department of Defense
4 Inspector General?

5 General Fields. Senator, I was completely unaware of
6 any--

7 Senator McCaskill. But that would have been a vet that
8 you might have done, maybe just a basic Google search for
9 his name that would have revealed that there was, in fact,
10 some questions that were asked, so you would have had a
11 chance to ask him before you hired him and be clear that
12 there were not any problems associated with him?

13 General Fields. Senator, our initial initiative really
14 was to engage the Louis Freeh group of which Mr. Schmitz, to
15 our understanding, was a part.

16 Senator McCaskill. So now you have said that the
17 reason for hiring him was to get to Louis Freeh, to engage
18 Louis Freeh.

19 General Fields. Not necessarily, Senator. The reason
20 for hiring any of these entities was to help bring the
21 talent and expertise that we needed at that point in time to
22 address the issues in SIGAR, and we--

23 Senator McCaskill. You just said--I said why didn't
24 you vet him, and you said because we were hiring him to get
25 to Louis Freeh. You just said that in your testimony. We

1 can read it back.

2 General Fields. No, Senator, I did not say that I was
3 hiring anybody to get to Louis Freeh.

4 Senator McCaskill. Okay. Then let us start again.
5 Why did you not vet Mr. Schmitz before you hired him?

6 General Fields. I personally had no cause to do so.

7 Senator McCaskill. Okay.

8 General Fields. And these matters, Senator, were being
9 handled by way of my contracting officer and by way of the
10 CCE.

11 Senator McCaskill. So--

12 General Fields. I did not have any reason to doubt the
13 integrity and so forth of Mr. Schmitz, and as I understand
14 it, the issues of which he may have been accused during his
15 tenure as Inspector General--and this is information I have
16 found out subsequent to the Senator having raised questions
17 about my decision in hiring this particular contractor. But
18 as I understand it, the issues that were brought up
19 concerning Mr. Schmitz were not corroborated in the final
20 analysis.

21 Senator McCaskill. You understand that the reason that
22 this even has come up about Mr. Schmitz is in preparation
23 for this hearing, we did basic investigatory work that SIGAR
24 should be doing. And when we did basic investigatory work,
25 we found that Senator Grassley had a lot of questions about

1 Mr. Schmitz when he was Inspector General at DOD. And I am
2 not saying whether Senator Grassley was right or wrong. I
3 am saying it is very troubling that you would not be aware
4 of those questions before paying someone the amount of
5 \$450,000 a year to do work for the Federal Government,
6 General Fields. That is what I am getting at, that this--an
7 audit agency is careful about who they hire and whether or
8 not there is any appearance or problem. And I am not saying
9 there is a problem, but the fact that you did not even know
10 that there might be one is what I am trying to bring to your
11 attention.

12 Did Mr. Schmitz ever go to Afghanistan?

13 General Fields. Not under the contract involving
14 SIGAR, to my knowledge. There was--

15 Senator McCaskill. So the pay for him that you claim
16 is market value, the \$45,000 a month, did not involve any
17 high risk on Mr. Schmitz's part, other than calling Louis
18 Freeh's office?

19 General Fields. Potentially--correct, as far as I
20 know, Senator.

21 Senator McCaskill. All right.

22 General Fields. But let me also say, Senator, begging
23 the Senator's pardon, that Mr. Schmitz is a registered
24 Government contractor as far--is registered to contract with
25 the Government of the United States as far as I understand.

1 Senator McCaskill. I understand, General, but I think
2 the point I am trying to make here is your job is to oversee
3 contracting. Your job is to set the gold standard on
4 contracting. So you do a sole-source contract, no bid; you
5 immediately hire someone. Clearly there was not even a vet
6 done that brought to your attention that there were
7 questions you need to ask him about his previous service as
8 an Inspector General. That is the point I am making,
9 General Fields. That is the point I am making.

10 Have you ever done or worked with an audit agency
11 before you were given this job? Had you ever done any audit
12 work or been around any auditors before you were given this
13 job?

14 General Fields. Yes, Senator, I have been.

15 Senator McCaskill. Okay. Tell me in what capacity you
16 had worked with auditors prior to taking this job.

17 General Fields. I worked with auditors in conjunction
18 with my support to the Iraq Management and Reconstruction
19 Office, or IRMO. This was indirect work associated with
20 reconstruction and support of Iraq.

21 Senator McCaskill. And what audit agencies did you
22 work with, General?

23 General Fields. I did not specifically work with an
24 audit agency per se, but as the chief of staff of IRMO, my
25 work covered multiple dimensions of reconstruction in Iraq.

1 Prior to that, Senator, I served as the Inspector General
2 for United States Central Command. I did that work for 2
3 years, and that work involved some degree of oversight
4 involving audit-type work, but not necessarily the
5 professional auditors by which SIGAR is currently
6 characterized.

7 Senator McCaskill. Right. And, in fact, this is
8 something that the public is not aware of, that there is a
9 vast difference between Inspectors General within the active
10 military and Inspectors General within the Federal
11 Government. Correct, General Fields?

12 General Fields. I would say that is correct.

13 Senator McCaskill. Inspectors General in the active
14 military report to the commander and are there as the eyes
15 and ears of the commander. They have no duty whatsoever to
16 report to the public or to the Congress or to perform an
17 independent function in terms of monitoring taxpayer
18 dollars. Correct?

19 General Fields. Those Inspectors General are guided by
20 the basic intent, no less, of the Inspector General Act of
21 1978 by which I and other Federal Inspectors General are
22 guided as well, Senator.

23 Senator McCaskill. Well, I understand. I was just
24 shocked when I went to Iraq on my first contract oversight
25 trip, and I am sitting with Inspectors General, and I did

1 not realize we had two varieties that were vastly different
2 in the Federal Government. In fact, I wish they were not
3 called the same thing. I wanted to rename the military
4 Inspectors General another name, and then the military
5 informed me they had the name first. So it got a little
6 tricky. But these are not the same functions, and they do
7 not do the same work.

8 I guess the reason I ask this question, General, is,
9 you know, the first thing you do if you head an audit agency
10 is to figure out where the risk is and do a risk assessment
11 and do a tier analysis as to what tier is the top tier of
12 work that you should do where the highest risk is. Then you
13 go down and then you do your audit plan determining how much
14 resources you have and how you can get to the most risk.

15 General Fields. Yes, Senator.

16 Senator McCaskill. At what point in time was a risk
17 assessment completed at SIGAR?

18 General Fields. I will go back, Senator, to what I
19 said earlier. We conducted a risk assessment which was
20 published in our 2008 report to Congress. That risk
21 assessment was made up of several elements. It may not look
22 like a risk assessment as the Senator might--

23 Senator McCaskill. It is not a Yellow Book risk
24 assessment, is it, General Fields?

25 General Fields. Say again, Senator?

1 Senator McCaskill. It is not a Yellow Book risk
2 assessment.

3 General Fields. It would not be a Yellow Book
4 assessment per se, but it would certainly contain the
5 elements relevant to any risk assessment when it comes to
6 oversight of money.

7 Senator McCaskill. Did the auditors working for you at
8 that time tell you that that was sufficient in terms of a
9 Yellow Book risk assessment?

10 General Fields. I had no auditors at that time,
11 Senator, because we completed that assessment in conjunction
12 with our October report to Congress before I was privileged
13 to hire my first auditor.

14 Senator McCaskill. So you are saying that you
15 performed what you would consider a professional risk
16 assessment of a major responsibility in terms of audit
17 function without any auditors?

18 General Fields. I performed that assessment, Senator,
19 with intelligent folks, and I feel that--this is not--I do
20 not feel that this is necessarily rocket science in order to
21 determine what needs to be done, Senator.

22 Senator McCaskill. Well, you know, I got to tell you
23 the truth. Once again, I do not mean to be cruel. I do not
24 mean to--this is not fun for me either. It is very
25 uncomfortable to say that I do not think that you are the

1 right person for this job, General Fields. But I do not
2 think you are the right person for this job--

3 [Interruption by protester.]

4 Senator McCaskill. Please, no. That is very
5 inappropriate. Please leave the room. Please.

6 The risk assessment, the reason that you had the
7 findings from peer review was because you fell short of the
8 professional standards that are demanded in the world of
9 auditing. And I am not saying the people that worked for
10 you were not intelligent. I am not saying you are not
11 intelligent. I am not saying that you are not a hero, sir.
12 I am saying this is too important a Government function to
13 not have the very highest level of experience,
14 qualifications, and expertise leading this kind of audit
15 agency.

16 I have no other questions for you. We will keep this
17 record open. If there is anything that I have said in this
18 hearing that you believe is unfair, if there is any
19 information that you want to bring to our attention, we will
20 keep the record of the hearing open. And I can assure you I
21 will look at all of it with the eye of an auditor and
22 examine it and make sure that our final record in this
23 hearing is fair and balanced. And we are happy to include
24 anything else that you would like to include, and I thank
25 you very much for all of your service to America.

1 Senator Brown. Madam Chair, if I may--

2 Senator McCaskill. Oh, I am sorry.

3 Senator Brown. Thank you, General. I want to thank
4 you for your service as well, and I appreciate your
5 forthright answers. Thank you.

6 Senator McCaskill. Thank you, sir.

7 General Fields. Thank you, Senators.

8 Senator McCaskill. And we will now take the third
9 panel. Thank you all for being here. Let me introduce this
10 panel.

11 Gordon Heddell has served as the Inspector General for
12 the Department of Defense since July of 2009. He was Acting
13 Inspector General from 2008 to 2009. Prior to joining the
14 DOD IG, Mr. Heddell served as the Inspector General for the
15 Department of Labor.

16 Harold Geisel has served as the Deputy Inspector
17 General for the State Department since June 2008. He has
18 more than 25 years of experience with the State Department
19 and previously served as the Acting Inspector General in
20 1994.

21 Michael G. Carroll has served as the Deputy Inspector
22 General for the U.S. Agency for International Development,
23 USAID, since February 2006. Mr. Carroll is a member of the
24 Senior Executive Service with more than 26 years of
25 Government service. Prior to his appointment, Mr. Carroll

1 served as the Director of Administration for the Bureau of
2 Industry and Security in the Department of Commerce.

3 Stuart Bowen--and I understand you are not feeling well
4 today, Mr. Bowen. Thank you for arriving and try not to
5 breathe on Mr. Carroll.

6 [Laughter.]

7 Senator McCaskill. Mr. Bowen has served as Special
8 Inspector General for Iraq Reconstruction since October of
9 2004. Mr. Bowen served President George W. Bush as Deputy
10 Assistant to the President, Deputy Staff Secretary, Special
11 Assistant to the President, and Associate Counsel. Mr.
12 Bowen also spent 4 years on active duty as an intelligence
13 officer in the U.S. Air Force, achieving the rank of
14 captain.

15 Thank you all for your service to our Government, and
16 obviously this is a four-person panel and it is our third
17 panel. I will stay here all night. You know this is what I
18 enjoy; this is the stuff I enjoy. But I do not want to
19 prolong the hearing for any of you any longer than
20 necessary. So feel free to make any testimony you would
21 like as long as it is less than 5 minutes. If you want to
22 do less than that, that is fine. If you want to just stand
23 for questions, that is fine, too. But I am anxious to hear
24 from all of you.

25 Mr. Heddell.

1 TESTIMONY OF THE HONORABLE GORDON S. HEDDELL,
2 INSPECTOR GENERAL U.S. DEPARTMENT OF DEFENSE

3 Mr. Heddell. Thank you, Chairman McCaskill, Ranking
4 Member Brown, and distinguished members of this
5 Subcommittee. Thank you for the opportunity to appear
6 before you this afternoon to discuss our oversight efforts
7 in Afghanistan and throughout the region.

8 Effective, meaningful, and timely oversight of U.S.
9 contingency operations in Southwest Asia is critical to our
10 success in Afghanistan. I would like to focus on one of the
11 fundamental reasons behind our success: the effective and
12 efficient coordination of the audit, inspection, and
13 investigative assets of the many agencies in the region.
14 This cooperation has not only maximized our ability to
15 complete our mission, but has reduced the amount of impact
16 our presence has had on the commands in theater to complete
17 their mission. Due to the complexity of contingency
18 operations and the involvement of multiple Federal agencies,
19 interagency coordination is essential to identifying whether
20 critical gaps exist in oversight efforts and recommending
21 actions to address those gaps.

22 I appointed Mickey McDermott as the Special Deputy
23 Inspector General for Southwest Asia in November of 2009.
24 His role is to ensure effective coordination within the
25 defense and Federal oversight community. Mr. McDermott

1 reports directly to me and coordinates and de-conflicts
2 oversight efforts within Southwest Asia. He is forward-
3 deployed on a 2-year assignment and over the past year has
4 worked with the oversight community, Department of Defense
5 leadership, and the supporting commands to improve
6 communications and identify oversight requirements.

7 Mr. McDermott also serves as the chairperson of the
8 Southwest Asia Joint Planning Group, which develops the
9 Comprehensive Oversight Plan for Southwest Asia. The Joint
10 Planning Group is developing a comprehensive strategy for
11 the oversight of the training, equipping, and mentoring of
12 the Afghanistan National Security Forces and has plans to
13 develop a comprehensive strategy for the oversight of
14 contingency contracting in Afghanistan. In May 2009, the
15 Joint Planning Group established a sub-group to coordinate
16 audit and inspection work in Afghanistan and Pakistan.

17 In addition to the Joint Planning Group, we participate
18 in the U.S. Forces-Afghanistan oversight Shura. This forum
19 provides another opportunity for each of the oversight
20 community in-country representatives to update the
21 supporting commands on the status of their current and
22 planned projects. We also collaborate on criminal
23 investigations in Afghanistan. The Defense Criminal
24 Investigative Service maintains a close working relationship
25 with the International Contract Corruption Task Force and is

1 a member of the Task Force 2010. We have learned from our
2 experiences in Iraq that maintaining an in-theater presence
3 is essential to providing effective oversight in an overseas
4 contingency environment.

5 Additionally, one of the most important lessons we have
6 learned is the value of having the Special Deputy Inspector
7 General as our single point of contact in the region for
8 coordinating oversight efforts and to ensure effective
9 communication with senior leaders in the theater. This is
10 key for minimizing the impact on the daily operation of the
11 activities we visit, and it provides those activities a
12 single point of contact.

13 Another important lesson learned is that contracting in
14 a contingency environment presents many challenges. In May
15 2010, we summarized our experiences in the report--and I
16 have it here--titled "Contingency Contracting: A Framework
17 for Reform." This report identifies key systemic
18 contingency contracting issues as well as actions that need
19 to be taken to correct these issues for future contracting.
20 By compiling this data and summarizing our findings, we were
21 able to provide a useful tool for operators on the ground to
22 improve their operations by avoiding past mistakes.

23 In closing, I would like to thank the Subcommittee for
24 the opportunity to discuss our work in Afghanistan, and I
25 look forward to continuing our strong working relationship

1 with the Congress, the Department, and with all oversight
2 agencies in Southwest Asia. Thank you.

3 [The prepared statement of Mr. Heddell follows:]

1 Senator McCaskill. Mr. Geisel?

1 TESTIMONY OF THE HONORABLE HAROLD W. GEISEL,
2 DEPUTY INSPECTOR GENERAL U.S. DEPARTMENT OF STATE

3 Mr. Geisel. Thank you, Chairman McCaskill and Ranking
4 Member Brown, for the opportunity to appear today. I have
5 prepared remarks but ask that my written testimony also be
6 made part of the record.

7 Our oversight role in Afghanistan includes performing
8 audits, evaluations, inspections, and investigations with
9 respect to activities that are funded and managed by the
10 Department of State. These funded and managed programs
11 include activities such as worldwide protective services for
12 diplomats, embassy security, counternarcotics, and police
13 training programs, as well as construction and maintenance
14 of U.S. embassies.

15 Our Middle East Regional Office, MERO, has an office in
16 Kabul with boots on the ground to provide quick and timely
17 evaluations of high-risk, high-dollar programs. In
18 addition, our Office of Investigations provides on-the-
19 ground investigative support in Afghanistan. And our
20 Offices of Audits and Inspections also perform work there.

21 We have provided the Committee with a list of audits,
22 evaluations, and inspections related to Department of State
23 operations in Afghanistan that have been issued by our
24 office since 2004. We have used congressional resource
25 increases since 2009 in both supplemental and the

1 appropriations base to greatly increase the number of
2 completed and planned audits, evaluations, and inspections
3 in Afghanistan during 2009 and 2010. Approximately 25
4 percent of our ongoing or planned oversight for the Middle
5 East and South Asia regions, which include 33 countries,
6 will take place in or are otherwise related to Afghanistan.

7 Madam Chairman, coordination occurs at several levels
8 within the oversight community to reinforce the efficiency
9 of oversight efforts. In Washington, D.C., coordination
10 occurs first through the Southwest Asia Planning Group,
11 which meets quarterly to plan ongoing activities to ensure
12 minimum duplication of oversight and maximum cooperation.
13 There is also a separate sub-group, the AFPAK Working Group,
14 which meets to address oversight work in Pakistan and
15 Afghanistan. This working group is where IG coordination,
16 deconfliction, and agreement occur. OIG personnel from the
17 Department of State, USAID, DOD, GAO, and SIGAR are members
18 of the AFPAK group.

19 Informal coordination regarding oversight work in
20 Afghanistan and elsewhere in the region also takes place
21 between these same organizations as well as other OIGs.
22 These groups will continue to play a vital role and serve as
23 a model for new and flexible groups formed in response to
24 future contingency operations, regardless of where they
25 occur in the world.

1 In Afghanistan, there are additional coordination
2 groups. The IG Shura is facilitated in-country by U.S.
3 Forces-Afghanistan and the DOD OIG. Participants meet
4 monthly and include representatives from all OIG offices
5 working in Afghanistan.

6 Madam Chairman, Senator Brown, the novel concept of
7 creating a permanent Inspector General--because that was one
8 of the questions we were asked in advance--to oversee
9 contingency operations merits serious consideration.
10 However, existing departmental OIGs have proven their
11 ability to work well together and with the Special IGs over
12 the past 2 years to provide effective, coordinated oversight
13 in contingency operations. They have existing processes,
14 organizational structures, and institutional knowledge of
15 the programs within their departments that facilitate
16 efficient oversight of those programs and eliminate the
17 learning curve that would be required of a contingency IG.

18 Moreover, in an era of fiscal restraint, creating a
19 permanent IG to oversee contingency operations might not be
20 prudent. Millions of start-up dollars would be required to
21 establish and sustain a new bureaucracy.

22 Current organizations already in existence, such as the
23 Southwest Asia Joint Planning Group and the International
24 Contract Corruption Task Force, could be used for
25 interagency coordination or as models for the fast creation

1 of other coordination groups for new contingencies around
2 the world as the need arises. These groups have the means,
3 methodology, and practices in place to facilitate efficient,
4 cost-effective oversight and through planning, coordination,
5 and deconfliction.

6 Once again, I thank you, Chairman McCaskill and Senator
7 Brown, for the opportunity to appear today, and I am ready
8 to answer any questions.

9 [The prepared statement of Mr. Geisel follows:]

- 1 Senator McCaskill. Thank you, Mr. Geisel.
- 2 Mr. Carroll?

1 TESTIMONY OF MICHAEL G. CARROLL, DEPUTY INSPECTOR
2 GENERAL, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

3 Mr. Carroll. Thank you, Chairwoman McCaskill, Senator
4 Brown. Thanks for having me here today to brief the
5 Subcommittee on our oversight activities in Afghanistan, our
6 working relationship with SIGAR, and, finally, to share our
7 views on the feasibility of a Special IG for contingency
8 operations.

9 I want to start by saying that from its inception
10 almost 30 years ago, the USAID IG has operated in an
11 overseas environment with foreign service auditors,
12 investigators, and management analysts, providing audit and
13 investigative coverage of USAID's programs. And we think
14 that gives us a unique comparative advantage in providing
15 oversight in contingency operations.

16 Our oversight in Afghanistan has really evolved over
17 the past--well, since we had boots on the ground in November
18 2002. We started out covering as a country in a regional
19 portfolio out of our office in the Philippines, and it is
20 more now into what will soon be the largest country office
21 that we have of our eight overseas offices with 14 auditors
22 and investigators.

23 Our relationship with the SIGAR, Special IG for Afghan
24 Reconstruction, I would have to draw a distinction between
25 audit and investigations as I describe that relationship.

1 On the audit side, I would characterize relationship as
2 cooperative and productive. It has taken some time to get
3 to that point because obviously we have duplicative
4 authorities, and we have the authority to look at the same
5 programs. So it has taken some time, it has taken some
6 effort, but I can say now that through planning and
7 deconfliction, we are not going to have any overlap in
8 audits.

9 I cannot characterize the relationship with the SIGAR
10 investigations in the same way. We seem to not be able to
11 come to terms with jurisdictions. Again, they have law
12 enforcement jurisdiction over AID programs. So do we. But
13 we feel that as the statutory IG for AID we should have
14 primary law enforcement jurisdiction over any allegations of
15 corruption in AID programs or against AID employees, and we
16 should lead any investigation that has to do with AID
17 programs and employees. And we are still trying to work
18 through that relationship with the SIGAR folks on the
19 investigation side.

20 Also, if I could just share our views, as Mr. Geisel
21 did, about the practicality or the feasibility of a
22 statutory IG for contingency operations. I cannot imagine
23 an entity that has a better comparative advantage than the
24 statutory IGs for doing oversight work. And when you talk
25 about contingency operations, I think we would all agree

1 that the two best examples of that over the past 10 years
2 are Iraq and Afghanistan. And you have before you today the
3 three statutory IGs for the Department of Defense,
4 Department of State, and AID. And I think that with our
5 collective experience, our in-depth knowledge and
6 understanding of our agency's programs, people, systems,
7 policies, I think that, properly funded, with the same
8 authorities that the special IGs have for personnel, working
9 closely with the Government Accountability Office, I think
10 we can, as a collective group, provide the same
11 comprehensive oversight and reporting that a statutory IG
12 for contingency operations could.

13 I thank you for your time and look forward to any
14 questions you might have.

15 [The prepared statement of Mr. Carroll follows:]

1 Senator McCaskill. Thank you, Mr. Carroll.

2 Mr. Bowen?

1 TESTIMONY OF THE HONORABLE STUART W. BOWEN, JR.,
2 SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

3 Mr. Bowen. Thank you, Chairman McCaskill, for this
4 opportunity to appear before your Subcommittee and testify
5 on the critical issue of oversight in contingency
6 operations. It is an issue that has been acutely with us
7 for the last 8 years in Iraq, and indeed, almost exactly 7
8 years ago, the Congress created my office, the Special
9 Inspector General for Iraq Reconstruction, because of
10 weakness regarding oversight by the departmental IGs then in
11 Iraq and significant waste that occurred.

12 To carry out this mission, I focused my organization on
13 four critical operational principles.

14 One, real-time auditing. We get our audits out
15 quickly, averaging six a quarter, and that is essential in a
16 war zone because the operators need to get answers fast. If
17 you wait the typical 9 to 15 months for an audit, the world
18 has completely changed. It is not a useful audit.

19 Second, in-country engagement. We have been as high as
20 50. We are at 22 now. That is the largest single
21 contingent of oversight operators in-country in Iraq, and it
22 is investigators, it is auditors, it is inspectors, it is
23 evaluators, and that has given us the capacity, the special
24 capacity with our focused mission to be highly productive.

25 Third, unprecedented transparency. We operate I think

1 fairly uniquely as an IG in that we meet every week with the
2 subject of our oversight to inform them of what we are
3 doing, the progress we are making, and what we are finding
4 to promote improvement in the overall reconstruction program
5 as the consultative component, which is the fourth mandate
6 that I give my auditors and inspectors, be consultative.

7 Just a week ago, I was in Iraq at Camp Victory meeting
8 with General Austin, the commander of U.S. Forces-Iraq, on a
9 critical audit we have that is going to produce really tough
10 findings in January. But he needed to know about them today
11 because they affect an enormous contractor for him. That is
12 the kind of work we are able to do by being heavily engaged
13 on the ground with leadership.

14 We have produced 27 quarterly reports, five Lessons
15 Learned reports, to help strengthen performance, and they
16 have been focused on accounting for taxpayer dollars, the
17 four major funds which comprise about \$46 billion of the
18 money.

19 The question that you have asked me to address
20 particularly is: Does a Special Inspector General for
21 Overseas Contingency Operations, SIGOCO, make sense? And
22 differing from my fellow panel members, I say yes,
23 absolutely, because of several reasons: one, the cross-
24 cutting jurisdiction. I have a CAC card and a State badge.
25 I can go to any door of any department with any funds, and a

1 lot of these projects and programs are multi-funded from
2 different sources, police training, for example, and I can
3 get answers from any Department, and I do not have to
4 operate in a stovepipe.

5 Second, a singularly focused mission. I have a staff
6 that is focused on one thing: protecting taxpayer interest
7 and improving mission performance in a contingency. That
8 allows for aggressive oversight and gets you quick
9 reporting.

10 We have focused on coordination. We have talked about
11 that a lot today. Well, the Iraq Inspectors General Council
12 was something I formed within a couple of months of starting
13 up 7 years ago, and we met every quarter, and now this
14 quarter we are going to fold it into the Southwest Asia
15 program. But it has facilitated really strong interaction
16 with my fellow Inspector General auditors here at the table,
17 in Iraq, and on this side of the world.

18 Next, flexibility in hiring practices. We have unique
19 authority, and thus we have been able to maintain high-
20 quality staff throughout the life of our organization. We
21 are highly independent, and we report quarterly to the
22 Congress, not semiannually. So you get comprehensive,
23 detailed analysis, and factual data about what is going on
24 in Iraq every 3 months.

25 A permanent Special IG would eliminate the inherent

1 challenges that arise in starting up a Special IG in a
2 contingency. Oversight has to be present there from the
3 beginning. You know you would have that if you had a SIGOCO
4 in existence. You would not have to have a departmental IG
5 have to formulate and draw out of their own resources a
6 capacity to deploy and execute that kind of oversight.
7 SIGOCO would ensure it.

8 A feasible SIGOCO operation standing could have a core
9 staff of 25 and cost about \$5 million a year. If such an
10 organization had existed, say, at the beginning of the Iraq
11 reconstruction program, the amount of waste it would have
12 averted would pay for it for our lifetimes. There is no
13 doubt that it would be cost-effective. Indeed, the return
14 on investment in cost for SIGAR has been about 5:1.

15 There will be other contingency operations no doubt.
16 That is a new phase in modern national security reality, and
17 we will have significant contingency relief and
18 reconstruction operations. How do we avoid the kind of
19 waste that we have seen in Iraq and Afghanistan,
20 significant, unacceptable, ridiculously high levels of
21 waste, in the future? One would be, as we have heard at the
22 table, to just fund more the departmental IGs to give them
23 more auditors and inspectors. But to ensure that you would
24 have a capacity that is capable and ready to deploy, SIGOCO
25 is a good answer.

1 Thank you, Madam Chairman. I look forward to your
2 questions.

3 [The prepared statement of Mr. Bowen follows:]

1 Senator McCaskill. Thank you all. Let me start. How
2 many people do you have on the ground in Afghanistan right
3 now, Mr. Heddell?

4 Mr. Heddell. Right now I have 15 auditors, 8 criminal
5 investigators, 2 administrative staff, and in addition to
6 that, I complement that with expeditionary forces that enter
7 and exit on a regular basis. That is just in Afghanistan.

8 Senator McCaskill. Okay. And, Mr. Geisel, how about
9 you in Afghanistan?

10 Mr. Geisel. We have five auditors and analysts in
11 Kabul, and that will increase to eight by January. Our
12 investigators are always on a TDY status, and I think at the
13 moment we have two investigators actually in-country.

14 Senator McCaskill. Okay. Mr. Carroll?

15 Mr. Carroll. Well, we have nine auditors, and
16 hopefully very shortly we will have five investigators.

17 Senator McCaskill. And what do you have currently in
18 Iraq, Mr. Bowen?

19 Mr. Bowen. I was there just last week, and with 21
20 personnel, there were 14 auditors, 3 investigators, 3
21 evaluators, and a chief of staff and support staff.

22 Senator McCaskill. And what was the high point, high
23 mark in Iraq in terms of how many auditors you had on
24 ground?

25 Mr. Bowen. Total number of auditors? Not inspectors,

1 just auditors?

2 Senator McCaskill. Just auditors.

3 Mr. Bowen. We were up to 29.

4 Senator McCaskill. Twenty-nine. How many times have
5 the four of you been in the same room with General Fields?

6 Mr. Geisel. I reckon at least five times.

7 Senator McCaskill. No, I mean all four of you together
8 with General Fields. Have you ever been in the room with
9 all four of you and General Fields at the same time?

10 Mr. Geisel. No.

11 Mr. Heddell. Well, I think there may be times at the
12 monthly CIGIE meetings.

13 Mr. Bowen. Yes.

14 Mr. Heddell. And General Fields frequently attended
15 those.

16 Senator McCaskill. Okay. But I am not talking about
17 at the CIGIE meeting, and, of course, the CIGIE meeting is a
18 meeting where all the Inspectors General come together--you
19 know, I do not want to say it is like your Rotary Club, but
20 it is your association where you come and network and talk
21 to one another, and obviously that is the pool of people
22 which the peer reviews come out of, correct?

23 Mr. Heddell. Yes.

24 Mr. Bowen. Yes.

25 Senator McCaskill. I am talking about how many times

1 have the four of you sat down with General Fields and talked
2 about contingency operation audits, writ large?

3 Mr. Bowen. Not as a group, but frequently
4 individually.

5 Senator McCaskill. Okay.

6 Mr. Heddell. Senator McCaskill, if I could add to
7 that, however, that is--I think the point you are getting at
8 is how much we talk to each other, share information, and
9 assess risk. And that is one of the reasons that the
10 Department of Defense Inspector General created a Special
11 Deputy Inspector General who also chairs the Joint Planning
12 Group where all of our offices are represented.

13 Senator McCaskill. Right.

14 Mr. Heddell. In fact, almost 25 agencies are
15 represented. So that does happen. It is just not the same
16 personalities that are sitting--

17 Senator McCaskill. I understand. I am not implying by
18 the fact that the five of you have not been in the same room
19 together that your agencies are not talking to one another
20 and not trying to coordinate.

21 How many independent contractors have you hired
22 relating to the work in Afghanistan or relating to reports
23 or anything that you need to produce for Congress? Can
24 anyone think of any independent contractors that you have
25 hired?

1 Mr. Carroll. As part our audit work, we hire both
2 ourselves and we help the agency hire independent financial
3 audit firms to conduct financial audits in Afghanistan. And
4 also, since it is difficult for us to get out to do our
5 field work in some of the more dangerous places, we have
6 also hired local audit firms to go out and do site visits
7 for us on performance audits.

8 Senator McCaskill. Okay. What about you, Mr. Bowen?
9 When you prepare your--yours is not a pamphlet. Yours is a
10 book on lessons learned, which I am a little embarrassed I
11 have committed to memory. Was an independent contractor
12 hired for that effort?

13 Mr. Bowen. For "Hard Lessons," no. This was done by
14 Government staff and printed by GPO.

15 Senator McCaskill. This is awkward because I do not
16 want you all to comment on General Fields. I do not want to
17 put you in what is an awkward position for a professional
18 auditor. But I have a lot of concern that someone would
19 think it was appropriate to do a risk assessment and call it
20 a risk assessment without an auditor on staff. Does that
21 cause you concern, Mr. Heddell?

22 Mr. Heddell. Without an auditor on staff?

23 Senator McCaskill. Correct

24 Mr. Heddell. Yes, it would cause me concern.

25 Senator McCaskill. Does it cause you concern, Mr.

1 Geisel?

2 Mr. Geisel. Definitely.

3 Senator McCaskill. Mr. Carroll?

4 Mr. Carroll. Yes.

5 Senator McCaskill. Mr. Bowen?

6 Mr. Bowen. Yes.

7 Senator McCaskill. I am curious. Has there been a
8 sense that the leadership of SIGAR was not up to the
9 professional standards that you know are required for this
10 kind of very difficult and very important audit work? Are
11 we the only ones that have an oversight capacity here? Do
12 you all as auditors that are in a unique position to know
13 whether or not the agency is standing up in a way that would
14 reflect Yellow Book standards or Silver--and let me say for
15 the record, the Yellow Book--I keep saying "Yellow Book."
16 For the record, I should explain that the Yellow Book is
17 called that because it is yellow, but it is the book of
18 standards for Government auditors. And the Silver Book is
19 the book of standards for Government investigators.

20 If you are working with another agency--and I do not
21 know what the ethics are here, candidly. If you are working
22 with another audit agency and you have a sense that
23 professional the District are not being complied with, do
24 you have a duty to report it to anyone?

25 Mr. Geisel. I am allegedly the diplomat here, so I

1 will try and answer.

2 [Laughter.]

3 Mr. Geisel. The simple answer is yes. Let me give you
4 two examples where it worked very well. We did a joint
5 audit with the DOD IG on one of the most important facets of
6 our presence in Afghanistan, and that is police training.
7 That activity was carried out--well, it was funded under
8 State Department authority, and it is going over to DOD.
9 And our joint audit found a lot of problems, and frankly--

10 Senator McCaskill. Was it your audit that figured out
11 they were not sighting the rifles?

12 Mr. Geisel. Yes, as a matter of fact. That was
13 another audit, but that was our evaluation.

14 Senator McCaskill. Go ahead. I am sorry to interrupt.
15 I was just curious.

16 Mr. Geisel. That is right.

17 Senator McCaskill. Good work, by the way. That is
18 fairly important that we hire someone who train the police
19 who knows how to sight the rifles.

20 Mr. Geisel. Yes. It is also important when we found
21 that the dogs that were supposed to sniff for explosives
22 were not trained to sniff the right explosives. But in our
23 work with the DOD IG, there were slight differences of
24 opinion, but we worked them out immediately. And I can tell
25 you, without exception, there was mutual respect. I knew

1 some of the DOD auditors, and I thought the world of them.

2 Senator McCaskill. Well, I guess what I am asking is:
3 If you work with an audit agency where you do not think
4 professional standards are being met, do you--

5 Mr. Geisel. I would pull out. Pure and simple. I
6 would not hesitate. I would try to do it nicely, but I
7 would just say, "We seem to have different objectives and
8 perhaps different standards, and we cannot work together."
9 I would do that in a heartbeat.

10 Senator McCaskill. Anybody else?

11 Mr. Carroll. Well, I would say that as SIGAR was
12 standing up--and I think that--I cannot think of a case
13 actually where we worked together with them on an audit. We
14 have worked together with them on some investigations, and
15 they have assisted us on some investigations. But we never
16 worked with them together on an audit like State and DOD IG
17 did on the police training. So we may have missed the boat
18 there, but we were completely laser-focused on our work and
19 not necessarily focused on what was happening at SIGAR.

20 Mr. Heddell. Senator McCaskill, to correct the record,
21 the Department of Defense Inspector General's office to my
22 knowledge has never worked with SIGAR on an audit.

23 Senator McCaskill. Okay.

24 Mr. Heddell. We have worked with SIGAR in law
25 enforcement task forces, however.

1 Senator McCaskill. Okay. Before I turn it over to
2 Senator Brown, do you have a comment on that?

3 Mr. Bowen. Yes, we work very closely with a variety of
4 permanent Inspectors General and other law enforcement
5 agencies on investigations, and we have done joint audits as
6 well.

7 Senator McCaskill. With SIGAR?

8 Mr. Bowen. No. With State.

9 Senator McCaskill. Have you ever done any work with
10 SIGAR?

11 Mr. Bowen. No. Our jurisdictions do not overlap.

12 Senator McCaskill. I understand. I just wanted to be
13 sure.

14 Mr. Bowen. Other than--I mean, no audit work. We were
15 very closely supportive of them in their first year in their
16 stand-up, as evidenced in my submission.

17 Senator McCaskill. Senator Brown.

18 Senator Brown. Thank you, Madam Chair. I just have a
19 couple of questions. I know we may be voting in a minute.

20 As you heard from my previous line of questioning, I am
21 greatly concerned, as I know the Chairwoman is, on the
22 allegation that there is money going to the insurgents, the
23 Taliban in particular. What roles do you collectively have
24 in helping to determine whether, in fact, that is the case
25 and how we can stop it, identify it, who is responsible?

1 That whole line of questioning, if you could just maybe--
2 whomever, one or both or all.

3 Mr. Heddell. Senator Brown, one of our primary
4 responsibilities and concerns is not just simply money. It
5 is the life and safety of our men and women in Afghanistan
6 who are doing the fighting for us. So we look at things
7 much broader than money. The money is extremely important,
8 but, for instance, a tremendous amount of our work is
9 focused on the train and equip mission of the Afghan
10 national army and the police and determining what the
11 success is that we are having with weapons accountability,
12 for instance.

13 Senator Brown. Yes, weapons, everything. I should not
14 have said just money, but everything. The whole thing.

15 Mr. Heddell. Yes, and that is something we do focus
16 on. Are weapons getting to where they are supposed to get?
17 Are they being put into the hands of the people that we want
18 them to be placed in?

19 We did a tremendous amount of work in Iraq in that
20 respect. We are continuing to increase our focus in
21 Afghanistan on those kinds of areas. So we are concerned
22 about the money, and we are concerned about the amount of
23 money, the remaining \$14.2 billion, for instance, that is
24 going to go into Afghan national army and police training,
25 and getting them to the capability levels that will enable

1 the United States to achieve its goals in Afghanistan. So
2 yes, we are very, very involved and focused on those kinds
3 of issues?

4 Senator Brown. You know, having been there, I am
5 greatly concerned as well, and I am concerned that a lot of
6 the folks that are supposed to be doing the training are not
7 fulfilling their obligations with our coalition forces, too.
8 That is a whole different story.

9 But when I said funds, I should also say obviously
10 weapons and supplies and, you know, communications, the
11 whole nine yards. So thank you for that.

12 Madam Chair, I really have focused on where I wanted to
13 go in the hearing. I want to just say thank you for, you
14 know, collecting the money and finding out where the waste,
15 fraud, and abuse is, and I think it helps. It enables us to
16 justify where those funds are going. So, you know, drive
17 on.

18 I have nothing further. Thank you.

6PM 19 Senator McCaskill. Thank you, Senator.

20 On SIGOCO, I have great respect for all of you who are
21 here that work for State and DOD and AID. And I understand
22 in some ways establishing SIGOCO in some ways feels a little
23 bit like someone is permanently going to be on your turf.
24 And I am not discounting your opinions about this because of
25 that, but I do think that Mr. Bowen makes some points about-

1 -and I think that what we have heard today in the testimony
2 about SIGAR is really in many ways to me depressing.
3 Standing up an organization in a contingency is very
4 difficult, and that is the one organization where speed is
5 incredibly important. You all understand that your audit
6 product has a very short shelf life in a contingency
7 operation. It is very easy to waste a lot of money on an
8 audit in a contingency operation if you cannot get it to the
9 decisionmakers quickly enough. And so when you establish a
10 Special Inspector General for Afghanistan and it takes 18
11 months to produce the first audit on a contract and the
12 audit portion of that report is four pages, that makes me
13 weep. I mean, something is terribly wrong there.

14 Now, was there appropriate expertise in place? Clearly
15 not. Did it take them too long to get appropriate expertise
16 in place? Obviously. And if we had had a permanent
17 Inspector General on Overseas Contingency Operations, we
18 would not have had that lag time.

19 Can't you all acknowledge that \$5 million a year is a
20 pretty good investment if we could keep a contingency
21 operation Inspector General office, if we could stand one up
22 and sustain one for the long haul? Because I got to tell
23 you, you know, the irony is--and some of you, I may have
24 told you this before, that in speaking with somebody in the
25 army who was involved in Bosnia, the lessons learned in

1 Bosnia on contracting, they were not learned. We went back
2 to the drawing board in Iraq, and by the time that Mr. Bowen
3 arrived, we had a completely out-of-control LOGCAP contract
4 with no oversight whatsoever. Nobody had any idea why it
5 was so far over the estimate in its first year of operation,
6 and it took a while. And I think that Cunningham is doing a
7 much better job in Afghanistan than a lot of the folks were
8 doing in Iraq. And I think we have made improvement. But I
9 am just worried. I mean, I do not have confidence in this
10 agency after this hearing today. And I have a sense that if
11 we had a permanent office I would not have this sinking
12 sensation that we do not have the right leadership and we
13 have missed a lot of audits that should have been done.

14 Comments?

15 Mr. Heddell. Well, I will, Senator McCaskill. I
16 certainly have great respect for my colleague, Inspector
17 General Bowen, and I never discount anything that he says.
18 But I am not totally convinced--and this is not turf issues
19 for me. I have got more than enough work. Quite frankly, I
20 would take any help I could get. But I am not convinced
21 that a Special Inspector General for Contingency Operations
22 is the most effective and efficient way.

23 There is a difference, if I may say, between the way we
24 have set up SIGIR, Mr. Bowen's operation, and the way we set
25 up SIGAR. When we set up SIGIR, the Department of Defense

1 Inspector General provided 144 auditors and investigators,
2 some full-time, some part-time, for a lengthy period of
3 time. I am not saying that is why Mr. Bowen was so
4 successful, but I think it got SIGIR off on the right foot.

5 But on the other side of that coin, that was not done
6 with SIGAR. I am not saying it would have been better. I
7 am not suggesting that there still would not have been
8 hiring and performance problems with SIGAR. What we heard
9 today goes far beyond that. But I--

10 Senator McCaskill. The problems we heard today go far
11 beyond just the ability to stand up quickly.

12 Mr. Heddell. That is correct. But I think what we are
13 talking about right at this moment is what is best for the
14 future, and I think that, for instance, the response by the
15 Inspector General community to Katrina, which was a
16 contingency operation, by and large was relatively
17 effective.

18 Senator McCaskill. Right.

19 Mr. Heddell. I think we have the audit and law
20 enforcement expertise in our community at large to respond
21 to contingency operations very effectively. I think it is a
22 little bit of a toss-up as to whether you go the Special IG
23 route, but the inefficiency aspect of it is that if you do
24 that, two things happen: number one, you do not have enough
25 people in a Special Inspector General contingency operation

1 on a full-time basis to be able to respond quickly; and,
2 number two, the cost of maintaining a force waiting for a
3 contingency to occur.

4 So until we sit down and I guess figure it all out, to
5 me it is not an efficient proposal.

6 Senator McCaskill. I know all of you probably want to
7 comment on that, and I have got a vote that has been called,
8 and I am not going to make you sit here while I go vote and
9 come back, as much as I am tempted to, because I could go on
10 a while. And I know--Inspector General Bowen and I have
11 discussed this one on one before, and I am a little biased
12 towards his opinion on this. But I certainly will go out of
13 my way to have one-on-one conversation with you, Mr. Geisel,
14 and you, Mr. Carroll, on this subject if we do not have time
15 to get back to it.

16 But I wanted to ask you, Mr. Carroll, you intimated
17 that or referred to problems in working with the law
18 enforcement end of SIGAR. Now, I find that fascinating
19 since they have now had a CIGIE review of their law
20 enforcement, and it was--as somebody who is a former
21 prosecutor and former auditor, as I read the review of the
22 law enforcement problems, I was really surprised that basics
23 had not been done. Are they trying to assert primary
24 jurisdiction even after CIGIE has said that they are so far
25 our of compliance with the Government standards of

1 investigation?

2 Mr. Carroll. Yes.

3 Senator McCaskill. That is outrageous. That is
4 outrageous. And I will follow up. I think our office needs
5 to follow up and ask some significant questions. It takes a
6 lot of nerve for an investigative agency to assert primary
7 jurisdiction over AID after independent peer review has
8 determined they are not in compliance with Government
9 investigative standards. And so I would be irritated, if I
10 were you, if they were trying to step on you. I would
11 really be irritated if they are trying to step on you after
12 they are only one of 51 agencies looked at--of 52 agencies
13 looked at that were not in compliance with the Government
14 standards of investigations. So I am glad that you have
15 indicated that to me.

16 I have to make a vote by 6:15. Please, if there is
17 anything that I have not asked that I should have, I implore
18 you to give us that information as we look at this issue.
19 You all are the front line of probably the most challenging
20 audit environment that exists in the world in Afghanistan
21 right now. The enemy we are fighting is, yes, it is
22 Taliban, yes, it is al Qaeda, but it is, make no mistake
23 about it, a culture of corruption. And the American people
24 have no idea how much money is probably walking away from
25 its intended purpose in Afghanistan.

1 So please convey to the men and women who work for all
2 of you, and we will probably have another opportunity at a
3 hearing, Mr. Bowen, before the end of the line in Iraq, but
4 please convey to all the people that have worked in Iraq
5 what--we spend a lot of time praising the men and women in
6 uniform, as we should. And I do not think enough people
7 realize that there are men and women that are putting their
8 lives in danger with very difficult work in a very
9 challenging environment. So please convey to all of your
10 staffs the appreciation of the American people for the work
11 they are doing. It is essential. It is very important to
12 the safety and security of this Nation.

13 So thank you for your attendance today, and this
14 hearing is adjourned.

15 [Whereupon, at 6:09 p.m., the Subcommittee was
16 adjourned.]