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United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

WASHINGTON, DC 20510-6250

January 31, 2018

The Honorable John Rood
Under Secretary for Policy
Department of Defense
2600 Defense Pentagon
Washington, DC 20301

Dear Mr. Rood:

On Monday, January 8, 2018, the Special Inspector General for Afghanistan Reconstruction (SIGAR) released its performance audit of the Task Force for Business and Stability Operations (TFBSO). The audit assessed, among other things, TFBSO's data collection, mission, strategy, planning, oversight, deliverables, and how it transferred its projects and assets once its mission terminated. SIGAR found fault with all of these objectives.

TFBSO operated in Afghanistan from 2010 through 2014, obligating more than \$675 million in contracts.¹ Of the more than \$675 million, \$316.3 million was for contracts directly supporting projects in Afghanistan, while the remaining \$359.5 million was divided between indirect and support costs.² Although it was funded by multiple sources and was responsible for reporting to and coordinating with several U.S. government entities, TFBSO was organized under the Office of the Under Secretary of Defense for Policy.

This audit comes after years of scrutiny by SIGAR, which has issued numerous reports about TFBSO projects. In October 2015, SIGAR's Office of Special Projects released a report detailing how TFBSO spent almost \$43 million on a single compressed natural gas (CNG) filling station, a full 140 times as much as the cost of a similar station in Pakistan.³ In April 2015, SIGAR released a report on TFBSO's efforts to develop the extractive industries in Afghanistan, sounding the alarm that the \$282 million TFBSO had committed to extractive projects was at

¹ Due to the sunset setting of its authority in Afghanistan on December 31, 2014 under the Fiscal Year 2014 National Defense Authorization Act, TFBSO discontinued operations in Afghanistan in December 2014 and closed its administrative offices in Arlington, Virginia, in March 2015. Special Inspector General for Afghanistan Reconstruction, *DOD Task Force for Business and Stability Operations: \$675 Million in Spending Led to Mixed Results, Waste, and Unstrained Projects* (SIGAR 18-19 Audit Report) (Jan. 4, 2018).

² *Id.*

³ Special Inspector General for Afghanistan Reconstruction, *DOD's Compressed Natural Gas Filling Station in Afghanistan: An Ill-Conceived \$43 Million Project* (SIGAR 16-2-SP) (Oct. 2015).

risk due to a lack of strategy, coordination, and planning.⁴ In January 2016, SIGAR confirmed those fears, indicating mixed program results and significant waste.⁵

I have also raised concerns regarding oversight of TFBSO. After SIGAR released its report on the CNG facility, I wrote to the Department of Defense (DOD) requesting a briefing and related documents on the matter.⁶ I followed that up with a letter on December 7, 2015,⁷ regarding the CNG station and a letter on January 20, 2016, regarding SIGAR's January 2016⁸ report on extractive projects. The briefings the Pentagon provided had a common denominator: TFBSO had closed its doors and many of the personnel responsible for its programs had moved on to other jobs, or left the government entirely.

This most recent SIGAR report is an exhaustive, and disconcerting, reckoning of the TFBSO projects. It reveals TFBSO's failure to articulate its mission and strategy, coordinate its activities with other stakeholders in Afghanistan, and plan, contract, and oversee its projects, resulting in significant waste.⁹ SIGAR reported that of the \$316.3 million TFBSO obligated to contracts directly supporting projects in Afghanistan, 78% partially met or failed to meet their required deliverables.¹⁰

TFBSO's mission was "focus on development of economic opportunities including private investment, industrial development, banking and financial system development, agricultural diversification and revitalization, and energy development."¹¹ In 2011, Congress specifically authorized TFBSO to use DOD funds "to reduce violence, enhance stability, and support economic normalcy in Afghanistan through strategic business and economic

⁴ Special Inspector General for Afghanistan Reconstruction, *Afghanistan's Mineral, Oil, and Gas Industries: Unless U.S. Agencies Act Soon to Sustain Investments Made, \$488 Million in Funding is at Risk* (SIGAR 15-55 Audit Report) (April 2015).

⁵ Special Inspector General for Afghanistan Reconstruction, *Afghanistan's Mineral, Oil, and Gas Industries: \$488 Million in U.S. Efforts Show Limited Progress Overall, and Challenges Prevent Further Investment and Growth* (SIGAR 16-11 Audit Report) (Jan. 2016).

⁶ Letter from Senator Claire McCaskill to Secretary of Defense Ashton Carter (Nov. 2, 2015).

⁷ Letter from Senator Claire McCaskill to Secretary of Defense Ashton Carter (Nov. 7, 2015).

⁸ Letter from Senator Claire McCaskill to Secretary of Defense Ashton Carter (Jan. 20, 2016).

⁹ Special Inspector General for Afghanistan Reconstruction, *DOD Task Force for Business and Stability Operations: \$675 Million in Spending Led to Mixed Results, Waste, and Unstrained Projects* (SIGAR 18-19 Audit Report) (Jan. 4, 2018).

¹⁰ *Id.*

¹¹ Memorandum from Secretary of Defense Robert Gates, *Continuation of Task Force for Business and Stability Operations* (March 25, 2010).

activities.”¹² Despite their good intentions, in most cases TFBSO’s projects failed to produce the desired outcomes. TFBSO’s failure to produce an adequate transition plan for its projects to be transferred to the Afghan government or private-sector entities meant that of its 13 funded projects which SIGAR was able to visit, none are able to operate and manage their assets on sales and fees alone.¹³ Of those 13, several were simply abandoned or in such a state of disrepair as to render them useless.¹⁴

SIGAR identified a number of problems with TFBSO’s planning, contracting, and oversight. SIGAR found that TFBSO failed to account for Afghanistan’s politics, culture, weather, or security. TFBSO also relied on noncompetitive contracting, failed to consistently set clear performance-based contract requirements, and failed to consistently report problems promptly to contracting officers, limiting the DOD’s ability to take corrective action and recover funds. On multiple occasions, these failures led TFBSO to pay contractors in full despite poor or incomplete performance.¹⁵

Among the many examples of egregious waste or crony contracting that SIGAR identified were:

- \$51 million for legal, technical, and commercial experts who supported the Afghanistan Ministry of Mines and Petroleum in tendering large-scale mining contracts to international mining companies. At the date of SIGAR’s report, the Afghan government had not awarded any of the contracts.¹⁶
- \$25 million for seismic reflection surveys. Two contractors succeed in collecting 52 of the required 300 kilometers of seismic data due to TFBSO’s untimely deliver of necessary equipment, inclement weather, and insurgent attacks. No contracts have been awarded as a result of the surveys.¹⁷

¹² National Defense Authorization Act for Fiscal Year 2011, Pub. L. No. 111-383, § 1535, as amended.

¹³ At the time of its termination, TFBSO had 19 projects to transfer to the Afghan government or private-sector entities. SIGAR was unable to visit 6 of the 19 because of problems with security or accessibility. Special Inspector General for Afghanistan Reconstruction, *DOD Task Force for Business and Stability Operations: \$675 Million in Spending Led to Mixed Results, Waste, and Unstrained Projects* (SIGAR 18-19 Audit Report) (Jan. 2018).

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Id.*

- Over \$430,000 for a “pomegranate cold storage facility” that SIGAR could find no evidence was ever built.¹⁸
- Three contracts awarded to Hickory Ground Solutions LLC, whose chief executive was former TFBSO employee, through a program that allows for sole-source contracts for small, disadvantaged businesses. On one such contract worth \$3.9 million, Hickory Ground Solutions LLC subcontracted the bulk of the work to a “large business legal firm,” which is prohibited under Federal Acquisition Regulations.¹⁹ In its final invoice, Hickory Ground Solutions LLC billed just enough to claim it performed 51% of the work.²⁰

The failures described in SIGAR’s report and the lack of accountability are simply unacceptable. TFBSO was provided a significant amount of U.S. taxpayer money and the resources to use it. Unfortunately, it failed to deploy those resources efficiently, effectively, and responsibly. Because TFBSO no longer exists, SIGAR’s report does not contain any formal recommendations to DOD. However, it does contain observations for DOD to consider if the agency authorizes another TFBSO-like entity in the future. In order to understand the lessons learned by DOD from TFBSO, what steps it is taking to ensure TFBSO projects are sustained, and how it will incorporate SIGAR’s observations into any future TFBSO-like entity, please provide a written response to the following questions no later than February 21, 2018:

1. SIGAR reported that of the 19 projects TFBSO funded and transferred to the Afghan government or private-sector entities, several were either abandoned outright or in a state of disuse and disrepair, or, while currently being operated successfully with donor help, had not reached a point where they could independently operate and manage the assets on sales and fees alone. Please describe what steps, if any, DOD is taking to rehabilitate the neglected projects. Also, please describe what steps, if any, DOD is taking to ensure the projects currently being operated successfully will continue to do so when their donors no longer support them.
2. Has DOD taken any steps to hold accountable any individuals or entities responsible for the failed projects in Afghanistan? If yes, what are they? If not, why not, and does DOD plan to in the future?
3. SIGAR provided a number of observations for DOD to consider if in the future it decides to authorize a similar program. Is DOD incorporating those observations into its planning for projects in Afghanistan? If so, how? If not, why? Has DOD altered

¹⁸ *Id.*

¹⁹ FAR 52.219-14.

²⁰ Special Inspector General for Afghanistan Reconstruction, *DOD Task Force for Business and Stability Operations: \$675 Million in Spending Led to Mixed Results, Waste, and Unstrained Projects* (SIGAR 18-19 Audit Report) (Jan. 4, 2018).

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or augmented any of its policies or procedures as a result of the lessons learned from TFBSO? If so, what are they?

If you have any questions please contact Jackson Eaton with my staff at (202) 224-9872 or Jackson_Eaton@hsgac.senate.gov. Please send any official correspondence related to this request to Lucy Balczak at Lucy_Balczak@hsgac.senate.gov. Thank you for your prompt attention to this matter.

Sincerely,



Claire McCaskill
Ranking Member

cc: Ron Johnson
Chairman