

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 16-56 Inspection Report

**Gardez Hospital: \$14.6 Million and Over 5
Years to Complete, Yet Construction
Deficiencies Still Need to be Addressed**



**AUGUST
2016**

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT SIGAR REVIEWED

On January 19, 2008, the U.S. Agency for International Development (USAID) entered into a 3-year, \$57 million cooperative agreement with the International Organization for Migration (IOM) to implement the Construction of Health and Education Facilities program. This program supported the construction of a 100-bed hospital in Gardez, Paktya province, which was intended to replace an existing 70-bed hospital. When completed and equipped, the hospital was expected to fulfill basic and advanced medical needs of local residents.

This is a follow-up to SIGAR's prior inspection of the Gardez hospital. In October 2013, SIGAR reported that construction of the hospital was significantly behind schedule, and that IOM overpaid Sayed Bilal Sadath Construction Company (SBSCC), an Afghan firm, by at least \$507,000 for diesel fuel and a temperature control device, which ensures that heating, ventilation, and air conditioning systems do not overheat or overcool spaces. SIGAR recommended in that report that USAID complete a detailed financial audit of IOM's incurred costs associated with building the hospital.

The objectives of this follow-up inspection were to assess whether (1) construction has been completed in accordance with contract requirements and technical specifications, and (2) the hospital is being used as intended and maintained. SIGAR conducted its work at the Gardez hospital in Paktya province and in Kabul, Afghanistan, from November 2014 through August 2016, in accordance with the *Quality Standards for Inspection and Evaluation*, published by the Council of the Inspectors General on Integrity and Efficiency.

August 2016

Gardez Hospital: \$14.6 Million and Over 5 Years to Complete, Yet Construction Deficiencies Still Need to be Addressed

SIGAR 16-56 INSPECTION REPORT

WHAT SIGAR FOUND

Construction of the hospital started in September 2008, when IOM awarded a contract to Sadath Mohammad Construction Company for construction of a boundary wall and deep water well for a new hospital in Gardez, Paktya province. On May 25, 2010, IOM awarded SBSCC a \$13.5 million contract to construct the 100-bed hospital by November 24, 2011. The completion date was extended to June 30, 2013, and the contract value increased to \$14.6 million. In June 2013, IOM terminated its contract with SBSCC due to non-performance, and, on October 6, 2013, awarded a \$3.8 million contract to Rahman Noori Construction Company (RNCC), an Afghan firm, to complete the hospital by April 30, 2014. RNCC failed to meet this deadline, leading to the project falling further behind schedule. In response, IOM terminated its contract with RNCC for non-performance, resulting in IOM having to complete the project. IOM still needs to complete minor repairs on the hospital before USAID will release the final payment of \$721,396.78.

In response to a recommendation in SIGAR's October 2013 inspection report, USAID completed a detailed financial audit of IOM's incurred costs associated with building the Gardez hospital. USAID also provided SIGAR with documentation showing that, on August 1, 2015, it recouped \$694,863 from IOM, which was made up of the \$507,000 in overpayments for the diesel fuel and a temperature control device, and an additional \$187,863 that was identified as unallowable, based on the full audit of IOM's incurred costs.

In this follow-up inspection, SIGAR found that more than 5 years after construction began, the \$14.6 million Gardez hospital is mostly complete, with minor "punch list" items remaining. The building had multiple wings containing separate wards for male and female surgery, an administrative area, conference rooms, an emergency ward, a rehabilitation ward, a pharmacy, and a laboratory. We also observed that the hospital has a parking lot, a potable water system, two water towers, a water well, a wastewater treatment system, and two diesel generators.

However, SIGAR found that not all work was completed according to contract requirements and technical specifications. Most notably, SIGAR found deficiencies with the hospital's fire safety system, including a lack of emergency lighting system, exit signs pointing in the wrong direction, and missing fire alarms. SIGAR also found other construction requirements that the contractor did not fulfill and additional deficiencies. For example:

- equipment and acoustical ceilings are not installed to withstand the effects of seismic activity;
- the concrete pads for the boiler's fuel tanks had been constructed, but the fuel tanks had not been installed;
- water booster pumps for increasing the water pressure to ensure it flows when needed had not been installed;

- fuel storage tanks were not installed and tested according to required standards;
- the water towers' tanks, one of which had a leak, had not been tested for leaks;
- exterior stairways construction deviated from specifications;
- some roof sections did not have waterproof membranes correctly installed, allowing water to seep into the hospital's interior; and
- some interior doors had been installed to open in the opposite direction specified in the design drawings, and most doors had no hardware.

In addition, the automatic fire suppression sprinkler system was only partially completed. Although the International Building Code requires hospitals to have full automatic fire suppression sprinkler systems, IOM did not require SBSCC to install a complete system. Instead, SBSCC's contract required it to install the pipes, valves, fittings, and connections for the system, but not the water pump, nozzles, and several other parts to provide a complete and workable system. Finally, IOM installed two "standby" generators, rather than the one "prime" and one "standby" generator as required under the contract. SIGAR requested from USAID, but had not yet received as of the issuance of this report, documentation modifying the contract requirement to authorize this deviation. As a result, USAID may have paid for a prime generator, but received a lower-valued standby generator instead.

SIGAR also found instances of poor workmanship that resulted in parts of the hospital experiencing deterioration that required repair before it was transferred to the Afghan government. These included cracks in the roadways and parking areas, crumbling sidewalk curbing, leaking roofs, cracked exterior plaster and peeling paint, and rusted hardware and hinges on the entry and exit gate. SIGAR brought 42 deficiencies involving poor workmanship to USAID's attention in June 2015. USAID provided IOM with the list of deficiencies. On July 31, 2015, IOM responded to SIGAR, and in some cases included photographs, detailing the corrective actions it was taking to correct those deficiencies. Based on the information provided, SIGAR determined that IOM had rectified 13 of the 42 deficiencies identified, and as of July 2015, was still working on 21 and had not yet started correcting 4. For the remaining 4 deficiencies, IOM did not agree with SIGAR's assessment that corrective action was necessary. In addition, during one of its inspections, IOM determined that the hospital's steam boiler system had not been installed correctly and had missing and damaged parts, a situation IOM described as "dangerous." According to USAID, as of April 7, 2016, the boiler system's repairs were complete.

SIGAR expressed concern about the contractor's poor performance and the project's delays in its previous inspection and audit reports on the Gardez hospital. For example, in SIGAR's October 2013 inspection report, it was noted that the hospital was about 23 months behind its original completion date, and at that time, the hospital was estimated only to be about two-thirds complete. USAID did not formally transfer the hospital to the Ministry of Public Health (MoPH) until March 2016. USAID stated that, as of April 2016, the hospital was mostly complete with some minor punch list items needing to be completed by IOM. Now that the Gardez hospital has been transferred to the MoPH, SIGAR is concerned about whether the Afghan government will be able to provide adequate funding to operate and maintain the hospital at full capacity. The Afghan government estimates it will cost \$2.3 million annually to operate and maintain the Gardez hospital, which is almost four times the \$600,000 annual cost to operate the hospital that it is replacing.

WHAT SIGAR RECOMMENDS

We recommend that the USAID Mission Director for Afghanistan (1) monitor and document IOM's continued actions to correct construction work that did not adhere to contract requirements and technical specifications, and deficiencies involving poor workmanship. This includes installing the hospital emergency lighting system; installing lateral bracing required for seismic activity on all ceiling-, wall-, and floor-mounted equipment; and repairing those sections of the hospital's roof that are missing protective membrane or contain standing water and are leaking. We also recommend the Mission Director (2) continue consulting with the MoPH until it assesses the need for completing the automatic fire suppression sprinkler system; (3) provide to SIGAR the contract modification that authorized SBSCC to substitute a standby generator for a prime generator, as well as documentation showing that the U.S. government was not charged for a higher-priced prime generator; and (4) in coordination with the Minister of Public Health, determine whether there is an adequate funding plan in place to operate and maintain Gardez hospital at full capacity.

USAID provided written comments on a draft of this report. In those comments, USAID concurred with our first and third recommendations, but did not indicate whether it concurred or did not concur with recommendations 2 and 4. Based on action USAID has taken and documentation it provided to us, we revised recommendation 2. In the draft report we provided to USAID, we included a recommendation for USAID to provide SIGAR with documentation that the steam boiler system had been tested and commissioned. USAID concurred with the recommendation and provided an IOM certificate confirming that the steam boiler and hot water system were installed on June 9, 2016. In addition, USAID provided a third-party quality assurance report indicating that the steam boiler system had been tested and commissioned. Based on USAID's comments and the documents provided, we closed the recommendation as implemented and removed it from the report.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

August 29, 2016

The Honorable Gayle E. Smith
Administrator, U.S. Agency for International Development

Mr. Herbert B. Smith
USAID Mission Director for Afghanistan

This report discusses the results of SIGAR's inspection of a 100-bed hospital, funded by the U.S. Agency for International Development (USAID), that has been under construction for more than 5 years in Gardez, Paktya province. Although mostly complete, parts of the hospital have not been constructed according to International Building Code requirements—the most significant involving the partial fire safety system—while other parts of the hospital had various deficiencies, such as cracked roadways and crumbling sidewalk curbing, due to poor workmanship.

We recommend that the USAID Mission Director for Afghanistan (1) monitor and document the International Organization for Migration's continued actions to correct construction work that did not adhere to contract requirements and technical specifications, and deficiencies involving poor workmanship. This includes installing the hospital emergency lighting system, installing lateral bracing required for seismic activity on all ceiling-, wall-, and floor-mounted equipment, and repairing those sections of the hospital's roof that are missing protective membrane or contain standing water and are leaking. We also recommend the Mission Director (2) continue consulting with the Ministry of Public Health until it assesses the need for completing the automatic fire suppression sprinkler system; (3) provide to SIGAR the contract modification that authorized Sayed Bilal Sadath Construction Company to substitute a standby generator for a prime generator, as well as documentation showing that the U.S. government was not charged for a higher-priced prime generator; and (4) in coordination with the Minister of Public Health, determine whether there is an adequate funding plan in place to operate and maintain Gardez hospital at full capacity.

We provided a draft of this report to USAID for comment. USAID concurred with our first and third recommendations, but did not indicate whether it concurred or did not concur with recommendations 2 and 4. Based on action USAID has taken and documentation it provided to us, we revised recommendation 2. In the draft report we provided to USAID, we included a recommendation for USAID to provide SIGAR with documentation that the steam boiler system had been tested and commissioned. USAID concurred with the recommendation and provided an IOM certificate confirming that the steam boiler and hot water system were installed on June 9, 2016. In addition, USAID provided a third-party quality assurance report indicating that the steam boiler system had been tested and commissioned. Based on USAID's comments and the documents provided, we closed the recommendation as implemented and removed it from the report. USAID's comments are reproduced in appendix III.

SIGAR conducted this inspection under the authority of Public Law No. 110-181, as amended, and the Inspector General Act of 1978, as amended; and in accordance with the *Quality Standards for Inspection and Evaluation*, published by the Council of the Inspectors General on Integrity and Efficiency.

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

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ABBREVIATIONS

IOM	International Organization for Migration
IRD	International Relief and Development, Inc.
MoPH	Ministry of Public Health
RNCC	Rahman Noori Construction Company
SBSCC	Sayed Bilal Sadath Construction Company
USAID	U.S. Agency for International Development

The U.S. Agency for International Development (USAID) funded construction of the Gardez hospital in Paktya province, Afghanistan, through the Construction of Health and Education Facilities program. This program was implemented to help address the healthcare needs of Afghan citizens through the construction of hospitals across the country. The program also was designed to provide training for local healthcare personnel through the construction of three midwife training centers and up to nine provincial teacher training facilities. The new 100-bed Gardez hospital was intended to replace an existing 70-bed hospital.

This inspection is a follow-up inspection to our initial inspection of the Gardez hospital, which we reported on in October 2013.¹ Our objectives for this inspection were to assess whether (1) construction has been completed in accordance with contract requirements and technical specifications, and (2) the hospital is being used as intended and maintained.

We conducted our work at the new Gardez hospital in Paktya province and in Kabul, Afghanistan, from November 2014 through August 2016, in accordance with the *Quality Standards for Inspection and Evaluation*, published by the Council of the Inspectors General on Integrity and Efficiency. The engineering assessment was conducted by our professional engineer in accordance with the National Society of Professional Engineer's *Code of Ethics for Engineers*. We also employed the services of an Afghan civil society organization to support our inspection efforts. Appendix I contains a detailed discussion of our scope and methodology.

BACKGROUND

On January 19, 2008, USAID entered into a 3-year, \$57 million cooperative agreement with the International Organization for Migration (IOM) to implement the Construction of Health and Education Facilities program in Afghanistan.² Construction of the Gardez Hospital began in September 2008, when IOM awarded Sadath Mohammad Construction Company, an Afghan firm, a contract to build Gardez hospital's boundary wall and deep water well, with a completion date of June 2010. In addition, on May 25, 2010, IOM awarded Sayed Bilal Sadath Construction Company (SBSCC), an Afghan firm, a \$13.5 million contract to construct the 100-bed hospital in Gardez, which was scheduled for completion on November 24, 2011.³ Through a series of amendments, the contract's value was increased to \$14.6 million, and its completion date was extended to June 30, 2013.

On April 20, 2011, USAID awarded a contract to International Relief and Development, Inc. (IRD) for nearly \$97 million to support the USAID Mission for Afghanistan's Office of Infrastructure, Engineering, and Energy by providing quality assurance services for ongoing and planned design, construction, and maintenance projects.⁴ This contract included \$675,000 for quality assurance services at the Gardez hospital.⁵

In June 2013, IOM terminated its contract with SBSCC due to non-performance, and, on October 6, 2013, awarded a \$3.8 million contract to Rahman Noori Construction Company (RNCC), an Afghan firm, to complete

¹ SIGAR, *Gardez Hospital: After almost 2 Years, Construction Not Yet Completed because of Poor Contractor Performance, and Overpayments to the Contractor Need to Be Addressed by USAID*, SIGAR 14-6-IP, October 23, 2013.

² The cooperative agreement number is 306-A-00-08-00512-00.

³ The contract number is CHEF10-0002-CN. SBSCC was established in 2000 and registered with the Afghan Ministry of Economy in 2003. The company, which is also registered with the government of Australia, was established to participate in the rehabilitation and development of Afghanistan through the provision of construction, design, and survey services.

⁴ The Engineering, Quality Assurance and Logistical Support contract number is 306-C-00-11-00512-00. SIGAR has conducted a financial audit of this contract (see SIGAR, *USAID's Engineering, Quality Assurance and Logistical Support Program: Audit of Costs Incurred by International Relief and Development, Inc.*, SIGAR 16-10-FA, January 6, 2016).

⁵ This is a follow-on contract for IRD; the previous contract (306-M-00-06-00505-00), worth approximately \$58 million, covered the period March 2006 through April 2011. Under the first contract, approximately \$307,500 was spent for quality assurance services at the Gardez hospital.

the hospital project by April 30, 2014. In October 2014, IOM terminated its contract with RNCC, due to non-performance. USAID told us that after terminating RNCC, IOM hired another contractor, Mehrab Noor Construction Company, to complete the 100-bed construction by January 30, 2015. Mehrab Noor Construction Company failed to achieve the completion date due to insufficient financial capacity. USAID then extended the construction date to July 31, 2015, and as construction was not completed at that time, IOM terminated its contract with Mehrab Noor Construction Company. IOM then took full responsibility for the construction and mobilized its own engineers and managers to the project, and requested from USAID an October 31, 2015, completion date. After considering IOM's extension request, USAID granted a final completion date of December 31, 2015, with the intention that USAID would transfer the hospital to the Ministry of Public Health (MoPH) by January 2016. However, the hospital was not transferred to the MoPH until March 2016.

The Gardez hospital was designed as a single-story complex with separate wings containing separate wards for male and female surgery, an administration area, conference rooms, an emergency ward, a rehabilitation ward, a pharmacy, and a laboratory. The hospital was also designed with parking facilities, generators, a potable water system with two water towers, a water well, and a wastewater treatment system. Plans called for the hospital's power to be supplied by one prime and one standby emergency backup diesel generator, with the fuel stored in four 16,000-gallon underground tanks. When completed and equipped, the hospital is expected to fulfill basic and advanced medical needs of local residents. The hospital was also intended to adhere to International Building Code standards.

In October 2013, we issued an inspection report on the Gardez hospital, noting that construction of the hospital was significantly behind schedule, and through a series of amendments, the contract's completion date was extended to June 30, 2013.⁶ At the time of our November 25, 2012, inspection visit, the hospital was estimated to be two-thirds complete. During that inspection, we observed that the hospital was still a "shell" with a partially completed roof, and the construction of major items—such as the electrical; heating, ventilation, and cooling; water; and wastewater treatment systems—had not been completed. Therefore, at that time, we could not thoroughly assess the quality of the construction.

We also reported that IOM, due to weak internal controls, overpaid SBSCC by at least \$507,000. Specifically, we identified overpayments to the contractor of about \$300,000 in connection with the procurement of 600 gallons of diesel fuel, and an overpayment of \$210,000 for procurement of an automatic temperature control device, which IOM officials told us should range from \$2,000 to \$10,000.⁷ IOM officials were unable to provide us with a vendor invoice for either the fuel or the temperature control device.⁸ We recommended that the USAID Mission Director for Afghanistan (1) seek reimbursement from IOM of the \$507,000 in overpayments, and (2) conduct a detailed financial audit of the costs associated with the hospital's construction to determine whether there were additional overpayments that needed to be recouped by the U.S. government.

In response to the recommendation in our October 2013 inspection report, USAID completed a detailed financial audit of IOM's incurred costs associated with building the Gardez hospital and provided us with a copy of the final audit report.⁹ USAID also provided us with documentation showing that, on August 1, 2015, it

⁶ SIGAR, *Gardez Hospital*, SIGAR 14-6-IP, October 23, 2013; and SIGAR, *Health Services in Afghanistan: Two New USAID-Funded Hospitals May Not Be Sustainable and Existing Hospitals Are Facing Shortages in Some Key Medical Positions*, SIGAR Audit 13-9, April 29, 2013.

⁷ Temperature controls are included in heating, ventilation, and air conditioning systems to help ensure that the systems do not overheat or overcool spaces.

⁸ We calculated the \$507,000 overpayment by taking the \$300,000 fuel cost and subtracting the \$3,000 maximum amount that the fuel should have cost (\$300,000-\$3,000=\$297,000), and adding to that amount the difference between the \$220,000 cost of temperature control device cost and the \$10,000 maximum amount that the device should have cost (\$220,000-\$10,000=\$210,000).

⁹ USAID Office of Inspector General, *Audit of Costs Incurred in Afghanistan by the International Organization for Migration (IOM) Under Cooperative Agreement Number 306-A-00-08-00512-00, Construction of Health and Education Facilities (CHEF) Program, for the Period January 19, 2008, to June 30, 2013*, F-306-15-026-N (Washington, D.C.: April 16, 2015). This audit report was prepared by Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants (Kabul, Afghanistan).

collected \$694,863 from IOM, which was made up of the \$507,000 in overpayments for the diesel fuel and temperature control device identified in our 2013 inspection report and \$187,863 in additional unallowable costs, based on the full audit of IOM's incurred costs.

CONTRACTORS DID NOT FULLY COMPLY WITH CONTRACT REQUIREMENTS, AND POOR WORKMANSHIP RESULTED IN DEFICIENCIES THAT NEED TO BE REPAIRED

Not All of the Construction Work Met Contract Requirements and Technical Specifications, and Some Construction Deficiencies Still Exist

We conducted an on-site inspection of the new Gardez hospital from March 23 through March 25, 2015, and found that the hospital was constructed as a one-story facility with 5 blocks, 4 in-patient wards, and 1 general block, all connecting to the primary facility. The building had multiple wings containing separate wards for male and female surgery, an administrative area, conference rooms, an emergency ward, a rehabilitation ward, a pharmacy, and a laboratory. We also observed that the hospital has a parking lot, a potable water system, two water towers, a water well, a wastewater treatment system, and two diesel generators.

Although construction of the hospital was almost complete at the time of our March 2015 inspection, we found some construction deficiencies. For example, we found several deficiencies with the hospital's fire safety system, which, according to the contract, should have followed International Building Code standards.¹⁰ Specifically, we found that the hospital's emergency lighting system had not been installed, which could prove critical in a nighttime fire. Also, some of the hospital's exit signs, which could help guide patients during a fire, were pointing in the wrong direction, and others were missing. In addition, we found that some required fire alarms had not been installed, and USAID could not provide us with the certified design for the fire alarm system or an egress plan for fire evaluation purposes. Further, IOM did not require SBSCC to install a complete system, for reasons we could not determine. Instead, SBSCC's contract required it to install the pipes, valves, fittings, and connections for the system, but not the water pump, nozzles, and several other parts to provide a complete and workable system. USAID officials told us that the contractor provided the hook-ups for the sprinkler system, and that Afghan authorities could complete the system should they desire to do so in the future.

During our on-site inspection, we found other construction requirements the contractor did not complete, including the following:

- equipment and acoustical ceilings are not installed to withstand the effects of seismic activity;
- the concrete pads for the boiler's fuel tanks had been constructed, but the fuel tanks had not been installed;
- water booster pumps for increasing the water pressure to ensure it flows when needed had not been installed; and
- fuel storage tanks were not installed and tested according to required standards, and an environmental monitoring plan had not been developed for them.

We also found other construction deficiencies, including the following:

- the water towers' tanks, one of which had a leak, had not been tested for leaks;
- exterior stairways had not been constructed according to specifications, such as specified stair height and width;

¹⁰ USAID officials told us that the 2006 International Building Code applied at the time Gardez hospital was constructed.

- some roof sections did not have waterproof membranes correctly installed, allowing water to seep into the hospital's interior; and
- some interior doors had been installed to open in the opposite direction specified in the design drawings, and most doors had no hardware.

We also found that IOM installed two “standby” power generators for the hospital, one rated 900 KVA and the other rated 500 KVA.¹¹ However, the contract’s technical specifications required the installation of one 910 KVA-rated “prime” generator and one 500 KVA-rated “standby” generator. Specifically, the contract’s technical specifications and the hospital’s design drawings stated that, “The new equipment consists of one 728 kw [kilowatt]/910 KVA prime rated generator for the normal power supply and one 400 kw [kilowatt]/500 KVA standby rated generator for the emergency power supply.” IOM stated to USAID that both generators were provided and installed according to approved submittal forms. In addition, USAID told us that there is no difference in generator parts for a prime versus a standby generator, and that the output rating is the only thing that differs between the two types of generators. However, our review of the International Building Code shows that prime generators are designed for continuous use, while standby generators are designed for more limited use, such as when the prime generator is undergoing maintenance or in emergency situations. We requested from USAID, but had not yet received as of the issuance of this report, documentation modifying the contract requirement to authorize the substitution of a 910 KVA prime generator with a 900 KVA standby generator. We are concerned that USAID may have paid for a prime generator, but received a standby generator instead.

In June 2015, or about 2 months after our inspection, IOM’s construction manager inspected the hospital and identified a significant deficiency with the boiler system. The manager determined that the steam boiler system had not been installed correctly and, as such, created a repetitive “banging” sound, accompanied by vibrations, when operational. This action can cause vibration in the pipes and other parts of the boiler system, and thereby damage key components, such as valves and gaskets. The construction manager, who described the situation as “dangerous,” determined that (1) the boiler system lacked bracing to provide stabilization; (2) the pipes were not properly leveled when installed, which, in turn, will make the steam wet—steam should be dry—and cause the booming sound; and (3) the contractor has installed fittings and valves which are only suitable for water, and that special valves and fittings have to be used for steam. The construction manager also found that some of the boiler system’s parts were missing, and others were damaged. Since the required parts were not available on the local market, the manager estimated that the system would not be completely installed, tested, and commissioned until at least October 2015. According to USAID, as of April 7, 2016, the boiler system’s repairs were complete.

Gardez Hospital Contains Multiple Instances of Poor Workmanship

At the time of our on-site inspection in March 2015, we found numerous instances of poor workmanship that resulted in parts of the hospital and its supporting facilities experiencing deterioration and needing repair. These include significant cracks in the roadways, sidewalks, and parking areas; leaking roofs that also have standing water; crumbling concrete on the boundary wall caps; cracked exterior plaster and painting; uneven terrazzo flooring; and non-working hardware and hinges, as well as peeling paint, on the hospital’s main gate. For example, during our inspection, we observed large cracks and crumbling concrete in the roadways, sidewalks, and parking areas throughout the entire hospital grounds. Photos 1 and 2 show cracks on the roadways and crumbling sidewalk curbing. Similarly, photos 3 and 4 show cracks in the side of one building and paint peeling on the side of an outside wall. The extent of this poor workmanship raises concerns about IRD’s oversight and quality assurance services provided under its agreement with USAID for Gardez hospital.

¹¹ KVA stands for “one thousand volt ampere.” Therefore, a 900 KVA generator produces 900,000 volt amps.

Photo 1 - Cracked Pavement



Source: SIGAR, March 2015

Photo 2 - Crumbling Curbs



Source: SIGAR, March 2015

Photo 3 - Cracks in Building



Source: SIGAR, March 2015

Photo 4 - Peeling Paint on Outside Wall



Source: SIGAR, March 2015

USAID Has Taken Corrective Action to Address Some Deficiencies

In June 2015, we met with USAID to discuss the deficiencies we identified based on our review of project documents and our on-site inspection, so IOM could begin taking corrective action before the hospital was completed and transferred to the MoPH.¹² Specifically, we discussed 42 deficiencies, some of which are more significant than others. For example, we considered the roof leaks and standing water on the roofs of the hospital to be significant and in need of immediate attention, while we considered some cracked window glazing and poorly finished paint less significant but still in need of repair. USAID provided IOM with our list of deficiencies, and on July 30, 2015, USAID provided us with IOM's response, and in some cases included

¹² In November 2015, USAID told us that IRD identified 148 construction deficiencies as part of its quality assurance services and that action had already been taken to correct most of them. However, as part of this inspection, we did not assess those defects or the action taken to correct them. We could not verify the accuracy of the claims or whether the deficiencies overlapped with ours since we were unable to obtain the site visit reports.

photographs, detailing corrective actions it was taking to address those deficiencies. Based on the information IOM provided, we determined it had rectified 13 of the 42 deficiencies we identified, was still working on 21, and had not started correcting 4.¹³ For the 4 remaining deficiencies, IOM did not agree with our assessment that corrective action was needed. Photos 5 and 6 show ongoing repairs to the hospital's roadways and sidewalk curbing; photos 7 and 8 show exterior stairs before and after repairs had been made. Photo 9 shows repairs underway at one of the guard houses to correct cracked plaster and peeling paint, and photo 10 shows repairs in progress at the front gate to correct rusted hinges and faded paint.

Photo 5 - Pavement Repairs



Source: IOM, July 2015

Photo 6 - Curb Repairs



Source: IOM, July 2015

Photo 7 - Stair Rise Deviations before Repair



Source: SIGAR, March 2015

Photo 8 - Stair Rise Deviations after Repair



Source: IOM, July 2015

¹³ Due to security conditions and the time it would have required IOM to provide updates on the various deficiencies and corrective actions we identified, we did not conduct a second site visit to determine the current status of the corrective actions or request additional information from USAID. We intend to assess the status of these items as part of our recommendation follow-up process after the issuance of this report.

Photo 9 - Guard House Being Repaired



Source: IOM, July 2015

Photo 10 - Front Gate Being Repaired



Source: IOM, July 2015

At the end of July 2015, IOM had not started corrective action on the four deficiencies that it agreed needed repair, including sidewalk drain tiles that are not flush with the finished level and thereby causing water to settle on the sidewalks. IOM did not agree with our assessment that corrective action was necessary for the remaining four deficiencies: (1) International Building Code-compliant fire and smoke protection features; (2) lateral bracing of equipment required for seismic activity; (3) providing fuel tank leak detection and monitoring wells for environmental purposes; and (4) one prime and one standby generator as called for in the contract's technical specifications, instead of the two standby generators that were provided. Appendix II lists the 42 construction deficiencies we identified at the time of our March 2015 site inspection, and the November 2015 status of IOM's work to correct them.

GARDEZ HOSPITAL IS MOSTLY COMPLETE AND HAS BEEN TRANSFERRED TO THE MINISTRY OF PUBLIC HEALTH, BUT IT MAY BE DIFFICULT TO SUSTAIN DUE TO HIGH OPERATION AND MAINTENANCE COSTS

Gardez hospital was mostly complete by March 2015, and USAID transferred the hospital to the MoPH in March 2016, over 5 years after the hospital was originally supposed to be completed.¹⁴ We have previously expressed concern about IOM's and the subcontractor's poor performance, the project's delays, and the hospital's sustainment costs in our previous inspection and audit reports on the Gardez hospital.¹⁵ For example, in our October 2013 inspection report, we noted that Gardez hospital was about 23 months behind its original completion date, and at that time, the hospital was estimated only to be about two-thirds complete. Prior to that report, in March 2011, USAID's Office of Inspector General reported that facilities being constructed under the Construction of Health and Education Facilities Program, including Gardez hospital, had fallen significantly behind schedule.¹⁶

¹⁴ USAID stated that, as of April 2016, IOM needs to complete minor punch list items for the hospital.

¹⁵ SIGAR, *Gardez Hospital*, 14-6-IP, October 23, 2013; and SIGAR, *Health Services in Afghanistan*, Audit 13-9, April 29, 2013.

¹⁶ USAID Office of Inspector General, *Audit of USAID/Afghanistan's Construction of Health and Education Facilities Program*, F-306-11-002-P (Washington, D.C.: March 27, 2011), noted reasons for the delays, including delays in completing designs, security threats, limited availability of skilled labor, limited availability of quality materials, land title issues, weather, and work interruptions.

SBSCC's construction of the hospital began in May 2010 and was scheduled to be completed in November 2011. However, the completion date was extended five times, with the fifth extension establishing a June 30, 2013, completion date. USAID officials in Afghanistan stated that when it became apparent that SBSCC could not meet this date, the contractor requested a sixth extension to October 31, 2013. However, IOM officials told us that they rejected this request due to SBSCC's failure to perform and terminated SBSCC's contract in July 2013.

IOM awarded RNCC a contract on October 6, 2013, to complete the hospital project by April 30, 2014. However, RNCC failed to complete the work by June 30, 2014, and IOM requested and USAID approved an extension through October 31, 2014. RNCC again failed to complete the work, and in response, IOM terminated the contract with RNCC and took over the responsibility of completing the project, including obtaining materials, managing labor, and paying vendors. As of March 2015, according to IOM, the project was about 98 percent complete, and it expected the hospital to be transferred to the MoPH on July 31, 2015. In July 2015, however, USAID notified us that IOM requested a construction completion extension to October 31, 2015. USAID told us that it granted IOM a final completion date of December 31, 2015.¹⁷ The agency also noted that the hospital's transfer to the MoPH was expected to take place by January 2016. However, USAID did not formally transfer the hospital to the MoPH until March 2016.

Afghan Government May Not be Able to Sustain Gardez Hospital Due to High Operation and Maintenance Costs

In 2009, USAID requested that the MoPH review its budget to determine if it could afford to operate and maintain five health facilities including Gardez hospital. At that time, the MoPH confirmed that it would have adequate funding to operate and maintain these facilities. However, in our April 2013 audit of USAID health services programs in Afghanistan, we noted that the Afghan government might not be able to sustain the Gardez hospital due to high operation and maintenance costs, which included the high cost of fuel for its diesel generators.¹⁸

Our April 2013 audit report also noted that a USAID official told us that the MoPH provided documentation on two occasions stating that it would be able to operate and maintain the five hospitals once completed. Specifically, in July 2007, the MoPH issued a memorandum stating that the Afghan government would provide funding to operate all health facilities to be constructed under the Construction of Health and Education Facilities program. In December 2011, the Minister of Public Health signed a memorandum with USAID confirming that it had funding available to operate and maintain these facilities; however, this memorandum did not specify when that funding would be available. MoPH officials told us that the Minister's statements were not based on detailed analyses of operation and maintenance costs, but on general assumptions regarding the ministry's ability to fund operations for the health facilities in the future. Moreover, we found no evidence that USAID had conducted any analysis to determine whether the ministry had the ability to operate and maintain the new health facilities.

In November 2014, a MoPH committee prepared an operational plan, resulting in an estimated annual cost of about \$2.3 million to operate and maintain the hospital. This represents a potential increase in annual operation and maintenance costs for the 100-bed Gardez hospital of almost four times the operation and maintenance costs of the existing 70-bed hospital, which are about \$600,000 annually. This difference in cost is due to multiple factors, including the new hospital's larger size and the more sophisticated medical and

¹⁷ USAID's final payment to IOM of \$721,396.78 had not yet been paid as of the date of this report. USAID's Construction of Health and Education Facilities program was extended through June 30, 2016, to enable IOM to provide 3 months of operation and maintenance training to MoPH staff. The training at the Gardez hospital was ongoing as of the date of this report. Additionally, IOM needs to conduct repairs at another USAID-funded hospital before the agency will make this final payment.

¹⁸ SIGAR, *Health Services in Afghanistan*, Audit 13-9, April 29, 2013.

mechanical systems installed in the hospital. Also, since there is no nearby electrical grid to connect into, the new hospital will depend on generators for power, and the committee estimated that annual operation costs for the generators would be about \$768,000. In April 2016, USAID stated that the MoPH is currently in negotiations with a service providing organization to establish a contract allowing for additional operations and maintenance funding at the hospital.

Concerns with the MoPH's ability to operate hospitals are not new. For example, in our January 2014 inspection report on Salang hospital, we found that due to a lack of MoPH support, the newly U.S.-constructed hospital was not providing many of the services it was intended to provide, hospital staff were only using about 35 percent of the square footage of the constructed facility, and the hospital employed less than 20 percent of the staff it was expected to employ.¹⁹ According to the doctors and nurses on site, the limited use—due primarily to the lack of electricity, water, furniture, and equipment—prevented them from providing optimal medical care. For example, we found that the solar power system that was supposed to be installed to provide the hospital with up to 30 kilowatt hours of electricity each month was not provided. As a result, the hospital staff was paying the equivalent of about \$18 a month of their own money to a nearby neighbor to provide enough electricity to operate one light bulb in each of three hospital rooms. The hospital staff said this severely limited their ability to provide basic patient services, such as X-rays.

CONCLUSION

Although it was completed more than 5 years behind schedule, the U.S.-funded Gardez hospital in Paktya province is now mostly complete and has been transferred to the Afghan government. However, sections of the hospital were not constructed according to contract requirements and technical specifications. The most significant of these deficiencies involve fire safety features, such as the emergency lighting system and an incomplete automatic fire suppression sprinkler system. Other sections of the hospital have numerous deficiencies that are less serious, such as cracked roadways and crumbling sidewalk curbing, due to poor workmanship. USAID may be due a refund from IOM, its implementing partner on this project, because the agency paid for a prime generator, but IOM installed a standby generator instead.

To their credit, USAID and IOM have taken some significant actions to address many of the deficiencies associated with the poor workmanship. In particular, following issuance of our first inspection report on Gardez hospital in 2013, USAID recovered \$694,863 in overpayments to IOM. However, there is still more work to be done. USAID transferred the hospital to the Afghan government at the end of March 2016, noting that only minor repairs still needed to be made. However, some of the deficiencies we identified do not appear to have been corrected. Moreover, the number of deficiencies resulting from poor workmanship raises questions about the quality of project oversight. Lastly, the MoPH's ability to provide adequate funding for Gardez hospital to be operated and maintained at full capacity continues to be a concern, and it is unclear what steps USAID took to determine whether the ministry had the ability to operate this facility.

RECOMMENDATIONS

To protect the U.S. government's investment in the Gardez hospital, we recommend that the USAID Mission Director for Afghanistan take the following actions, and report back to SIGAR within 90 days:

- 1. Monitor and document IOM's continued actions to correct construction work that did not adhere to contract requirements and technical specifications, and deficiencies involving poor workmanship. This includes installing the hospital emergency lighting system; installing lateral bracing required for**

¹⁹ SIGAR, *Salang Hospital: Lack of Water and Power Severely Limits Hospital Services, and Major Construction Deficiencies Raise Safety Concerns*, SIGAR 14-31-IP, January 29, 2014.

seismic activity on all ceiling-, wall-, and floor-mounted equipment; and repairing those sections of the hospital's roof that are missing protective membrane or contain standing water and are leaking.

2. Continue consulting with the MoPH until it assesses the need for completing the automatic fire suppression sprinkler system.
3. Provide to SIGAR the contract modification that authorized SBSCC to substitute a standby generator for a prime generator, as well as documentation showing that the U.S. government was not charged for a higher-priced prime generator.
4. In coordination with the Minister of Public Health, determine whether there is an adequate funding plan in place to operate and maintain Gardez hospital at full capacity.

AGENCY COMMENTS

USAID provided written comments on a draft of this report that are reproduced in appendix III. USAID also provided technical comments, which we incorporated into this report, as appropriate.

In its comments, USAID concurred with our first recommendation and stated the "Mission has been in close correspondence with IOM project managers regarding the noted deficiencies." According to USAID, on July 19, 2016, IOM confirmed that an emergency lighting system was completed in accordance with design specifications. IOM also confirmed that all required lateral bracing had been installed, and that appropriate repairs had been made to the hospital roof. In addition, "IOM provided digital images, quality control reports related to these modifications, and photos as the initial verification of the corrective actions." USAID stated that the Mission will use a third-party quality assurance construction contractor to verify that all corrective actions have been taken and all deficiencies have been eliminated. USAID indicated that the target date for closure is March 31, 2017. Although USAID's proposed actions are responsive to the recommendation, we will keep the recommendation open until we obtain and review documentation from the agency that the deficiencies we identified have been corrected.

USAID did not state whether it concurred or did not concur with our second recommendation. However, USAID indicated that the MoPH has assumed responsibility for the Gardez hospital and for assessing the need to complete the fire suppression system. The agency stated that it will continue to consult with the MoPH on this matter. Even though USAID has turned over responsibility for the hospital to MoPH, we will keep this recommendation open. However, we revised the recommendation to note that USAID should continue consulting with MoPH until the ministry completes its assessment of whether the hospital needs a complete automatic fire suppression sprinkler system is completed, and we obtain and review documentation of the assessment.

USAID concurred with our third recommendation and stated that the Mission has solicited the relevant procurement documents from IOM, "including the subcontract's modification and related invoices and is pursuing information from other sources to address this recommendation." The target date for addressing this recommendation is September 30, 2016. We found USAID's comments to be generally responsive to our recommendation, but require documentation from the agency substantiating the substitution of the standby generator for the prime generator and showing that the U.S. government was not charged for the higher priced prime generator. As a result, this recommendation will remain open.

In the draft report we provided to USAID, our fourth recommendation was for USAID to provide us with documentation showing that the steam boiler system has been tested and commissioned. USAID concurred with the recommendation. In its response, USAID stated that IOM provided a certificate confirming that all remaining parts to complete the steam boiler and hot water system were installed on June 9, 2016, and USAID provided us with a copy of that certificate. USAID further stated that its third-party quality assurance contractor, Tetra Tech Inc., verified that all three boilers had been completed and were operational as of June 25, 2016.

USAID also provided a site visit report dated July 12, 2016, from Tetra Tech Inc. confirming that the steam boiler system had been tested and commissioned. Based on USAID's comments and the documents provided, we closed the recommendation as implemented and removed it from the report.

USAID did not state whether it concurred or did not concur with our final recommendation, but it affirmed that the MoPH has a plan to fund the operation and maintenance costs of Gardez hospital at full capacity. USAID further stated that the MoPH formed a task force that identified short- and long-term funding sources to open, operate, and maintain the hospital. USAID has agreed to provide \$3.25 million to open the hospital and help the MoPH procure a medical waste incinerator, furniture, and equipment, and provide diesel fuel to power the hospital for 12 to 18 months. USAID added that the MoPH's annual budget already supports operation and maintenance costs of the former 70-bed hospital in Gardez that the new hospital is replacing, and the World Bank-managed System Enhancement for Health Action in Transition program will provide the supplemental funding.²⁰ We found USAID's comments to be generally responsive to our recommendation, but require documentation substantiating USAID's claim of an adequate funding plan to operate and maintain Gardez hospital at full capacity to close the recommendation. As a result, this recommendation will remain open.

²⁰ On June 30, 2015, USAID began funding these same health facilities through the System Enhancement for Health Action in Transition program, which will continue through June 2018. USAID's total contribution to the program is expected to be approximately \$228 million.

APPENDIX I - SCOPE AND METHODOLOGY

This report provides the results of SIGAR's inspection of the Gardez hospital, constructed in the town of Gardez, Paktya province. To determine whether work was completed in accordance with contract requirements and technical specifications, and the hospital was being used as intended and maintained, we:

- reviewed contract documents, design submittals, and other relevant project documentation;
- conducted an engineering assessment of the project drawings and construction methods used;
- interviewed U.S. and Afghan government officials concerning the project's construction; and
- conducted an on-site inspection from March 23 through March 25, 2015.

We did not rely on computer-processed data in conducting this inspection. However, we considered the impact of compliance with laws and fraud risk.

In December 2014, SIGAR entered into a cooperative agreement with Afghan civil society partners. Under this agreement, our Afghan partners conduct specific inspections, evaluations, and other analyses. In this regard, Afghan inspectors and engineers inspected the Gardez hospital from March 23 through 25, 2015, to follow up on the findings from our October 2013 inspection report, and evaluate the hospital's construction since the issuance of that report.²¹ We developed a standardized engineering evaluation checklist covering items required by the contract and design/specification documents for the hospital. Our checklist required our partners to analyze the contract documents, scope of work, technical specifications, and design drawings.

We compared the information our Afghan civil society partners provided to accepted engineering practices, relevant standards, regulations, laws and codes for quality and accuracy. In addition, as part of our monitoring and quality control process, we:

- met with the Afghan engineers to ensure that the approach and planning for the inspection were consistent with the objectives of our inspection and the terms of our cooperative agreement;
- attended periodic meetings with our partners, and conducted our normal entrance and exit conferences with agency officials;
- discussed significant inspection issues with them;
- referred any potential fraud or illegal acts to SIGAR's Investigations Directorate, as appropriate;
- monitored our partners' progress in meeting milestones and revised contract delivery dates as needed; and
- conducted oversight of them in accordance with SIGAR's policies and procedures to ensure their work resulted in impartial, credible, and reliable information.

We conducted our work at Gardez hospital in Paktya province and in Kabul, Afghanistan, from November 2014 through August 2016. This work was conducted in accordance with the *Quality Standards for Inspection and Evaluation*, published by the Council of the Inspectors General on Integrity and Efficiency. The engineering assessment was conducted by our professional engineer in accordance with the National Society of Professional Engineers' *Code of Ethics for Engineers*. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our inspection objectives. We conducted this inspection under the authority of Public Law No. 110-181, as amended, and the Inspector General Act of 1978, as amended.

²¹ See SIGAR, *Gardez Hospital: After almost 2 Years, Construction Not Yet Completed because of Poor Contractor Performance, and Overpayments to the Contractor Need to Be Addressed by USAID*, SIGAR 14-6-IP, October 23, 2013.

APPENDIX II - LISTING OF SIGAR-IDENTIFIED CONSTRUCTION DEFICIENCIES AND THE STATUS OF U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT'S ACTIONS TO CORRECT THEM

Table 1 - SIGAR-Identified Deficiencies at Gardez Hospital, as of November 2015

S#	SIGAR Noted Defects	USAID Comments on SIGAR Findings	Status
1	<p>Design Concerns Gardez is near the Chaman fault, an active seismic fault line in Afghanistan. As a result, SIGAR inspectors noted the following design concerns.</p> <p>Roof Design Although the building is only one story and sectioned into small wings, the lack of a ceiling diaphragm is a concern. The roof diaphragm is supported at each end by walls that are different heights and will have different sway frequencies. This design concern rises to a risk level that is unacceptable for a hospital.</p> <p>Water Tower Design The water tower is top heavy and does not appear to be designed with adequate lateral bracing for its height. Also, sway bracing, energy dissipation, and the isolation of equipment is required by the specification, but is not detailed in the design drawings.</p>	<p>Roof Design The U.S. Agency for International Development (USAID) stated that IOM identified and rectified the concerns regarding the ceiling diaphragm, and that the diaphragm is now transferring the load through the trusses into the reinforced shear walls and foundations. Additionally, IOM provided photographs showing the repairs and stated that the entire roof surface has been checked and rectified of all leakage. In addition, USAID stated that the IOM design team will work to revise the design to find the durable solution to areas prone to standing water.</p> <p>Water Towers Design USAID stated that a structural analysis was conducted on the water tank. The analysis found that the water tank was compliant with the higher seismic design forces associated with another hospital site, and that the structure is adequate for the forces caused by seismic conditions.</p>	Rectified
2	<p>Buried Fuel Tank Concerns Placing fuel storage tanks underground in an active seismic area does not conform to accepted practices. Installed tanks must be double walled and have leak detection and monitoring wells. Also, SIGAR is not certain whether the Ministry of Public Health has the capability or funding for the environmental monitoring required when using underground fuel storage tanks.</p>	USAID stated that it completed the seismic design and construction of the fuel tank vault with a geotechnical report recommendation that was adequate for all lateral forces for this zone. Additionally, in order to minimize the environmental effects of a fuel spill within the vault, an adhesive rubber water stop is included in joints between the slab-on-grade and structural elements. In addition, two sump pits are specified for opposing corners of the vault.	Rectified
3	<p>Fire Safety Concerns It appears that the fire suppression sprinkler system required in the contract documents was only partially installed.</p>	A complete sprinkler system was not included in the design or technical specifications for the project.	Rectified
4	<p>Construction Concerns The field constructed roof trusses have deficient welds and should be reviewed and certified by a professional engineer.</p>	USAID reported that IOM identified and rectified the concerns regarding the roof diaphragm, and that the diaphragm is now transferring the load through the trusses into the reinforced shear walls and foundations.	Rectified
5	<p>Damaged Parking Lots, Curbs and Sidewalks The concrete pavements of roadways, parking areas, and curbs are damaged throughout the facility. The concrete at the loading dock and parts of the sidewalks are destroyed, with cracks visible on their surfaces. The joints in roads and parking lots are also damaged, and the finished surface on the roads on the south side of facility are not properly sloped.</p>	To rectify the defect, a new contractor began asphaltting the road and parking area at the main west side of building and on top of the fuel storage tanks' concrete slab. USAID reported that the remaining portions of the roadway, the parking areas, and the sidewalks will be rectified.	Ongoing
6	<p>Damaged Main Gates The main gates at the primary entrance of the facility are severely damaged. Specifically, the hardware and hinges do not work properly, the painting is washed out, and the welding connections are rusting.</p>	USAID reported that IOM took steps to repair or replace the damaged/ inadequate hinges, hardware, and welding rust. However, the necessary painting is still in progress.	Ongoing
7	<p>Leaking Water Tank The construction manager stated that one of the water tanks is leaking.</p>	USAID reported that the contractor has rectified the water tank leak.	Rectified
8	<p>Gutters and Downspouts At two locations close to the loading dock area, gutters and downspouts were installed as required. However, storm water settles at the downspout openings and spreads water over the concrete surface, damaging the concrete and adjacent walls. This may be a design flaw, as the design does not require trenches or piping to carry water away from the downspout openings.</p> <p>In addition, some gutters had leaks because of poor workmanship.</p>	USAID stated that all gutters and downspouts are completed and installed according to the design and requirements.	Rectified
9	<p>Generators The technical specifications of the project called for installing a prime generator and a stand-by generator. IOM installed two stand-by generators, and did not provide documentation that modifies the technical specification to allow for two stand-by generators.</p>	USAID reported that both of the installed generators meet the load requirements of the facility, and according to approved submittal forms, and that there is no difference between a stand-by and prime generator. [SIGAR Disagrees]	Not Rectified

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S#	SIGAR Noted Defects	USAID Comments on SIGAR Findings	Status
10	<p>Roofs – Leaking and Standing Water</p> <p>At some locations within the hospital, the galvanized iron sheet roofing leaks and has damaged interior ceilings. As a result, stains are clearly visible on the surface of the ceilings.</p> <p>In another location, the storm water settles on the galvanized iron sheet roof because it is not properly sloped. This deficiency may be caused by the contractor's non-adherence to the design drawings.</p>	USAID reported that it has checked the entire roof surface and has rectified almost all of the leakages. USAID also noted that the portion of the roof where the storm water settles is a weak point and will be rectified after a redesign.	Ongoing
11	<p>Damaged Boundary Wall Caps</p> <p>The concrete caps of boundary walls were destroyed in many locations. The issue most likely resulted from problems with the concrete material quality, mixing, placing, and curing. If the destroyed portions are not repaired, they will wear out and affect the appearance of the wall.</p>	USAID reported that the damage may be due to construction workers or other people in the area, because there is no security barbed wire on the top of boundary wall. IOM stated "the portions of boundary walls with the damaged wall caps are built in 2008, before IOM has taken the project. Accordingly these portions of the boundary walls are out of IOM scope of works."	Not Started
12	<p>Inappropriately Installed Doors</p> <p>Some doors are positioned in the opposite direction called for in the design drawings. The deviations most likely resulted from the contractor's non-adherence to the design drawings or lack of quality control/quality assurance in enforcing design requirements.</p>	USAID disagreed with SIGAR's position and provided photos showing that were installed according to the project's design drawings.	Rectified
13	<p>Stairs</p> <p>Two outdoor staircases deviate from the design drawings.</p> <p>If the defects go uncorrected, they will affect the stairs appearance and could create user discomfort.</p>	USAID provided photos showing that corrective action has been taken and the stairs now conform to design drawings.	Rectified
14	<p>Damaged Guard Room</p> <p>The exterior plaster of the guard house walls has cracks and the paint has washed out. If the defects are not corrected, they will gradually affect the appearance of the guard house.</p>	The contractor in charge of the project has started rectifying the defective components of the guard house.	Ongoing
15	<p>Cracked Exterior Plaster and Painting</p> <p>The plaster on the walls and ramps in the loading dock and the water tower areas have cracked, and the paint is peeling. If corrective action is not taken, these defects will significantly affect the hospital's appearance.</p>	The contractor is currently taking steps to rectify the deviations.	Ongoing
16	<p>Waves on Terrazzo</p> <p>While all the terrazzo tiles are placed, there are locations where waves are visible on their surfaces. This does not conform to the technical specifications of the project and will affect the appearance of the terrazzo.</p>	The contractor is currently taking steps to rectify the deviations.	Ongoing
17	<p>Inappropriate Floor Skirting</p> <p>The skirting for the hospital floors is in place, but waves and cracks are visible on most surfaces.</p>	The contractor is aware of these deficiencies and is taking steps to correct them.	Ongoing
18	<p>Oversized Cobblestones</p> <p>The cobblestones laid in some area of the hospital exceed the maximum size allowed. This does not conform to the specifications of the project and will affect the appearance and landscape of the hospital.</p>	The contractor has rectified this problem.	Rectified
19	<p>Toilet Compartments</p> <p>Cracks are visible on the surfaces of some toilet doors and compartments.</p>	USAID reported that corrective action is underway to replace or repair all cracked and broken toilets and bathroom components.	Ongoing
20	<p>Toilet PVC Doors</p> <p>Fastening/fitting rubber is not properly installed, and parts of the door frames are crooked.</p>	USAID reported that the toilet door are aluminum, not PVC. It also reported that the contractor will fix any minor adjustments required because of improper construction.	Not Started
21	<p>Sliding Doors</p> <p>Hardware and fastening/fitting rubber for most sliding doors and toilet doors are loose.</p>	USAID reported that construction activities are in progress and that the adjustment of loose doors and their hardware will be fixed.	Not Started
22	<p>Windows</p> <p>Some windows are cracked and glazed.</p>	USAID reported that the contractor is replacing all windows that are cracked or glazed.	Ongoing
23	<p>Exit Signs</p> <p>Some of the exit signs point in the wrong direction.</p>	The contractor corrected these defects.	Rectified
24	<p>Lightening Protection Rods</p> <p>Some protection rods were detached from their locations.</p>	USAID reported that the contractor fixed these defects and provided photos showing the corrections.	Rectified
25	<p>Ceramic Tiles in the Toilet Area</p> <p>The colors of some ceramic tiles in the toilet area do not match each other.</p>	USAID and the contractor reported that the tile quality was satisfactory and that rectification of the color would require additional costs. USAID agreed with the contractor that the issue should be closed.	Rectified

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S#	SIGAR Noted Defects	USAID Comments on SIGAR Findings	Status
26	Washroom Accessories The water closet cover on a toilet is broken.	There are a number of cracked and broken ceramic toilets and washbasins. Most of them have been replaced, but work is still ongoing.	Ongoing
27	Hot Water Pipe Insulation Some hot water pipes were not properly insulated in the toilet area.	USAID reported that all hot and cold water pipes in the toilet areas are now insulated and covered with cement board. Photos were provided to document the corrective action.	Rectified
28	Interior Walls Painting In two corridors, the walls were not properly painted or had visible cracks and stains.	The contractor is currently working to rectify the painting and cracked wall defects.	Ongoing
29	Beam/Wall The gypsum plastering on the ceiling of the main building entrance is poorly finished.	USAID provided photo evidence showing that the defect was rectified.	Rectified
30	Ceiling Paint Painting is not even or smooth at two locations on the ceilings of the main building.	The contractor is currently working to rectify the painting deficiencies.	Ongoing
31	Exterior Wall Painting Stains and scratches are visible on the surface of some walls.	The contractor is currently working to rectify these deficiencies.	Ongoing
32	Construction Joints Some building joints are not properly filled, covered, and painted.	USAID reported that 95 percent of the work to correct the deficiencies has been completed, USAID provided photos showing repaired interior and exterior joints.	Ongoing
33	Insect Screens Insect screens on a few windows are torn.	The contractor is correcting these deficiencies.	Ongoing
34	Terrazzo Floors In one of the hospital rooms, the terrazzo tiles texture and color do not match the texture and color of the adjacent tiles.	The contractor fixed some damaged tiles. However, USAID and the contractor reported that the quality of the tiles was satisfactory and that rectification of the color would require additional costs. USAID agreed with the contractor that the issue should be closed.	Rectified
35	Conference Room Floor The terrazzo on the interior steps is not even or smooth at the edges.	The contractor is currently working to rectify these deficiencies.	Ongoing
36	Water Pipes The pipes on the top of water tower are not completely insulated.	The contractor added the insulation and provided photo evidence to this effect.	Rectified
37	Water Tank Access Door The hardware for the water tank access door has not been installed.	USAID reported that the work is underway, but has not yet been completed.	Ongoing
38	Guardrails The guardrails are poorly painted, and some baseplates are not painted with anti-rust paint.	The contractor is currently working to rectify these deficiencies.	Ongoing
39	Drain Tiles One drain tile is not flush with the finished level of its surrounding sidewalks; as a result, the water does not drain into the drain tile and settles on the surface of the concrete sidewalks.	The contractor is aware of this defect, but has not yet begun to rectify it.	Not Started
40	Walkways A tree is planted in the middle of the walkway.	USAID provided photo evidence showing that the tree has been removed and the concrete walkway patched.	Rectified
41	Window in the Guard Room The guard room has windows that are broken or cracked.	USAID reported that repairs to the damaged windows are ongoing.	Ongoing
42	Lights in the Guard Room The lights for the guard room are damaged and inoperable.	The contractor has started rectification work of all damages in the guard room.	Ongoing

Source: USAID and SIGAR

APPENDIX III - COMMENTS FROM THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



USAID | AFGHANISTAN
FROM THE AMERICAN PEOPLE

MEMORANDUM

DATE: July 24, 2016

TO: John F. Sopko
Special Inspector General for
Afghanistan Reconstruction (SIGAR)

FROM: Herbert Smith, Mission Director

SUBJECT: Mission Response to Draft SIGAR Report titled "Gardez Hospital: This \$14.6 Million Hospital Took Over 5 Years to Complete and Has Construction Deficiencies That Need to be Addressed" (SIGAR Report 16-XX under Code I-025)

REF: SIGAR Transmittal email dated 07/12/2016

USAID thanks SIGAR for the opportunity to review SIGAR's draft Inspection Report titled, "Gardez Hospital: This \$14.6 Million Hospital Took Over 5 Years to Complete and Has Construction Deficiencies That Need to be Addressed." USAID expresses appreciation to SIGAR for working collaboratively and cooperatively with USAID personnel.

Gardez Hospital is a modern, state-of-the-art facility that will provide high quality healthcare to a critically underserved population. The Ministry of Public Health (MoPH) has made clear its intent to operate and maintain Gardez Hospital at its full 100-bed capacity. USAID worked closely with the MoPH to ensure that the Ministry has the funding and capabilities to manage the facility.

COMMENTS ON SIGAR'S RECOMMENDATIONS

To protect the U.S. government's investment in the Gardez hospital, we recommend that the USAID Mission Director for Afghanistan take the following actions, and report back to SIGAR within 90 days:

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Recommendation 1. *Monitor and document IOM's continued actions to correct construction work that did not adhere to contract requirements and technical specifications, and deficiencies involving poor workmanship. This includes installing the hospital emergency lighting system; installing lateral bracing required for seismic activity on all ceiling, wall, and floor mounted equipment; and repairing those sections of the hospital's roof that are missing protective membrane or contain standing water and are leaking.*

USAID Comments: The Mission concurs with Recommendation 1.

Actions Taken/Planned: The Mission has been in close correspondence with IOM project managers regarding the noted deficiencies. Based on that, IOM confirmed on July 19th completion of installation of an emergency lighting system in accordance with the design specifications. IOM provided digital images of the installed system as the initial verification. IOM also confirmed that all required lateral bracing had been installed. Lastly, IOM confirmed that appropriate repairs had been made to the hospital roof. IOM provided quality control reports related to these modifications, as well as photos as the initial verification of the corrective actions. The Mission will use a third-party quality assurance construction contractor to verify in the coming months that all corrective actions have been taken by IOM as noted above. Additionally, the hospital is still in its warranty period through December 2016. As such, additional site visits by USAID's third-party quality assurance construction contractor will be made to further confirm that the required corrections were made and that all deficiencies were eliminated.

Target Closure Date: March 31, 2017

Recommendation 2. *Assess the need for completing the automatic fire suppression sprinkler system.*

Actions Taken/Planned: As the Ministry of Public Health (MoPH) has assumed responsibility for the hospital, the Ministry will assess the need for completing the automatic fire suppression sprinkler system. The Mission will continue consulting with the MoPH on this matter.

Closure Request: Based on the above action, we therefore request SIGAR's concurrence to the closure of Recommendation No. 2.

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Recommendation 3. *Provide the contract modification that authorized SBSCC to substitute a standby generator for a prime generator, as well as documentation showing that the U.S. government was not charged for a higher-priced prime generator.*

USAID Comments: The Mission concurs with Recommendation 3.

Actions Taken/Planned: The Mission has solicited the relevant procurement documents from IOM including the subcontract's modification and related invoices and is pursuing information from other sources to address this recommendation.

Target Closure Date: September 30, 2016

Recommendation 4. *Provide documentation showing that the steam boiler system has been tested and commissioned.*

USAID Comments: The Mission concurs with Recommendation 4.

Actions Taken/Planned: On July 18th IOM provided a certificate confirming that all remaining parts necessary to complete the steam boiler and hot water supply system were installed on June 9, 2016 (see Attachment 1). Tetra Tech Inc., USAID's third party quality assurance construction contractor, verified that all three boilers had been completed and that the system had been operating correctly as of June 25, 2016. Tetra Tech submitted to USAID a site visit report dated July 12, 2016 confirming that the steam boiler system had been tested and commissioned (see Attachment 2).

Closure Request: Based on the above actions and the attached documentation, we therefore request SIGAR's concurrence to the closure of Recommendation No. 4.

Recommendation 5. *In coordination with the Minister of Public Health, determine whether there is an adequate funding plan in place to operate and maintain Gardez hospital at full capacity.*

USAID Comments: USAID affirms that the MoPH has a plan to fund the operation and maintenance of Gardez Hospital at full capacity, i.e. at 100 beds.

Actions Taken/Planned: The Ministry of Public Health has made it clear its intent to fully fund the Gardez Hospital operations and maintenance at its full

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100-bed capacity. The new 100-bed Gardez Hospital is replacing the former 70-bed Gardez Hospital. Currently there are two funding considerations: one is related to short-term funding to open the hospital; the second is related to long-term funding to support operations and maintenance of the hospital in the future. In the short term, USAID has agreed to provide \$3.25 million in funding to allow the MoPH to procure a medical waste incinerator, furniture and equipment to supplement what is available from the former 70-bed hospital, and finally diesel fuel to power the facility for 12-18 months, after which time the power grid should reach the new hospital. The MoPH does have an adequate funding plan in place to run the hospital in the long term. The MoPH formed a task force to study the funding needs of the hospital and identified present and future sources of funding. The two sources of funding to operate and maintain the hospital at full capacity include: the MoPH annual budget (which has supported the operations and maintenance costs of the former 70 bed hospital), and supplemental funding from the World Bank-managed System Enhancement for Health Action in Transition (SEHAT) project which supports the delivery of the Basic Package of Health Services and the Essential Package of Hospital Services (BPHS/EPHS) in Afghanistan.

Closure Request: Based on the above, we therefore request SIGAR's concurrence to the closure of Recommendation No. 5.

Attachments:

- 1 - IOM Gardez Hot Water system Certificate;
- 2 - Site Visit Report_Rev0_2016-07-12.

cc: Daniel Wartko, U.S. Embassy/Kabul

APPENDIX IV - ACKNOWLEDGMENTS

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under project code SIGAR-I-025.

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