

OFFICE OF THE SPECIAL INSPECTOR GENERAL FOR AFGHANISTAN RECONSTRUCTION

Analysis of Recommendations Concerning Contracting in Afghanistan, as Mandated by Section 1219 of the Fiscal Year 2011 NDAA



June 22, 2011



OFFICE OF THE SPECIAL INSPECTOR GENERAL FOR AFGHANISTAN RECONSTRUCTION

June 22, 2011

Congressional Committees and Executive Departments and Agencies:

This report provides the Office of the Special Inspector General for Afghanistan Reconstruction's (SIGAR) response to Section 1219 of the Fiscal Year 2011 National Defense Authorization Act, which requires SIGAR to report on the oversight of contractors in Afghanistan. In addition, Section 1219 requires SIGAR to report on plans for reducing the reliance of the United States on private security contractors (PSCs) in Afghanistan.

In discussions with congressional staff about the intent of the mandate, we agreed to (1) analyze recommendations made to the Department of Defense (DOD), Department of State (State), and the U.S. Agency for International Development (USAID) concerning contracting in Afghanistan, and (2) assess the current situation regarding the use of PSCs in Afghanistan. This report was coordinated with the Offices of Inspectors General for DOD, State, and USAID; and the U.S. Government Accountability Office. In addition, we provided a draft of this report to certain DOD, State, and USAID program offices for their review of the PSC information they provided to us. In both cases, we made technical changes, as appropriate.

This work was conducted under authority of Public Law No. 110-181, as amended, the Inspector General Act of 1978, and the Inspector General Reform Act of 2008. We conducted our work in Kabul, Afghanistan and Washington, D.C., from February 2011 to June 2011 in accordance with sections of SIGAR's quality assurance framework that was relevant to our objectives.

A handwritten signature in black ink that reads "Herbert Richardson". The signature is written in a cursive style.

Herbert Richardson
Acting Special Inspector General
for Afghanistan Reconstruction

List of Addressees

The Honorable Carl Levin
Chairman, Senate Armed Services Committee

The Honorable John McCain
Ranking Member, Senate Armed Services Committee

The Honorable Daniel Inouye
Chairman, Senate Committee on Appropriations

The Honorable Thad Cochran
Ranking Member, Senate Committee on Appropriations

The Honorable John Kerry
Chairman, Senate Committee on Foreign Relations

The Honorable Richard Lugar
Ranking Member, Senate Committee on Foreign Relations

The Honorable Joseph Lieberman
Chairman, Senate Committee on Homeland Security and
Governmental Affairs

The Honorable Susan Collins
Ranking Member, Senate Committee on Homeland Security
and Governmental Affairs

The Honorable Howard McKeon
Chairman, House Armed Services Committee

The Honorable Adam Smith
Ranking Member, House Armed Services Committee

The Honorable Hal Rogers
Chairman, House Committee on Appropriations

The Honorable Norm Dicks
Ranking Member, House Committee on Appropriations

The Honorable Ileana Ros-Lehtinen
Chairman, House Committee on Foreign Affairs

The Honorable Howard Berman
Ranking Member, House Committee on Foreign Affairs

The Honorable Darrell Issa
Chairman, House Committee on Oversight and Government
Reform

The Honorable Elijah Cummings
Ranking Member, House Committee on Oversight and
Government Reform

The Honorable Hillary Rodham Clinton
Secretary of State

The Honorable Robert Gates
Secretary of Defense

The Honorable Dr. Rajiv Shah
Administrator, U.S. Agency for International Development



SIGAR

Special Inspector General for Afghanistan Reconstruction

SIGAR Audit-11-1SP

June 2011

Analysis of Recommendations Concerning Contracting in Afghanistan, as Mandated by Section 1219 of the Fiscal Year 2011 NDAA

What SIGAR Reviewed

DOD, State, and USAID rely heavily on contractors to support their respective missions in Afghanistan. These services include transportation, security, reconstruction and development, and logistical services. According to the Government Accountability Office (GAO), agencies reported obligating more than \$17.2 billion for fiscal year 2009 and the first half of fiscal year 2010, for more than 61,700 active contracts, grants, and cooperative agreements. Section 1219 of the National Defense Authorization Act (NDAA) for Fiscal Year 2011 requires the Special Inspector General for Afghanistan Reconstruction (SIGAR), in consultation with the Inspectors General (IGs) of the Department of Defense (DOD), Department of State (State), and the U.S. Agency for International Development (USAID) to report on the oversight of contractors in Afghanistan. In addition, Section 1219 requires SIGAR to report on plans for reducing the reliance of the United States on private security contractors (PSCs) in Afghanistan.

In discussions with congressional staff, we agreed to (1) analyze the recommendations made to DOD, State, and USAID regarding contracting in Afghanistan since fiscal year 2008 through March 2011; and (2) assess the current situation regarding the use of PSCs in Afghanistan, including the extent to which PSCs in Afghanistan have been responsible for Afghan civilian deaths. To accomplish these objectives, the IGs at DOD, State, and USAID provided recommendations made since October 2008 involving contractors in Afghanistan and the status of those recommendations. SIGAR requested similar information from GAO. Further, SIGAR requested that DOD, State, and USAID report on their use of PSCs in Afghanistan. SIGAR conducted its work in Washington, D.C., and Kabul, Afghanistan, from February 2011 to June 2011, in accordance with sections of SIGAR's quality assurance framework that is relevant to our objectives.

What SIGAR Found

From October 2008 to March 2011, the IGs, GAO, and SIGAR issued 65 reports with 297 recommendations to DOD, State, and USAID to improve contracting in Afghanistan. SIGAR's analysis of the recommendations identified 14 contracting themes. Of the 297 recommendations, 177 (or about 60 percent) fell in five broad categories of contracting themes: (1) issues related to non-compliance, questioned costs, and the need for further audit work; (2) contract oversight; (3) post-award contract actions; (4) quality and quantity of the U.S. government workforce; and (5) project schedule and performance metrics. In addition, the Commission on Wartime Contracting has issued seven reports, with another due in July 2011, citing concerns on the state of contracting in both Afghanistan and Iraq. Moreover, the Commander of the International Security Assistance Force and U.S. Forces-Afghanistan (ISAF/USFOR-A) and the U.S. Ambassador to Afghanistan have issued guidance to help ensure that contracting in Afghanistan helps the Counterinsurgency (COIN) strategy in place for winning the war.

DOD, State, and USAID rely on PSCs to provide for site, convoy, and personnel security in Afghanistan. However, concerns about PSCs recently culminated in a Government of Afghanistan strategy to transfer many of the security functions to a newly formed state-run Afghan Public Protection Force (APPF). The strategy, effective March 22, 2011, is designed to accommodate development and construction programs and ISAF security requirements as the APPF develops sufficient capacity and capability to assume the security services. SIGAR found that data on Afghan civilian deaths by PSCs has not been systematically tracked and may not be complete. Officials from USFOR-A reported no deaths of Afghan civilians since August 2009 due to DOD-contracted PSCs. State's Regional Security Office reported four civilian deaths as a result of State-contracted PSCs—all were traffic fatalities. However, historical information for both agencies is limited. USAID tracks the deaths of implementing partner personnel and their security details, but not Afghan civilian deaths caused by PSCs.

For more information contact: SIGAR Public Affairs at (703) 602-8742 or PublicAffairs@sigar.mil

TABLE OF CONTENTS

Background	1
The IGs, GAO, and SIGAR Have Made almost 300 Contracting Recommendations; Other Entities Have Also Addressed Contracting Issues In Afghanistan	2
DOD, State, And USAID Rely on PSCs in Afghanistan, But PSCs for Most Purposes Will Be Phased Out; Data on Incidents Involving Afghan Civilian Deaths Has Not Been Systematically Reported.....	12
Concluding Observations	16
Appendix I: Scope and Methodology	17
Appendix II: Reports Containing Contract-Related Recommendations.....	18

TABLES

Table 1: Status of Recommendations to DOD, State, and USAID (October 2008 to March 2011).....	3
Table 2: Contracting Recommendations Categorized by Theme Made to DOD, State, and USAID	4

FIGURES AND PHOTOS

Figure 1: Timeline for Implementation of the Afghan Bridging Strategy for Contracted Security Functions	14
------------------------------------------------------------------------------------------------------------------	----

ACRONYMS

AAA	Army Audit Agency
APPF	Afghan Public Protection Force
COIN	Counterinsurgency
COR	Contracting Officer Representative
COTR	Contracting Officer's Technical Representative
CWC	Commission on Wartime Contracting in Iraq and Afghanistan
DOD	Department of Defense
GAO	Government Accountability Office
IG	Inspector General
INL	Bureau of International Narcotics and Law Enforcement Affairs
ISAF	International Security Assistance Force
Moi	Ministry of Interior
NDAA	National Defense Authorization Act
PSC	Private Security Contractor
SIR	Serious Incident Report
SIGAR	Special Inspector General for Afghanistan Reconstruction
USACE	U.S. Army Corps of Engineers
USAID	U.S. Agency for International Development
USFOR-A	U.S. Forces-Afghanistan



Analysis of Recommendations Concerning Contracting in Afghanistan, as Mandated by Section 1219 of the Fiscal Year 2011 NDAA

Section 1219 of the NDAA for Fiscal Year 2011 requires the Special Inspector General for Afghanistan Reconstruction (SIGAR), in consultation with the Inspectors General (IGs) of the Department of Defense (DOD), Department of State (State), and the U.S. Agency for International Development (USAID) to report on the oversight of contractors in Afghanistan.¹ In addition, Section 1219 requires SIGAR to report on plans for reducing the reliance of the United States on private security contractors (PSCs) and the extent to which PSCs in Afghanistan have been responsible for Afghan civilian deaths.

In discussions with congressional staff, we agreed to (1) analyze the recommendations made to DOD, State, and USAID regarding contracting in Afghanistan since fiscal year 2008 through March 2011; and (2) assess the current situation regarding the use of PSCs in Afghanistan. To accomplish these objectives, the IGs at DOD, State, and USAID provided recommendations made since October 2008 involving contractors in Afghanistan and the status of those recommendations. In addition, the Government Accountability Office (GAO) provided us with similar information. We compiled and analyzed the recommendations to identify common themes addressed. In addition, we reviewed the Government of Afghanistan's plans to reduce the use of PSCs and requested that DOD, State, and USAID report on the extent they could determine whether PSCs were responsible for civilian deaths.

We conducted our work from February 2011 to June 2011 in accordance with all sections of SIGAR's quality assurance framework that is relevant to our objectives. The framework requires that we plan and perform the engagement to obtain sufficient and appropriate evidence to meet our stated objectives and to discuss any limitations in our work. We believe that the information and data obtained, and the analysis conducted, provide a reasonable basis for this report's findings and observations.

BACKGROUND

DOD, State, and USAID rely heavily on contractors to support their respective missions in Afghanistan. Contracted services include transportation, security, reconstruction and development, and logistics. State and USAID also use cooperative agreements and grants to support their missions. Generally, agencies use contracts to acquire property or provide services to achieve their mission. Agencies use cooperative agreements and grants to provide funds and technical assistance to help a recipient, or implementing partner, accomplish its mission.

¹ National Defense Authorization Act for Fiscal Year 2011, Pub. L. 111-383, § 1219, 124 Stat. 4137, 4394 (2011) Sometimes herein referred to as "the NDAA for Fiscal Year 2011" or "the Fiscal Year 2011 NDAA".

According to GAO, agencies reported obligating more than \$17.2 billion for more than 61,700 active contracts, grants, and cooperative agreements during fiscal year 2009 and the first half of fiscal year 2010.² Of the \$17.2 billion in obligations, DOD obligated \$13.3 billion or 77 percent, State obligated \$893.3 million or 5 percent, and USAID obligated more than \$3 billion or 17 percent. Furthermore, as of March 2010, DOD, State, and USAID reported more than 154,000 contractor and assistance personnel supporting their efforts in Afghanistan.³

The use of PSCs in contingency operations is not a new phenomenon, but the manner and extent to which they have been used since 2002 is unprecedented. PSCs perform a broad range of private security functions such as guarding personnel, facilities, and designated sites. GAO reported that as of March 2010, DOD, State, and USAID had about 29,000 PSC personnel working under contracts, subcontracts, grants, or cooperative agreements.⁴

THE IGs, GAO, AND SIGAR HAVE MADE ALMOST 300 CONTRACTING RECOMMENDATIONS; OTHER ENTITIES HAVE ALSO ADDRESSED CONTRACTING ISSUES IN AFGHANISTAN

The IGs, GAO, and SIGAR have made numerous recommendations to improve the contracting process in Afghanistan and DOD, State, and USAID have taken action on many of them. In addition, the Commission on Wartime Contracting (CWC) has reported its concerns on the state of contracting in both Afghanistan and Iraq. Moreover, the Commander of International Security Assistance Force/ U.S. Forces-Afghanistan (ISAF/USFOR-A) and the U.S. Ambassador to Afghanistan have also issued guidance to ensure that contracting in Afghanistan helps, and not hinders, the Counterinsurgency (COIN) strategy in place to secure and stabilize Afghanistan.

Most Recommendations Regarding Contracting Fall Under Five Contracting Themes

From October 2008 through March 2011, the IGs at DOD,⁵ State, and USAID; GAO; and SIGAR issued 65 reports with 297 recommendations regarding contracting in Afghanistan—171 remain open and 126 have been closed.⁶ As shown in Table 1, most recommendations were made to USAID, followed by DOD, and State.

² GAO 11-1, *DOD, State, and USAID Face Continued Challenges in Tracking Contracts, Assistance Instruments, and Associated Personnel*, October 1, 2010. GAO is required by the NDAA for FY2008 (Pub. L. No. 110-181, § 863) to review and report annually on DOD, State, and USAID contracts with performance in Iraq and Afghanistan. The report is issued annually in October of each year. GAO has released two previous reports to meet this requirement: GAO 10-1, *Contingency Contracting: DOD, State, and USAID Continue to Face Challenges in Tracking Contractor Personnel and Contracts in Iraq and Afghanistan*, October 2009. GAO 09-19, *Contingency Contracting: DOD, State, and USAID Contracts and Contractor Personnel in Iraq and Afghanistan*, October 2008.

³ GAO concluded that caution should be used when using the reported data on contractor and assistance personnel but that the data establishes a rough order of magnitude for the number of personnel working in Afghanistan for the period.

⁴ GAO 11-1.

⁵ For the DOD IG, we also included recommendations reported by the Army Audit Agency (AAA) and the Air Force Audit Agency (AFAA).

⁶ See Appendix III for a complete list of reports.

Table 1: Status of Recommendations to DOD, State, and USAID (October 2008 to March 2011)

Agency	Number	Open	Closed ^a
DOD ^b	123	71	52
State	37	22	15
USAID ^c	137	78	59
Total	297	171	126

Source: SIGAR analysis of recommendations submitted by DOD IG, AAA, AFAA, USAID IG, State IG, GAO, and SIGAR.

Notes:

^a As reported by the IGs and GAO. While each IG, GAO, and SIGAR has its own policies and procedures for closing recommendations, the process can be lengthy as actions are taken to implement the recommendation.

^b The DOD IG also reported recommendations made by AAA and AFAA.

^c Recommendations made to USAID include contracts as well as grants and cooperative agreements.

Based on our analysis of the recommendations, we identified 14 contracting theme categories. As shown in table 2, of the 297 recommendations, 177 (or about 60 percent) fell in five broad categories.

Table 2: Contracting Recommendations Categorized by Theme Made to DOD, State, and USAID

Contracting Theme Category	Number ^a	Percentage of Total
1. Non-compliance with the contract, questionable costs identified, or further audit support recommended	53	17
2. Contract oversight needs strengthening	46	15
3. Ensuring project schedule and performance metrics needs improvement	27	9
4. Post-award contract actions need improvement	26	9
5. Quality and quantity of U.S. government workforce requires improvement	25	8
6. Regulations and procedures involving contractor support need development and/or enforcement	22	7
7. Pre-award contract actions need improvement	19	6
8. Billing, invoicing, and payment practices need improvement	16	5
9. Collaboration or coordination with other agencies and Afghan government needs enhancement	16	5
10. Internal controls need strengthening	11	4
11. Vetting and training contractor personnel practices need improvement	11	4
12. Expenditure or redirection of funds needs consideration	9	3
13. Subcontracting visibility and oversight needs strengthening	6	2
14. Sustainability considerations and planning need enhancement	3	1
15. Miscellaneous recommendations ^b	27	9

Source: SIGAR analysis of recommendations identified by DOD IG, AAA, AFAA, State IG, USAID IG, GAO, and SIGAR.

Notes:

^a Number of recommendations exceeds 297 because multiple recommendations fell into more than one category.

^b Of the recommendations we analyzed, 27 did not fall under any of the 14 defined categories. They included recommendations regarding defective construction structures, producing feasibility studies, and agency reporting to Congress..

Non-Compliance with the Contract, Questioned Costs Identified, or Further Audit Support Recommended

Contractors are required to comply with terms, conditions, and provisions cited in a contract or other agreement vehicle. Furthermore, contract auditors are responsible for providing information and audit services as required to the contracting officer based on analysis of the contractor's financial and

accounting records to ensure acceptability of the contractor's incurred or estimated costs and a review of the contractor's cost control systems. Financial audits may reveal questioned or unsupported costs billed to the government by a contractor or examples of non-compliance with the contract. The Defense Contract Audit Agency is normally the U.S. government agency responsible for these contract audit services, with some exceptions.

The IGs, GAO, and SIGAR issued 53 recommendations to DOD, State, and USAID regarding 1) non-compliance with the contract or agreement, 2) questioned or unsupported costs and recovery of such costs, or 3) the need for additional audit work to ensure the acceptability of the contractor's incurred and estimated costs. The 53 recommendations fall into the following categories:

- Ten recommendations addressed possible instances of non-compliance with the contract. For example, in a review of fiduciary support to the American University of Afghanistan, USAID IG noted three material instances of non-compliance and recommended that USAID/Afghanistan ensure that the university correct the instances of non-compliance.⁷ Furthermore, in a review of the Bureau of Diplomatic Security's oversight of explosives detection canine programs, State IG recommended that Diplomatic Security employ an independent canine expert to determine whether contractors are complying with U.S. Department of the Treasury guidelines for explosive detection canines.⁸
- Thirty-four recommendations were made regarding possible questioned costs recommending that agencies recoup any identified questioned costs from the contractor. For example, in a review of the Army's use of time-and-materials contracts⁹ in Southwest Asia, DOD IG found instances of unauthorized increases in labor rates and overpayments resulting from incorrect billing rates, payments made for subcontractor employees who were not actually working, payments for work performance after the period of performance expired, and other invoice discrepancies. The DOD IG recommended the government review one task order and request a refund of more than \$100,000 for overpayments.¹⁰ Furthermore, in a financial audit of the cooperative agreement associated with the Afghanistan First Loss Reserve Fund, USAID IG recommended that USAID/Afghanistan establish the monetary cost associated with salaries not supported by timesheets and recover any questioned costs found not allowable.¹¹
- Nine recommendations called for additional audit support for a contract. For example, DOD IG, in an audit of the contract for subsistence in Afghanistan, recommended that the contracting officer request assistance from the Defense Contract Audit Agency to determine

⁷ Financial Audit of Program "Fiduciary Support to the American University of Afghanistan" Subgrant Under the Asia Foundation Award No. 306-G-00-05-00525-00 and "The USAID Direct Support to AUAF" Cooperative Agreement No. 306-A-00-08-00525-00 for the period from July 1, 2008 to June 30, 2009, F-306-11-002-R. (December 20, 2010).

⁸ State IG MERO-I-10-14, *Limited-Scope Review of the Bureau of Diplomatic Security's Oversight of Explosives Detection Canine Programs*, September 2010.

⁹ Time-and-materials contracts provides for the acquisition of services on the basis of direct labor hours at specified fixed hourly rates that include wages, overhead, general and administrative expenses and profit and actual cost for materials.

¹⁰ DOD IG D-2010-081, *Army Use of Time-and-Materials Contracts in Southwest Asia*, August 27, 2010.

¹¹ USAID OIG 5-306-10-001-D, *Financial Audit of the Afghanistan First Loss Reserve Fund, USAID/Afghanistan Cooperative Agreement No. 306-A-00-05-00512-00, Managed by the Deutsche Investitionsund Entwicklungsgesellschaft mbh (DEG) for the Period from February 4, 2005 to December 31, 2008*, March 30, 2010.

a fair and reasonable price for airlift requirements from Sharjah, UAE.¹² Furthermore, in a performance review of USAID/Afghanistan's building of education support systems for teachers, USAID IG recommended an audit of the subcontract under the project and to determine whether the terms, conditions, and costs for subcontract modifications were acceptable.¹³

Contract Oversight Needs Strengthening

Once a contract is awarded, the government is responsible for monitoring a contractor's performance to ensure the requirements identified in the solicitation are being met. This includes 1) having a quality assurance surveillance plan, which documents the methods used to measure performance of the contractor against the requirements in the performance work statement; and 2) ensuring that personnel are on hand to monitor contract performance. Contracting officer representatives (CORs) or contracting officer's technical representatives (COTRs) play a key role in ensuring proper contract oversight by acting as the "eyes and ears" of the contracting officer, monitoring technical performance, and reporting any problems to the contracting officer. It is the contractor's responsibility to develop and follow a quality control plan—a self-inspection plan describing the staffing and procedures that the contractor will use to meet the requirements of the performance work statement.

The IGs, GAO, and SIGAR made 46 recommendations to DOD, State, and USAID to improve contract oversight. The majority of these recommendations were made to ensure quality assurance and quality control plans and procedures are developed and followed and that a COR or COTR is appointed and has the resources to properly oversee the contract. Examples of these recommendations include the following:

- In an audit of a construction contract for the Tojg Bridge in Farah province, SIGAR recommended that USFOR-A ensure that the necessary quality control and quality assurance procedures are performed and documented.¹⁴ Similarly, in a review of the construction of Afghan National Police District Headquarters facilities in Helmand and Kandahar Provinces, SIGAR recommended that the U.S. Army Corps of Engineers (USACE) ensure daily quality assurance reports are filed, three-phase testing is implemented, and quality control testing is performed and recorded.¹⁵
- In a review of a contract for personal protective services in Afghanistan, the State IG did not find a dedicated contracting officer's representative for the contract and recommended that one be assigned to provide proper oversight of the Worldwide Personal Protective Services Contract.¹⁶
- The USAID IG found that, due to the high turnover experienced by the mission in its COTR staff, new COTRs may not be aware of the mission's requirements to obtain engineering oversight on construction projects and recommended that the COTR designation letter

¹² DOD IG D-2011-047, *Improvements Needed in Contract Administration of the Subsistence Prime Vendor Contract for Afghanistan*, March 2, 2011.

¹³ USAID IG Audit Report No. 5-306-10-006-P, *USAID/Afghanistan's Building Education Support Systems for Teachers Project*, January 29, 2010.

¹⁴ SIGAR 10-7, *The Tojg Bridge Construction is Nearly Complete, but Several Contract Issues Need to be Addressed*, March 2, 2010.

¹⁵ SIGAR Audit-11-03, *ANP District Headquarters Facilities in Helmand and Kandahar Provinces Have Significant Construction Deficiencies Due to Lack of Oversight and Poor Contractor Performance* October 27, 2010.

¹⁶ State IG MERO-A-09-08, *Performance Evaluation of the U.S. Training Center Contract for Personal Protective Services in Afghanistan*, August 31, 2009.

communicate the need to comply with contract oversight and quality assurance requirements.¹⁷

Ensuring Project Schedule and Performance Measurement Needs Improvement

Establishing key indicators and meaningful performance measures and targets helps to evaluate and ensure program effectiveness and keep developmental projects on schedule. In the case of contractual mechanisms, a time of delivery or performance is essential and shall be stated in all solicitations. If timely delivery or performance is important, the U.S. government may insert what are known as "liquidated damages clauses" into the solicitation. These clauses specify the financial compensation the contractor would be required to pay if it failed to deliver or perform services on time. The "liquidated damages" rates outlined in the contract must be a reasonable forecast of compensation for the harm that is caused by late delivery or untimely performance of a contract.

The IGs, GAO, and SIGAR made 27 recommendations to DOD, State, and USAID to help ensure that work is delivered on schedule and that performance of programs and projects in Afghanistan are adequately measured. The majority of these recommendations were directed at USAID. They included requiring implementing partners to establish better metrics for measuring progress and addressed ways to improve the assessment of project results and impact on the Afghan community. Examples include the following:

- GAO recommended that in order to increase performance management of USAID's agriculture programs, the Administrator of USAID should take steps to ensure the approval of implementing partner performance indicators and that implementing partners should establish targets for performance indicators.¹⁸
- USAID IG, in a review of the Higher Education Project, recommended that USAID/Afghanistan determine the key indicators to measure and report results and revise the indicators at the implementor level, Mission level, or both, to more accurately link the activity data to the Mission's planned results.¹⁹

Recommendations were also made to USAID to ensure that projects are kept on schedule. For example, in a review of USAID's Afghanistan Infrastructure Rehabilitation Program, USAID IG recommended development of an overall implementation plan for the Kabul power plant to incorporate updated construction schedules for the contractor and subcontractors, identify delays in critical tasks, and establish steps to keep the project on track.²⁰

Post-Award Contract Actions Need Improvement

After contract award, a contract administration office is responsible for certain post-award functions to ensure the proper administration of a contract. Contract administration by a contracting officer encompasses all dealings between the government and the contractor from the time the contract is awarded until the work has been completed and accepted or the contract terminated, payment has

¹⁷ USAID IG Audit Report No. 5-306-10-007-P, *Audit of USAID/Afghanistan's Human Resources and Logistical Support Program*, March 31, 2010.

¹⁸ GAO-10-368, *Afghanistan Development: Enhancements to Performance Management and Evaluation Efforts Could Improve USAID's Agriculture Programs*, July 14, 2010.

¹⁹ USAID IG Audit Report No. 5-306-09-002-P, *Audit of USAID/Afghanistan's Higher Education Project*, December 4, 2008.

²⁰ USAID IG Audit Report No. 5-306-10-002-P, *Audit of USAID/Afghanistan's Power Sector Activities Under its Afghanistan Infrastructure Rehabilitation Program*, November 10, 2009.

been made, and disputes have been resolved. The specific nature and extent of contract administration varies from contract to contract, and factors such as the type of contract and nature of the work dictate the level of administration required. FAR Parts 42.2 and 42.3 describe the post-award contract administration functions. These functions include, but are not limited to, issuing administrative contract changes, approving or disapproving contractor's requests for payments, property administration, preparing evaluation of contractor performance, and contract closeout procedures.

The IGs, GAO, and SIGAR issued a total of 26 recommendations to DOD, State, and USAID on post-award contract actions including property administration, maintaining contract files, recording past performance, and contract close-out. Examples of these recommendations include the following:

- A joint review by DOD IG and State IG of training and mentoring of the Afghan National Police recommended that State's Bureau of International Narcotics and Law Enforcement Affairs (INL) and the Commanding General, Combined Security Transition Command-Afghanistan, ensure that the contracting officer for its Afghan Civilian Police contract perform a complete inventory of U.S. government-furnished property and reconcile the inventory count to the government-furnished property book maintained by the contractor. The IGs also reported that State did not maintain contract files as required by the FAR, and recommended that INL ensure that the contracting officer for the Civilian Police contract establish and maintain contracting files that are complete and easily accessible in accordance with the contracting officer delegation letters and the Foreign Affairs Handbook.²¹
- In a review of the contract for an Afghan National Army garrison in Kunduz Province, SIGAR found that USACE contract files either were not organized according to USACE guidelines or were nonexistent. SIGAR recommended that contract files be maintained according to USACE guidance.²²
- USAID IG, in a review of USAID/Afghanistan's Human Resources and Logistical Support Program, found that past performance reviews of the contractor had not been completed and recommended that all past performance reviews be completed in accordance with USAID procedures. In response, USAID/Afghanistan completed all reviews for the contractors and submitted them to the Contractors Performance System.²³
- In an audit of contracting operations at the Salerno Regional Contracting Center in Afghanistan, AAA recommended that the contracting center develop and implement a plan to close out completed contracting actions.²⁴

Quality and Quantity of Government Workforce Requires Improvement

Effective contract management requires proper recruiting, training, development, and retention of the acquisition workforce which includes contracting officers, CORs and COTRs, quality assurance personnel, and contract auditors. Creating an acquisition workforce with the right skills and capabilities can be a

²¹ State IG/DOD IG MERO-A-10-06/D-2010-042, *DOD Obligations and Expenditures of Funds Provided to the Department of State for Training and Mentoring of the Afghan National Police*, February 9, 2010.

²² SIGAR Audit-10-09, *ANA Garrison at Kunduz Does Not Meet All Quality and Oversight Requirements; Serious Soil Issues Need to be Addressed*, April 30, 2010.

²³ USAID IG Audit Report No. 5-306-10-007-P, *Audit of USAID/Afghanistan's Human Resources and Logistical Support Program*, March 31, 2010.

²⁴ AAA Audit A-2010-0198-ALL, *Audit of Contracting Operations, Joint Contracting Command-Iraq/Afghanistan, Salerno Regional Contracting Center, Afghanistan*, September 21, 2010.

challenge, given changes to the acquisition processes, the introduction or expansion of alternative contracting approaches, and increased reliance on services provided by the private sector. Further, a quick turnover of personnel, such as in Afghanistan where civilian personnel are normally in country one year or less, increases the risk that agencies will lose institutional knowledge and experience.

The IGs, GAO, and SIGAR made 25 recommendations to DOD, State, and USAID to improve the quality and quantity of the U.S. government workforce responsible for management, oversight, and administration of contracts. More than half of the recommendations involved ensuring personnel were properly trained. Examples include the following:

- State IG, in a review of 7 counternarcotics-related contracts valued at approximately \$1.8 billion, found a notable difference in background and experience between Foreign Service Officers and Personal Services Contractors hired by INL to implement counternarcotics programs, with Personal Services Contractors having more experience in-country or on similar programs. As a result, State IG recommended that INL develop a workforce plan to ensure sufficient, experienced, and trained personnel are assigned as in-country CORs and direct-hire staff for the Narcotics Affairs Section.²⁵
- In a review of agency policies and procedures to ensure background screening of Private Security Contractor (PSC) personnel, GAO found that DOD had not developed department-wide procedures for conducting these screenings of its foreign national PSC personnel and that disagreements on how to implement these procedures among various DOD offices hindered timely development and execution of the policies. GAO recommended that DOD appoint a focal point to develop a training program to ensure military commanders and contracting officials, including contracting officers and CORs, understand the department's policies and procedures for background screening of PSCs as well as their roles and responsibilities.²⁶

Other recommendations addressed other problems with the contracting workforce. For example, in a review of the acquisition workforce in Southwest Asia, DOD IG recommended that the Defense Contract Management Agency, the agency provides contract administration services of DOD contracts, develop a written plan defining civilian and military acquisition workforce requirements needed to support contracting operations in Southwest Asia.²⁷ In addition, in a review of USAID's agriculture programs GAO found high staff turnover and, among other things, GAO recommended that the Administrator of USAID take steps to address preservation of institutional knowledge.²⁸

CWC Issued Seven Reports Providing Recommendations for Wartime Contracting

CWC has issued seven reports identifying areas of concern and providing recommendations on wartime contracting. Section 841 of the NDAA for Fiscal Year 2008 established the CWC, a bipartisan legislative commission, to study federal agency contracting in the areas of reconstruction, logistical support, and

²⁵ State IG MERO-A-10-02, *Status of the Bureau of International Narcotics and Law Enforcement Affairs Counternarcotics Programs in Afghanistan*, December 2009.

²⁶ GAO-09-351, *Contingency Contract Management: DOD Needs to Develop and Finalize Background Screening and Other Standards for Private Security Contractors*, July 31, 2009.

²⁷ DOD IG D-2010-051, *Defense Contract Management Agency Acquisition Workforce for Southwest Asia*, April 8, 2010.

²⁸ GAO-10-368, *Afghanistan Development: Enhancements to Performance Management and Evaluation Efforts Could Improve USAID's Agricultural Programs*, July 14, 2010.

security in Iraq and Afghanistan.²⁹ The CWC, comprised of 8 members, is required to issue reports to Congress on its findings, identify lessons learned related to contingency program management and contracting, and include specific recommendations on:

- the process for defining requirements and developing statements of work for contracts in contingency contracting;
- the process for awarding contracts and task or delivery orders in contingency contracting,
- the process for contingency program management;
- the process for identifying, addressing, and providing accountability for waste, fraud and abuse in contingency contracting;
- the process for determining which functions are inherently governmental and which functions are appropriate for performance by contractors in a contingency operation;
- the organizational structure, resources, policies and practices of DoD and State for performance contingency program management; and
- the process by which roles and responsibilities with respect to management and oversight of contracts in contingency contracting are distributed among the various departments of the various departments and agencies and interagency coordination and communication mechanisms associated with contingency contracting.

Since 2008, the Commission has issued four special reports and two interim reports. CWC's final report is due in July 2011. The four special reports provided recommendations on the oversight of contractor business systems,³⁰ the method for awarding embassy security contracts,³¹ planning for the DOD-to-State transition in Iraq,³² sustainment of the diplomatic mission during the draw-down of troops in Iraq,³³ and sustainability of projects by host nation governments.³⁴ CWC's first interim report identified eight "issues of immediate concern" for lawmakers' consideration, as well as items slated for future work.³⁵ The eight issues identified included the critical shortage of qualified contract management personnel in theater, inadequate contractor business systems, a need for greater accountability in the use of subcontractors, the lack of application of lessons learned from Iraq to Afghanistan, and training and equipping of contractors for providing security for our operating bases.

CWC's second interim report included 32 recommendations for legislative and policy changes to improve contingency contracting by addressing concerns about over reliance on contractors; planning, resourcing, and management of contractors; interagency mechanisms and intra-agency resource

²⁹ Pub. L. No. 110-181, § 841

³⁰ Commission on Wartime Contracting in Iraq and Afghanistan Special Report 1 on Contractor Business Systems: *Defense Agencies Must Improve Their Oversight of Contractor Business Systems to Reduce Waste, Fraud, and Abuse*, September 21, 2009.

³¹ Commission on Wartime Contracting in Iraq and Afghanistan Special Report 2 on Embassy Security Contracts: *Lowest-Priced Security Not Good Enough for War-Zone Embassies*, October 1, 2009.

³² Commission on Wartime Contracting in Iraq and Afghanistan Special Report 3 on Iraq Transition Planning: *Better Planning for Defense-to-State Transition in Iraq Needed to Avoid Mistakes and Waste*, July 12, 2010.

³³ Commission on Wartime Contracting in Iraq and Afghanistan Special Report 4 Follow-Up Report on Preparing For Post-2011 U.S. Presence in Iraq: *Iraq-A Forgotten Mission?*, March 1, 2011

³⁴ Commission on Wartime Contracting in Iraq and Afghanistan Special Report 5 Seeking Sustainability For U.S. Projects in Iraq and Afghanistan: *Sustainability: Hidden Costs Risk New Waste*, June 3, 2011.

³⁵ Commission on Wartime Contracting in Iraq and Afghanistan, *At What Cost? Contingency Contracting in Iraq and Afghanistan*, June 2009.

allocations; competition and assessment of contractor performance; use of contract suspension and debarment tools; and jurisdiction over criminal behavior.³⁶

Commander, ISAF/USFOR-A, and U.S. Ambassador to Afghanistan Issued Guidance to Ensure Contracting Promotes COIN Objectives in Afghanistan

In 2010, the Commanding General, ISAF/USFOR-A, and the U.S. Ambassador to Afghanistan issued guidance to DOD and State personnel to ensure that contracting promotes the COIN strategy objectives in Afghanistan.

In September 2010, the Commanding General, ISAF/USFOR-A issued guidance to ensure that contracting in Afghanistan supports the Afghan government's and ISAF's campaign objectives. The guidance stated:

- Commanders must understand that contracting plays an important role in COIN and COIN contracting topics must be incorporated into training for Commanders. Contracts with Afghan firms that procure Afghan goods and services generate employment and assist in the development of a sustainable economy.³⁷
- Contracting should be used to hire Afghan workers and Afghan-owned companies whenever possible.
- Systems and standard databases should be established to vet vendors and contractors, avoid excessive sub-contracting, and hold contractors responsible for their sub-contractors.
- Responsible contracting practices should be exercised, to include planning and ensuring transparency.
- Contracting should be integrated into intelligence, plans, and operations.
- Local leaders should be consulted and involved in planning projects, identifying viable companies, vetting of contractors, and improving oversight.
- Efforts should be made to contract with a broader range of Afghan companies.
- A contract should be evaluated by the degree to which it supports the Afghan people or campaign objectives.
- Post-award oversight should be stressed and contract requirements enforced.
- Use tools available when linkages between contractors and criminal networks are found, such as suspension and debarment and contract termination.

³⁶ Commission on Wartime Contracting in Iraq and Afghanistan, *At What Risk? Correcting Over-Reliance on Contractors in Contingency Operations*, February 24, 2011.

³⁷ SIGAR has an ongoing audit of the Afghan First program, which encourages the use of Afghan firms, where appropriate, to meet U.S. requirements for supplies and services in order to promote Afghan economic growth, capacity development, and related counterinsurgency objectives. This audit is reviewing the systems and controls in place to identify capable Afghan vendors, evaluating efforts to identify and address vulnerabilities of the Afghan First initiative, and determining key challenges in implementation of the program.

The Commander warned that without sufficient oversight, it is likely that some contract funds will unintentionally fuel corruption, finance insurgent organizations, strengthen criminal patronage networks, and undermine efforts in Afghanistan.³⁸

In November 2010, the U.S. Ambassador to Afghanistan reiterated this guidance to all U.S. Mission staff, stressing that the Mission must fully share in the need for oversight of procurement and contracting actions as part of the COIN strategy.³⁹ He stated that the guiding principles are to ensure that procurement responds to the needs of the Afghans, promotes the Afghan private sector, assists in developing Afghan skills and capacity, focuses on sustainability, and reduces Afghan dependence on development assistance.

DOD, STATE, AND USAID RELY ON PSCS IN AFGHANISTAN, BUT PSCS FOR MOST PURPOSES WILL BE PHASED OUT; DATA ON INCIDENTS INVOLVING AFGHAN CIVILIAN DEATHS HAS NOT BEEN SYSTEMATICALLY REPORTED

The U.S. reliance on PSCs in contingency operations is not a new phenomenon, but the manner and extent to which they have been used in Iraq and Afghanistan is unprecedented.⁴⁰ DOD alone reported more than a fourfold increase in PSC personnel in Afghanistan from August 2008 to April 2011.⁴¹ As of March 2010, about 29,000 PSC personnel were providing security services in Afghanistan for DOD, State, and USAID—DOD reported more than 16,700 PSC personnel, State reported more than 2,000, and USAID reported nearly 10,300.⁴² More than 94 percent of DOD PSCs are Afghan nationals.⁴³ However, various entities have raised concerns about the use of PSCs, and the Government of Afghanistan has promulgated a plan to phase them out for most purposes. As planned, PSCs will not be able to provide security for development or reconstruction efforts after March 2012 or for ISAF convoys and facilities after March 2013. In addition, incidents involving PSCs and Afghan civilians is not systematically tracked and reported across all U.S. agencies.

Concerns about U.S. Reliance on PSCs

Concerns have arisen about the accountability and transparency of PSCs in Afghanistan and Iraq. Congress has taken steps to legislate oversight of contingency contracting, particularly singling out the oversight of PSCs. The NDAA for Fiscal Year 2008 required the Secretary of Defense, in coordination

³⁸ Headquarters, International Security Assistance Force, *COMISAF's Counterinsurgency (COIN) Contracting Guidance*, 8 September, 2010.

³⁹ Embassy of the United States of America, Kabul Afghanistan, *Contracting Oversight in Counterinsurgency (COIN) Strategy*, November 3, 2010.

⁴⁰ PSCs (1) provide static (or site) security, such as housing areas, reconstruction work sites, or government buildings; (2) protect convoys traveling through unsecured areas; (3) protect individuals traveling through unsecured areas; and (4) provide full-time security to high-ranking individuals. PSCs may also provide unarmed security services such as operational coordination, intelligence analysis, hostage negotiations, and security training. PSCs are companies performing these security functions and PSC personnel are individuals contracted to perform these private security functions.

⁴¹ Department of Defense, Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics, *Contracting in Iraq and Afghanistan and Private Security Contracts in Iraq and Afghanistan*, August 2008. *Contractor Support of U.S. Operations in the USCENTCOM Area of Responsibility, Iraq, and Afghanistan*, April 2011.

⁴² GAO 11-1, *DOD, State, and USAID Face Continued Challenges in Tracking Contracts, Assistance Instruments, and Associated Personnel*, October 2010.

⁴³ Department of Defense, Assistant Deputy Under Secretary for Defense (Program Support), *Contractor Support of U.S. Operations in the USCENTCOM Area of Responsibility, Iraq, and Afghanistan*, May 2010.

with the Secretary of State, to develop (1) a process to authorize and account for weapons carried by personnel performing private security functions in an area of combat operations, (2) procedures and guidance for reporting and documenting all incidents involving PSCs, and (3) regulations on the selection, training, equipping, and conduct of personnel performing private security functions.⁴⁴

Further, USFOR-A created Task Force Spotlight in June 2010 in response to concerns about the state of management and oversight of PSCs in Afghanistan. Task Force Spotlight was a temporary task force intended to support the Armed Contractor Oversight Directorate—an entity created in early 2009 and tasked with oversight of DOD PSCs in Afghanistan. The Task Force’s initiatives included improving the visibility over the use and performance of PSCs, biometrics enrollment, training of CORs and others on private security requirements, and addressing issues with registering PSC personnel. The Armed Contractor Oversight Directorate resumed responsibility for oversight of PSCs on June 1, and all initiatives started by Task Force Spotlight have been taken up by the Directorate.

PSCs Will Be Phased Out

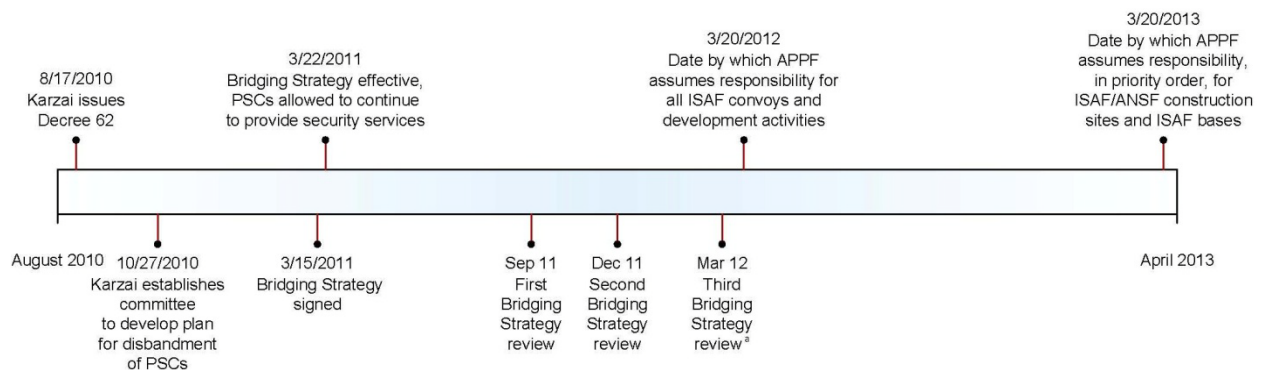
On March 15, 2011, the head of the Afghanistan Ministry of the Interior (MOI) and the Senior Advisor to the President issued a “Bridging Strategy” providing for the dissolution of all PSCs providing security services for reconstruction efforts within 12 months and security for ISAF within 24 months.⁴⁵ Under this strategy, responsibility for reconstruction and ISAF security will transfer to a newly formed state-run Afghan Public Protection Force (APPF) over two years. The strategy was promulgated, in part, because of Afghan concerns with PSC operations.

Under the strategy, all PSC contracts for development will terminate by March 20, 2012. All PSC contracts for ISAF are scheduled to terminate on March 20, 2013, unless the U.S. and Afghan governments have determined that the APPF is not able to fulfill the security requirements, in which case PSCs may continue to provide the necessary security until the end of a project or until the APPF has the capacity it needs to provide the security. Embassies and entities with diplomatic status are exempt from the decree and can contract with any licensed PSC that is in good standing with the Afghan government. Figure 1 highlights key events of the Bridging Strategy’s implementation schedule.

⁴⁴ Pub. L. No. 110-181, § 862

⁴⁵ MOI, *The Bridging Strategy for Implementation of Presidential Decree 62, (Dissolution of Private Security Companies); Bridging Period March 22, 2011 to March 20, 2012*, March 15, 2011. The Bridging Strategy contains exceptions for PSCs providing security services for diplomatic organizations.

Figure 1: Timeline for Implementation of the Afghan Bridging Strategy for Contracted Security Functions



Source: MOI, *The Bridging Strategy for Implementation of Presidential Decree 62, (Dissolution of Private Security Companies); Bridging Period March 22, 2011 to March 20, 2012, March 15, 2011.*

Notes:

^a After March 2012, Bridging Strategy reviews will continue at three month intervals.

Despite the release of the Bridging Strategy, the status of PSCs in Afghanistan continues to be in flux. ISAF and the U.S. Embassy in Kabul, in a letter dated March 15, 2011, acknowledged the need to use PSCs until the APPF can assume responsibility for these services.⁴⁶ While the U.S. government agreed to support the implementation of the Bridging Strategy and development of the APPF, support is contingent upon certain actions by the Afghan government. These include, but are not limited to the development of a fully functioning state-owned APPF by the end of the bridging period, assurance that the Afghan government will publish and adhere to a fair, reasonable, and transparent grievance process and penalty schedule; and that the Afghan government provides the required approvals for all PSCs in a timely manner. If fully implemented as planned, non-diplomatic PSCs will be eliminated, with the state-run APPF assuming all responsibility for contracted security services by both DOD and the implementing partners of State and USAID. Diplomatic entities will be allowed to continue to provide their own security services. However, this assumes a fully functioning APPF which is resourced and able to take on the responsibility for development activity and convoy security services in one year's time and construction site and base security within two year's time.

Civilian Deaths Caused by PSCs Is Not Systematically Reported

The total number of civilian deaths caused by DOD, State, and USAID PSCs is not known or systematically tracked and reported. Officials from Task Force Spotlight reported no deaths of Afghan civilians as a result of DOD-contracted PSCs since August 2009. The Embassy's Regional Security Office reported four civilian deaths involving PSCs contracted by State since 2004. Historical information for both agencies, however, is limited. USAID tracks the deaths of implementing partner personnel and their security details, but not Afghan civilian deaths caused by PSCs.

⁴⁶ JJC Bucknall, Lieutenant General Deputy Commander, International Security Assistance Force and Karl W. Eickenberry, Ambassador, Embassy of the United States of America, Kabul, Afghanistan Letter to Minister of Interior, Afghanistan Bismullah Khan Mohammadi, March 15, 2001.

DOD

Fragmentary Order 09-206, dated September 2009,⁴⁷ requires all DOD armed contractors and PSCs to report serious incident reports (SIRs),⁴⁸ including attacks, weapons discharges, criminal acts, traffic accidents, and incidents believed to have a possible strategic or operational impact. SIRs are required to contain certain descriptive elements, to include information on any killed or injured personnel or resulting property damage. According to Task Force Spotlight, any investigations regarding Afghan civilian deaths caused by PSCs are completed by the Afghanistan Mol. Task Force Spotlight provided SIGAR with 4 SIRs from DOD contractors reporting a total of 10 Afghan civilian deaths since August 2009. SIGAR's analysis of the SIRs determined that 8 of these deaths were not as a direct result of any PSC actions. Task Force Spotlight reported two additional civilian deaths as a result of an insurgent attack on a convoy with PSC support. However, it is not clear if the civilians were killed as a result of actions of the insurgents or the PSCs. According to Task Force Spotlight officials, SIRs involving Afghan civilians may be incomplete because record keeping has been weak in Afghanistan—reporting by Task Force Spotlight only goes back as far as August 2009—and the reporting of SIRs may not be reliable because the data are self-reported by PSCs. Currently, no mechanisms are in place to validate whether all SIRs are reported. Furthermore, Task Force Spotlight, despite its role as an oversight body for all DOD PSCs, does not hold the authority to mandate compliance by DOD components managing PSCs for reporting SIRs.

State

State Headquarters in Washington, D.C., and the U.S. Embassy Kabul provided SIGAR with seven SIRs reporting ten Afghan civilian deaths since 2004. SIGAR's analysis of the SIRs determined that only four of the SIRs representing four deaths were a direct result of PSC actions. All four incidents involved pedestrians being struck by a vehicle. According to the Embassy, in the case of a significant incident involving prime PSCs working for the Regional Security Office, the PSC is required to submit a SIR to the Regional Security Office operations center and either their contracting officer or, the contracting officer representative. The Regional Security Office compiles these reports and sends them to Diplomatic Security headquarters in Washington, D.C., for review and storage, but does not systematically track SIRs.

USAID

While USAID tracks the deaths of its implementing partners and their PSC personnel, it does not track other civilian deaths. As a result, USAID was unable to report on the number of Afghan civilian deaths, if any, caused by PSC personnel employed by its implementing partners. In May 2010, the USAID IG recommended that USAID/Afghanistan's contracting officer request in writing that the Chief of Mission issue mission-wide instructions for non-DOD PSCs.⁴⁹ The Mission responded that guidance had been prepared by the U.S. Embassy/Kabul Regional Security Office and was with the State Legal Office in Washington, D.C., for review.

⁴⁷ U.S. Forces-Afghanistan, Fragmentary Order 09-206, September 2009.

⁴⁸ A serious incident, as defined by Pub. L. 110-181 § 862 is an incident in which a weapon is discharged by personnel performing private security functions in an area of combat operations, personnel performing private security functions in an area of combat operations are killed or injured, or persons are killed or injured, or property is destroyed, as a result of conduct by contractor personnel.

⁴⁹ USAID IG Audit Report No. 5-306-10-009-P, *Audit of USAID/Afghanistan's Oversight of Private Security Contractors*, May 21, 2010.

CONCLUDING OBSERVATIONS

DOD, State, and USAID rely on contractors to achieve their respective missions in Afghanistan. These services include transportation, security, reconstruction and development, and logistical services. In analyzing the recommendations made since fiscal year 2008 regarding contracting in Afghanistan, repeated themes emerged. Overall, however, most recommendations were directed at ensuring the contractor complied with the contract provisions, strengthening government oversight and ensuring the U.S. government contract workforce is properly trained and available in sufficient numbers to carry out their oversight responsibilities and hold the contractors accountable. This is especially difficult in a contingency and wartime environment, but must be done to help ensure U.S. funds are spent for intended purposes and not subverted by corruption and fraud or diverted to insurgency groups.

DOD, State, and USAID rely heavily on PSCs to provide security for facilities, convoys, and personnel in Afghanistan. Numerous entities, including the U.S. Congress, various IGs, CWC, and the Government of Afghanistan have expressed concerns about the use and oversight of PSCs in Afghanistan. To address its concerns, the Government of Afghanistan announced a Bridging Strategy, which if fully implemented, will eliminate all PSCs supporting development and reconstruction in Afghanistan over the next year, and ISAF's convoy and base security in two years. However, it is questionable whether the APPF will be ready to meet the security needs of development and reconstruction contractors and ISAF. Therefore, DOD, State, and USAID must continue to improve their oversight of PSCs and ensure they are in compliance with the 2008 NDAA requirements, including the reporting of serious incidents by PSCs.

APPENDIX I: SCOPE AND METHODOLOGY

This report provides the Office of the Special Inspector General for Afghanistan Reconstruction's response to Section 1219 of the 2010 National Defense Authorization Act (NDAA). Section 1219 requires the Special Inspector General for Afghanistan Reconstruction (SIGAR), in consultation with the Inspectors General (IGs) of the Department of Defense (DOD), Department of State (State), and the U.S. Agency for International Development (USAID) to report on the oversight of contractors in Afghanistan.⁵⁰ In addition, Section 1219 requires SIGAR to report on plans for reducing the reliance of the United States on PSCs and the extent to which private security contractors (PSCs) in Afghanistan have been responsible for Afghan civilian deaths. This report (1) analyzes the recommendations made to the Departments of Defense (DOD) and State (State) and the U.S. Agency for International Development (USAID) regarding contracting in Afghanistan since October 2008, and (2) assesses the current situation of PSCs in Afghanistan.

To analyze the contracting recommendations made to DOD, State, and USAID, we requested that the respective IGs and GAO identify recommendations made regarding contracting in Afghanistan, along with the respective report number, date the report was issued, agency response, and status of the recommendation. In their response, the DOD IG also included recommendations made by the Army Audit Agency (AAA) and Air Force Audit Agency (AFAA). We also included the recommendations made by SIGAR on contracting in Afghanistan. We reviewed these recommendations, identifying 14 recurring themes, and tallied the recommendations falling under each theme. If a recommendation was made to two or more agencies, we counted that recommendation for each recipient agency. In addition, we reviewed recommendations made by the Commission on Wartime Contracting for Iraq and Afghanistan (CWC), and reviewed contracting guidance from both United States Forces –Afghanistan (USFOR-A) and the U.S. Embassy in Kabul to strengthen contracting in Afghanistan.

To assess the current situation of PSCs in Afghanistan, we requested that USFOR-A, the U.S. Embassy in Kabul, State headquarters in Washington, D.C., and USAID provide certain information about their use of PSCs in Afghanistan and any serious incident reports involving the death of Afghan civilians. We also reviewed the Government of Afghanistan's Bridging Strategy to implement Presidential Decree 62 and the International Security Assistance Force and U.S. Embassy in Kabul's joint response. We conducted interviews with USFOR-A's Task Force Spotlight and the U.S. Embassy Afghanistan's Regional Security Office to discuss reporting of civilian deaths and the implementation of the Bridging Strategy.

We coordinated a draft of this report with the IGs for DOD, State, and USAID; and the U.S. Government Accountability Office. In addition, we provided a draft of this report to DOD, State, and USAID for their review of the information they provided to us, and made technical changes, as appropriate.

We conducted work in Kabul, Afghanistan and Washington, DC, from February 2011 to June 2011 in accordance with sections of SIGAR's quality assurance framework that is relevant to our objectives. The audit was conducted by the Office of the Special Inspector General for Afghanistan Reconstruction under the authority of Public Law No. 110-181, and the Inspector General Act of 1978, as amended.

⁵⁰ Pub. L. 111-383 § 1219

APPENDIX II: REPORTS CONTAINING CONTRACT-RELATED RECOMMENDATIONS

The following reports and recommendations were cited by the respective agencies for this report:

Department of Defense Office of Inspector General

1. *Improvements Needed in Contract Administration of the Subsistence Prime Vendor Contract for Afghanistan*, D-2011-047 (March 2, 2011)
2. *Construction of New Kabul Compound Lacked Planning and Coordination*, D-2010-0083 (September 30, 2010)
3. *Army Use of Time-and-Materials (T&M) Contracts in Southwest Asia*, D-2010-0081 (August 27, 2010)
4. *Air Force Use of Time-and-Materials Contracts in Southwest Asia*, D-2010-0078 (August 16, 2010)
5. *Medical/ Surgical Prime Vendor Contract Supporting Coalition Forces in Iraq and Afghanistan*, D-2010-0055 (April 29, 2010)
6. *Efforts to Prevent Sexual Assault/ Harassment Involving DoD Contractors During Contingency Operations*, D-2010-0052 (April 16, 2010)
7. *Defense Contract Management Agency Acquisition Workforce for Southwest Asia*, D-2010-0051 (April 8, 2010)
8. *Equipment Repair and Maintenance Contracts for Aircraft and Aircraft Components Supporting Coalition Forces in Iraq and Afghanistan*, D-2010-0047 (March 26, 2010)
9. *DoD Obligations and Expenditures of Funds Provided to the Department of State for the Training and Mentoring of the Afghan National Police*, D-2010-0042 (February 9, 2010)
10. *Purchased and Leased Non-Tactical Vehicles in Support of Operation Iraqi Freedom and Operation Enduring Freedom*, D-2010-0022 (November 20, 2009)
11. *U.S. Air Forces Central War Reserve Materiel Contract*, D-2009-0108 (September 23, 2009)
12. *Afghanistan Security Forces Fund Phase III- Accountability for Equipment Purchased for the Afghanistan National Police*, D-2009-0100 (September 22, 2009)
13. *Contracting for Nontactical Vehicles in Support of Operation Enduring Freedom*, D-2009-0085 (June 8, 2009)
14. *Audit of Health Care Provided by Military Treatment Facilities to Contractors in Southwest Asia*, D-2009-0078 (May 4, 2009)
15. *Afghanistan Security Forces Fund Phase III, Afghanistan Engineering District Real Property Accountability*, D-2009-0076 (April 14, 2009)
16. *Controls Over the Contractor Common Access Card Lifecycle*, D-2009-0005 (October 10, 2008)

Army Audit Agency

1. *Audit of Controls Over Vendor Payments- Afghanistan- Southwest Asia (Phase II)*, A-2011-0067-ALL (February 22, 2011)
2. *Audit of Contracting Operations, Joint Contracting Command- Iraq/ Afghanistan, Salerno Regional Contracting Center, Afghanistan*, A-2010-0198-ALL (September 21, 2010)
3. *Audit of Contracting Operations, Joint Contracting Command- Iraq/ Afghanistan, Regional Contracting Center- Fenty (Jalalabad), Afghanistan*, A-2010-0196-ALL (September 21, 2010)

4. *Audit of Contracting Operations, Joint Contracting Command- Iraq/ Afghanistan, Kandahar Regional Contracting Center, Afghanistan (FOUO), A-2010-0135-ALL (July 12, 2010)*

Air Force Audit Agency

1. *Mobile Air Traffic Control and Landing Systems, F2010-0006-FC2000 (August 30, 2010)*
2. *ARCENT AOR Civil Engineer Materials, F2009-0001-FD1000 (October 6, 2008)*

Department of State Office of Inspector General

1. *Performance Evaluation of the Operations and Maintenance Support at Embassy Kabul, Afghanistan, MERO-A-11-05 (December 2010).*
2. *Limited-Scope Review of the Bureau of Diplomatic Security's Oversight of Explosives Detection Canine Programs, MERO-I-10-14 (September 2010)*
3. *The Bureau of Diplomatic Security Kabul Embassy Security Force Performance Evaluation, MERO-A-10-11 (September 2010)*
4. *Compliance Review of the Bureau of International Narcotics and Law Enforcement Affairs Air Wing Program in Afghanistan and Pakistan, MERO-A-10-03 (March 2010)*
5. *DOD Obligations and Expenditures of Funds Provided to the Department of State for the Training and Mentoring of the Afghan National Police, MERO-A-10-06, D-2010-042 (February 2010)*
6. *Status of the Bureau of International Narcotics and Law Enforcement Affairs Counternarcotics Programs in Afghanistan, MERO-A-10-02 (December 2009)*
7. *Performance Evaluation of the U.S. Training Center Contract for Personal Protective Services in Afghanistan, MERO-A-09-08 (August 2009)*

U.S. Agency for International Development Office of Inspector General

1. *Financial Audit of Program "Fiduciary Support to the American University of Afghanistan" Subgrant Under the Asia Foundation Award No. 306-G-00-05-00525-00 and "The USAID Direct Support to AUA" Cooperative Agreement No. 306-A-00-08-00525-00 for the period from July 1, 2008 to June 30, 2009, F-306-11-002-R (December 20, 2010)*
2. *Financial Audit of Local Costs Incurred by the Joint Venture Louis Berger Group, Inc./Black & Veatch Special Projects Corp. to Implement the Afghanistan Infrastructure Rehabilitation Program, USAID/Afghanistan Contract No. 306-I-00-06-00517-00, for the Period from October 1, 2008 to September 30, 2009, 5-306-11-002-N (November 16, 2010)*
3. *Financial Audit of Cost Incurred and Billed for the Project "Human and Institutional Capacity Building for Afghanistan Energy and Natural Resources Sector" (Task Order No. DOT-I-04-04-00022-00), USAID/Afghanistan Cooperative Agreement No. 306-P-00-10-00514-00, Managed by the Advanced Engineering Associates International (AEAI), for the Period from July 3, 2008 to June 30, 2009, 5-306-10-002-D (September 28, 2010)*
4. *Financial Audit of the Afghanistan First Loss Reserve Fund, USAID/Afghanistan Cooperative Agreement No. 306-A-00-05-00512-00, Managed by the Deutsche Investitions- und Entwicklungsgesellschaft mbh (DEG), for the Period from February 4, 2005 to December 31, 2008, 5-306-10-001-D (March 30, 2010)*

5. *Financial Audit of Local Costs Incurred by the Joint Venture Louis Berger Group, Inc./Black & Veatch Special Projects Corp. to Implement the Afghanistan Infrastructure Rehabilitation Program, USAID/Afghanistan Contract No. 306-I-00-06-00517-00, for the Period from October 1, 2007 to September 30, 2008, 5-306-10-002-N (February 25, 2010)*
6. *Financial Audit of the Program "Regenerating Murad Khane, Restoring, Refurbishing and Revitalizing the Old City," USAID/Afghanistan Cooperative Agreement No. 306-A-00-09-00503-00, Managed by the Turquoise Mountain Trust (TMT), for the Period from November 2, 2008 to December 31, 2008, 5-306-09-021-R (September 29, 2009)*
7. *Audit of Costs Incurred and Billed by BearingPoint, Inc., USAID/Afghanistan Contract No. 306-C-00-03-00001-00, for the Period from November 1, 2002 to December 15, 2005, 5-306-09-002-D (August 19, 2009)*
8. *Financial Audit of Local Costs Incurred by the Joint Venture Louis Berger Group, Inc./Black & Veatch Special Projects Corp. to Implement the Afghanistan Infrastructure Rehabilitation Program, USAID/Afghanistan Contract No. 306-I-00-06-00517-00, for the Period from August 25, 2006, to September 30, 2007, 5-306-09-005-N (June 25, 2009)*
9. *Audit of Costs Incurred in the United States by The Louis Berger Group, Inc. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from January 1, 2007, to May 31, 2008, 5-306-09-001-D (June 18, 2009)*
10. *Review of USAID/Afghanistan's Ministerial Assessment Process, F-306-11-001-S (November 6, 2010)*
11. *Audit of USAID/Afghanistan's Support to the American University of Afghanistan, 5-306-11-002-P, (November 5, 2010)*
12. *Audit of USAID/Afghanistan's Partnership for Advancing Community-Based Education in Afghanistan (PACE-A) Program, 5-306-11-001-P, (October 28, 2010)*
13. *Review of Security Costs Charged to USAID Projects in Afghanistan, 5-306-10-002-S (September 29, 2010)*
14. *Audit of USAID/Afghanistan's Alternative Development Program Expansion, South West, 5-306-10-011-P, (July 29, 2010)*
15. *Review of School and Health Clinic Buildings Completed Under the Schools and Clinics Construction and Refurbishment Program, 5-306-10-002-O (June 24, 2010)*
16. *Audit of USAID/Afghanistan's Oversight of Private Security Contractors, 5-306-10-009-P (May 21, 2010)*
17. *Audit of USAID/Afghanistan's Afghanistan Vouchers for Increased Productive Agriculture (AVIPA) Program, 5-306-10-008-P (April 20, 2010)*
18. *Audit of USAID/Afghanistan's Human Resources and Logistical Support Program, 5-306-10-007-P (March 31, 2010)*
19. *USAID/Afghanistan's Building Education Support Systems for Teachers Project, 5-306-10-006-P (January 29, 2010)*
20. *Audit of USAID/Afghanistan's Afghan Civilian Assistance Program, 5-306-10-004-P (December 15, 2009)*
21. *Audit of USAID/Afghanistan's Power Sector Activities Under Its Afghanistan Infrastructure Rehabilitation Program, 5-306-10-002-P (November 10, 2009)*

22. *Audit of USAID/Afghanistan's Land Titling and Economic Restructuring in Afghanistan Project*, 5-306-09-004-P (June 8, 2009)
23. *Audit of USAID/Afghanistan's Local Governance and Community Development Project in Southern and Eastern Regions of Afghanistan*, 5-306-09-003-P (May 11, 2009)
24. *Audit of USAID/Afghanistan's Higher Education Project*, 5-306-09-002-P (December 4, 2008)

U.S. Government Accountability Office

1. *Afghanistan Development: U.S. Efforts to Support Afghan Water Sector Increasing, but Improvements Needed in Planning and Coordination*, GAO-11-138 (November 15, 2010)
2. *Afghanistan Development: Enhancements to Performance Management and Evaluation Efforts Could Improve USAID's Agricultural Programs*, GAO-10-368 (July 14, 2010)
3. *Contingency Contracting: Improvements Needed in Management of Contractors Supporting Contract and Grant Administration in Iraq and Afghanistan*, GAO-10-357 (April 12, 2010)
4. *Contingency Contracting: DOD, State, and USAID Continue to Face Challenges in Tracking Contractor Personnel and Contracts in Iraq and Afghanistan*, GAO-10-1 (October 1, 2009)
5. *Contingency Contract Management: DOD Needs to Develop and Finalize Background Screening and Other Standards for Private Security Contractors*, GAO-09-351 (July 31, 2009)
6. *Military Operations: Actions Needed to Improve Oversight and Interagency Coordination for the Commander's Emergency Response Programs in Afghanistan*, GAO-09-615 (May 18, 2009)

Office of the Special Inspector General for Afghanistan Reconstruction

1. *ANP District Headquarters Facilities in Helmand and Kandahar Provinces Have Significant Construction Deficiencies Due to Lack of Oversight and Poor Contractor Performance*, Audit-11-03 (October 27, 2010)
2. *ANP Compound at Kandahar Generally Met Contract Terms but has Project Planning, Oversight, and Sustainability Issues*, Audit-10-12 (July 22, 2010)
3. *ANA Garrison at Kunduz Does Not Meet All Quality and Oversight Requirements; Serious Soil Issues Need to be Addressed*, Audit-10-09 (April 30, 2010)
4. *The Tojg Bridge Construction is Nearly Complete, but Several Contract Issues Need to be Addressed*, Audit-10-07 (March 1, 2010)
5. *Contract Delays Led to Cost Overruns for the Kabul Power Plant and Sustainability Remains a Key Challenge*, Audit-10-06 (January 20, 2010)
6. *Contract Oversight Capabilities of the Defense Department's Combined Security Transition Command-Afghanistan (CSTC-A) Need Strengthening*, Audit-09-01 (May 19, 2009)

(This report was conducted under the audit project code SIGAR-042A).

SIGAR's Mission

The mission of the Special Inspector General for Afghanistan Reconstruction (SIGAR) is to enhance oversight of programs for the reconstruction of Afghanistan by conducting independent and objective audits, inspections, and investigations on the use of taxpayer dollars and related funds. SIGAR works to provide accurate and balanced information, evaluations, analysis, and recommendations to help the U.S. Congress, U.S. agencies, and other decision-makers to make informed oversight, policy, and funding decisions to:

- improve effectiveness of the overall reconstruction strategy and its component programs;
- improve management and accountability over funds administered by U.S. and Afghan agencies and their contractors;
- improve contracting and contract management processes;
- prevent fraud, waste, and abuse; and
- advance U.S. interests in reconstructing Afghanistan.

Obtaining Copies of SIGAR Reports and Testimonies

To obtain copies of SIGAR documents at no cost, go to SIGAR's Web site (www.sigar.mil). SIGAR posts all released reports, testimonies, and correspondence on its Web site.

To Report Fraud, Waste, and Abuse in Afghanistan Reconstruction Programs

To help prevent fraud, waste, and abuse by reporting allegations of fraud, waste, abuse, mismanagement, and reprisal contact SIGAR's hotline:

- Web: www.sigar.mil/fraud
- Email: hotline@sigar.mil
- Phone Afghanistan: +93 (0) 700-10-7300
- Phone DSN Afghanistan 318-237-2575
- Phone International: +1-866-329-8893
- Phone DSN International: 312-664-0378
- U.S. fax: +1-703-604-0983

Public Affairs

Public Affairs Officer

- Phone: 703-602-8742
- Email: PublicAffairs@sigar.mil
- Mail: SIGAR Public Affairs
400 Army Navy Drive
Arlington, VA 22202