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United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510-6250

July 22, 2011

The Honorable Leon E. Panetta
Secretary of Defense
U.S. Department of Defense
1000 Defense Pentagon
Washington, D.C. 20301-1000

Dear Mr. Secretary:

I am writing to request information from the Defense Department regarding the Department's response to the recent report by the Special Inspector General for Afghanistan Reconstruction (SIGAR), which found significant problems with the oversight of taxpayer dollars spent to support the Afghan government.

On July 20, 2011, SIGAR released an audit report titled, "Limited Interagency Coordination and Insufficient Controls over U.S. Funds in Afghanistan Hamper U.S. Efforts to Develop the Afghan Financial Sector and Safeguard U.S. Cash." SIGAR found that U.S. agencies' continued failure to coordinate their actions has hampered efforts to assist the Afghan government and Afghanistan's central bank, Da Afghanistan Bank, to strengthen the Afghan economy. According to SIGAR, the government's failure to adequately oversee U.S. funds distributed to contractors has played a significant role in these problems:

U.S. agencies do not record the serial numbers of cash disbursed to contractors ... commercial banks do not record the serial numbers of electronic payments made by U.S. agencies to contractors and other recipients when their electronic payments are converted into cash ... [and] U.S. contracting regulations neither prohibit prime contractors from using unlicensed hawalas to pay subcontractors nor require them to use banks capable of handling electronic funds transfers.¹

The ongoing lack of interagency coordination and its impact on contractor oversight were also the primary focus of the Subcommittee's June 30, 2011 hearing on Afghan reconstruction and development contracts. At the hearing, no witness could name a single office or individual across government that was responsible, and therefore accountable, for overseeing and coordinating contracting efforts in

¹ Special Inspector General for Afghanistan Reconstruction, *Limited Interagency Coordination and Insufficient Controls over U.S. Funds in Afghanistan Hamper U.S. Efforts to Develop the Afghan Financial Sector and Safeguard U.S. Cash* (July 20, 2011) (SIGAR-Audit 11-13).

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Afghanistan. The Subcommittee was unable to find a single office or individual with those responsibilities even within the Defense Department.²

To better understand how the Defense Department intends to improve interagency coordination and accountability, I request that you provide a written response to the Subcommittee on or before **August 5, 2011**, detailing the Department's response to the SIGAR report and its planned timetable for implementing SIGAR's recommendations.

The jurisdiction of the Subcommittee on Contracting Oversight is set forth in Senate Rule XXV clause 1(k); Senate Resolution 445 section 101 (108th Congress); and Senate Resolution 73 (111th Congress).

Please have your staff contact Alan Kahn with the Subcommittee staff at (202) 224-3230 with any questions. Please send any official correspondence related to this request to Kelsey Stroud at Kelsey_Stroud@hsgac.senate.gov.

Sincerely,



Claire McCaskill
Chairman
Subcommittee on Contracting Oversight

cc: Rob Portman
Ranking Member
Subcommittee on Contracting Oversight

² Senate Homeland Security and Governmental Affairs Committee, Subcommittee on Contracting Oversight, *Hearing on Afghanistan Reconstruction Contracts: Lessons Learned and Ongoing Problems*, (July 30, 2011).