

OFFICE OF THE SPECIAL INSPECTOR GENERAL FOR
AFGHANISTAN RECONSTRUCTION



BUDGET REQUEST
FISCAL YEAR 2015

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SPECIAL INSPECTOR GENERAL FOR AFGHANISTAN RECONSTRUCTION

1550 Crystal Drive, Suite 9000
Arlington, VA 22202

March 4, 2014

SUBJECT: Fiscal Year 2015 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) 2015 SIGAR budget request in the amount of \$56.9 million. This budget request takes into account the need for increased oversight, given the additional \$5.3 billion provided in the FY 2014 budget for Afghanistan reconstruction funding, bringing the total amount appropriated for Afghanistan reconstruction since 2002 to over \$100 billion.

SIGAR has requested this level of funding to ensure that it has sufficient resources to conduct the audits and investigations needed to provide effective oversight of the new and ongoing reconstruction programs. With nearly \$20 billion in unexpended funds as of January 2014 including the FY 2014 appropriations, rigorous and aggressive oversight is critical to ensure that U.S. taxpayer dollars are not subject to waste, fraud, and abuse. This level of funding will also cover the increasing cost for SIGAR's operations in Afghanistan resulting from the U.S. military drawdown. The increasing costs include those associated with individual subsistence in-country as well as both the increased costs of conducting operations at an acceptable security level and of absorbing costs formerly covered by or shared with other departments.

U.S. and international 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 the alignment of U.S.-funded programs with one another 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.

As the U.S. military drawdown and the program transition to the Afghan government proceed, SIGAR faces increased staffing costs to provide oversight for Afghanistan's reconstruction. The per person cost of supporting SIGAR staff stationed and sent to Afghanistan for temporary duty assignments will grow significantly. The FY 2015 request will cover a portion of these increased costs to support the audits and investigations of the growing and increasingly complicated U.S.

reconstruction mission. Despite—but also in part because of—the military and civilian drawdown, SIGAR’s in-country staffing levels are expected to remain constant.

I appreciate your commitment to SIGAR’s oversight mission and look forward to discussing our ongoing and planned efforts to protect U.S. reconstruction funds, assess program effectiveness, and hold implementing partners accountable.

Very respectfully,

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

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Afghanistan Overview

The United States has provided approximately \$102.13 billion for the reconstruction of Afghanistan since FY 2002 (by comparison, the 1948-1952 Marshall Plan aid to reconstruct West Germany amounted to \$1.39 billion, or roughly \$13.5 billion in 2013 purchasing power). Reconstruction funds are being used to strengthen the Afghan security forces, build governing capacity, promote economic development, and counter the drug trade.

SIGAR Overview

The FY 2008 National Defense Authorization Act (Public Law 110-181) established the Special Inspector General for Afghanistan Reconstruction (SIGAR). The law directs SIGAR to independently and objectively conduct and supervise audits and investigations relating to the programs and operations funded with U.S. funds appropriated for the reconstruction of Afghanistan.

SIGAR is responsible for providing objective leadership and coordination of, and recommendations on, policies designed to promote economy, efficiency, and effectiveness in the administration of reconstruction programs and operations. SIGAR's work helps prevent and detect waste, fraud, and abuse in reconstruction programs and operations. SIGAR's mandate requires it to keep Congress and the Secretaries of State and Defense informed about problems and deficiencies relating to activities and oversight of the administration of the reconstruction efforts in Afghanistan.

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 public or private sector entity to: (1) build or rebuild physical infrastructure in Afghanistan, (2) establish or reestablish political or societal institutions of Afghanistan, or (3) provide products or services to the people of Afghanistan. SIGAR also has the duties, responsibilities, and certain authorities of inspectors general under the Inspector General Act of 1978, as amended.

SIGAR's headquarters are in Arlington, Virginia. SIGAR also has staff in six locations in Afghanistan. These include an office at the U.S Embassy in Kabul and additional offices in Kandahar Airfield, Bagram Airfield, Camp Leatherneck, Mazar-i-Sharif, Camp Phoenix, New Kabul Compound, and the U.S. Consulate in Herat. Given the recent attack on the U.S. Consulate in Herat, it is unclear when or if this location will accommodate SIGAR staff in the future. SIGAR staff at these additional offices are dependent upon the continued existence of U.S. military and chief of mission personnel. SIGAR has established five functional Directorates to advance its mission: (1) Audits and Inspections; (2) Investigations; (3) Management and Support; (4) Research and Analysis; and (5) Special Projects. The following is a description of the role of each of these Directorates:

AUDITS AND INSPECTIONS

The Audits and Inspections Directorate supports the SIGAR mission by conducting performance and financial audits of reconstruction programs, as well as by inspecting reconstruction sites. All audits are conducted in compliance with Generally Accepted Government Auditing Standards (GAGAS), commonly called “yellow book” standards, established by the Comptroller General of the United States. Performing audits according to these standards ensures the accuracy and credibility of findings, conclusions, and recommendations presented to the Congress and other decision-makers. All inspections are conducted in accordance with the *Quality Standards for Inspection and Evaluation*, published by the Council of the Inspectors General on Integrity and Efficiency.

SIGAR conducts a wide range of audits to fulfill its legislative mandate. These include audits of individual contracts and audits that examine program management and internal controls, as well as broad, comprehensive assessments of program direction and effectiveness. In most cases, these audits result in recommendations, which, if implemented, can save taxpayer dollars, increase accountability, or improve program efficiency and effectiveness.

The principal goals are to identify waste, fraud, and abuse associated with reconstruction contracts, grants, and cooperative agreements, and to make recommendations to improve the efficiency and effectiveness of reconstruction programs. SIGAR seeks to improve internal controls, accountability, management practices, and interagency coordination to promote effectiveness as well as to help Congress and the American public determine if reconstruction programs are achieving their intended outcomes. To meet these objectives SIGAR maintains a diverse team of experienced auditors and analysts.

SIGAR conducts audits in three broad reconstruction sectors:

- Security
- Development
- Governance

In each of these sectors, SIGAR assesses:

- Contracts and other financial instruments, focusing on cost, schedule, and outcomes; oversight; and sustainability
- Program management, including reconstruction strategy, planning, and oversight
- Operations, including internal controls and accountability

SIGAR also began a financial audit program in FY 2012 using financial audit experts to conduct incurred-cost audits of high-risk reconstruction contracts. As of July 2013, SIGAR has issued 11

financial audit reports, which identified \$49.4 million in questioned costs as a result of internal control deficiencies and noncompliance issues.

SPECIAL PROJECTS

The Special Projects Directorate is a rapid-response team set up by the Special Inspector General to examine emerging, high-risk issues in prompt, actionable reports to federal agencies and the Congress. Established in FY 2013, the directorate was stood up after senior U.S. officials indicated that they needed to get information from SIGAR more quickly than is possible in an audit or investigative format. The directorate deploys a team of highly skilled investigators, auditors, analysts, and attorneys led by an experienced oversight manager who has spent three years overseeing SIGAR's Audits and SIGAR's Forward Operations in Afghanistan. The products produced by the team include focused reports, alert letters, fact sheets, and briefings.

The Special Projects Directorate's goals are to:

- Provide a timely response to critical issues of safety or management concerns
- Produce focused products to address key areas that are outside the scope of Audits and Investigations or require an elevated level of awareness
- Address SIGAR's critical mission requirements through an expedited process to ensure a timely congressional, administration, and public response

INVESTIGATIONS

The Investigations Directorate supports SIGAR's mission by investigating 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, corruption in federal contracting, and money laundering. 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.

On September 24, 2013 SIGAR awarded the first investigative information technology solution contract, e-Discovery, to access large amounts of data in a meaningful way. The e-Discovery system will help investigators locate and organize information in a collaborative fashion with both the

investigative team consisting of forensic auditors, analysts, prosecutors and participating law-enforcement agencies. The goal of the e-Discovery system will be to gather investigative data from multiple sources and file formats while keeping track of their source of origin and assist with locating evidence to substantiate or refute allegations of criminal activity. This technology is being rolled out in FY 2014 and continued in FY 2015.

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 coordinating body for U.S. law enforcement organizations investigating fraud overseas.

MANAGEMENT AND SUPPORT

The Management and Support Directorate advances SIGAR's mission in four key areas: Human Resources; Budget and Travel; Security and Safety Management; and Information Technology.

SIGAR's Human Resources office is responsible for recruitment and retention; pay and benefits; training and mentoring; internal contract execution; equal employment opportunity; work force management; and the purchase card program. The Budget office handles budget formulation and execution; managerial accounting; program performance; travel and transportation; payment processing; and the internal control program. The Security and Safety Management office is responsible for personnel security; physical security; information security; industrial security; communications security; property book management; logistics; facility management; 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 Management and Support Directorate'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

RESEARCH AND ANALYSIS

The Research and Analysis Directorate produces the quarterly report to Congress, provides writing and editorial support for the whole of SIGAR, and maintains extensive 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. 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.

SIGAR's reports to Congress 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 January 2014, SIGAR has issued 22 quarterly reports, available online at www.sigar.mil. The next quarterly report to Congress is scheduled for filing by April 30, 2014.

FY 2015 SIGAR Budget Request

As of FY 2014, Congress has appropriated \$213.75 million to cover SIGAR's operating expenses since 2008. Over the last year, SIGAR grown its staff significantly, compensating for attrition and increasing its capacity to conduct audits and investigations. SIGAR's FY 2015 budget request of \$56.9 million provides the resources to sustain the 205 positions needed to conduct oversight of the current reconstruction effort in Afghanistan.

SIGAR's FY 2015 Budget Request of \$56.9 million represents an increase of \$7.25 million over the FY 2014 budget request to maintain current staffing levels, cover the increasing costs of in-country security and travel, and conduct extensive financial audits of reconstruction contractors. The proposed budget will enable SIGAR to oversee new and ongoing reconstruction programs. SIGAR intends to continue to deploy 57 of its 205 positions in Afghanistan.

SIGAR Funding History

(\$ in thousands)

| Appropriation | Public Law | Appropriated | Made Available | Expires | Amount |
|--|--------------|--------------|----------------|-----------|------------------|
| Supplemental Appropriations, for Fiscal Year 2008, H.R. 2642 | P.L. 110-252 | 6/30/2008 | 6/30/2008 | 9/30/2009 | \$2,000 |
| Supplemental Appropriations, for Fiscal Year 2008, H.R. 2642 | P.L. 110-252 | 6/30/2008 | 10/1/2008 | 9/30/2009 | 5,000 |
| Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009, H.R. 2638 | P.L. 110-329 | 9/30/2008 | 9/30/2008 | 9/30/2010 | 9,000 |
| Supplemental Appropriations, for Fiscal Year 2009, H.R. 2346 | P.L. 111-32 | 6/24/2009 | 6/24/2009 | 9/30/2010 | 7,200 |
| Supplemental Appropriations, for Fiscal Year 2009, H.R. 2346 | P.L. 111-32 | 6/24/2009 | 6/24/2009 | 9/30/2010 | -7,200 |
| Consolidated Appropriations Act, for Fiscal Year 2010, H.R. 3288 | P.L. 111-117 | 12/16/2009 | 10/1/2009 | 9/30/2010 | 23,000 |
| Supplemental Appropriations Act, for Fiscal Year 2010, H.R. 4899 | P.L. 111-212 | 7/29/2010 | 7/29/2010 | 9/30/2011 | 7,200 |
| Department of Defense and Full-Year Continuing Appropriations Act, for Fiscal Year 2011, H.R. 1473 | P.L. 112-10 | 4/15/2011 | 10/1/2010 | 9/30/2011 | 24,000 |
| Department of Defense and Full-Year Continuing Appropriations Act, for Fiscal Year 2011, H.R. 1473 | P.L. 112-10 | 4/15/2011 | 10/1/2010 | 9/30/2012 | 1,500 |
| Continuing Appropriations Act, for Fiscal Year 2012, H.R. 2055 | P.L. 112-74 | 12/23/2011 | 10/1/2011 | 9/30/2013 | 44,387 |
| Department of Defense, Military Construction and Veterans Affairs, and Full-Year Continuing Appropriations Act, 2013, H.R. 933 | P.L. 113-6 | 3/26/2013 | 10/1/2012 | 9/30/2014 | 48,039 |
| Consolidated Appropriations Act, 2014, H.R. 3547 | P.L. 113-76 | 1/17/2014 | 10/1/2013 | 9/30/2015 | 49,650 |
| TOTAL | | | | | \$213,776 |

Justification of Request
Obligation by Object Classification

(\$ in thousands)

| OC Code and Title | FY 2013 Request | FY 2014 Request | FY 2015 Request |
|--|-----------------|-----------------|-----------------|
| 11 Personnel Compensation | \$36,708 | \$35,195 | \$36,194 |
| 21 Travel and Transportation | 2,350 | 3,875 | 5,409 |
| 23 Rent, Communications, and Utilities | 1,688 | 1,973 | 2,047 |
| 24 Printing and Reproduction | 206 | 254 | 300 |
| 25 Other Contractual Services | 8,120 | 7,862 | 12,365 |
| <i>25.1 Advisory and Assistance Services</i> | 4,092 | 808 | 1,023 |
| <i>25.3 Other purchases of goods and services from Government Accounts</i> | 3,715 | 6,959 | 11,203 |
| <i>25.7 Operation and Maintenance of Equipment</i> | 313 | 95 | 139 |
| 26 Supplies and Materials | 829 | 248 | 385 |
| 31 Equipment | 829 | 243 | 200 |
| Total | \$49,901 | \$49,650 | \$56,900 |
| Employee positions | 200 AFG: 57 | 205 AFG: 57 | 205 AFG: 57 |

11 Personnel Compensation – Request \$36.2 million

SIGAR has made significant progress in hiring employees over the last 12 months and expects to continue growing to 205 positions in FY 2015. SIGAR employs primarily highly specialized professionals with expertise in the areas of audits, 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 significantly 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 (except for rehired annuitants) employee retirement.

21 Travel and Transportation – Request \$5.4 million

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, investigators, and some support staff. Afghanistan-based employees return to the continental United States for mid-tour breaks and to attend required training not otherwise available in overseas locations. Additionally in FY 2014 and FY 2015, SIGAR will be required to pay for all in-country air transportation expenses for Embassy Air flights and dedicated special flight requests, therefore significantly increasing SIGAR's travel expenses in-country.

23 Rent, Communications, and Utilities – Request \$2.0 million

Effective communication within and between our Arlington, VA, 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 are provided through Army and State interagency agreements for communications support. In addition to communication services, there are also rent and utility charges associated with the Arlington, VA, office.

24 Printing and Reproduction – Request \$0.3 million

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 United States and Afghanistan through the organization's official website (www.sigar.mil). The Government Printing Office handles the majority of SIGAR's printing and reproduction requirements. SIGAR also pays to publish notices, job announcements, and public service announcements.

25 Other Contractual Services – Request \$12.4 million

25.1 Advisory and Assistance services – Request \$1.0 million

SIGAR requires private-sector contract support to translate each Quarterly Report into Afghanistan’s official languages: Pashto and Dari, as required by statute. In order to maintain quality assurance for the translations, SIGAR has engaged the Center for Afghanistan Studies of the University of Nebraska at Omaha, which employs a number of native speakers, to evaluate the vendor’s work.

In the interest of public service, SIGAR employees are encouraged to attend training to develop additional skills and develop knowledge to help them improve their performance of official duties. Training also allows employees to maintain necessary professional certifications. In addition, employees deploying to Afghanistan for more than 30 days are required by the Department of State to attend four one-week pre-deployment courses: Foreign Affairs Counter Threat (FACT), Afghan Familiarization, Afghan Field Orientation, and Interagency Integrated Civilian-Military Training Exercise for Afghanistan.

25.3 Other purchases of goods and services from Government accounts – Request \$11.2 million

The Secretary of the Army is the designated support agency for SIGAR and 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 in conducting its oversight mission.

SIGAR’s deployed employees 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, local security, motor pool operations and vehicle maintenance, local travel, printing, mail and messenger, information management, reception and telephone system, purchases and contracting, personnel management, cashiering, vouchering, accounting, budget preparation, and building operations. SIGAR is required to pay the Department of State for ICASS services annually. The cost for ICASS has increased by \$5.2 million since 2012. The increase has mainly been due to the high cost of security in Kabul and the per person cost for shared services increasing as agencies drawdown their presence in Afghanistan. Unfortunately, the U.S. Embassy in Kabul has not provided any guidance for budgetary out year costs. However based on historical growth, SIGAR anticipates the ICASS bill in FY 2015 to be approximately \$9.25 million.

(This also includes \$40,058 (0.0704%) to support the Council of the Inspectors General on Integrity and Efficiency, consistent with the Inspector General Reform Act of 2008).

25.7 Operation and Maintenance of Equipment – Request \$0.1 million

SIGAR utilizes a myriad of software and hardware products in support of the oversight mission. As software and hardware products are procured, subsequent operation and maintenance expenses are required annually.

26 Supplies and Materials – Request \$0.4 million

SIGAR makes regular purchases of 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 within the Supplies and Materials category.

31 Equipment – Request \$0.2 million

SIGAR must replace hardware and make other regular purchases of information technology equipment required for the administration of offices in Afghanistan and the United States.