



**SIGAR**

Office of the Special Inspector General  
for Afghanistan Reconstruction

John F. Sopko  
Inspector General

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General Lloyd J. Austin III  
Commander, U.S. Central Command

General Joseph F. Dunford, Jr.  
Commander, U.S. Forces–Afghanistan, and  
Commander, International Security Assistance Force

Lieutenant General Thomas P. Bostick  
Commanding General and Chief of Engineers  
U.S. Army Corps of Engineers

On December 16, 2013, we issued a report examining the construction of an incinerator system at Forward Operating Base (FOB) Sharana in Paktika province.<sup>1</sup> In that report, we found, among other things, that the incinerator system was completed nearly 3 years behind schedule and that the incinerators had unaddressed construction deficiencies. As a result of these delays and deficiencies, the incinerators had never been used, resulting in the waste of \$5.4 million.<sup>2</sup> We recommended that the Commanding General, U.S. Army Corps of Engineers (USACE), conduct an inquiry into the circumstances of the acceptance of the incinerator facility at FOB Sharana and the payment of \$5.4 million to the contractor. We also recommended that, depending on the results of this inquiry, the Commanding General determine whether any action should be taken against the contracting officer(s).

In its written comments on our report, USACE concurred with our recommendation and stated that based on our recommendation, it had conducted an inquiry that found the incinerator facility was constructed in accordance with contract technical specifications, proper training and testing had occurred in or about September 2012, and an operable facility was turned over to its U.S. military customer in December 2012. USACE also noted that during the performance of the contract, several procuring contract officers, administrative contracting officers, and contracting officers' representatives had been assigned to perform oversight for this construction contract. USACE concluded that none of those personnel assigned to provide oversight on the incinerator contract failed to appropriately perform their assigned duties on the contract, and, as a result, no action would be taken against any of them.

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<sup>1</sup> SIGAR Inspection Report 14-13, *Forward Operating Base Sharana: Poor Planning and Construction Resulted in \$5.4 Million Spent for Inoperable Incinerators and Continued Use of Open-Air Burn Pits*, Dec. 16, 2013.

<sup>2</sup> SIGAR reported on a similar instance in which USACE paid a contractor for work that was known to be deficient. Specifically, we reported that, in December 2011, USACE paid DynCorp \$70.8 million despite contract performance issues. It also released DynCorp from contractual requirements, warranties, and latent defects' regarding its poor construction at the Kunduz Afghan National Army Garrison. (See SIGAR Inspection Report 13-1, *Kunduz ANA Garrison: Army Corp of Engineers Released DynCorp of All Contractual Obligations Despite Poor Performance and Structural Failures*, October 25, 2012.) In March 2013, USACE reported to SIGAR that it had determined that the final contract settlement with DynCorp was "proper and reasonable, although it was not favorable to the [U.S.] Government."

Our report commended USACE on the promptness of its inquiry. However, we questioned the thoroughness of the inquiry and the conclusions it reached. Specifically, we noted that while USACE's statements indicate that the incinerator system was turned over to its military customer in fully operable condition in December 2012, and that the deficiencies identified were minor and could be addressed under the warranty process, we found in our inspection that the deficiencies identified were estimated to cost \$1 million to repair and were never addressed. We also noted that USACE did not question our findings that these deficiencies posed a safety hazard.

As our December 2013 inspection report noted, when FOB Sharana was closed in October 2013, the entire base, including the incinerators, was transferred to the Afghan Ministry of Defense. According to officials with U.S. Forces-Afghanistan, the incinerators may "have already been deconstructed by the Afghans, presumably for scrap."

As a result of these concerns, we requested that USACE provide all documentation supporting its conclusion that contracting personnel involved with the FOB Sharana incinerator facility performed their duties appropriately. In response to this request, USACE submitted nine documents to SIGAR that, according to USACE, were used for its inquiry.

Our analysis of those nine documents continues to raise concerns about why the contractor was not held responsible for the construction deficiencies and calls into question the thoroughness of USACE's inquiry. For example, in USACE's comments to our report, it stated that FOB Sharana's plans were to deconstruct the incinerator as part of the closure of the FOB and that it did not intend to operate the facilities. Thus, USACE was not required to conduct any verification of deficiencies identified or take any actions to correct deficiencies. However, documentation provided by USACE in response to our inquiry clearly shows that USACE personnel, including a contracting officer, made at least two attempts to have the contractor repair the construction deficiencies identified. These efforts were unsuccessful, but the fact that USACE twice attempted to have the deficiencies corrected calls into question its claim that repair of the deficiencies was not needed because the intent of officials at the installation was to deconstruct the facilities. Moreover, the documentation provided by USACE included no evidence that officials at the installation informed USACE they intended to deconstruct the facilities and, as such, did not want the deficiencies corrected.

Despite the deficiencies not being resolved, the same contracting officer approved a final payment of \$100,000 to the contractor citing 'satisfactory' performance. Our review of the documentation indicates that there is no evidence that the contracting officer provided any justification for making the determination that the contractor's performance was satisfactory. The results of my office's analysis are contained in the enclosure to this letter. Based on this analysis, and in the absence of further documentation, justification, and support showing why the decision was made to accept the substandard work on these incinerators and authorize final payment to the contractor, SIGAR has opened a preliminary investigation into this matter.

Should you have any questions or need additional information, please contact Douglas J. Domin, Assistant Inspector General for Investigations at [REDACTED] or [REDACTED]. Thank you in advance for your attention to this matter.

A handwritten signature in black ink, appearing to read 'J. F. Sopko', with a long horizontal flourish extending to the right.

John F. Sopko  
Special Inspector General  
for Afghanistan Reconstruction



## USACE Area Engineer and Contracting Officer Did Not Hold Contractor Accountable for Poor Construction

SIGAR requested all of the supporting documentation associated with USACE's internal inquiry into the construction of the incinerator facility at FOB Sharana. In response, USACE provided the following:

- Inspector's Quality Assurance Report dated June 20, 2012.
- Two letters from the contractor responsible for building the incinerator system, dated September 2012.
- One undated certificate of operation and maintenance training validation.
- One memorandum dated December 21, 2012, indicating transfer of the project keys and operation and maintenance manuals for the incinerator system to the U.S. military.
- Two emails from base and division engineering personnel, dated November 2013, discussing construction of the incinerators.
- Transfer and Acceptance of Department of Defense Real Property form, indicating the transfer of the incinerator system to the U.S. military, dated December 16, 2012.
- List of closeout supporting documentation including, among other things, a closeout procedures checklist, Release of Claims Document, and final payment information.

The documentation provided by USACE did not include any specific record of evaluation or overall assessment, which would have established that a determination was made that the incinerator at FOB Sharana was constructed in accordance with contract technical specifications. Further, the documentation did not contain an assessment showing that USACE contracting personnel assigned to this contract appropriately performed their assigned duties on the contract, as reported by USACE in its comments to SIGAR's December 2013 report.

Consistent with findings in SIGAR's initial inspection report on the Sharana incinerator system,<sup>3</sup> the documentation includes evidence indicating that deficiencies in the construction of the incinerator system were identified as early as the August of 2012 and that there was no evidence that the contractor responsible for constructing the system took action to resolve these issues. Specifically, a technical inspection was conducted by Fluor<sup>4</sup> inspectors prior to August 26, 2012. As stated in our report, this inspection found numerous electrical deficiencies that could pose safety hazards. Fluor identified 116 deficiencies and estimated it would cost approximately \$1 million to fix them.

In response to the findings of this technical inspection, a USACE contracting officer representative sent a letter dated September 15, 2012, to International Home Finance & Development LLC (IHFD), the contractor constructing the \$5.4 million facility. In the letter, the contracting officer's representative stated that final acceptance of the incinerator system for the contract would be made when all work was completed and all deficiencies corrected.

On September 19, 2012, IHFD responded to USACE and indicated that it had not taken action to address any of the 116 deficiencies that Fluor identified. A USACE contracting officer sent a letter to

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<sup>3</sup> SIGAR Inspection Report 14-13, *Forward Operating Base Sharana: Poor Planning and Construction Resulted in \$5.4 Million Spent for Inoperable Incinerators and Continued Use of Open-Air Burn Pits*, Dec. 16, 2013.

<sup>4</sup> Under the U.S. Army Logistics Civil Augmentation Program, the contractor Fluor provides the Department of Defense and coalition forces with multi-functional logistical services during contingency operations, such as the operation of incinerators at FOB Sharana.

Fluor dated November 12, 2012, noting that IHFD's response to many of the items identified in the technical inspection were similar to "Metal outlet boxes were inspected [by the government] after installation and found to be suitable for the application." According to the USACE contracting officer's letter, this type of response was not in accordance with IHFD's contractual obligations. Specifically, the USACE contracting officer noted that, in accordance with Federal Acquisition Regulation 52.246-12, government inspections and tests are for the sole benefit of the government and do not constitute or imply acceptance, or affect the continuing rights of the government after acceptance of the completed work.

Further, USACE's contracting officer noted that in response to several of the deficiencies identified in the technical inspection, IHFD stated that project features, such as electrical and plumbing facilities that were noted as damaged in the technical inspection, were not damaged prior to IHFD leaving site. The contracting officer noted that, according to contract requirements, IHFD was still responsible for the work until final acceptance of the project. The contracting officer also noted that as of his letter dated November 12, 2012, he was not aware of the government relieving IHFD of its contractual responsibilities for protection of the work until final acceptance. Finally, the contracting officer stated that, although 86 days had passed since IHFD had been made aware of the deficiencies identified in the technical inspection, USACE was not aware of any replacement or corrective work taking place at the incinerator facility.

In spite of these deficiencies identified in the technical inspection and efforts made by the USACE contracting officer to get IHFD address these deficiencies, the incinerator system was transferred by USACE to FOB Sharana on December 17, 2012, with no evidence of actions taken by the contractor, USACE, or USFOR-A to address the deficiencies identified in the technical inspection. The transfer document was signed by a USACE Area Engineer. Further, in a December 17, 2012, performance evaluation conducted by the same USACE Area Engineer who signed the transfer document and the same contracting officer who wrote the November 12, 2012, letter to IHFD stating that it must address the deficiencies identified by Fluor, USACE found that, "After a review of all the contractor provided information and Contract data, the overall evaluation is revised to satisfactory. The project was indeed that in the final result." The USACE evaluation also noted that "Contractor performed at the minimum satisfactory level." There is nothing in the documentation provided by USACE that explains why or under what circumstances the overall evaluation was changed to satisfactory.

On December 24, 2012, the Area Engineer and the contracting officer both signed the final Payment Estimate for the incinerator project that authorized the final payment of \$100,000 to the contractor, to be paid by January 29, 2013. Further, on January 3, 2013, the USACE Area Engineer signed a Final Payment Certificate, which stated that all contract requirements had been satisfactorily met and that the government had no outstanding claims against the contractor in connection with its work on the incinerator system.