

SIGAR

Special Inspector General for
Afghanistan Reconstruction

SIGAR 18-08 Inspection Report

Department of State and USAID Reconstruction Projects in Afghanistan: Analysis of SIGAR Inspection Reports Issued from August 2009 through March 2017



OCTOBER
2017

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT SIGAR REVIEWED

Through March 31, 2017, Congress appropriated \$117.3 billion for U.S. relief and reconstruction activities in Afghanistan. Of that amount, \$24.3 billion was appropriated to the Department of State (State) and the U.S. Agency for International Development (USAID). State reported that it had disbursed \$4 billion of the \$4.9 billion appropriated to it, while USAID reported that it had disbursed \$15.1 billion of the \$19.4 billion appropriated to it. State has funded most of its reconstruction projects through the International Narcotics Control and Law Enforcement Fund, and USAID has used the Economic Support Fund for its programs to advance U.S. interests.

State and USAID rely on private contractors, referred to as “implementing partners,” to complete their construction and renovation projects in Afghanistan. In some cases, State and USAID also rely on Department of Defense entities, such as the U.S. Army Corps of Engineers (USACE), to award and administer the contracts and oversee the reconstruction projects.

From August 2009 through March 2017, SIGAR issued 15 inspection reports covering 13 projects. The 13 projects—6 State and 7 USAID—have a combined contract award value of about \$194.5 million. The projects were located in 7 of Afghanistan’s 34 provinces.

The objectives of this report were to analyze and identify common themes in the findings from the 15 State and USAID inspection reports. Specifically, SIGAR assessed the extent to which (1) contractors met contract requirements and technical specifications when constructing or renovating facilities; (2) the facilities inspected were being used; and (3) State and USAID have implemented recommendations made in the prior reports.

October 2017

Department of State and USAID Reconstruction Projects in Afghanistan: Analysis of SIGAR Inspection Reports Issued from August 2009 through March 2017

SIGAR 18-08 INSPECTION REPORT

WHAT SIGAR FOUND

State and USAID have paid for the construction of a variety of facilities for the benefit of the Afghan people, such as schools, prisons, hospitals, and industrial parks. However, the construction of those facilities was not always completed in accordance with contract requirements and technical specifications, which resulted in substandard facilities. SIGAR repeatedly found the same mistakes in the reconstruction projects, which demonstrate that there is still room for improvement. Reconstruction projects with deficiencies, particularly due to contractors not adhering to contract requirements and technical specifications, were too often the norm. Poorly prepared or unqualified contractor personnel, substandard materials, poor workmanship, inadequate government oversight, and possible fraud contributed to these results.

SIGAR found that 7 of the 13 State and USAID reconstruction projects it inspected from July 2009 to March 2017 did not meet contract requirements and technical specifications. Four were State projects, and three were USAID’s. Noncompliance ranged from contractors substituting building materials without approval to not completing work required under the contract. Several projects had deficiencies that threatened the structural integrity of the facilities or the safety of the occupants. For example, during a follow-up inspection of the hospital in Gardez, Paktiya province, SIGAR found deficiencies in the fire safety system, exit signs pointing in the wrong direction, and missing fire alarms.

The construction deficiencies SIGAR identified during its inspections involved such issues as soil at risk of collapse due to poor compaction; failure to connect generators to the power grid; substitution of products, such as wood for metal roof trusses, without authorization; construction of external stairways that did not comply with International Building Code specifications; and failure to construct a storm water management system as required. In one case, the contractor, Mercury Development, abandoned a USAID project to build the Sheberghan Teacher Training Facility after being paid \$3.1 million of the \$3.4 million contract value. Despite Mercury Development’s failure to complete construction and resolve health and safety issues, such as faulty wiring throughout the facility, USACE—which administered the contract—closed out the contract and released the company from further contractual liability.

The failure to hold contractors accountable for their work occurred on other occasions. For example, State’s Bureau of International Narcotics and Law Enforcement Affairs (INL) paid a contractor, Al-Watan Construction Company, \$18.5 million—90 percent—of the \$20.2 million contract, to renovate Pol-i-Charkhi prison, even though Al-Watan completed only about 50 percent of the work. An independent firm identified defective workmanship, including the failure to backfill trenches, missing roof flashings, and soil settlement issues. In addition, SIGAR found that not all of Al-Watan’s work was completed according to contract requirements. For example, it failed to hook up six back-up generators as required.

SIGAR found that only 2 of the 13 reconstruction projects inspected met contract

Because SIGAR's inspection reports contained several recommendations to improve the efficiency and effectiveness of State's and USAID's reconstruction activities in Afghanistan, this report does not contain any new recommendations.

State and USAID provided written comments on a draft of this report. In those comments, they stated that they appreciated SIGAR acknowledging their responsiveness to the audit and inspection findings and recommendations.

requirements: a State project to construct a power grid at the Counter Narcotics Strip Mall in Kabul and the Sheberghan Teacher Training Facility, which initially did not meet requirements. SIGAR found that the strip mall's constructed power lines, transformer substations, and control panels conformed to contract requirements. The location of the facility in a heavily guarded compound in Kabul allowed INL officials to visit the site routinely, resulting in robust oversight throughout the construction. During the follow-up inspection at the Sheberghan Teacher Training Facility, SIGAR determined that it generally was completed according to contract requirements and the electrical deficiencies were fixed.

Of the four remaining projects, one State and one USAID project were delayed. SIGAR could not determine whether the construction of two USAID projects met contract requirements because a significant number of contract files were missing.

SIGAR found a mix of outcomes in the 15 inspections. For example, in October 2013, SIGAR reported that the Gardez hospital, in addition to being a shell, was about 23 months behind its originally scheduled completion date and was missing contract files. In an August 2016 follow-up report, SIGAR noted that the hospital was transferred to the Ministry of Public Health in March 2016, but was still not being used because of operation and maintenance issues, and construction and mechanical deficiencies that needed to be resolved before the hospital could accept patients. Regarding a State project for the Counter Narcotics Justice Center in Kabul and a USAID project to build the Kabul power plant, SIGAR determined that they were delayed between 12 to 18 months because of numerous nonconstruction deficiencies such as insufficient funds, necessary utility upgrades not in the original statement of work, and the inability to obtain an adequate title to the land for construction.

SIGAR found that of the 13 State and USAID reconstruction projects, 10 were complete—3 of State's and all 7 of USAID's. Two of State's three incomplete projects were not finished because of poor contractor performance. Facility usage varied. Six USAID projects were being used, and four State projects were being used, even though two of the State projects were incomplete. For example, Baghlan prison was complete, but housed about 280 more prisoners than it was designed to hold. Conversely, only 4 of 22 possible businesses—fewer than 20 percent—were in Gorimar Industrial Park; the lack of electricity and water were the main reasons why more businesses had not moved in.

As of July 31, 2017, SIGAR had closed all 29 recommendations it made to State and USAID. SIGAR determined that State and USAID had implemented 23 of the 29 recommendations made in its 15 inspection reports. State had implemented 10 of its 13 recommendations, while USAID had implemented 13 of its 16. SIGAR closed three recommendations each to State and USAID as not implemented because it believed no further action would be taken. In SIGAR's view, the large number of recommendations implemented shows that State and USAID were generally responsive to taking action to improve the effectiveness of their reconstruction activities and correct construction deficiencies.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

October 26, 2017

The Honorable Rex W. Tillerson
Secretary of State

The Honorable Hugo Llorens
Special Chargé d'Affaires to Afghanistan

The Honorable Mark Green
Administrator, U.S. Agency for International Development

Mr. Herbert Smith
USAID Mission Director for Afghanistan

This report analyzes and identifies common themes in the findings of the 15 inspection reports SIGAR issued from August 2009 through March 2017 involving Department of State (State) and U.S. Agency for International Development (USAID) reconstruction projects in Afghanistan. These reports covered 13 projects with a combined contract value of about \$194.5 million. The projects were located in 7 of Afghanistan's 34 provinces and consisted of 3 judicial facilities, 3 industrial parks, 2 prisons, 2 education facilities, 2 power projects, and 1 hospital. We assessed the extent to which (1) contractors met contract requirements and technical specifications when constructing or renovating facilities; (2) the facilities were being used; and (3) State and USAID have implemented recommendations we made in our prior inspection reports.

Our findings provide useful insight into the varying quality of the projects we inspected and highlight issues that State and USAID should focus their planning and quality assurance efforts on for ongoing and future reconstruction projects. Because our reports contained several recommendations to improve the efficiency and effectiveness of State's and USAID's reconstruction activities in Afghanistan, this summary report does not contain any new recommendations.

We received written comments on a draft of this report from State and USAID, which are reproduced in appendices IV and V, respectively. State, through its Bureau of International Narcotics and Law Enforcement Affairs, and USAID, through its Mission for Afghanistan, stated that they appreciated us acknowledging their responsiveness to the audit and inspection findings and recommendations. State also provided technical comments, which we incorporated into this report, as appropriate.

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

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

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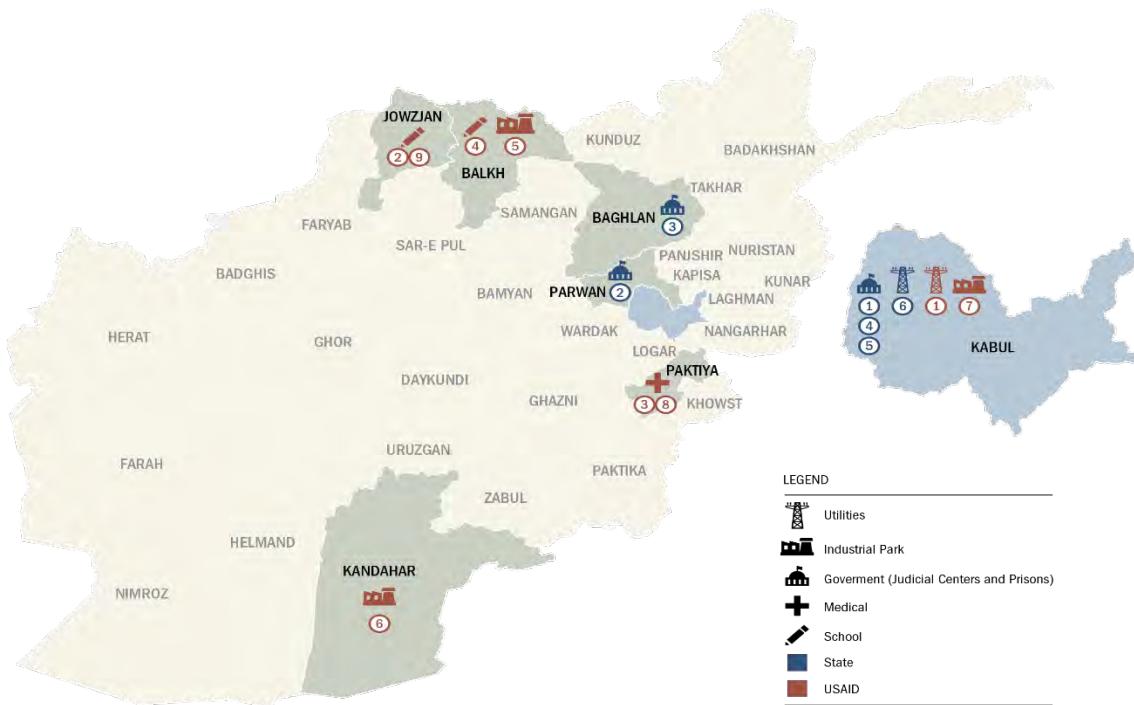
ABBREVIATIONS

| | |
|-------|---|
| FAR | Federal Acquisition Regulation |
| INL | International Narcotics and Law Enforcement Affairs |
| MOPH | Ministry of Public Health |
| State | Department of State |
| USACE | U.S. Army Corps of Engineers |
| USAID | U.S. Agency for International Development |

After the Taliban was driven from power in 2001, the United States, along with other coalition partners, initiated projects to reconstruct Afghanistan, which had been devastated by nearly 30 years of conflict. These projects included the construction and renovation of facilities intended to benefit the Afghan people, such as schools, prisons, hospitals, and industrial parks. As of March 31, 2017, Congress has appropriated \$117.3 billion for U.S. relief and reconstruction activities in Afghanistan. The Department of Defense, Department of State (State), and the U.S. Agency for International Development (USAID) carried out most of those activities.

This report analyzes and identifies common themes in the findings of the 15 inspection reports we issued from August 2009 through March 2017 involving State and USAID reconstruction projects.¹ These 15 reports covered 13 projects—6 State and 7 USAID—that have a combined contract value of about \$194.5 million.² As shown in figure 1, the projects were located in 7 of Afghanistan's 34 provinces and consisted of 3 judicial facilities, 3 industrial parks, 2 prisons, 2 education facilities, 2 power projects, and 1 hospital.

Figure 1 - State and USAID Project Sites that SIGAR Inspected from August 2009 through March 2017



Source: SIGAR analysis of agency project data

Note: The numbers correspond to the project's numerical position in appendices II and III. This map does not show the exact location of the sites. It only indicates the provinces in which the sites are located.

¹ We reported on our inspections of the Department of Defense's reconstruction projects in March 2016 (see SIGAR, *Department of Defense Reconstruction Projects: Summary of SIGAR Inspection Reports Issued from July 2009 through September 2015*, SIGAR 16-22-IP, March 11, 2016).

² We reported on the Gardez hospital and the Sheberghan Teacher Training Facility, both USAID projects, on two different occasions. For our reports on the hospital, see SIGAR, *Gardez Hospital: After Almost 2 Years, Construction Not Yet Completed because of Poor Contractor Performance, and Overpayments to the Contractor Need to Be Addressed by USAID*, SIGAR 14-6-IP, October 23, 2013; and SIGAR, *Gardez Hospital: \$14.6 Million and Over 5 Years to Complete, Yet Construction Deficiencies Still Need to be Addressed*, SIGAR 16-56-IP, August 29, 2016. For our reports on the training facility, see SIGAR, *Sheberghan Teacher Training Facility: U.S. Army Corps of Engineers Paid Contractors and Released Them from Contractual Obligations before Construction Was Completed and Without Resolving Serious Health and Safety Hazards*, SIGAR Inspection 13-09, July 13, 2013; and SIGAR, *Sheberghan Teacher Training Facility: Electrical System Deficiencies Were Corrected, but Water Quality and Funding for Generator Fuel Remain Concerns*, SIGAR 17-19-IP, December 30, 2016.

It was not our intention to assess the totality of State and USAID reconstruction projects. However, our findings provide useful insight into the varying quality of the projects we inspected and highlight issues that State and USAID should focus their planning and quality assurance efforts on for ongoing and future reconstruction projects.

To analyze and identify the common themes from our 15 prior inspection reports, we assessed the extent to which (1) contractors met contract requirements and technical specifications when constructing or renovating facilities; (2) the facilities were being used; and (3) State and USAID have implemented recommendations we made in our prior inspection reports. We conducted our work in Arlington, Virginia, and in Baghlan, Balkh, Jowzjan, Kabul, Kandahar, Paktiya, and Parwan provinces in Afghanistan from July 2015 through October 2017 in accordance with *Quality Standards for Inspection and Evaluation* published by the Council of the Inspectors General on Integrity and Efficiency. The engineering assessments were conducted by our professional engineers in accordance with the National Society of Professional Engineers' *Code of Ethics for Engineers*. Appendix I contains a detailed discussion of our scope and methodology for this report. Appendix II lists the 15 inspection reports that form the basis of this report. Appendix III also lists the 15 reports, along with information about whether the facilities were built as required and being used.

BACKGROUND

Of the \$117.3 billion that Congress has appropriated for Afghanistan reconstruction through March 31, 2017, \$24.3 billion was appropriated to State and USAID. The primary sources of funding for State's and USAID's reconstruction efforts in Afghanistan are the International Narcotics Control and Law Enforcement Fund and the Economic Support Fund, respectively.³ State reported that cumulative funding for the International Narcotics Control and Law Enforcement Fund from fiscal year 2002 through March 31, 2017, was \$4.9 billion, and USAID reported that cumulative funding for the Economic Support Fund was \$19.4 billion during the same period. Table 1 shows the amount of funds appropriated and obligated to and disbursed from these two funds as of March 31, 2017.

Table 1 - Amounts Appropriated and Obligated to and Disbursed from the International Narcotics Control and Law Enforcement and Economic Support Funds, Fiscal Year 2002 through March 31, 2017 (\$ Billions)

| Funding Source | Appropriated | Obligated | Disbursed |
|--|---------------|---------------|---------------|
| International Narcotics Control and Law Enforcement Fund | \$4.9 | \$4.5 | \$4.0 |
| Economic Support Fund | \$19.4 | \$17.9 | \$15.1 |
| Totals | \$24.3 | \$22.4 | \$19.1 |

Source: SIGAR, *Quarterly Report to Congress*, April 30, 2017

State and USAID implement their construction and renovation projects by engaging private contractors to perform the bulk of the work. State and USAID commonly refer to their contractors as "implementing partners." USAID also implements some of its projects through participating agency program agreements with the U.S.

³ State's Bureau of International Narcotics and Law Enforcement Affairs (INL) manages the majority of the foreign assistance funded by the International Narcotics Control and Law Enforcement Fund, which the bureau uses to implement projects and programs intended to advance the rule of law and combat narcotics production and trafficking. The fund supports several INL efforts, including support for police, counter-narcotics, and rule of law and justice. USAID's programs funded from the Economic Support Fund are intended to advance U.S. interests by helping countries meet short- and long-term political, economic, and security needs. These programs also seek to support counterterrorism; bolster national economies; and assist in developing effective, accessible, independent legal systems for more transparent and accountable governments. See SIGAR, *Quarterly Report to Congress*, April 30, 2017.

Army Corps of Engineers (USACE) and cooperative agreements with other organizations. With regard to contract administration, State, USAID, or USACE were responsible for awarding the construction contracts and overseeing most of the projects.

SIGAR's Inspection Program

Congress created SIGAR in 2008 to help detect and deter waste, fraud, and abuse within U.S. reconstruction activities in Afghanistan. SIGAR began its inspections of State projects in July 2009 and issued its first inspection report in August 2009. SIGAR began its inspections of USAID projects in August 2009 and issued its first inspection report in January 2010.⁴ Our inspections are assessments of facilities and infrastructure built or renovated using reconstruction funds. Generally, our objectives are to determine the extent to which (1) the construction or renovation met contract requirements and technical specifications, and (2) the facilities were being used. Depending on the outcomes, we may make recommendations to improve the efficiency and effectiveness of construction efforts. We have established a recommendation follow-up process to track the corrective actions that State and USAID have taken to implement our recommendations, along with their target dates for completing those actions.⁵

Before visiting a project site, we review project documents, including, when available, the contract and any modifications, design drawings, applicable international and U.S. building codes, and quality assurance and other oversight reports. Reviewing these documents helps identify specific criteria for determining whether construction was performed in accordance with contract requirements and whether the responsible implementing agency provided effective project oversight. During the site visits, we assess the construction quality and determine such things as whether the facilities are (1) structurally sound, (2) complete, and (3) being used and maintained. In addition to assessing the facilities, when appropriate, we obtain views about the project from contractors and U.S. and Afghan government officials.

For the majority of the State and USAID projects we inspected, we were able to visit the project sites. However, security concerns at the sites sometimes limited our inspection teams' ability to conduct comprehensive on-site project assessments. Furthermore, with the drawdown of U.S. and coalition forces beginning in June 2011, large portions of Afghanistan became inaccessible to SIGAR and other agencies overseeing reconstruction activities, as well as the agencies implementing those activities. As a result, in December 2014, we entered into a cooperative agreement with an Afghan civil society organization that conducts site visits and engineering assessments of projects on our behalf and reports the results back to us.

We conduct our inspections under the authority of Public Law No. 110-181, as amended, and the Inspector General Act of 1978, as amended. Of the 15 inspections included in this report, we conducted 13 in accordance with *Quality Standards for Inspection and Evaluation*, published by the Council of the Inspectors General on Integrity and Efficiency. The engineering assessments are conducted by our professional engineers in accordance with the National Society of Professional Engineers' *Code of Ethics for Engineers*. We conducted the other two in accordance with generally accepted government auditing standards.

⁴ For our first inspection report on a State project, see SIGAR, *Actions Needed to Resolve Construction Delays at the Counter-Narcotics Justice Center*, SIGAR Audit-09-4, August 27, 2009. For our first inspection project on a USAID project, see SIGAR, *Contract Delays Led to Cost Overruns for the Kabul Power Plant and Sustainability Remains a Key Challenge*, SIGAR Audit-10-6, January 20, 2010.

⁵ For a detailed explanation of SIGAR's recommendation follow-up process, see SIGAR, *Department of State: Nearly 75 Percent of All SIGAR Audit and Inspection Report Recommendations Have Been Implemented*, SIGAR 14-83-AR, July 17, 2014; and SIGAR, *U.S. Agency for International Development: More than 80 Percent of All SIGAR Audit and Inspection Report Recommendations Have Been Implemented*, SIGAR 15-1-AR, October 3, 2014.

SEVEN OF THIRTEEN RECONSTRUCTION PROJECTS THAT SIGAR INSPECTED DID NOT MEET CONTRACT REQUIREMENTS AND TECHNICAL SPECIFICATIONS

Of the 13 State and USAID reconstruction projects we inspected through March 2017, 7 did not meet contract requirements. Four were State projects, and three were USAID projects. Some of the deficiencies we identified included contractors

- substituting building materials without the contracting officer's authorization;
- repairing items rather than replacing them as the contract required;
- using substandard building materials;
- failing to follow International Building Code standards cited in the contract, including standards for constructing facilities in a seismic zone; and
- failing to construct required infrastructure, such as water supply and storm water management systems.

We also found instances of poor workmanship, including trenches the contractor did not backfill, missing roof flashing, and inadequate soil compaction.⁶

Several facilities contained deficiencies that threatened their structural integrity or the safety of the occupants. For example, during our first inspection of the Sheberghan Teacher Training Facility in Jowzjan province, we identified a safety issue with the building's electrical system that was so severe that we issued an alert letter to USAID.⁷ Specifically, we found that the facility's electrical system did not comply with the U.S. National Electrical Code as required by the contract, and that its occupants faced a serious safety hazard if they made an unauthorized connection into the electrical system—known as a “tap.” These actions created electrocution risks and fire hazards for the occupants. We found that poor contractor performance and inadequate government oversight were the primary contributors to nonadherence to contract requirements and technical specifications. However, based on USACE's and USAID's responses to our recommendations made, we determined that USAID took appropriate corrective action to address our recommendation and closed them in November 2013.⁸

For the remaining 6 of the 13 State and USAID projects, we found a mix of outcomes.

- One State project to construct a power grid at the Counter Narcotics Strip Mall in Kabul fully met contract requirements.
- For a State project for the Counter Narcotics Justice Center in Kabul and a USAID project for the Kabul power plant, we determined that the projects were delayed between 12 and 18 months because of numerous deficiencies, such as insufficient funds, necessary utility upgrades not in the original statement of work, and the inability to obtain an adequate title to the land for construction.
- One USAID project to build a 100-bed hospital at Gardez, Paktiya province, was largely incomplete and 23 months behind schedule when we issued our first inspection in 2013. The project was completed in 2016 but had construction and mechanical deficiencies that needed to be addressed.⁹

⁶ Roof flashings are pieces of sheet metal or similar material used to cover and protect certain joints and angles on a roof, such as where the roof meets a wall or chimney, to protect against leaks.

⁷ See SIGAR, *Safety Alert: Sheberghan Teacher Training Facility*, SIGAR SP-13-6, June 21, 2013.

⁸ See SIGAR, *Sheberghan Teacher Training Facility: Electrical System Deficiencies Were Corrected, but Water Quality and Funding for Generator Fuel Remain Concerns*, SIGAR 17-19-IP, December 30, 2016.

⁹ See SIGAR, *Gardez Hospital: \$14.6 Million and Over 5 Years to Complete, Yet Construction Deficiencies Still Need to be Addressed*, SIGAR 16-56-IP, August 29, 2016.

- Missing contract files for two USAID projects to construct industrial parks in Gorimar and Shorandam prevented us from fully assessing whether construction met contract requirements and technical specifications.

One State Reconstruction Project Met Contract Requirements, Four Projects Did Not Meet Requirements, and One Project Was Delayed by Almost 18 Months

One State Reconstruction Project Met Contract Requirements

We identified one State project—construction of the power grid at the Counter Narcotics Strip Mall in Kabul—that met contract requirements and technical specifications. One of the primary factors contributing to the project’s success was INL’s ability to visit the construction site routinely. Specifically, we reported that, as the contract required, BSCEC JV MSCC (an Afghan firm):

- constructed and installed transformer substations and 15/20-kilovolt-rated control panels in each of the mall’s eight compounds;
- installed a 15/20-kilovolt overhead power line within the mall; and
- connected the USACE-built 15/20-kilovolt power line to the mall line and the Kabul North Electric substation.¹⁰

When we inspected the substation, we found that the transformer and control panel had no rust, and the substation was linked to power lines and protected by a fence and locked gate, as the contract required. We also reported that a visual inspection of the seven other compounds showed the same required setup. Our engineer’s review of project documents showed that the power lines, transformer substations, and control panels all conformed to contract requirements.

Based on our analysis, we determined—and INL officials confirmed—that the location and security of the facility in a heavily guarded compound in Kabul allowed INL officials to visit the site routinely and resulted in robust oversight throughout the contract period of performance. Although we found that the project’s construction fulfilled requirements, we could not determine whether the electrical system was operational because no commercial power was available to the system at the time of our site visits. However, INL officials said the system was tested on January 14, 2015, and all electrical components functioned properly.

Four State Reconstruction Projects Did Not Meet Contract Requirements

We determined that four of the six State projects we inspected—two prisons and two judicial centers—had construction work that did not fully meet contract requirements and technical specifications. The deficiencies we found included the contractors substituting materials without authorization, not performing work specified in the contract, failing to adhere to building codes, and demonstrating poor workmanship. The following are two examples of these projects.

[SIGAR 15-11-IP, Pol-i-Charkhi Prison: After 5 Years and \\$18.5 Million, Renovation Project Remains Incomplete, October 17, 2014](#)

In October 2014, we reported that more than 5 years after renovation work under an INL contract began, Pol-i-Charkhi prison had not been completed, and INL terminated the contract for convenience. INL paid the contractor, Al-Watan Construction Company, \$18.5 million for work performed, amounting to about 92 percent of the contract’s \$20.2 million value, even though Al-Watan completed only about 50 percent of the required work.

¹⁰ See SIGAR, *Power Grid Project at the Counter Narcotics Strip Mall in Kabul: Construction Met Contract Requirements but Electrical System Was Not Deemed Operable Until More Than 18 Months After Project Completion*, SIGAR 15-78-IP, August 3, 2015.

In March 2011, the Batoor Construction Company, an independent firm that INL contracted to assess Al-Watan's work, identified defective workmanship, including a failure to backfill trenches, missing roof flashing, and soil settlement issues. Then, during our April 2014 site visit, we found that Al-Watan did not complete all of its work in accordance with contract requirements. Most notably, Al-Watan substituted wood for metal roof trusses without authorization and covered up 30-year-old wood trusses with new roofing material instead of replacing them as the contract required. Furthermore, we found that Al-Watan failed to connect six backup generators to the prison's power grid. The State contracting officer's representative overseeing Al-Watan's work was later convicted in the United States of improperly accepting gratuities from an INL contractor. INL estimated that it would cost about \$11 million to finish the prison renovations and another \$5 million to construct a wastewater treatment plant to remedy wastewater pooling on the surface of the two septic/leach fields.¹¹

SIGAR 14-62-IP, Baghlan Prison: Severe Damage to \$11.3 Million Facility Requires Extensive Remedial Action, May 27, 2014

In May 2014, we reported that after construction of the Baghlan prison was completed in November 2012, building settlement occurred, causing serious structural damage, including wide cracks in three buildings (see photo 1). Because of the damage and safety concerns, under the warranty agreement, the contractor—Omran Holding Group—demolished one of the buildings, and assessed that the other two with collapsing walls and cracked structural beams and columns would likely need to be rebuilt. At the time we issued our report, INL and Omran Holding Group had not agreed on the cause of the building settlement and remained in negotiation regarding Omran's responsibility for repairing or rebuilding the facilities. However, both parties agreed that Omran did not fully comply with all contract requirements. For example, Omran did not construct the required storm water

management system and substituted noncompliant plumbing materials.¹² We reported that the construction deficiencies may have resulted from fraudulent actions by the project's contracting officer's representative—a former State employee—and possibly Omran personnel.

Photo 1 - Internal View of Damage to Building 17 at Baghlan Prison



Source: INL Technical Project Evaluation Report, August 18, 2013

¹¹ We conducted a follow-up inspection of the Pol-i-Charkhi prison and issued a report in June 2017 (see SIGAR, *Pol-i-Charkhi Prison: Renovation Work Remains Incomplete More than 7 Years after the Project Began*, SIGAR 17-46-IP, June 7, 2017). This inspection fell outside the scope for this report. In the follow-up report, we identified 20 design and construction deficiencies that remained after State terminated Al-Watan's contract. The deficiencies resulted from poor designs, Al-Watan's failure to comply with the contract's scope of work, noncompliance with contract requirements, and INL's poor oversight. In its written response to a draft of the follow-up report, INL stated that it has undertaken a security assessment and is planning to move forward with renovating a new wastewater management system. However, INL stated that it does not plan to award a new contract to complete the renovation and instead will support the Afghan General Directorate of Prisons and Detention Centers in developing plans to address the deficiencies and necessary renovations using Ministry of Interior funding.

¹² INL officials noted that Omran installed nonprison grade flexible hose connectors that it specifically rejected in October 2011 and February 2012.

Although INL took positive steps to correct problems we identified at the site, such as the missing storm water management system, we expressed concern about an unaddressed construction deficiency: the use of unreinforced brick walls between the column supports of the structures, which violates the International Building Code standards referenced in the contract. American Concrete Institute manuals, referenced by the code, do not allow building unreinforced walls in a seismic zone. According to U.S. Geological Survey data, the prison is located in the second-highest earthquake zone in Afghanistan.¹³

One State Reconstruction Project Was Delayed Almost 18 Months

In August 2009, we reported on our inspection of the \$11 million Counter Narcotics Justice Center in Kabul, which became operational in May 2009.¹⁴ The detention center immediately reached capacity, and, as a result, narcotics-related offenders had to be sent to other locations. Plans to construct additional detention and support facilities at the center were delayed for almost 18 months. For our inspection, we determined that insufficient funds and necessary utility upgrades not in the original statement of work caused the delays for these urgently needed facilities. We made two recommendations for INL to expedite the construction of the facilities, both of which the bureau implemented.

One USAID Reconstruction Project Met Contract Requirements, Three Projects Did Not Meet Requirements, Two Could Not Be Fully Assessed, and One Was Delayed

One USAID Reconstruction Project Met Contract Requirements

In July 2013, we reported that at the time we issued our inspection report, the Sheberghan Teacher Training Facility was still incomplete more than 4 years after construction began. Water, sewage, and electrical systems were unfinished, and the lack of electricity hindered our ability to test lighting, water, heating, and other systems. In addition, we reported that the facility's electrical wiring did not meet the U.S. National Electrical Code, as the contract required. Further, an unauthorized connection, known as a "tap," into the electrical system exposed occupants to potential electrocution and fire hazards.

We also reported that USACE's initial contractor, Mercury Development, abandoned the project in 2011 after being paid \$3.1 million of the \$3.4 million contract. Despite Mercury Development's failure to complete the construction and resolve health and safety issues, such as the faulty wiring, USACE closed out the contract and released the company from further contractual liability. USACE officials could not explain this decision because they said that they were not the responsible officials in Afghanistan at that time. A second contractor, Zafarkhaliq Construction Company, also failed to complete construction at Sheberghan, and USACE released the company from further contractual liability. This project was another example of USACE failing to hold its contractors accountable for completing the work they were paid to perform, which we have reported on in other work.¹⁵

During follow-up site visits in April 2015 and September 2016, we found that the facility had been completed and was being used. We found that the facility's construction generally was completed according to contract

¹³ We conducted a follow-up inspection at the Baghlan prison and issued an inspection report in April 2017 (see SIGAR, *Baghlan Prison: After More Than 3 Years, Structurally Damaged Buildings Have Not Been Repaired, and New Construction Deficiencies Have Been Identified*, SIGAR 17-36-IP, April 12, 2017). This inspection fell outside the scope for this report. In the follow-up report, we identified other deficiencies, such as the lack of fire extinguishers, smoke and heat detectors, and fire alarms in several buildings. We also had concerns about whether the prison would be able to withstand earthquakes and whether the Afghan government was maintaining the buildings adequately.

¹⁴ See SIGAR, *Actions Needed to Resolve Construction Delays at the Counter-Narcotics Justice Center*, SIGAR Audit 09-4, August 27, 2009.

¹⁵ For example, see SIGAR, *Balkh Education Facility: Building Remains Unfinished And Unsafe To Occupy After Nearly 5 Years*, SIGAR 14-24-IP, January 22, 2014.

requirements and engineering standards, and the deficiencies related to the electrical system that we identified in our first inspection report had been corrected.¹⁶

Three USAID Reconstruction Projects Did Not Meet Contract Requirements

We determined that three of the seven USAID projects we inspected—one education facility, one industrial park, and one hospital—had construction work that did not meet contract requirements and technical specifications. The deficiencies included work that did not conform to required building codes and had evidence of poor contractor performance. In some cases, these deficiencies raised health and safety issues for the building's occupants.

SIGAR 14-24-IP, Balkh Education Facility: Building Remains Unfinished and Unsafe to Occupy after Nearly 5 Years, January 22, 2014

In January 2014, we reported that the Balkh Education Facility had not been constructed in accordance with contract requirements and technical specifications. We also noted that the facility was not completed after 5 years of construction.¹⁷ USAID and USACE identified some repairs that needed to be addressed, including a leaking roof, defective electrical wiring, and an improperly sloped terrace roof.

USAID developed a procurement strategy to contract for this repair work, but we identified additional deficiencies that were not part of the expected procurement action. For example, sewer lines crossing above water lines were not encased in concrete, and exterior stairway dimensions did not comply with required International Building Code specifications. We also found that USAID did not have documentation showing the building roof and septic tank structural calculations, an analysis of which is critical to ensure that the roof and septic tank as constructed would support the loads imposed on them. We concluded that the absence of these calculations raised potential health and safety concerns because USAID lacked adequate assurance that these structures would not collapse.

SIGAR 16-48-IP, Baghrami Industrial Park: Lack of Adherence to Contract Requirements Left this \$5.2 Million Park without Adequate Water Supply and Sewer Collection and Treatment Systems, July 26, 2016

In July 2016, we reported that Baghrami Industrial Park was not built according to contract requirements, and, as a result, the park lacked adequate water and sewer collection and treatment systems. Further, although the contractor, Technologists Inc., installed a storm drainage system, it did not properly design the system to capture the large volume of rainwater generated by man-made surfaces, such as roofs, built during the park's construction. Although the park opened in October 2005, due to some missing documents—including the record of final payment—USAID could not tell us when the park was completed or when it was transferred to the Afghanistan Investment Support Agency, the Afghan government agency responsible for managing all industrial parks in the country.¹⁸

We also reported that some of the infrastructure components—such as the power plant, electrical and water distribution systems, communications systems, guard house, roads, and sidewalks—were complete. In addition, during our July 2015 site visit, we did not observe any major construction problems with these components. Although we did identify cracks in the park's roadways and sidewalks, we could not determine whether they were due to poor workmanship or lack of maintenance during the 10 years that the park had been operating. We also found that the telecommunications system had been properly installed but never made operational. Because USAID had limited documentation available for the project at the time of our inspection, we could not assess the extent to which the agency provided project oversight. However, the period

¹⁶ See SIGAR, Sheberghan Teacher Training Facility: Electrical System Deficiencies Were Corrected, but Water Quality and Funding for Generator Fuel Remain Concerns, SIGAR 17-19-IP, December 30, 2016.

¹⁷ In April 2016, USAID told us the Balkh Education Facility had been transferred to the Afghan government on March 5, 2015, nearly 5 years and 2 months after the originally scheduled completion date.

¹⁸ Our inspections of Gorimar and Shorandam Industrial Parks revealed similar instances of missing contract documents.

during which USAID was required to retain contract files pursuant to Federal Acquisition Regulation (FAR), subpart 4.8, “Government Contract Files,” expired before our inspection.¹⁹

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

During our November 2012 site visit to the Gardez hospital, we found that the facility was incomplete. International Organization for Migration—USAID’s implementing partner for the program—told us the hospital was 66 percent complete. However, during our site visit, we observed that the building was still a shell with a partially completed roof, and the construction of major items—such as the electrical; heating, ventilating, and cooling; water; and wastewater treatment systems—had not been completed. According to USAID, the ability to complete construction of the Gardez hospital had been seriously hampered by the facility’s remote location and an active insurgency. Because the hospital was incomplete at the time of our inspection, we could not thoroughly assess the quality of construction or determine whether it met contract requirements and technical specifications.

During our follow-up inspection, which we reported on in August 2016, we found numerous deficiencies. We identified deficiencies in the hospital’s fire safety system, including the lack of an emergency lighting system, exit signs pointing in the wrong direction, and missing fire alarms. In addition, equipment and acoustical ceilings were not installed to withstand the effects of seismic activity; concrete pads for the boiler’s fuel tanks had been constructed, but the tanks had not been installed; water booster pumps for increasing the water pressure to ensure it flows when needed had not been installed; and some roof sections did not have waterproof membranes correctly installed, which allowed water to seep into the hospital.

Two USAID Reconstruction Projects Could Not Be Fully Assessed

Of the seven USAID projects we inspected, we identified two that were missing contract files. As a result, we did not have sufficient information for the two projects to determine whether construction met contract requirements and technical specifications. These projects were for the construction of Shorandam and Gorimar Industrial Parks. The following is a summary of our report on the Shorandam facility.

SIGAR 15-50-IP, Shorandam Industrial Park: Poor Recordkeeping and Lack of Electricity Prevented a Full Inspection of this \$7.8 Million Facility, April 17, 2015

During our inspection of Shorandam Industrial Park, we found that all major infrastructure components—such as the power plant and electrical distribution system, roads, sidewalks, water supply system, and flood channels—had been constructed. We did not observe any major construction issues, such as cracks in the roads and sidewalks, missing electrical transmission lines, poorly constructed flood channels, or missing generators. However, we could not fully assess whether the construction met contract requirements and technical specifications because some contract files were missing. Our inspections normally include a review of project design, planning, construction, quality assurance, and related documents, but USAID officials could not provide the requested contract documents and could not explain their inability to locate them.²⁰

At the time of our 2015 inspection, FAR 4.805 stated that agencies were required to retain contract documentation for 6 years and 3 months after final payment for construction contracts exceeding \$2,000. USAID transferred Shorandam Industrial Park “as is” to the Afghan Investment Support Agency in September 2010. Although payment records for the park, including the record of final payment, were among the missing

¹⁹ Federal Acquisition Regulation (FAR) Subpart 4.8 states that agencies are required to retain contract documentation for 6 years after final payment. Although USAID could not provide a record of its final contractor payment, it is reasonable to conclude that the payment occurred 6 years months before our inspection, given that the park opened in October 2005.

²⁰ Three industrial parks—Bagrami, Gorimar, and Shorandam—were constructed under contract no. GS10F-0132N. Missing contract files was an issue during our inspection of each park, and it prevented us from fully assessing the quality of construction for Gorimar and Shorandam Industrial Parks.

contract documents, USAID provided us with an e-mail stating that final invoices were still unpaid as of March 17, 2010, prior to the transfer. FAR 4.805 was revised on December 4, 2015, to require a retention period of 6 years after final payment.²¹ Therefore, USAID was required to retain contract documents for the park until at least March 17, 2016.

We noted in the report that this was not the first time missing contract documents prevented us from conducting a full inspection of a USAID-funded facility. In January 2015, we reported that missing contract documents limited our inspection of Gorimar Industrial Park.²² In that report, we recommended that USAID determine why contract files were missing and ensure that contract files for all future projects contain critical construction documents. In response to that recommendation, USAID acknowledged file management errors, noting that record keeping at the time of Gorimar Industrial Park project was not optimal. USAID replied that it had established a Communications and Records section under the Office of Management to monitor record retention practices and to provide training and advisory services to each office's file custodians. Although we commended USAID for establishing this section, the agency's response did not address why project contract files for Gorimar Industrial Park were missing during our inspection.

One USAID Reconstruction Project Was Delayed

In January 2010, we reported on our inspection of the Kabul power plant.²³ In May 2007, USAID agreed to build the Afghan government a 105-megawatt, diesel-powered power plant in Kabul with 18 generators organized into three blocks of 6 generators each. More than 2 years later, in November 2009, the USAID Office of Inspector General reported that the project was 12 months behind schedule and \$40 million over budget.²⁴ During our inspection, we determined that the project was experiencing project delays and cost overruns because of numerous deficiencies, such as (1) an inability to obtain an adequate title to the land for construction, (2) an ambiguous statement of work, (3) delays in the subcontractor award and mobilization, (4) a delay in delivering the generator, (5) lack of on-site quality assurance, (6) untimely approvals by the USAID contracting officer, and (7) transportation and customs problems.

TEN OF THIRTEEN STATE AND USAID RECONSTRUCTION PROJECTS SIGAR INSPECTED WERE COMPLETE

Of the 13 State and USAID reconstruction projects that we inspected through March 2017, 10 were complete—3 of State's and all 7 of USAID's.²⁵ We found that facility usage varied with some projects being fully used, or even overused, and others only partially used. For example, Baghlan prison was housing about 280 prisoners more than it was designed to hold. Conversely, we found that only 4 of 22 possible businesses—fewer than 20 percent—were occupying Gorimar Industrial Park.

The three incomplete projects were not finished due to poor contractor performance, and all were experiencing construction delays past their originally scheduled completion dates. At the time we inspected the three projects, we determined that the delays ranged from about 1 month to more than 1 year and 5 months beyond the originally scheduled completion dates.

²¹ Final Rule, 80 Federal Register 75913 (December 4, 2015).

²² See SIGAR, *Gorimar Industrial Park: Lack of Electricity and Water Have Left This \$7.7 Million U.S.-funded Industrial Park Underutilized by Afghan Businesses*, SIGAR 15-30-IP, January 27, 2015.

²³ See SIGAR, *Contract Delays Led to Cost Overruns for the Kabul Power Plant and Sustainability Remains a Key Challenge*, SIGAR Audit 10-6, January 20, 2010.

²⁴ See USAID Office of Inspector General, *Audit of USAID/Afghanistan's Power Sector Activities under Its Afghanistan Infrastructure Rehabilitation Program*, Audit Report No. 5-306-10-002-P, November 10, 2009.

²⁵ When we initially conducted our USAID inspections, only three of the seven projects were complete.

Completed Reconstruction Projects

Two of State's Three Completed Reconstruction Projects Were Being Used

We found that three of State's six projects were completed, but only two were being used: the new detention center at the Counter Narcotics Judicial Center in Kabul and the Baghlan prison.

SIGAR 15-70-IP, Detention Center at the Counter Narcotics Judicial Center: Project Construction Mostly Met Contract Requirements, but Two Deficiencies Need to Be Addressed, July 13, 2015

In July 2015, we reported that the new detention center at the Counter Narcotics Judicial Center in Kabul was an example of good contractor performance and oversight resulting in a generally well-built facility that was being used. INL officials noted that the new detention center was designed to hold up to 308 detainees and had, on average, housed between 190 and 210 detainees. During our two site visits, we also found the new center to be well maintained. The detention center was being operated and maintained through an INL-funded contract at a monthly cost of about \$100,000.

SIGAR 14-62-IP, Baghlan Prison: Severe Damage to \$11.3 Million Facility Requires Extensive Remedial Action, May 27, 2014

In May 2014, we reported that despite extensive structural damage, the Baghlan prison was being used to house inmates and was overcrowded. Although the prison was designed for 495 inmates, INL reported that there were 777. Some of the prisoners were displaced when one of the site's buildings was demolished because of structural damage, and they were reassigned to other housing units within the prison, which exacerbated the overcrowding.

We also reported that the prison faced two major maintenance issues, which INL and Omran Holding Group, the contractor, attributed to poor or nonexistent maintenance by the Afghan government. For example, the diesel generators, designed to power the entire prison, were no longer functioning because of improper operation and maintenance. At the time of our inspection, INL officials said the prison's power needs were being met by a diesel generator purchased with International Red Cross assistance.

One of State's Three Completed Reconstruction Projects Had Never Been Used

In addition to the two State projects that were completed and being used, we also found that one completed State project—the power grid at the Counter Narcotics Strip Mall in Kabul—was not being used. We reported that INL designed the power grid project to supply the eight counter narcotics compounds at the strip mall with commercial power from the local electrical grid.²⁶ Although the contracting officer's representative determined that the contract was complete and INL accepted the project from the contractor in June 2013, the electrical system powering the compounds was not tested and deemed operable until January 2015. INL officials attributed this delay to protracted discussions and negotiations with the Afghan power authority—Da Afghanistan Breshna Sherkat/Kabul Electricity Department—regarding a hookup fee to bring commercial power to the new electrical system and actions to repair the existing USACE-built power lines, which run from the Kabul North Electrical Substation to the new system built within the strip mall. Under a written agreement between INL and the power authority, INL agreed to pay a one-time hookup fee of about \$48,000, and the authority agreed to make the repairs to the power lines. INL officials noted that both actions were completed by the end of October 2014.

One result of the protracted discussions was that the contractor's 1-year warranty period expired on June 12, 2014, without any testing to determine whether the electrical system was operable. Although the electrical system was tested and found to be operable in January 2015, the eight compounds still had not been connected to the local power grid at the time we issued our report. In October 2016, the Afghan government,

²⁶ See SIGAR, *Power Grid at the Counter Narcotics Strip Mall in Kabul: Construction Met Contract Requirements but Electrical System Was Not Deemed Operable Until More Than 18 Months After Project Completion*, SIGAR 15-78-IP, August 3, 2015.

without reason, denied our request to visit the Counter Narcotics Strip Mall for a follow-up inspection to determine whether it was being used.

Six of USAID's Seven Completed Reconstruction Projects Were Being Used

We found that six of USAID's seven projects that we inspected were being used. However, as discussed below, two—Shorandam Industrial Park and Gorimar Industrial Park—were underutilized.

SIGAR 15-50-IP, Shorandam Industrial Park: Poor Recordkeeping and Lack of Electricity Prevented a Full Inspection of the \$7.8 Million Facility, April 17, 2015

In April 2015, we reported that at the time of our June 2014 site visit, we found one active Afghan business—an ice cream packing facility—at Shorandam Industrial Park, which was intended to accommodate 48 businesses. We also observed a power plant, consisting of 10 generators to provide electrical power to part of the Kandahar City area, that the U.S. military had constructed in December 2010. This electrical power plant negatively affected potential business development in two ways. First, it took up about one-third of the park, removing that land from private development. Second, the Afghan Industrial Parks Development director reported that U.S. military security at entry and exit checkpoints reduced Afghan business interest in the park. USAID noted, “A strategic decision was made by all parties involved that the importance of the additional power for the Kandahar area provided by these generators, and robust security for them, was more important than the potential deterrent to businesses considering using the park.”

The park became more attractive to businesses after the U.S. military withdrew from the site. In February 2015, the Afghan Industrial Parks Development director said 13 businesses had committed to moving into the industrial park, and at least 4 of the 13 were operational. Because of security concerns in Kandahar province and associated travel restrictions, we could not revisit the park to verify this information or provide any updated occupancy information.

SIGAR 15-30-IP, Gorimar Industrial Park: Lack of Electricity and Water Have Left This \$7.7 Million U.S.-funded Industrial Park Underutilized by Afghan Businesses, January 27, 2015

We reported that as of May 29, 2014, nearly 6 years after USAID transferred Gorimar Industrial Park to the Afghan government, only 4 of 22 possible businesses—fewer than 20 percent—occupied the park. An Afghan government official responsible for managing the park said the four businesses together employed about 200 people. The official told us the lack of electricity and water had been the primary reasons more businesses had not moved into the park. Although the park's 10 generators, which cost a total of \$2.5 million, were expected to be the primary source of power until the industrial park was connected to the local electrical grid, they were never made operational (see photo 2). The installed power generators and electrical distribution system appeared to be in good condition, but we could not confirm that they were operational because an Afghan government official said his agency did not have the funds needed to purchase fuel for the generators. This official also noted that the lack of electricity and water was another contributing factor to the industrial park's low occupancy rate. Although we were able to

Photo 2 - Unused USAID-Funded Generators at Gorimar Industrial Park



Source: SIGAR, May 29, 2014

confirm that the park's water system had been installed, we could not confirm that it was operational as there was no water to supply businesses because of the lack of electricity to operate the system's pumps.

We visited the park again in September 2016 and found that it had been connected to the local power grid. However, we found only six businesses operating in the park, two more than in January 2015.

Incomplete Reconstruction Projects

Two of State's Three Incomplete Reconstruction Projects Were Being Used, and One Was Not

We found that three of State's six projects were incomplete at the time we inspected them, but two of them—Pol-i-Charkhi prison and the Counter Narcotics Justice Center in Kabul—were being used. We also found that the third project—the Justice Center in Parwan—was past its originally scheduled completion date and was not being used.

SIGAR 15-11-IP, Pol-i-Charkhi Prison: After 5 Years and \$18.5 Million, Renovation Project Remains Incomplete, October 17, 2014

In October 2014, we reported that the Pol-i-Charkhi prison was being used. The prison was designed to hold about 5,000 prisoners. However, INL officials estimated that it was housing nearly 7,400 prisoners. During our inspection, we observed some prisoners being housed in hallways because of overcrowded prison conditions. In addition, we were told that cell doors were left open so prisoners housed in the hallways could have access to sinks and toilets.²⁷

SIGAR Audit 09-4, Actions Needed to Resolve Construction Delays at the Counter-Narcotics Justice Center, August 27, 2009

In August 2009, we reported that at the time of our inspection, the first phase of the Counter Narcotics Justice Center was complete and had been fully operational for 3 months. We also reported that the existing detention cells were already at capacity and that nearly 18 months had passed without the anticipated construction of an additional detention facility or the necessary upgrading of utilities. Because of high demand, the Afghan commander of the center was considering putting four prisoners in each cell instead of two, as originally planned. Further, newly arrested narcotics offenders were being sent to other locations because there was no available detention space at the center. In October 2016, the Afghan government, without reason, denied our request to visit the Counter Narcotics Justice Center for a follow-up inspection to determine whether the existing and new detention facilities and upgraded utilities were complete, and, if complete, whether they were being used.

²⁷ During our follow-up inspection of the Pol-i-Charkhi prison, a directorate official told us the prison now holds between 9,500 and 10,000 inmates—almost double the amount it was designed to hold (see SIGAR, *Pol-i-Charkhi Prison: Renovation Work Remains Incomplete More than 7 Years after the Project Began*, SIGAR 17-46-IP, June 7, 2017).

SIGAR 14-7-IP, Justice Center in Parwan Courthouse: Poor Oversight Contributed to Failed Project, October 25, 2013

In October 2013, we reported that construction of the \$2.38 million courthouse at the Justice Center in Parwan experienced poor project workmanship and oversight that resulted in it being incomplete and not constructed in accordance with contract requirements and applicable construction standards. Our review of documents revealed that the project experienced inadequate oversight and significant project delays from the time construction started in July 2011. Two months after construction began, the project was already behind schedule, and only 4 percent of the courthouse had been completed (see photo 3). We found no evidence that the U.S. contracting officer's representative conducted required quality assurance reviews. During our May 2013 site visit, we observed numerous cracks in the concrete, incomplete concrete pours, and rebar bound with wire instead of being welded, which could lead to structural failure.

In January 2012, the project's implementing agent, the Bagram Regional Contracting Center, issued CLC Construction Company, the contractor, a stop-work order. In March 2012, USACE recommended terminating and re-bidding the courthouse contract. As a result, in June 2013, the contract was terminated for convenience. However, on October 3, 2013, U.S. Central Command's Joint Theatre Support Contracting Command rescinded the termination for convenience and issued a termination for default. As a result, more than 2 years after construction began, the courthouse at the Justice Center in Parwan was still incomplete.

STATE AND USAID IMPLEMENTED THE MAJORITY OF RECOMMENDATIONS MADE IN SIGAR'S INSPECTION REPORTS

We made 29 recommendations to State and USAID in our 15 inspection reports issued from August 2009 through March 2017–13 to State and 16 to USAID. Through July 31, 2017, we closed all 29 recommendations.

State implemented 10 of our 13 recommendations. The three remaining recommendations, which we closed as not implemented in May 2017, are associated with the Baghlan prison project.²⁸ In that report, we recommended that the Secretary of State direct INL to:

1. Recoup \$807,254 in payments made to Omran Holding Group that INL should have retained to protect its interests in the event of a contract dispute.
2. Require that any rebuilding at the Baghlan prison comply with International Building Code and American Concrete Institute requirements stipulated in the contract regarding the use of steel-reinforced masonry walls and report back to SIGAR within 90 days.

²⁸ See SIGAR, *Baghlan Prison: Severe Damage to \$11.3 Million Facility Requires Extensive Remedial Action*, SIGAR 14-62-IP, May 27, 2014.

Photo 3 - Courthouse at Justice Center in Parwan Is Incomplete More than 1 Year After Completion Date



Source: SIGAR, August 20, 2013

3. Determine the structural adequacy of the other buildings constructed under the contract and take action to repair or replace those found to be structurally inadequate, and report plans for corrective actions to SIGAR within 90 days.²⁹

In a November 19, 2014, written response to us, State noted that it had no contractual or other legal authority to recoup the \$807,254 in payments. It also stated that although its construction design and plans included requirements for construction in an earthquake zone, Omran Holding Group did not follow the contract specifications, design requirements, or proper construction techniques. Further, State responded that it would continue to hold Omran Holding Group accountable for rectifying deficient construction recognized by SIGAR, but did not describe any action it took to rectify the deficient construction we identified.

State did not directly respond to the third recommendation, but indicated that it awarded a contract to conduct soil and construction material testing to identify any possible further issues at the site as well as actions required to address them. However, as of the November 2014 response, State had not finished evaluating the results of that testing and had not determined potential recourse options. In January 2015, we notified State that the responses were not sufficient to close the recommendations and would remain open.

When we reported on our follow-up inspection in April 2017, we determined that State's actions were partially responsive to the recommendations and noted that they would remain open.³⁰ However, in May 2017, after reviewing conditions following that report's issuance, we determined that State would likely not address the three recommendations and closed them as not implemented.

As of July 31, 2017, USAID implemented, and we closed, 13 of its 16 recommendations. We also closed the three other recommendations as not implemented because we believed no further action would be taken.³¹ For example, USAID stated in its written response to our inspection report on Gorimar Industrial Park that after construction ended and USAID transferred the park to the Afghan government in July 2008, the park's maintenance became the responsibility of the receiving agency. USAID also stated that a sustainment mechanism was in place at the time of turnover, whereby the responsible Afghan government agency would lease plots in the park to cover ongoing expenses and maintenance.

The number of implemented recommendations demonstrates that State and USAID generally have been responsive to our recommendations by taking action to correct the deficiencies that we identified during our inspections. The following are examples of actions that State and USAID have taken in response to some of our recommendations.

USAID Implemented Additional Processes and Controls over Record Keeping

Our inspections of Gorimar, Shorandam, and Bagrami Industrial Parks were limited by a lack of contract documents.³² During our inspections, we normally review project design, planning, construction, quality assurance, and related documents. However, USAID officials could not provide us with many of these documents for the three industrial parks and, with one exception, could not explain why.

During the time of our inspections, FAR 4.805 stated that agencies were required to retain contract documentation for 6 years and 3 months after final payment for construction contracts exceeding \$2,000. As

²⁹ We made a fourth recommendation for the Secretary of State to direct INL to require the contractor to follow an INL-approved demolition safety plan. We closed this recommendation as implemented based on State's actions.

³⁰ See SIGAR, *Baghlan Prison: After More Than 3 Years, Structurally Damaged Buildings Have Not Been Repaired, and New Construction Deficiencies Have Been Identified*, SIGAR 17-36-IP, April 12, 2017.

³¹ We closed these three recommendations in May 2014 and March 2015.

³² See SIGAR, *Gorimar Industrial Park: Lack of Electricity and Water Have Left This \$7.7 Million U.S.-funded Industrial Park Underutilized by Afghan Businesses*, SIGAR 15-30-IP, January 27, 2015; SIGAR, *Shorandam Industrial Park: Poor Recordkeeping and Lack of Electricity Prevented a Full Inspection of this \$7.8 Million Facility*, SIGAR 15-50-IP, April 17, 2015; and SIGAR, *Bagrami Industrial Park: Lack of Adherence to Contract Requirements Left this \$5.2 Million Park without Adequate Water Supply and Sewer Collection and Treatment Systems*, SIGAR 16-48-IP, July 26, 2016.

previously discussed, in our January 2015 inspection report on Gorimar Industrial Park, we recommended that USAID determine why contract files were missing and ensure that contract files for all future projects contain critical construction documents. In response to that recommendation, USAID acknowledged file management errors, noting that its record keeping at the time the industrial park was under construction was not optimal.

USAID implemented additional processes and internal controls intended to help prevent the problem from happening in future contracting efforts.³³ For example, USAID replied that it had established a Communications and Records section under the Office of Management to monitor record retention practices and to provide training and advisory services to each office's file custodians. While we commended USAID for establishing this section, the agency's response did not address why project contract files for Gorimar and Shorandam Industrial Parks were missing during our inspection. In the case of Bagrami Industrial Park, USAID was not required to retain the documents at the time of our inspection because the retention period had passed. However, without these documents, we could not determine sufficient historical facts about the contract construction and could not conduct a full inspection of these three industrial parks.

State Implemented Lessons Learned from Its Justice Center in Parwan Project to Enhance Oversight

State INL reported that it was implementing lessons learned from its Justice Center in Parwan project.³⁴ For example, INL stated that it established a new policy for INL personnel serving in oversight roles on construction contracts exceeding \$150,000 and service contracts exceeding \$1 million to improve the quality of future contract oversight, strengthen program monitoring, and more clearly articulate oversight responsibilities. More specifically, INL personnel serving in certain oversight roles must now meet the bureau's qualification requirements, as well as Federal Acquisition Certification requirements for contracting officer's representatives. In addition, INL's Office of Resource Management must approve contracting officer's representative appointments. INL also stated that it continually works with USACE to independently assess and document contractor performance.

USAID Recovered Disallowed Costs for Gardez Hospital

In responding to our first report on the Gardez hospital project, USAID stated that it would conduct a detailed financial audit of the costs associated with the hospital's construction.³⁵ Specifically, USAID stated that it would review the \$507,000 in questioned costs we identified for the diesel fuel and temperature control devices and, pending the results of its audit, take action, including seeking reimbursement if appropriate. On July 23, 2015, after its review of the implementing partner's—the International Organization for Migration—incurred costs, USAID determined that it should have disallowed \$694,863 and sent a bill for collection to the International Organization for Migration to recover that amount. USAID provided us with documentation showing that on August 1, 2015, it collected \$694,863, which consisted of the \$507,000 we identified in overpayments for the diesel fuel and temperature control devices, and an additional \$187,863 that USAID identified as unallowable costs based on its financial audit.

CONCLUDING OBSERVATIONS

State and USAID have paid for the construction of a variety of facilities for the benefit of the Afghan people, such as schools, prisons, hospitals, and industrial parks. However, those facilities were not always constructed

³³ For each inspection, we found the same problem with missing documents, which made it impossible for us to fully assess whether the contractor met contract requirements and technical specifications. However, we did not repeat the recommendations from the Gorimar inspection report in the Shorandam and Bagrami reports because all three parks were constructed under the same contract (no. GS10F-0132N).

³⁴ See SIGAR, *Justice Center in Parwan Courthouse: Poor Oversight Contributed to Failed Project*, SIGAR 14-7-IP, October 25, 2013.

³⁵ See SIGAR, *Gardez Hospital: After Almost 2 Years, Construction Not Yet Completed because of Poor Contractor Performance, and Overpayments to the Contractor Need to Be Addressed by USAID*, SIGAR 14-6-IP, October 23, 2013.

in accordance with contract requirements and technical specifications, which resulted in some of them being underutilized or posing a safety risk to those who would use them. We found common types of construction and other contract deficiencies in the facilities that we inspected. Poorly prepared or unqualified contractor personnel, substandard materials, poor workmanship, and possible fraud contributed to these results.

Although it is encouraging that the Afghans are using the majority of the State and USAID projects that we inspected through March 2017, they often face challenges in sustaining the projects once they are transferred to the Afghan government. These challenges are due to a lack of adequate financial resources and the technical capacity needed to achieve a successful, lasting transition of construction projects. Therefore, to the extent that U.S. agencies construct facilities without a reasonable expectation that they can and will be sustained by the Afghans following the transfer process, the risk of wasting U.S. taxpayers' money is increased.

We recognize State's and USAID's efforts to address the recommendations in our inspection reports in a timely manner and in ways that help improve the efficiency and effectiveness of reconstruction projects. However, this report shows that many of the projects we inspected had deficiencies caused, in part, by recurring problems. This indicates that State and USAID can and should do more to improve the management and oversight of its reconstruction projects in Afghanistan.

Because our prior inspection reports contained numerous recommendations to improve efficiency and effectiveness of State's and USAID's reconstruction activities in Afghanistan, this report does not contain any new recommendations.

AGENCY COMMENTS

We provided a draft of this report to State and USAID for comment. State, through INL, and USAID, through its Mission for Afghanistan, provided written comments, which are reproduced in appendices IV and V, respectively. State also provided technical comments, which we incorporated into this report as appropriate.

State and USAID stated that they appreciated us acknowledging their responsiveness to the audit and inspection findings and recommendations.

APPENDIX I - SCOPE AND METHODOLOGY

This report analyzes and identifies common themes in the findings of the 15 inspection reports SIGAR issued from August 2009 through March 2017 involving Department of State (State) and U.S. Agency for International Development (USAID) reconstruction projects in Afghanistan. The objectives of this report were to determine the extent to which (1) contractors met contract requirements and technical specifications when constructing or renovating facilities; (2) the facilities were being used; and (3) State and USAID have implemented recommendations we made in our prior inspection reports.³⁶ It was not our intention to make projections to the entire population of State and USAID reconstruction projects in Afghanistan. To prepare this report, we reviewed our 15 inspection reports on State and USAID projects issued through March 2017. These 15 reports cover 6 State and 7 USAID projects that have a combined contract value of \$194.5 million.³⁷

To determine whether contractors met contract requirements and technical specifications, and the facilities are being used, prior to visiting a project site, we review project documents, including, when available, the contract and any modifications, design drawings, applicable U.S. and international building codes, and quality assurance and other oversight reports. Reviewing these documents helps us identify specific criteria for determining whether construction was performed in accordance with contract requirements and whether the responsible implementing agency provided effective project oversight. During the site visits, we assess the construction quality and determine such things as whether the facilities are (1) structurally sound, (2) complete, and (3) being used and maintained. In addition to assessing the facilities, when appropriate, we obtain views about the project from contractors and U.S. and Afghan government officials.

For this report, we used findings from the 15 inspection reports to highlight successes and shortfalls with project planning, management, and oversight of the contracts and construction that led to adherence or nonadherence to contract requirements and technical specifications; use, nonuse, or limited use of facilities; and possible maintenance or sustainment issues with them. To assess whether construction was performed as required, we reviewed the inspection reports to identify efficiency and effectiveness of construction. For example, we reviewed statements in the report and photos to make a determination of whether a project contained construction deficiencies. We used the same approach to determine whether a facility was being used. In April 2015, and from September through October 2016, we conducted follow-up inspections of the following five projects to determine their status: the Balkh Education Facility, Gorimor Industrial Park, the Gardez hospital, the Kabul power plant, and the Sheberghan Teacher Training Facility.³⁸

In December 2014, we entered into a cooperative agreement with Afghan civil society partners. Under this agreement, they conduct specific inspections, evaluations, and other analyses. To assist our partners, we developed a standardized engineering evaluation checklist covering items required by the contract and design/specification documents. The checklist requires our partners to analyze the contract documents, scope of work, technical specifications, and design drawings. We compare the information our partners provide to accepted engineering practices, relevant standards, regulations, laws, and codes for quality and accuracy. In addition, as part of our monitoring and quality control process, we:

- communicate regularly with the Afghan partners to ensure that the approach and planning for the inspection are consistent with the objectives of our inspection and the terms of our cooperative agreement;
- attend periodic meetings with our partners;

³⁶ We assessed the recommendation status (open/closed) through July 31, 2017.

³⁷ These 15 reports addressed 13 projects. We reported on two projects, the Gardez hospital and the Sheberghan Teacher Training Facility, on two different occasions.

³⁸ In October 2016, the Afghan government, without providing a reason, denied our request to visit the Counter Narcotics Strip Mall, the Counter Narcotics Justice Center, and the detention center at the Counter Narcotics Judicial Center for a follow-up inspection to determine the completion status or operational effectiveness of utilities.

- discuss significant inspection issues with them;
- monitor our partners' progress in meeting milestones and revised contract delivery dates as needed; and
- conduct oversight of them in accordance with SIGAR's policies and procedures to ensure that their work results in impartial, credible, and reliable information.

It was not our objective to reevaluate the findings in the original inspection reports, but rather to rely on the findings to evaluate whether projects were completed efficiently and effectively, and to identify common issues and problems that, when avoided, can form the basis for improving the management and effectiveness of reconstruction projects in Afghanistan.

To assess the extent to which State implemented the recommendations we made in our inspection reports, we first identified all of the recommendations we made to State in the six inspection reports issued through March 2017. We then reviewed our July 2014 report on SIGAR recommendations made to State and followed up with the relevant State entities to determine the status of these recommendations.³⁹ We used the same approach to assess the extent to which USAID implemented the recommendations we made in the nine reports—covering seven USAID projects—we issued through March 2017.⁴⁰ We also requested project updates from State and USAID and provided the updated status of recommendations through July 31, 2017.

We conducted our work on this report from July 2015 through October 2017, in Arlington, Virginia, and in Baghlan, Balkh, Jowzjan, Kabul, Kandahar, and Paktiya provinces in Afghanistan, in accordance with the *Quality Standards for Inspections and Evaluation*, published by the Council of the Inspectors General on Integrity and Efficiency. SIGAR performed this work under the authority of Public Law No. 110-181, as amended, and the Inspector General Act of 1978, as amended. Of the 15 inspections included in this report, we completed 13 in accordance with *Quality Standards for Inspection and Evaluation*, published by the Council of the Inspectors General on Integrity and Efficiency. The engineering assessments were conducted by our professional engineers in accordance with the National Society of Professional Engineers' *Code of Ethics for Engineers*. We completed the two remaining inspections in accordance with generally accepted government auditing standards.

³⁹ See SIGAR, *Department of State: Nearly 75 Percent of All SIGAR Audit and Inspection Report Recommendations Have Been Implemented*, SIGAR 14-83-AR, July 17, 2014.

⁴⁰ See SIGAR, *U.S. Agency for International Development: More than 80 Percent of All SIGAR Audit and Inspection Recommendations Have Been Implemented*, SIGAR 15-1-AR, October 3, 2014.

APPENDIX II - SIGAR INSPECTION REPORTS INVOLVING DEPARTMENT OF STATE AND U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT RECONSTRUCTION PROJECTS IN AFGHANISTAN (AUGUST 2009–MARCH 2017)

Table 2 lists SIGAR's 15 inspection reports, issued from August 2009 through March 2017, on Department of State (State) and U.S. Agency for International Development (USAID) reconstruction projects in Afghanistan, the inspection findings, and the recommendations and their status as of July 31, 2017.

Table 2 - SIGAR Inspection Reports Issued from August 2009 through March 2017

| Report Number, Title, Date Issued, Original Contract/Project Amount, and Administering Agency | Findings | Recommendations, Responsible Entity, and Recommendation Status as of July 31, 2017 |
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| <u>STATE</u> | | |
| 1. Audit 09-4, <i>Actions Needed to Resolve Construction Delays at the Counter-Narcotics Justice Center, August 27, 2009</i> \$2 million U.S. Army Corps of Engineers (USACE) | <ul style="list-style-type: none"> (1) Assessing whether construction met contract requirements was not part of the inspection objectives. The facility is being used. (2) Detention facilities are at full capacity. As a result, narcotics-related offenders are being sent to other locations. (3) Plans to construct additional detention and support facilities were delayed because of insufficient funding and inadequate utilities. (4) Utility upgrades were not included in the original scope of work. | <ul style="list-style-type: none"> (1) Amend the original scope of work to include the utility upgrades for the Counter Narcotics Justice Center in Kabul that remain under the agreement, or reprogram those funds to accomplish the same work through another mechanism. (State; Closed-Implemented) (2) Modify the interagency support agreement to increase the amount of funding to cover the costs of constructing the additional detention facility envisioned under the second phase of construction or alternatively use another mechanism. (State; Closed-Implemented) |
| 2. Inspection 14-7-IP, <i>Justice Center in Parwan Courthouse: Poor Oversight Contributed to Failed Project, October 25, 2013</i> \$2.4 million Department of Defense, Bagram Regional Contracting Center | <ul style="list-style-type: none"> (1) The facility was not built as required, and it is not being used. (2) The facility was not complete, and work that was completed is poor. (3) The Combined Joint Interagency Task Force-435 did not conduct oversight of the construction project as required. (4) The Bagram Regional Contracting Center terminated the contract for convenience. This termination was later rescinded and determined to be a termination for default. | <ul style="list-style-type: none"> (1) Identify the reasons for poor oversight and establish processes to ensure that such problems do not reoccur. (State and U.S. Central Command; Closed-Implemented) |
| 3. Inspection 14-62-IP, <i>Baghlan Prison: Severe Damage to \$11.3 Million Facility Requires Extensive</i> | <ul style="list-style-type: none"> (1) The facility was not built as required, but it is being used. (2) Due to serious structural damage and building | <ul style="list-style-type: none"> (1) Recoup \$807,254 in payments to Omran Holding Group that INL should have retained to protect its interests in the event of a contract dispute. (State; |

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| <p><i>Remedial Action, May 27, 2014</i></p> | <p>settlement to three buildings, one building was demolished, and two others have collapsing walls.</p> | <p>Closed-Not Implemented)</p> |
| <p>\$8.8 million</p> | <p>(3) The contractor constructed unreinforced brick walls, which violates International Building Code standards and American Concrete Institute manuals for facilities located in seismic zones, such as the Baghlan prison.</p> | <p>(2) Determine, and report back to SIGAR within 90 days, that all rebuilding at the Baghlan prison complies with International Building Code and American Concrete Institute requirements stipulated in the contract regarding the use of steel-reinforced masonry walls. (State; Closed-Not Implemented)</p> |
| <p>State Bureau of International Narcotics and Law Enforcement Affairs (INL)</p> | <p>(4) INL and its contractor, Omran Holding Group, do not agree on the cause of the building settlement and remain in negotiation concerning responsibility for repairs and the costs.</p> | <p>(3) Determine the structural adequacy of the other buildings constructed under the contract and take action to repair or replace those found to be structurally inadequate, and report plans for corrective actions to SIGAR within 90 days. (State; Closed-Not Implemented)</p> |
| <p></p> | <p>(5) Omran Holding Group failed to deduct the required 10 percent retainage from its invoices, which led to an \$807,254 shortfall in funds.</p> | <p>(4) Determine, and report back to SIGAR within 90 days, whether the contractor provided and is following an INL-approved demolition safety plan. (State; Closed-Implemented)</p> |
| <p></p> | <p>(6) Despite the extensive structural damage to the prison, it is being used and is overcrowded.</p> | <p></p> |
| <p><i>4. Inspection 15-11-IP, Pol-i-Charkhi Prison: After 5 Years and \$18.5 Million, Renovation Project Remains Incomplete, October 17, 2014</i></p> | <p>(1) The facility was not built as required, but it is being used.</p> | <p>(1) Determine the extent to which Al-Watan Construction Company substituted wood for metal trusses or covered, instead of replaced, existing wooden trusses without authorization, and take appropriate action to recoup any funds due from the contractor. (State; Closed-Implemented)</p> |
| <p>\$16.1 million (State increased the contract's amount to \$20.2 million.)</p> | <p>(2) More than 5 years after renovation work began, Pol-i-Charkhi prison has not been completed, and the contract has been terminated for convenience.</p> | <p>(2) Conduct an inquiry into whether the contracting officer negotiated an equitable settlement agreement with Al-Watan Construction Company, document all accelerated construction schedule payments, and take steps to recoup funds as appropriate. (State; Closed-Implemented)</p> |
| <p>State INL</p> | <p>(3) Not all work performed by Al-Watan Construction Company was completed in accordance with contract requirements.</p> | <p>(3) Conduct a cost-benefit analysis of alternative wastewater management systems and, if warranted, reissue a request for information soliciting proposed solutions to the prison's wastewater management needs. (State; Closed-Implemented)</p> |
| <p></p> | <p>(4) Almost 92 percent of the funds were paid out (\$18.5 million of \$20.2 million), even though only 50 percent of the required work was completed.</p> | <p>(4) Ensure that before the follow-on renovation work and construction of the wastewater treatment plant or alternative system begins, that INL has a written monitoring plan in place to oversee the work to be performed</p> |
| <p></p> | <p>(5) An independent firm identified defective workmanship, such as failure to backfill trenches, missing roof flashing, soil settlement issues, and failure to connect six backup generators to the prison's power grid.</p> | <p></p> |
| <p></p> | <p>(6) The contractor substituted 30-year-old wooden trusses by covering them with new roofing materials instead of replacing them as the contract required and did so without authorization.</p> | <p></p> |
| <p></p> | <p>(7) Three capital improvement projects—water tower, commercial power upgrade, and staff barracks—were completed in accordance with contract requirements.</p> | <p></p> |
| <p></p> | <p>(8) INL estimated that it would cost \$11 million to finish renovation work and \$5 million to construct</p> | <p></p> |

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| | <p>a wastewater treatment plant to remedy wastewater pooling.</p> <p>(9) The Pol-i-Charkhi prison is designed to hold 5,000 prisoners; however, it is overcrowded and houses 7,400 prisoners, some of whom are housed in hallways.</p> | <p>pursuant to the two contracts. (State; Closed-Implemented)</p> <p>(5) Identify the scope of work required and conduct a cost-benefit analysis of awarding a separate contract—on an expedited basis—to hook up the prison's six backup power diesel generators to the prisons existing electric system. (State; Closed-Implemented)</p> |
| <p>5. Inspection 15-70-IP, <i>Detention Center at the Counter Narcotics Judicial Center: Project Construction Mostly Met Contract Requirements, but Two Deficiencies Need to Be Addressed</i>, July 13, 2015</p> <p>\$2 million</p> <p>State Regional Procurement Support Office (Frankfurt, Germany)</p> | <p>(1) The facility did not fully meet contract requirements, but it is being used.</p> <p>(2) The detention center had two deficiencies—lightning rods and metal welds—that needed to be addressed.</p> <p>(3) Operating systems—lighting, electrical, plumbing, sewage, and diesel power generation—were fully functional and working properly.</p> <p>(4) Our engineering assessment identified two issues with the detention center's roof that raise the risk of a fire or partial collapse.</p> <p>(5) The facility is being well maintained through an INL-funded contract.</p> | <p>(1) Take immediate action to correct the two construction deficiencies:</p> <ul style="list-style-type: none"> a. Lack of lightning rods. b. Improper metal welds in the roof support system. INL should determine the number of the improper welds, determine the impact on the roof's structural integrity, and develop a corrective action plan to ensure the safety of the roof support system. (State; Closed-Implemented) |
| <p>6. Inspection 15-78-IP, <i>Power Grid at the Counter Narcotics Strip Mall in Kabul: Construction Met Contract Requirements but Electrical System Was Not Deemed Operable Until More Than 18 Months After Project Completion</i>, August 3, 2015</p> <p>\$1.3 million</p> <p>State Regional Procurement Support Office (Frankfurt, Germany)</p> | <p>(1) The facility was built as required, but it is not being used.</p> <p>(2) The project was completed within budget and met contract performance standards, but it was not tested and deemed operable until more than 18 months later in January 2015.</p> <p>(3) The eight compounds served by the project are still not connected to the local power grid, and the Afghan government needs to put in place billing arrangements to pay for any commercial power supplied by Da Afghanistan Breshna Sherkat/Kabul Electric Department.</p> <p>(4) INL had a payment dispute with its contractor. A negotiated settlement was reached, but only after the warranty period expired and funds appropriated for the contract expired.</p> <p>(5) INL stated that it would pay the contractor's the final invoice and associated minor interest penalties under the Prompt Payment Act, when 2016 funds became available.</p> | No recommendations. |

USAID

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| 1. Audit 10-6, <i>Contract Delays Led to Cost Overruns for the Kabul Power Plant and Sustainability Remains a Key Challenge</i> , January 20, 2010 | (1) Assessing whether construction met contract requirements was not part of the inspection objectives. The facility is being used. (2) The Kabul power plant was not completed as originally scheduled and was 12 months behind schedule. (3) USAID identified factors that contributed to delays in the plant's construction, such as the inability to obtain adequate title to land for construction and an ambiguous statement of work. (4) USAID implemented cost-saving measures that lowered project costs by \$5 million. (5) Long-term sustainability of the Kabul power plant depends on the Afghan government's ability to pay for the required fuel purchases, as well as for operations and maintenance costs. | (1) Produce a definitive study on the technical feasibility and advisability of using heavy fuel in the Kabul power plant, and factor this information into plant completion decisions and any decisions regarding post-completion use of heavy fuel oil by the Afghanistan government. (USAID Mission Director; Closed-Implemented) |
| 2. Inspection 13-9, <i>Sheberghan Teacher Training Facility: U.S. Army Corps of Engineers Paid Contractors and Released Them from Contractual Obligations before Construction Was Completed and without Resolving Serious Health and Safety Hazards</i> , July 17, 2013 | (1) The facility was not built as required, but it is being used. (2) The facility remains incomplete 4 years after construction started. (3) USACE's contractors—Mercury Development, which abandoned the project, and Zafarkhaliq, which failed to complete construction—were not held accountable for their work and were released from the project without incurring any further contractual liability. (4) Water, sewage, and electrical systems remain unfinished. The facility's electrical system did not meet the U.S. National Electrical Code, as required by the contract, and an improper entry, known as a "tap," could expose occupants to potential electrocution and fire hazards. (5) The facility's sewer lines may have been placed too close to the water well, raising potential health issues. (6) The Afghans are using the incomplete facility without authorization, increasing health and safety risks. | (1) Coordinate with USACE to review project documentation, and conduct a site inspection to determine whether the sanitary sewer lines were placed improperly in relation to the water well and pose a health risk to the faculty and students. If so, determine and take the appropriate actions required to remediate the situation. (USAID Mission Director; Closed-Implemented) (2) Take appropriate measures to minimize existing health and safety risks, including accidents that could arise from the faculty and students' continued unauthorized use of the facility. (USAID Mission Director; Closed-Implemented) (3) Complete construction of the Sheberghan Teacher Training Facility and expedite its official turnover to the Afghan government. (USAID Mission Director; Closed-Implemented) (4) Provide adequate oversight to ensure that the facility is completed properly before paying for contractor services. (USAID Mission Director; Closed-Implemented) |
| 3. Inspection 14-6-IP, <i>Gardez Hospital: After almost 2 Years, Construction Not Yet</i> | (1) We could not determine whether the hospital was built as required because of missing contract files, and it is not being used. (2) Construction was 23 months behind schedule. | (1) Seek reimbursement from the International Organization for Migration for \$507,000 in identified contractor overpayments for diesel fuel and |

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| <p><i>Completed because of Poor Contractor Performance, and Overpayments to the Contractor Need to Be Addressed by USAID, October 23, 2013</i></p> <p>\$13.5 million</p> <p>USAID</p> | <p>Although USAID and International Organization for Migration officials estimated that the facility was 66 percent complete, we observed more of a shell of a building.</p> <p>(3) Based on our review of contractor invoices and payments, we identified at least \$507,000 in contractor overpayments for diesel fuel and temperature control devices, which USAID had not discovered and could not provide vendor invoices to support the payments made.</p> | <p>temperature control devices. (USAID Mission Director; Closed-Implemented)</p> <p>(2) Conduct a detailed financial audit of costs associated with construction of the Gardez hospital to determine whether there are additional contractor overpayments that need to be returned to the U.S. government. (USAID Mission Director; Closed-Implemented)</p> |
| <p>4. Inspection 14-24-IP, Balkh Education Facility: Building Remains Unfinished and Unsafe to Occupy After Nearly 5 Years, January 22, 2014</p> <p>\$1 million (contract award was \$3 million to build three facilities)</p> <p>USACE</p> | <p>(1) The facility was not built as required, but it is being used.</p> <p>(2) The facility has not been completed, and nearly 5 years have passed since construction began in 2009.</p> <p>(3) USAID's technical office and contracting staff developed a revised procurement strategy to contract out the remaining construction and repair work, which they expected would be completed by mid-2014.</p> <p>(4) We found construction issues, such as a leaking roof, defective electrical wiring, an improperly sloped terrace roof, sewage lines crossing above water lines, and external stairway step dimensions did not meet the minimum height requirements specified by the International Building Code.</p> <p>(5) Although the facility was not approved for occupancy, Afghan faculty and students are using it.</p> | <p>(1) Expand the scope of work for the pending procurement action to address the deficiencies identified by SIGAR. (USAID Mission Director; Closed-Implemented)</p> <p>(2) Develop roof and septic tank structural calculations based on the construction documents, progress photos, and quality assurance reports, to determine whether these building components comply with the required 2003 International Building Code and whether they adequately protect life and property. (USAID Mission Director; Closed-Not Implemented)</p> |
| <p>5. Inspection 15-30-IP, Gorimar Industrial Park: Lack of Electricity and Water Have Left This \$7.7 Million U.S.-funded Industrial Park Underutilized by Afghan Businesses, January 27, 2015</p> <p>\$7.7 million</p> <p>USAID</p> | <p>(1) We could not determine whether the facility was built as required because contract files were missing, but it is being used.</p> <p>(2) All major infrastructure components—such as the power plant and electrical distribution system, roads, sidewalks, water supply system, and flood channels—were completed.</p> <p>(3) Missing contract files hampered our ability to fully assess whether construction met contract requirements and technical specifications, violating requirements in the Federal Acquisition Regulation (FAR) that require agencies to retain contract documentation for 6 years and 3 months after final payment.</p> <p>(4) The industrial park's 10 generators have not been used because the Afghan agency in charge cannot afford the diesel fuel to run them.</p> <p>(5) The industrial park provides a secure site for</p> | <p>(1) Determine the current status of the Afghan Investment Support Agency's effort to connect Gorimar Industrial Park to the local power grid, and, if necessary, identify appropriate steps to help complete the project. (USAID Mission Director; Closed-Not Implemented)</p> <p>(2) Determine, in consultation with the Afghan Investment Support Agency, the feasibility of establishing the park's generators as a backup source of electrical power. (USAID Mission Director; Closed-Not Implemented)</p> <p>(3) Determine why contract files for Gorimar Industrial Park were missing and ensure that contract files for all future projects contain critical project design, planning, construction, quality</p> |

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| | 22 businesses; however, only 4 occupy the park nearly 6 years after construction was completed. | assurance, and related documents required by FAR 4.805. (USAID Mission Director; Closed-Implemented) |
| 6. Inspection 15-50-IP, <i>Shorandam Industrial Park: Poor Recordkeeping and Lack of Electricity Prevented a Full Inspection of this \$7.8 Million Facility, April 17, 2015</i> \$7.8 million USAID | <p>(1) We could not determine whether the facility was built as required, but it is being used.</p> <p>(2) All major infrastructure components were completed, but because of missing documentation, we could not fully assess whether construction met contract requirements and technical specifications.</p> <p>(3) The U.S. military's construction of a power plant affected business development by removing land from private development, and U.S. military security checkpoints at the entrance and exit of the industrial park curbed Afghan business interest. Only 1 of a possible 48 businesses was operating at the park.</p> <p>(4) Because of the lack of electricity, we could not test various systems, such as the electrical distribution and water supply systems, to determine whether they were operable and safe.</p> | No recommendations. (USAID constructed Shorandam Industrial Park under the same contract as Gorimar Industrial Park. We identified the same issue with regard to missing contract files and determined that it was not necessary to repeat the recommendation from the prior report.) |
| 7. Inspection 16-48-IP, <i>Bagrami Industrial Park: Lack of Adherence to Contract Requirements Left this \$5.2 Million Park without Adequate Water Supply and Sewer Collection and Treatment Systems, July 26, 2016</i> \$5.2 million USAID | <p>(1) The facility was not built as required, but it is being used; 27 out of a possible 32 businesses were operating in the park.</p> <p>(2) The water supply and sewer collection and treatment systems were not constructed according to contract requirements. However, USAID accepted the park "as-is," which it said included a functional water supply and sewer system.</p> <p>(3) The storm drainage system was not designed properly.</p> <p>(4) Cracks were found in the roads and sidewalks, but we could not determine whether they were due to poor workmanship or lack of maintenance during the 10 years that the park had been operating.</p> <p>(5) The telecommunications system had never been made operational, although it had been properly installed.</p> <p>(6) USAID had limited documentation available to allow us to determine when the park was completed and transferred to the Afghans, or to adequately assess the extent to which the agency provided the required project oversight.</p> | No recommendations. (USAID constructed Bagrami, Shorandam, and Gorimar Industrial Parks under the same contract. We identified the same issue for all three parks with regard to missing contract files. However, because we believe that USAID's final contractor payment occurred 6 years prior to our inspection, given that the park opened in October 2005, per FAR 4.8, "Government Contract Files," USAID was no longer required to maintain project documentation. Therefore, we determined that the recommendation we applied to the Gorimar and Shorandam Industrial Park inspections concerning missing contract files was not enforceable, nor, because USAID accepted the facility "as-is," was our ability to recommend correction of the identified deficiencies. |
| 8. Inspection 16-56-IP, <i>Gardez Hospital: \$14.6 Million and Over 5 Years to Complete, Yet Construction Deficiencies</i> | <p>(1) Not all of the hospital's work was completed according to contract requirements and technical specifications, and it is not being used.</p> <p>(2) The hospital lacked an emergency lighting</p> | (1) Monitor and document the International Organization for Migration's continued actions to correct construction work that did not adhere to contract requirements and technical |

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| <p><i>Still Need to be Addressed, August 29, 2016</i></p> <p>\$13.5 million</p> <p>USAID</p> | <p>system; exit signs were pointed in the wrong direction; fire alarms were missing; equipment and acoustical ceilings were not installed to withstand the effects of seismic activity; the boiler's fuel tanks had not been installed; water booster pumps had not been installed; fuel storage tanks had not been installed and tested; the water tower tanks had not been tested for leaks and one was leaking; the exterior stairway construction deviated from specifications; and some interior doors opened in the opposite direction specified in the design drawings and most had no hardware.</p> <p>(3) The hospital's fire safety system, most notably the automatic fire suppression sprinkler system, was incomplete and did not contain the water pump, nozzles, and several other parts to provide a complete and workable system.</p> <p>(4) The contractor installed two standby generators, rather than one prime and one standby generator as the contract required, and USAID could not provide SIGAR with documentation that authorized this deviation from the contract's requirements.</p> <p>(5) There was no evidence that the Ministry of Public Health had the ability to operate and maintain the new Gardez hospital at full capacity, and the ministry was in negotiations with a health service organization to obtain additional funding to support the hospital's operations and maintenance.</p> | <p>specifications, and deficiencies involving poor workmanship. This includes installing the hospital emergency lighting system; installing lateral bracing required for seismic activity on all ceilings, wall- and floor-mounted equipment; and repairing those sections of the hospital's roof that are missing protective membrane or contain standing water and are leaking. (USAID Mission Director; Closed-Implemented)</p> <p>(2) Continue consulting with the Ministry of Public Health until it assesses the need for completing the automatic fire suppression sprinkler system. (USAID Mission Director; Closed-Implemented)</p> <p>(3) Provide to SIGAR the contract modification that authorized Sayed Bilal Sadath Construction Company to substitute a standby generator for a prime generator, as well as documentation showing that the U.S. government was not charged for a higher-priced prime generator. (USAID Mission Director; Closed-Implemented)</p> <p>(4) In coordination with the Minister of Public Health, determine whether there is an adequate funding plan in place to operate and maintain the Gardez hospital at full capacity. (USAID Mission Director; Closed-Implemented)</p> |
| <p>9. Inspection 17-19-IP, Sheberghan Teacher Training Facility: Electrical System Deficiencies Were Corrected, but Water Quality and Funding for Generator Fuel Remain Concerns, December 30, 2016</p> <p>\$1 million (contract award was \$3 million to build three facilities)</p> <p>USAID</p> | <p>(1) The facility was completed according to contract requirements and engineering standards, and it was being used.</p> <p>(2) The deficiencies identified in our prior inspection report on the Sheberghan Teacher Training Facility (SIGAR Inspection 13-9) were resolved.</p> <p>(3) Testing determined that the concrete met compressive strength requirements.</p> <p>(4) Testing determined that the water did not meet some quality standards without filtration, but met acceptable parameters for Afghanistan's national water quality standards.</p> | <p>No recommendations. (Because the deficiencies we identified in our July 2013 report on the Sheberghan Teacher Training Facility have been corrected and the Ministry of Higher Education is now responsible for the facility's operation and maintenance, we did not make any new recommendations.)</p> |

Source: SIGAR analysis of State and USAID inspection reports through March 2017.

APPENDIX III - BUILDING AND USAGE INFORMATION FOR SIGAR INSPECTION REPORTS ON DEPARTMENT OF STATE AND U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT RECONSTRUCTION PROJECTS IN AFGHANISTAN FROM AUGUST 2009 THROUGH MARCH 2017

Table 3 lists SIGAR's inspection reports, issued from August 2009 through March 2017, on Department of State (State) and U.S. Agency for International Development (USAID) reconstruction projects in Afghanistan, along with information about whether the facilities were built as required and were being used.

Table 3 - SIGAR Inspection Reports, Along with Building and Usage Information

| Report Number, Title, and Date Issued | Built as Required | Facilities Used |
|---|-----------------------------|-----------------|
| STATE | | |
| 1. Audit 09-4, <i>Actions Needed to Resolve Construction Delays at the Counter-Narcotics Justice Center, August 27, 2009</i> | Not applicable ¹ | Yes |
| 2. Inspection 14-7-IP, <i>Justice Center in Parwan Courthouse: Poor Oversight Contributed to Failed Project, October 25, 2013</i> | No | No |
| 3. Inspection 14-62-IP, <i>Baghlan Prison: Severe Damage to \$11.3 Million Facility Requires Extensive Remedial Action, May 27, 2014</i> | No | Yes |
| 4. Inspection 15-11-IP, <i>Pol-i-Charkhi Prison: After 5 Years and \$18.5 Million, Renovation Project Remains Incomplete, October 17, 2014</i> | No | Yes |
| 5. Inspection 15-70-IP, <i>Detention Center at the Counter Narcotics Judicial Center: Project Construction Mostly Met Contract Requirements, but Two Deficiencies Need to Be Addressed, July 13, 2015</i> | No | Yes |
| 6. Inspection 15-78-IP, <i>Power Grid at the Counter Narcotics Strip Mall in Kabul: Construction Met Contract Requirements but Electrical System Was Not Deemed Operable Until More Than 18 Months After Project Completion, August 3, 2015</i> | Yes | No |
| USAID | | |
| 1. Audit 10-6, <i>Contract Delays Led to Cost Overruns for the Kabul Power Plant and Sustainability Remains a Key Challenge, January 20, 2010</i> | Not applicable | Yes |

| | | |
|---|----------------------------------|-----|
| 2. Inspection 13-9, Sheberghan Teacher Training Facility: U.S. Army Corps of Engineers Paid Contractors and Released Them from Contractual Obligations before Construction Was Completed and without Resolving Serious Health and Safety Hazards, July 17, 2013 | No | Yes |
| 3. Inspection 14-6-IP, Gardez Hospital: After almost 2 Years, Construction Not Yet Completed because of Poor Contractor Performance, and Overpayments to the Contractor Need to Be Addressed by USAID, October 23, 2013 | Could not determine ² | No |
| 4. Inspection 14-24-IP, Balkh Education Facility: Building Remains Unfinished and Unsafe to Occupy After Nearly 5 Years, January 22, 2014 | No | Yes |
| 5. Inspection 15-30-IP, Gorimor Industrial Park: Lack of Electricity and Water Have Left This \$7.7 Million U.S.-funded Industrial Park Underutilized by Afghan Businesses, January 27, 2015 | Could not determine | Yes |
| 6. Inspection 15-50-IP, Shorandam Industrial Park: Poor Recordkeeping and Lack of Electricity Prevented a Full Inspection of this \$7.8 Million Facility, April 17, 2015 | Could not determine | Yes |
| 7. Inspection 16-48-IP, Bagrami Industrial Park: Lack of Adherence to Contract Requirements Left this \$5.2 Million Park without Adequate Water Supply and Sewer Collection and Treatment Systems, July 26, 2016 | No | Yes |
| 8. Inspection 16-56-IP, Gardez Hospital: \$14.6 Million and Over 5 Years to Complete, Yet Construction Deficiencies Still Need to be Addressed, August 29, 2016 | No | No |
| 9. Inspection 17-19-IP, Sheberghan Teacher Training Facility: Electrical System Deficiencies Were Corrected, but Water Quality and Funding for Generator Fuel Remain Concerns, December 30, 2016 | Yes | Yes |

Source: SIGAR analysis of State and USAID inspection reports through March 2017.

¹ “Not applicable” indicates that the inspection objectives did not include an assessment of whether construction met contract requirements.

² “Could not determine” indicates that these projects were missing contract files, and, as a result, we did not have sufficient information to determine whether construction met contract requirements and technical specifications.

APPENDIX IV - COMMENTS FROM THE DEPARTMENT OF STATE



United States Department of State

Washington, D.C. 20520

October 12, 2017

Ms. Gabriele A. Tonsil
Assistant Inspector General for Audits and Inspections
Special Inspector General for Afghanistan Reconstruction
1550 Crystal Drive, Suite 900
Arlington, VA 22202

Dear Ms. Tonsil:

The Department of State welcomes the opportunity to comment on this draft Special Inspector General for Afghanistan Reconstruction (SIGAR) report entitled, "Department of State and USAID Reconstruction Projects in Afghanistan: Analysis of SIGAR Inspection Reports Issued from August 2009 through March 2017" (dated October 2017). The Department respects SIGAR's role in safeguarding U.S. taxpayer investment, and we share your goals of implementing programs free from waste, fraud, and abuse.

The Bureau of International Narcotics and Law Enforcement Affairs (INL) appreciates SIGAR's acknowledgement of our general responsiveness to audit and inspection recommendations, and the action we have taken to improve the effectiveness of reconstruction activities and correct deficiencies. INL has noted some factual inaccuracies in the report in the attached technical comments.

The Department of State appreciates SIGAR's thorough examination of U.S. foreign assistance programming in Afghanistan's corrections sector. INL looks forward to continuing to work with SIGAR and other relevant authorities on these issues.

Sincerely,

A handwritten signature in blue ink that reads "Jeffrey C. Lee".

Jeffrey C. Lee
Acting Executive Director
Bureau of International
Narcotics and Law
Enforcement Affairs

Attachment: Technical Comments

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



MEMORANDUM

10/7/2017

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

FROM: Mike McCord, Acting Mission Director *(Signature)*

SUBJECT: Mission Response to Draft SIGAR Inspection titled:
“SIGAR Inspections of State and USAID Reconstruction
Projects” (I-029)

REF: SIGAR Transmittal email dated September 27, 2017

USAID acknowledges receipt of the draft report *Department of State and USAID Reconstruction Projects in Afghanistan: Analysis of SIGAR Inspection Reports Issued from August 2009 through March 2017*. USAID appreciates that SIGAR acknowledges the Agency's responsiveness to audit and inspection findings and the improved efficiency and effectiveness of reconstruction activities as evidenced by closure of all SIGAR recommendations.

cc: Ravindral Suaris, Controller, USAID/Afghanistan
Joan Simon Bartholomaus, U.S. Embassy/Kabul
OAPA Audit
Ryan Knight, Acting Infrastructure Office Director,
USAID/Afghanistan

APPENDIX VI - ACKNOWLEDGMENTS

Steven Haughton, Senior Inspection Manager

Warren Anthony, Senior Auditor

Madeline Krahn, Program Analyst

Nicole Stauch, Program Analyst

This inspection was conducted
under project code SIGAR-I-029.

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.

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

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- Phone DSN Afghanistan: 318-237-3912 ext. 7303
- Phone International: +1-866-329-8893
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Public Affairs

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