

OFFICE OF THE SPECIAL INSPECTOR GENERAL FOR
AFGHANISTAN RECONSTRUCTION



FISCAL YEAR 2012

BUDGET REQUEST

The Fiscal Year 2012 budget request of \$44,455,000 funds the operating expenses needed to conduct independent and objective oversight of almost \$71 billion in U.S. taxpayer dollars directed to the reconstruction of Afghanistan.

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SPECIAL INSPECTOR GENERAL FOR AFGHANISTAN RECONSTRUCTION

1550 Crystal Drive, Suite 900
Arlington, VA 22202

September 13, 2010

SUBJECT: Fiscal Year 2012 Budget Request

Pursuant to section 6(f) of the Inspector General Act of 1978, as amended, I am pleased to provide the Fiscal Year (FY) 2012 budget request in the amount of \$44.455 million. This budget request, which takes into account the additional \$20 billion in funding that the administration has requested for the reconstruction of Afghanistan, would enable SIGAR to conduct the audits and investigations needed to oversee the expanding reconstruction effort and ensure that U.S. taxpayer dollars are not subject to waste, fraud, and abuse, consistent with Congressional mandates.

Reconstruction spending in Afghanistan continues to increase every year. The Administration's FY 2011 budget includes \$16.2 billion and the FY 2010 supplemental appropriation includes \$4.2 billion for Afghanistan's reconstruction. If approved, this will add \$20 billion—nearly 40%—to the \$51.5 billion that has been appropriated for Afghanistan since 2002 and bring the total to more than \$71 billion.

Meanwhile, more than 70 other countries, the United Nations, the World Bank, the International Monetary Fund and other international organizations have also pledged more than \$25 billion for Afghanistan's reconstruction over the last seven years. This amount is also likely to increase substantially over the next few years. SIGAR's legislative mandate requires it to "monitor and review the effectiveness of United States coordination with the Government of Afghanistan and other donor countries" in implementing reconstruction programs. Program coordination is becoming more difficult as the amount of funding for reconstruction increases and the number of U.S. agencies, countries, international bodies, and non-government organizations involved in implementing projects expand.

These U.S. and donor funds are essential to rebuilding Afghanistan but they must be used effectively and efficiently. Oversight, not only of the contracting process, program management and quality assurance, but also of how U.S.-funded programs are aligned with each other and with other donor-funded programs to advance U.S. policy goals in Afghanistan, is essential to ensuring that U.S. resources are not squandered.

SIGAR is increasing its staff to provide oversight of the increased funding for reconstruction of Afghanistan. We are hiring people with the skills and experience required to conduct and support audits, inspections, and investigations of the growing and increasingly complicated U.S. reconstruction mission.

I appreciate your commitment to SIGAR's oversight mission and look forward to discussing our ongoing and planned efforts aimed at both protecting U.S. reconstruction funds and assessing whether they are being used efficiently and effectively.

Very respectfully,

Arnold Fields
Special Inspector General
for Afghanistan Reconstruction

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SIGAR Overview

The National Defense Authorization Act for Fiscal Year (FY) 2008 (Public Law 110-181) established the Special Inspector General for Afghanistan Reconstruction (SIGAR) to provide independent oversight, primarily through audits and investigations, of U.S. funds appropriated for the reconstruction of Afghanistan. SIGAR operates under the authority of Section 1229 of Public Law 110-181 and the Inspector General Act of 1978, as amended. Its mandate requires it to keep the Congress, as well as the Secretaries of State and Defense, informed about problems and deficiencies relating to the administration of the reconstruction program. Reconstruction, as defined in SIGAR's enabling legislation, includes any major contract, grant, agreement, or other funding mechanism entered into by any department or agency of the United States government that involves the use of amounts appropriated, or otherwise made available for the reconstruction of Afghanistan with any private entity to: (1) build or rebuild physical infrastructure in Afghanistan, (2) establish or reestablish political or societal institutions of Afghanistan, (3) provide products or services to the people of Afghanistan, or (4) provide security or other support functions to facilitate Afghanistan reconstruction efforts.

In addition to its headquarters in Arlington, Virginia, SIGAR has four offices in Afghanistan. These include an office at the U.S Embassy in Kabul and three other offices at Bagram, Kandahar, and the Combined Security Transition Command-Afghanistan (CSTC-A). SIGAR has established four functional directorates to meet its mission: (1) audits; (2) investigations; (3) management and support; and (4) information management. Following is a description of the role of each of these groups.

AUDITS

The Audit group supports the SIGAR mission by conducting audits of reconstruction programs and contracts. All audits are performed in compliance with Generally Accepted Government Auditing Standards (GAGAS), commonly called "yellow book" standards, established by the Comptroller General of the United States. Performance of audits according to these standards ensures the credibility of findings, conclusions, and recommendations presented to Congress and other decision-makers. SIGAR conducts a wide range of audits to fulfill its legislative mandate. These include broad, comprehensive assessments of program direction and effectiveness. In most cases these audits result in recommendations, which, if implemented, can improve program effectiveness. Other audits are narrower in scope and address specific contracts or aspects of contract and program management. For example, SIGAR assesses internal controls as well as the effectiveness of program components.

The audit group's principal goals are to identify problems associated with the reconstruction program and make recommendations to improve efficiency and effectiveness. SIGAR auditors are focusing on the contracts, programs, and operations utilizing funds appropriated or otherwise made available for the reconstruction of Afghanistan. SIGAR seeks to improve internal controls, accountability, management practices, and interagency coordination to promote effectiveness as well as detect and deter waste and corruption. To meet these objectives SIGAR continues to assemble a diverse team of experienced auditors and analysts.

SIGAR is conducting audits in three broad reconstruction sectors:

- Security
- Development
- Governance

In each of these sectors, SIGAR is conducting assessments of the following:

- Contracts, including project management, and quality assurance
- Program management, including reconstruction strategy, planning, and oversight.
- Operations, including internal controls and accountability

As required by its enabling legislation, SIGAR is also conducting forensic reviews of implementing agencies' transaction data—appropriations, obligations, and expenditures--related to reconstruction funding. SIGAR auditors are analyzing the data to identify anomalies that may indicate fraud.

INVESTIGATIONS

The Investigations group supports SIGAR's mission by conducting investigations of potential criminal and civil misconduct associated with the reconstruction program. SIGAR has the lead role in investigating criminal activity related to reconstruction funds. The investigators are focused primarily on financial crimes, including contract fraud, procurement fraud, and corruption in federal contracting. SIGAR conducts all investigations in accordance with the requirements of Federal Criminal Law and Federal Rules of Evidence.

SIGAR investigators work in close cooperation with SIGAR's audit directorate to detect possible criminal activity related to the reconstruction effort. In addition, the Investigations Directorate operates a Hotline and Complaints Management System (HCMS) which allows U.S. government employees and contractors, coalition partner personnel, and Afghanistan citizens to report allegations of fraud, waste, abuse, mismanagement, and reprisal. (See www.sigar.mil/fraud for Hotline information.) Investigations staff analyze all complaints to determine if investigative action is warranted. The Investigations directorate is also expanding its presence in Afghanistan and intends to have investigators stationed at eleven critical locations, including bases in Kandahar and Helmand, where most of the reconstruction dollars are being spent.

SIGAR cooperates with other federal law enforcement agencies in Afghanistan and in the United States to maximize resources and to ensure that all allegations of the misuse of U.S. taxpayer dollars are seriously considered. SIGAR maintains a permanent, full-time presence at the Joint Operation Center of the International Contract Corruption Task Force (ICCTF) in Washington, D.C. The ICCTF is the principal U.S. law enforcement organization coordinating U.S. federal investigations of fraud internationally.

MANAGEMENT AND SUPPORT

The Management and Support group advances SIGAR's mission in five key areas: Human Resource Management; Budget; Acquisition, Logistics, Facility Management; Security and Safety Management; and Information Technology Management. SIGAR's Human Resource office is responsible for recruitment and retention; pay and benefits; training and mentoring; equal employment opportunity; and work force management. The Budget office handles budget formulation and execution; managerial accounting; program performance; travel and transportation; payment processing; and the internal control program. The Acquisition, Logistics, and Facility Management office supervises contract execution; the purchase card program; property book management; logistics; and facility management. The Security and Safety Management office is responsible for personnel security, physical security, information Security, Industrial Security, communications Security, and the safety Program. The Information Technology office manages the implementation and maintenance of high quality Information Technology (IT) systems guided by industry best practices, that allow SIGAR personnel to accomplish their oversight mission in the most effective and efficient manner. Travel is performed in compliance with the Joint Travel Regulation (JTR). Contracting is performed in compliance with the Federal Acquisition Regulation (FAR).

The Support Section's goals are to:

- Provide exemplary personnel, security, financial, contractual, and information technology support to SIGAR's workforce
- Recruit and retain highly qualified personnel
- Assist the SIGAR workforce in maintaining and improving their professional skills

INFORMATION MANAGEMENT

The Information Management Directorate produces a quarterly report to Congress, provides writing and editorial support for the whole of SIGAR, and maintains data on the reconstruction effort in Afghanistan.

As mandated by Section 1229 of the National Defense Authorization Act, SIGAR must submit a comprehensive report on the status of the reconstruction effort to the United States Congress 30 days after the end of each fiscal-year quarter. These reports provide an update on SIGAR oversight activities and detailed information, including appropriations and obligations of funds, on the reconstruction of Afghanistan. SIGAR also reports on oversight activities of the Inspectors General of the Departments of State and Defense, and the U.S. Agency for International Development, as well as the Government Accountability Office. As of July 2010, SIGAR has issued eight quarterly reports which are available online at www.sigar.mil. The next quarterly report to Congress is scheduled for completion on October 30, 2010.

Each quarter, SIGAR issues a data call to U.S implementing agencies requesting specific information on the status of reconstruction programs. In addition to publishing this information in the quarterly report to Congress, SIGAR uses this data to help the Audit directorate develop audits. SIGAR is also using this data to compile a data base on the reconstruction effort.

Overview

The United States has provided over \$51 billion for the reconstruction of Afghanistan since FY 2002. Funding requests for the FY 2010 supplemental and the FY 2011 budget, if approved, will increase this amount to \$71 billion. Reconstruction funds are being used to build Afghan National Security Forces, promote good governance and provide development assistance. The increases for FY 2010 and FY 2011 will require SIGAR to expand its audit and investigations directorates in order to provide sufficient oversight of the reconstruction program.

SIGAR's Fiscal Year 2012 budget request of \$44,455,000 would fund the operating expenses needed to conduct independent and objective oversight of \$71 billion directed for the reconstruction of Afghanistan. SIGAR needs 180 positions in FY 2012 in order to effectively conduct and support the audits and investigations required to prevent and detect waste, fraud, and abuse, consistent with Congressional mandates.

Program Change Justification

Congress has appropriated \$46.2 million to cover SIGAR's operating expenses since 2008. Over the last year, SIGAR has more than doubled its staff, significantly increasing its capacity to conduct audits and investigations. SIGAR's FY 2011 budget request of \$35.3 million provides the resources to fully staff the 132 positions needed to conduct oversight of the current reconstruction effort in Afghanistan. Funding for these positions is critical to SIGAR's ability to conduct effective oversight activities related to the reconstruction of Afghanistan.

The FY 2011 President's Budget includes a request of \$35.3 million for SIGAR. This amount funds operating expenses and 132 full-time equivalences (FTEs). SIGAR's FY 2012 budget request of \$44.5 million is \$9.2 million above its FY 2011 request. The \$9.2 million funds an additional 48 FTEs and related operating expenses, bringing the total number of FTE positions to 180 for FY 2012. SIGAR intends to place 14 of these 48 FTEs in Afghanistan. The other 34 FTEs will be stationed at SIGAR's headquarters in Arlington, Virginia. These additional FTEs will allow SIGAR to conduct and support the audits and investigations which are critical to SIGAR's mission to provide effective oversight of the increasing U.S. funding for the reconstruction of Afghanistan.

SIGAR Funding History

(\$ in thousands)

Appropriation	Public Law	Appropriated	Made Available	Expires	Amount
Supplemental Appropriations for Fiscal Year 2008, HR2642	P.L. 110-252	6/30/2008	6/30/2008	9/30/2009	2,000
Supplemental Appropriations for Fiscal Year 2008, HR2642	P.L. 110-252	6/30/2008	10/1/2008	9/30/2009	5,000
Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009	P.L. 110-329	9/30/2008	9/30/2008	9/30/2010	9,000
Supplemental Appropriations for Fiscal Year 2009, HR2346	P.L. 111-32	6/24/2009	6/24/2009	9/30/2010	7,200
Consolidated Appropriations Act, 2010, H.R. 3288	P.L. 111-117	12/16/2009	10/1/2009	9/30/2010	23,000
Total					\$46,200

Justification of Request

Obligation by Object Classification

(\$ in thousands)

OC Code and Title	FY2010 Estimate	FY 2011 Request	FY2012 Request
11 Personnel Compensation	14,121	25,823	32,776
21 Travel and Transportation	811	2,537	2,074
23 Rent, Communications, and Utilities	2,304	731	1,281
24 Printing and Reproduction	136	448	290
25 Other Contractual Services	7,909	5,045	7,001
25.1 Advisory and Assistance Services	6,891	2,992	2,804
25.3 Other purchases of goods and services from Government Accounts	1,018	2,053	4,197
26 Supplies, Materials, and Equipment	2,719	682	1,033
Total	\$28,000	\$35,266	\$44,455
Full-Time Equivalence (FTE)	80	132	180

11 Personnel Compensation

SIGAR has more than doubled its staff over the last 12 months and expects to continue growing to 180 FTEs in FY 2012. SIGAR employs primarily highly specialized professionals with expertise in the areas of audits, inspections, investigations, and information management. The staff consists of temporary appointees, most of whom have 13-month renewable appointments. The estimated cost of base salaries supports SIGAR's objective of utilizing primarily senior, experienced personnel capable of addressing the Congressional mandate to independently and objectively conduct and supervise audits and investigations of programs and operations funded with U.S. taxpayer dollars for the reconstruction of Afghanistan.

Because SIGAR's primary mission must be conducted in Afghanistan, a dangerous environment requiring additional expenses to maintain qualified staff, this budget request includes Post Differential and Hazardous Duty Pay for Afghanistan-based personnel and TDY personnel.

Part of the total personnel compensation also includes fringe benefits, specifically the employer's share of payments for life insurance, health insurance, and employee retirement.

Total costs for personnel compensation and benefits are estimated to be \$32,776,000 for FY2012.

21 Travel and Transportation

Travel to and from Afghanistan represents a large portion of SIGAR's travel costs. These costs include deployment and re-deployment of employees to Afghanistan for an extended period of time, and regular temporary duty travel (TDY) of auditors, inspectors, and investigators. Afghanistan-based employees return to the continental United States for a mid-tour break and to attend required training not otherwise available in overseas locations.

Auditors and investigators will conduct site visits to various locations within Afghanistan. Due to security concerns, air transportation to these sites is often the only method of transportation and is sometimes required.

Total costs for travel and transportation of persons are estimated to be \$2,074,000 for FY2012.

23 Rent, Communications, and Utilities

Effective communication within and between our Arlington, VA office and Afghanistan offices is key to the success of our mission. The information technology services required include local and long distance telephone service, and secure wireless data and voice communication services. The majority of these services is provided through contractual agreements with the private sector. In addition to communication services, there are also rent and utility charges associated with the Arlington, VA office. SIGAR estimates expenditures for rent, communications, and utilities will be \$1,281,000 for FY2012.

24 Printing and Reproduction

Quarterly Reports are required by SIGAR's enabling legislation and are distributed to the U.S. Congress, Secretaries of State and Defense, and other stakeholders. Copies are also made available to the general public in both the U.S. and Afghanistan through the organization's official website (www.sigar.mil). In addition to the Quarterly Report, SIGAR prints and distributes individual audit reports in a similar manner. The Government Printing Office handles the majority of SIGAR's printing and reproduction requirements. SIGAR also pays for the publication of notices and job announcements, as well as the airing of radio and television public service announcements. Estimated expenditures for printing and reproduction requirements total \$290,000 for FY2012.

25 Other Contractual Services

25.1 Advisory and assistance services

Administrative support services include but are not limited to information management, logistics management, office assistant, human resources, operations management, project management, and security management.

To produce a Quarterly Report for the Congress and the Secretaries of State and Defense and to publish about 50 audits and inspections reports annually, SIGAR will enter into contractual agreements with the private sector to provide qualified consultants and subject matter experts. SIGAR translates each Quarterly Report into Afghanistan's official languages: Pashto and Dari. The translated versions will be available on the SIGAR website.

SIGAR will also contract with the private sector to provide specialized technical experts to support its forensic reviews of transaction data related to reconstruction funding.

In the interest of public service, employees will be encouraged to attend training to develop additional skills and knowledge to help them improve in their performance of official duties. Training will also allow employees to maintain professional certifications necessary to the performance of their duties. Further, employees deploying to Afghanistan for a period of longer than 30 days are required by the Department of State to attend the one week long Foreign Affairs Counter Threat (FACT) training.

Total costs for advisory and assistance services are estimated to be \$2,804,000 for FY2012.

25.3 Other purchases of goods and services from Government accounts

The Secretary of the Army is the designated support agency for SIGAR and will provide (for the most part on a reimbursable basis) core functional administrative support necessary for SIGAR to accomplish its mission. This includes, but is not limited to, the following functions: administration, logistics, acquisition and contracting, financial management, human resources, information technology, deployment, and security. Support provided by the Secretary of the Army does not affect the Inspector General's statutory authority and independence.

SIGAR's deployed employees will require administrative services available through the U.S. Embassy's International Cooperative Administrative Support Services (ICASS) program. Such services include, but are not limited to, motor pool operations and vehicle maintenance, travel services, printing services, mail and messenger services, information management, reception and telephone system services, purchases and contracting, personnel management, cashiering, vouchering, accounting, budget preparation, non-residential security guard services, and building operations. SIGAR is required to pay the Department of State for ICASS services.

Total costs for other purchases of goods and services from government accounts are estimated to be \$4,086,000 for FY2012.

SIGAR's FY2012 budget request also includes \$111,000 to support the Council of the Inspectors General on Integrity and Efficiency, consistent with the Inspector General Reform Act of 2008.

26 Supplies, Materials, and Equipment

SIGAR makes regular purchases of information technology equipment, supplies, and materials required for the administration of offices in Afghanistan and the United States. SIGAR also purchases various weapons and ammunitions for qualified Investigators and other designated personnel operating in Afghanistan and/or other designated locations. Purchases of general office supplies and materials are also included in the Supplies, Materials, and Equipment category.

Total costs for supplies, materials, and equipment are estimated to be \$1,033,000 for FY2012.