



Prepared Remarks of
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Thank you for that kind introduction and I want to express my appreciation to the Association of Certified Fraud Examiners for inviting me to speak again on how my agency detects fraud in a challenging environment like Afghanistan.

For over seven years, I have had the privilege to lead the office of the Special Inspector General for Afghanistan Reconstruction, commonly referred to by that tobacco-flavored acronym, SIGAR.

SIGAR 101

The United States Congress established SIGAR in 2008, seven years after the attacks of September 11th led our country to invade Afghanistan, and after the U.S. had already spent billions of dollars rebuilding Afghanistan.

Congress felt it needed an independent oversight office focused solely on protecting the billions of dollars being spent on Afghanistan’s reconstruction in light of reports that much of the money was being wasted.

Afghanistan is the most expensive reconstruction project in U.S. history, having spent \$132 billion to date. That’s more money than the entire Marshall Plan to rebuild western Europe after World War II.

As an office of Inspector General, SIGAR has both audit and criminal investigative authorities much like the other 72 federal Inspectors General. However, SIGAR is quite different than any other IG office in a number of ways.

Unlike every other federal inspector general office, we are not housed within any federal agency. We file our reports with Congress and the Secretaries of Defense and State, but we are basically only answerable to the President and Congress.

More importantly, SIGAR has cross-agency jurisdiction. Unlike other federal

inspectors general who can only look at the activities of the agency they are housed within, SIGAR has jurisdiction over any federal entity that spends a cent on Afghanistan's reconstruction.

Finally, unlike all but one other IG office, SIGAR is temporary. We will shut down 180 days after the amount of unexpended funds for Afghanistan's reconstruction drops below \$250 million.

I think our temporary status is a good thing, because it means that time is of the essence for us, a fact our nearly 200 auditors, analysts, engineers, criminal investigators, and other professionals are constantly mindful of.

SIGAR's Operating Environment

SIGAR has one of the toughest oversight tasks of any agency within the U.S. government. Even after nearly 18 years of U.S. and coalition military support and financial largess, Afghanistan remains one of the poorest, least educated, and most corrupt countries in the world, as well as one of the most violent.

Afghan security force and civilian casualties are at or near all-time highs, and insider attacks against U.S. forces are also a persistent challenge. To date, over 2,400 U.S. service members have died in Afghanistan.

In addition to the Taliban threat, there may be as many as 20 terrorist groups operating in the Afghanistan/Pakistan region, the most notable of which is the so-called Islamic State, claiming responsibility for causing mass casualties in attacks on Afghan civilians.

To maintain our aggressive oversight efforts in the face of these dangers, SIGAR has augmented our over 30 staff members permanently stationed in Afghanistan with satellite imagery, retained the services of Afghan non-governmental organizations (whose work we verify), and have hired Afghan nationals who can travel at less personal risk than more-obvious foreigners accompanied by massive security details. But even with these additional resources, some places in Afghanistan remain inaccessible.

To fully appreciate the need for security, here is an example of the typical security detail needed for one of my site visits. I am the one without a beard.

And as if the daily threat of violent attack isn't enough to deal with, SIGAR also faces the challenge of working in one of the most corrupt countries on the planet. Afghanistan ranks 172nd out of 180 countries on Transparency International's most

recent Corruption Perception Index, and nearly 70 percent of Afghans surveyed state that corruption is a problem in their daily lives.

SIGAR's Accomplishments

Despite the challenges we face in our work, SIGAR's accomplishments have been significant. Our audits and inspections directorate has issued over 500 products, made over 900 recommendations to U.S. government agencies, and identified nearly \$1 billion in savings to the U.S. taxpayer.

Our investigations directorate has conducted over 1,000 investigations, made 129 arrests and secured 137 convictions.

Besides putting people in jail, SIGAR's investigations directorate has secured an additional \$1.6 billion in criminal fines, restitutions, forfeitures, civil settlements, and other savings and recoveries for the government.

We also pursue the suspension and debarment of contractors who defraud the U.S. government, securing nearly 700 suspensions and debarments to date, preventing fraudulent contractors from working with the U.S. government, even when criminal charges can't be filed.

Likewise, we employ specialized experts with decades of experience to review every single case to identify assets for forfeiture and any possible violations of money laundering statutes.

While conducting audits and investigations are the two primary missions of inspectors general, SIGAR also has other specialized offices that look at projects in shorter time frames, like our Office of Special Projects, or look at a reconstruction area from a whole of government view, like our Lessons Learned program.

Our Research and Analysis Directorate also produces our Congressionally-mandated quarterly report on the status of the reconstruction effort, which is the most comprehensive, publicly available document produced on the status of U.S. and coalition efforts in Afghanistan.

So that is who we are, what we do, why we do it, and where we do it. Let me now turn to the question of "how" we do it in spite of the challenges we face operating in Afghanistan.

Basic investigative approaches, at their core, are well known. Some of what I'm about to talk about are concepts you are all aware of, and methods I used 40 years ago as a young federal prosecutor targeting organized crime in Cleveland, Ohio.

The challenge for SIGAR, is how to apply tried and true investigative approaches to an environment as challenging as Afghanistan's while continually developing and utilizing innovative approaches to common problems that many investigators face which are exacerbated in a war zone.

Innovative Techniques To Address Limited Access

I'll start with the most basic challenge SIGAR faces in Afghanistan – access.

Due to the security situation in Afghanistan, we cannot simply get on a plane or into our cars to knock on someone's door and conduct an interview, or safely sit outside a location conducting surveillance.

To give you some idea of how we have been forced to adjust, when I became the SIGAR in 2012, we had agents in seven offices throughout Afghanistan that traveled widely and conducted surveillances and interviews with Afghan police and prosecutors in many parts of the country.

However, since the military drawdown in 2014, our operational footprint has been significantly reduced and our investigators, auditors, and inspectors are no longer at liberty to drive around the country. In fact, for the past several years all U.S. civilian personnel arriving in Afghanistan have been required to fly via government helicopter between the international airport and the U.S. Embassy -- a distance of just three kilometers, because that stretch of road has been deemed too dangerous for routine vehicle travel.

Our challenge has been to find ways to maintain our presence throughout Afghanistan – or as much of it as we can – even if our agents can only get outside the U.S. Embassy on a limited basis and even more rarely outside of Kabul.

One of the most successful approaches we have taken may be one of the simplest on its face. We developed a telephone and email Hotline for individuals – whether U.S. civilians, military, or Afghan citizens – to report information or file complaints about matters they want us to look into, and they can report them anonymously. I will admit, even in Afghanistan, we do get our share of calls from dating services and home repair salesmen, but the Hotline has been a key source of investigative tips for our agents.

Most Afghans do not speak English, so we employ Dari and Pashtu speakers to monitor the calls and emails that we receive via the Hotline. To date, we have received over 3,400 complaints via the Hotline, and our staff has responded to each individual who provided us with a way to contact them.

Of course, the Hotline wouldn't bring in any information if Afghans didn't know about it. So we have advertised it heavily on our Facebook page, on our website, on billboards in Dari and Pashtu, through fliers distributed to Afghan ministries, and by placing ads in military publications and the magazines of airlines that fly into Kabul, among other things.

One positive development in Afghanistan has been the adoption and growth of social media and we spread the word through that medium as well. SIGAR has more followers on Facebook and Twitter - almost 200 thousand - than any other IG, or the main U.S. auditing agency, GAO.

Providing an avenue for Afghans and U.S. and coalition personnel to contact us anonymously with information helps to bridge the gap created by the limits on SIGAR's mobility and encourages those who would otherwise not come forward because of the very real threat of retribution.

Best Sources = Best Cases

While the Hotline and our other outreach programs are vital tools, we place a great deal of emphasis on nurturing and expanding our already extensive network of sources within Afghanistan and the United States to compensate for the difficulty we have in moving around Afghanistan.

Nearly all of our law enforcement agents have already had long, distinguished careers at other federal or local law enforcement agencies and they know how to develop sources, so they hit the ground running the minute they join SIGAR.

Again, using sources or whistleblowers is hardly a new investigative technique and realistically, there are few incentives for individuals to work with SIGAR as undercover sources. Nevertheless, some of our best cases have succeeded through the use of high-placed sources that SIGAR has developed and nurtured. Part of this is because of SIGAR's strong branding and reputation in Afghanistan for fairness and incorruptibility.

What's equally important is that SIGAR agents have longer tours of duty than other agencies in Afghanistan, and therefore have better institutional memory to find and gain the trust of potential sources.

SIGAR investigators also maintain robust outreach programs to Afghan government officials. The personal relationships our staff in Kabul has been able to

build over years with Afghan government officials has allowed us to make progress in cases that we might not otherwise have achieved.

For example, one of our better-known cases would not have developed or had a successful outcome without both a good tip from a human source and SIGAR's relationship with honest Afghan government officials.

The case centered on a \$1 billion contract for fuel issued in 2014 by the Afghan Ministry of Defense. Although it was an Afghan government contract, the U.S. was paying for the fuel. Six companies were on the shortlist to submit bids to the Ministry. Four of the six companies submitted their bids on time. Of the two that did not, one was on his way to submit his bid and was hit by a truck, and the other was detained by the notoriously-corrupt Afghan police for a bogus traffic violation.

One of those contractors complained to various Afghan and international agencies that his company's bid was \$200 million lower than that of the four companies who didn't run into any unexpected trouble on their way to submit their bids.

SIGAR was the only Afghan or U.S. agency that followed up on the complaint and when we examined the bids, we found that the four submitted proposals all matched – to the fourth decimal place; the odds of the numbers matching so closely by pure coincidence were estimated to have been one in one trillion.

Further digging by our agents discovered that before bids were submitted, a meeting occurred outside the country and was attended by representatives from all six companies. One of the firms suggested that they divide up the contract and submit six matching bids. One company representative, however, refused to participate in the scheme and unsurprisingly, his firm was one of the two prevented from submitting their bid on time.

Ultimately, the tip from the Afghan contractor and SIGAR's investigation saved the U.S. government over \$250 million on this contract and countless millions on future fuel contracts.

But fraud hasn't been only limited to high-stakes contract bidding. Among Afghanistan's seemingly limitless possibilities for fraud, SIGAR's investigators have also encountered good, old-fashioned smuggling.

In 2017, after SIGAR led a seminar that trained contractors, law enforcement, and military personnel on how to spot fraud, a seminar attendee contacted our agents to let them know that there was someone heading out of the country to Dubai *that day* with a large amount of gold.

When our agents stopped the traveler at the airport, what they found was the Afghan version of the classic film, *The Italian Job*. The intrepid traveler was carrying 92 pounds of gold bars worth almost \$2 million, violating customs and anti-money laundering laws.

This investigation is still ongoing, but fraud in Afghanistan isn't always complex. Sometimes it's as simple as sneaking around with gold bars in a duffle bag with fraudulent customs documents.

While I would never downplay the weak state of rule of law in Afghanistan, unfortunately many of SIGAR's cases also involve a small subset of U.S. military and civilian personnel who wish to illegally enrich themselves before they return to the United States.

It may seem counterintuitive that an average Afghan citizen may feel comfortable reporting to SIGAR on a member of the world's most powerful military, but the truth is that many Afghans – already upset by the corruption that their own leaders have struggled to rectify – are equally incensed when they see Americans or other coalition personnel taking advantage of the financial support that is meant to rebuild Afghanistan.

For example, in 2010, SIGAR received a tip from a confidential Afghan source in the fuel industry that one of his competitors was bribing U.S. service members at a forward operating base near Jalalabad. The source alleged that bribes were being paid in exchange for service members looking the other way while hundreds of thousands of gallons of U.S. military fuel was stolen.

SIGAR initiated an undercover operation to monitor these illicit exchanges, and during a series of meetings monitored by SIGAR, the Afghan identified other U.S. military personnel he had previously bribed.

Drawing on SIGAR's strong working-level relationship with the Afghan government, our agents worked with the Afghanistan Financial Intelligence Unit, known as FINTRACA, to obtain bank records of the Afghan suspect. The records revealed wire transfers of the illicit proceeds to an account in the Philippines. SIGAR was able to identify the recipient of the transfers as the wife of a U.S. Army service member who had previously been deployed to Jalalabad overseeing – you guessed it -- military fuel.

Overall, as a result of the investigation, five U.S. service members were sentenced to prison and millions of dollars in restitution was ordered.

No investigation in Afghanistan is simple, but building and maintaining strong

professional relationships with Afghan and U.S. government entities enables us to successfully pursue cases we otherwise would not be able to.

Follow The Money

I learned early on at SIGAR that no self-respecting Afghan or American crook wants to keep their ill-gotten gains in Afghanistan. Accordingly, that old investigative cliché about “following the money” really is important. For U.S. civilian and military personnel, as well as contractors, it is very difficult to spend ill-gotten gains in Afghanistan.

In addition, the vast majority of U.S. government personnel are deployed to Afghanistan for a year or less, so they need to get their illicit funds back to the United States or to a third country.

Since most U.S. service members operate in a cashless environment in Afghanistan, large cash sums sent back home are often an indicator that something illegal may be taking place.

I knew that following the money was especially important in the Afghan context, so when I became the SIGAR, I directed our agents to focus on money flowing out of Afghanistan. SIGAR’s agents utilize a vast network of criminal, financial, open source, and government contracting databases including the U.S. network – FINCEN, and the Afghan network – FINTRACA, to gather financial intelligence. Our agents and analysts proactively review FINCEN and FINTRACA reports, including Suspicious Activity Reports. They also file Egmont requests and proactively review wire service records from the U.S. Postal Service, Western Union, and other providers.

As important as our Hotline and well-placed sources are, it is possible to go out and find evidence of crimes simply by digging into records to see what you might find. It may not be the most exciting work, but it has paid off multiple times for our agency.

A SIGAR investigator, during a routine review of wire transfers, spotted records of a U.S. service member making several cash transactions to purchase expensive vehicles in the United States while he was still deployed in Afghanistan.

This led to an investigation that identified four service members who conspired to defraud the U.S. by falsifying military transportation movement requests in exchange for kickbacks from Afghan contractors who, as a result of the fraudulent movement requests, transported and sold U.S.-government fuel to the Afghan contractor’s co-conspirators, who then sold the fuel on the black market at a loss to the U.S. taxpayer of approximately \$10 million.

The service members implicated were sentenced to prison time and responsible for restitution between \$1 million and \$10 million all because one of our agents was savvy enough to recognize that a soldier on a military salary sending money back from Afghanistan to purchase expensive cars seemed out of the ordinary.

We did not need to be embedded on a military base or infiltrate the Afghan underworld to uncover the scheme, we just needed to proactively review wire transfers.

Unfortunately, if ill-gotten gains stay inside Afghanistan and aren't transferred outside the country it is generally much harder for SIGAR to track and investigate them. The United States does not have a Mutual Legal Assistance Treaty, or MLAT, with Afghanistan, so SIGAR cannot simply serve up a subpoena seeking financial records from banks in Afghanistan.

That does not mean that we throw up our hands and give up, however. SIGAR has had some success in recent years in obtaining Afghan bank records, including in a case that resulted in the conviction on twenty felony counts of the former owner of an Afghan marble mine.

The Overseas Private Investment Corporation (OPIC), a U.S. government entity, loaned the owner of the mine \$16 million in an effort to aid the Afghan economy. SIGAR received a tip that the money OPIC had loaned was not being used by the recipient for its intended purpose. But our agents needed access to the borrower's Afghan bank records if they were going to pursue the case.

As opposed to the 30 to 60 days it would take to get the records in the United States, it took two years to get them in Afghanistan and required me to speak personally with Afghan President Ghani. Even he had to issue a presidential decree just to get his government to cooperate with our investigation. And it still took another year to get the records.

But once we did get the records, the fraud was immediately evident.

Our investigators have also used creative methods to initiate the first-ever freezing of assets held in an Afghan bank. SIGAR was able to freeze over \$60 million of an Afghan contractor that had defrauded the U.S. government by charging inflated prices for delivering supplies.

We first filed petitions with the Afghan government to freeze and seize his assets, but before we could seize the assets, the accounts were mysteriously unfrozen and moved out of the country. Undeterred, our investigators resorted to some legal fancy footwork to hold this corrupt contractor accountable.

We managed to get most of the money back by bringing civil forfeiture actions against “correspondent” bank accounts in the United States. This case just settled in March, returning \$25 million in forfeited funds to the American taxpayer.

None of this is easy. Our cases are often complex, time-consuming, and to be honest, not that “sexy” to prosecutors and law enforcement agencies.

To help address the legal obstacles that come with operating in multiple countries, SIGAR pays the salaries of prosecutors at the U.S. Department of Justice whose only job is to prosecute cases that SIGAR brings before them. The advantage of having prosecutors who are familiar with the crimes we investigate and obstacles we face has been invaluable.

Eyes and Ears/Kicking the Tires

As effective as all of the methods I have mentioned have been, sometimes there is simply no substitute for getting out and kicking the tires. Physical presence IS important, even though our mobility in Afghanistan has increasingly been limited.

There is a great deal to uncover if you keep your eyes open and ask the simple but uncomfortable questions that no one else seems to want to.

Perhaps the priciest single waste of taxpayer funds SIGAR has come across was literally spotted with my own two eyes. I travel to Afghanistan roughly once every three months. After my first few trips I could not help but notice the 16 hulking gray transport aircraft sitting off to the side of the main airport terminal in Kabul, with weeds growing in between them.

After a little digging, we found that they were 16 of 20 planes that the U.S. Defense Department had purchased for \$486 million.

The planes had been retired years before by the Italian Air Force and were collecting dust when the U.S. Defense Department purchased them for the Afghan Air Force. We found that the Department of Defense Inspector General had looked into the aircraft, but only into an associated maintenance and spare parts contract. Unfortunately, there was a disaster yet to be uncovered that their staff missed.

Mind you, these planes were sitting in plain sight across the tarmac from the main terminal of the Karzai International Airport. For years, every U.S. Ambassador and embassy staff member flying into Kabul saw them. Maybe one of these planes is easy to miss, but overlooking sixteen of them stacked side-by-side is impossible. Yet apparently no one asked why they were just sitting there on the tarmac for years.

Finally, on one trip, I decided to walk over to take a look at the planes and was stopped by a U.S. service member who would not let me get any closer. So, I calmly told him that when I came back on my next trip I was going to walk over to see those aircraft – and they could arrest me if they wanted, but if they did, to be prepared to read about it in the *New York Times* or *Washington Post*.

Unsurprisingly, on our next trip the military gladly escorted me over to the planes. I knew something was amiss when a senior U.S. officer, pointing to the aircraft, flat out told me “We’re never going to do something like this ever again.”

I soon found out why. After the planes had been purchased from the Italians, they needed major refurbishment at significant cost. Despite the refurbishment, the aircraft suffered from fuel leaks, mid-flight engine shutdowns, electronic component failures, and numerous other problems. In fact, test pilots had to fly the aircraft into Afghanistan – regular military pilots reportedly refused, and American pilots we spoke to described them as “death traps.”

The program was cancelled even before all 20 planes were delivered to Afghanistan.

The 16 planes that did make it to Afghanistan sat on that runway in Kabul until we issued our public report. Shortly after its release, the U.S. military spent \$188,000 to demolish the planes, selling the remaining scrap metal to local Afghan firms for \$32,000. Not exactly the best return on a \$486 million dollar on investment.

Hardly any questions were raised about them even though they were sitting in plain sight. Sometimes an inquisitive nature is more effective than all the fancy satellite imagery and fraud analysis tools available.

There is another “in plain view” example that is just as egregious. In 2006, OPIC agreed to loan funds to construct a hotel right next to the U.S. Embassy in Kabul. The proposal was submitted by a Jordanian citizen and a U.S. sponsor. Marriott International agreed to manage the hotel, but later withdrew from its agreement. The project was supposed to be completed by the end of 2010, and OPIC issued just under \$60 million in construction loans.

In 2010, even though the hotel was far from complete, the same Jordanian and a different U.S. sponsor submitted a proposal to OPIC for the construction of an apartment building next to the hotel, to be known as the Kabul Grand Residences. OPIC approved this project as well, agreeing to loan an additional \$27 million.

SIGAR received a Hotline tip that the borrowers receiving the OPIC loans for the hotel and apartments were not paying their Afghan contractors. By this point, OPIC had

disbursed nearly \$85 million.

We found that in April 2013, the loan recipients reported to OPIC that the hotel was nearly completed. But in May, multiple news outlets reported that construction of the hotel had been halted.

Oddly, the next month, the loan recipients provided OPIC with a progress report stating that contracts had nevertheless been issued for the procurement of furniture, fixtures, and other equipment. Based on that progress report – and despite the contrary news reports – OPIC approved the final loan disbursement that same month.

Not surprisingly, following receipt of the final disbursement, the loan recipients notified OPIC that they were stopping all work on the project. Since then, the U.S. Embassy has assumed responsibility for securing the site, at U.S. taxpayers' cost, due to the security threat posed by an unfinished hotel towering over the U.S. Embassy compound.

When SIGAR inspectors entered the hotel and adjacent apartments in 2016 – three years after OPIC had received its last project update – it was instantly clear that they were nowhere near as complete as the loan recipients had led OPIC to believe. OPIC, for its part, had never sent anyone out to the site to verify the recipients' claims even as it continued to disburse tens of millions of dollars.

Our inspectors found structural cracks in the walls and the roof; damaged fireproofing on steel beams and columns; demolished wall sections; incomplete electrical, elevator, communications, fire prevention and suppression, sewer, heating, ventilation, and air conditioning systems; uninstalled doors and windows; and many other problems.

The individuals who defaulted on the loans and submitted blatantly false paperwork to OPIC did make one smart decision. They created a modern-day Potemkin Village. While the inside of the hotel was in shambles, the two external walls facing the Embassy made it appear that construction was proceeding apace.

They also set up two model apartments that were nice enough for the brochure, but none of the pictured fixtures were connected to water, power, or anything else of use.

Even in a challenging environment like Afghanistan you can usually at least walk across the street from the embassy, so the fact that no one from OPIC made an effort to get inside a decade-long project right next to the embassy is inexcusable. The lesson learned here is that without proper due diligence, you are bound to lose your investment in Afghanistan.

Fraud Kills

I have discussed a few of the ways we manage to conduct our work in one of the world's most challenging environments, but let me close by explaining WHY we go to all this effort.

Every gallon of fuel that is stolen or airplane that cannot fly, or military officer who changes orders because they were bribed, endangers our country's broader mission in Afghanistan – and more importantly, endangers the people carrying out that mission – the vast majority of whom are doing the right thing.

One disturbing example of this involves a U.S. contract that was issued to Afghan firms to install culvert denial systems in Afghanistan. Culvert denial systems are rebar and concrete-enforced metal grates designed to cover culvert openings under roads.

The culverts are there to help prevent flooding, but the area underneath the roadway makes a perfect location for improvised explosive devices, or IEDs, to blow up military convoys traveling over those roads.

Tragically, two separate IED explosions that led to the deaths of two U.S. service members and injured others took place on roadways that were supposed to have been protected by culvert denial systems installed by Afghan contractors.

Our investigation determined that military contracting officers had never visited the work sites to verify that the culvert denial systems had been installed. SIGAR agents examined photos that the contractor submitted with his firm's invoices, and we found that not only did the contractor alter some of the photos, but that three culvert denial systems supposedly installed at different locations had identical latitude and longitude coordinates.

Plotting all 125 locations where the denial systems were supposed to be installed on Google Earth, SIGAR's agents found that some of the locations the contractor had cited in his invoices were not even on or near the road.

The failure of U.S. government personnel to conduct proper oversight of the contractor led to the deaths of two U.S. service members and injuries to others – deaths and injuries that may have been prevented had someone taken the time to do their due diligence and verify the contractor's work. Quite simply, fraud can – and does – kill.

Conclusion

It is a somber note to end on, but it is a reminder that no matter how challenging the environment, fraud is about more than dollars and cents. It can be about winning and losing wars. And it can be about living and dying.

No matter how many challenges SIGAR faces in Afghanistan, we will continue to address them with creativity and determination, because we know that if we do not – no one else will.

Thank you for your attention and thank you for your dedication to combatting fraud in all of its many forms.