

# 2 SIGAR OVERSIGHT



## SIGAR OVERSIGHT CONTENTS

Comprehensive Oversight Plan Issued	22
Audits	22
Inspections	36
Special Projects	43
Quarterly Highlight: Oversight Access Challenges	46
Investigations	48
SIGAR Budget	58
SIGAR Staff	58

**Photo on previous page**

A view of the Hindu Kush mountain range from the Gardez hospital construction site. (SIGAR photo)

## SIGAR OVERSIGHT ACTIVITIES

In this reporting period, SIGAR issued 12 audits, inspections, alert letters, and other reports. This work identified poor planning, management deficiencies, project delays, and failures of oversight in areas of Afghanistan's reconstruction ranging from public health to national security. It also found design problems, shoddy construction, and threats to health and safety.

An alert letter raised concerns about the design of a major border crossing point in Kandahar. An audit report warned that internal control deficiencies put U.S. funds provided to the Ministry of Public Health (MOPH) at risk of waste, fraud, and abuse. Another audit reported that the Combined Security Transition Command-Afghanistan (CSTC-A) was building facilities that the Afghan National Security Forces (ANSF) may not need. A third audit report revealed that poor oversight and documentation of fuel purchases for the Afghan National Police (ANP) had led to the use of higher-priced vendors and questionable costs to the U.S. government. Four inspection reports showed that the Archi District Police Headquarters was in a state of disrepair, that the Gardez hospital has not been completed after two years due to poor contractor performance, that poor oversight contributed to a failed construction project in Parwan, and that the Walayatti medical clinic was not built to specifications and was never used.

SIGAR's Office of Special Projects warned that the United States lacks a strategic plan and mechanisms to track progress in fighting corruption in Afghanistan. The Office of Special Projects also wrote to the Secretaries of State and Defense and to the Administrator of the United States Agency for International Development (USAID) to inquire about their plans to provide oversight for the reconstruction as the drawdown of U.S. and Coalition troops increasingly limits the access U.S. civilians have to projects outside a few major cities.

SIGAR investigations this quarter resulted in \$63 million in fraudulently obtained criminal proceeds being frozen. In the United States, SIGAR investigations led to two arrests, three sentences, more than \$95,000 in fines and restitutions, two indictments, one criminal information, a criminal complaint, and four guilty pleas. In Afghanistan, five Afghan citizens were arrested following SIGAR investigations. Monetary savings brought by SIGAR this quarter include \$1.5 million protected, \$344,000 recovered, and

### AUDIT ALERT LETTER

- Alert 14-2: Design Flaws at the Weesh-Chaman Border Crossing Point

### COMPLETED AUDITS

- Audit 13-17: USAID's Assistance to the Ministry of Public Health
- Audit 13-18: ANSF Construction Projects
- Audit 14-1: ANP Fuel Program
- Audit 14-3: ANA Vehicle Spare Parts

### COMPLETED FINANCIAL AUDIT

- Financial Audit 14-9: Contracts Implemented by Checchi & Company Inc.

### COMPLETED INSPECTIONS

- Inspection 14-5: Archi Police District Headquarters
- Inspection 14-6: Gardez Hospital
- Inspection 14-7: Justice Center in Parwan Courthouse
- Inspection 14-10: Walayatti Medical Clinic

### COMPLETED SPECIAL PROJECT REPORTS

- Special Project 13-9: Anti-Corruption Efforts
- Special Project 14-4: Oversight Access Inquiry

# SIGAR OVERSIGHT ACTIVITIES

\$10,000 saved. SIGAR also referred 14 individuals and 17 companies for suspension and debarment.

**Performance audits:** provide assurance or conclusions based on an evaluation of sufficient, appropriate evidence measured against stated criteria. Performance audits provide objective analysis so that management and those charged with governance can use the information to improve the program performance and operations, reduce costs, and facilitate decisions making by parties with responsibility to oversee or initiate corrective action for public accountability. Performance audits are conducted in accordance with generally accepted government auditing standards (GAGAS) and the Council of the Inspectors General on Integrity and Efficiency (CIGIE) Quality Standards for Federal Offices of Inspector General.

**Inspections:** are systematic and independent assessments of the design, implementation, and/or results of an agency's operations, programs, or policies. SIGAR conducts inspections, in accordance with CIGIE Quality Standards for Inspection and Evaluation, to provide information to Congress and the public on the quality of construction of facilities and infrastructure throughout Afghanistan; and generally, provides an assessment of the extent to which the facilities were constructed in accordance with the contract requirements, used as intended, and are sustainable.

## AUDIT ALERT LETTERS

- Alert 14-2: Design Flaws at the Weesh-Chaman Border Crossing Point

## COMPREHENSIVE OVERSIGHT PLAN ISSUED

SIGAR and the other members of the Southwest Asia Joint Planning Group this quarter issued the fiscal year (FY) 2014 Comprehensive Oversight Plan for Southwest Asia (COPSWA). This plan incorporates all of the planned and ongoing oversight for Afghanistan and the rest of Southwest Asia by the inspectors general of SIGAR, the Department of Defense, the Department of State, and the U.S. Agency for International Development, the Army Audit Agency, the Naval Audit Service, and the Air Force Audit Agency. It also includes ongoing oversight efforts by the U.S. Government Accountability Office related to Southwest Asia. The plan notes that the execution of the reconstruction mission will change dramatically with the U.S. military drawdown. As U.S. combat forces and most of their support network leave Afghanistan, operational responsibility will shift from the Department of Defense to the Department of State, which also coordinates with USAID. Meanwhile, the closing of U.S. bases and the steadily shrinking “bubbles” of U.S.-provided security and medical-evaluation services will complicate and constrain management and oversight of U.S.-funded reconstruction projects. SIGAR’s planned work includes an audit of the U.S. government reconstruction transition plan, an audit of the reliability of ANSF personnel data, an inspection of the Kajaki Dam and related construction projects, and an audit of Afghan women’s initiatives funded by the U.S. government.

## AUDITS

SIGAR conducts **performance audits**, **inspections**, and **financial audits** of programs and projects connected to the reconstruction in Afghanistan. This quarter, SIGAR issued four audit reports. SIGAR also began two new performance audits, bringing the total number of ongoing audits to 12. The published reports, among other things, raised concerns about U.S. funds provided to the MOPH, planned and ongoing construction projects for the ANSF, and fuel provided to the ANP. The audits made a total of 16 recommendations to ensure that the MOPH uses U.S. funds as intended, that U.S. funds are not wasted on construction projects for the ANSF, that oversight is strengthened of U.S. spending on fuel for the ANP, and that CSTC-A is ordering vehicle spare parts based on accurate information.

## Alert Letters

With Afghanistan in the midst of transition, U.S. military and civilian officials have asked SIGAR to provide them with real-time information to prevent waste and increase the effectiveness of U.S. reconstruction

programs. One of SIGAR's main goals is to provide implementing agencies and Congress with actionable information while there is still time to make a difference. During this reporting period, SIGAR sent one alert letter to inform DOD about audit findings requiring urgent attention; the letter drew attention to design flaws at the Weesh-Chaman border crossing.

## **Alert 14-2: Design Flaws at the Weesh-Chaman Border Crossing Point**

On October 10, 2013, SIGAR informed U.S. military officials in Afghanistan that it had found problems with the design of a major border crossing point under construction in Kandahar Province. SIGAR uncovered the problems at the Weesh-Chaman (Weesh) border crossing in the course of an ongoing audit of U.S. Agency for International Development (USAID) and Department of Homeland Security Customs and Border Protection efforts to develop and strengthen Afghanistan's capacity to assess and collect customs revenue. SIGAR noted in its letter that customs revenue made up 44% of Afghanistan's annual national budget in the most recent Afghan fiscal year.

SIGAR identified two design concerns. First, the site has only one entry-control point, even though current guidance calls for two control points. Second, there are plans to install an inspection device at the site. The device will block one traffic lane and does not have sufficient clearance to allow for efficient inspection of many of the vehicles that travel through the border crossing. These design problems will likely increase congestion, which could lead to decreased inspection efficiency. Resolving these issues at Weesh may also help the NATO Training Mission-Afghanistan (NTM-A)/ Combined Security Transition Command-Afghanistan (CSTC-A) and USACE address any similar issues related to the design of six other border crossing point construction projects totaling approximately \$38.4 million.

## **Audit Reports Published**

This quarter, SIGAR completed four audit reports that reviewed health services in Afghanistan and ANSF construction projects, as well as the systems of supplying spare parts to the ANA and fuel to the ANP. SIGAR also has 12 audits under way assessing, among other things, Afghan ministerial capacity, the U.S. government reconstruction transition plan, and the reliability of ANSF personnel data. See Appendix C for a complete list of ongoing audits.

### **Audit 13-17: Health Services in Afghanistan**

#### **USAID Continues Providing Millions of Dollars to the Ministry of Public Health Despite the Risk of Misuse of Funds.**

In July 2008, USAID and the Afghan Ministry of Public Health (MOPH) signed an implementation letter establishing the \$236 million Partnership Contracts for Health (PCH) program. The program, which began in

**Financial audits:** provide an independent assessment of and reasonable assurance about whether an entity's reported condition, results, and use of resources are presented in accordance with recognized criteria. SIGAR performs financial audits in accordance with GAGAS, which includes both requirements contained in the American Institute of Certified Public Accountants Statements on Auditing Standards and additional requirements provided in GAGAS. SIGAR also reviews financial audits conducted by independent public accountants (IPA). When an IPA conducts a financial audit, SIGAR conducts reasonable procedures to ensure compliance with GAGAS, based on the intended use of the IPA's work and degree of responsibility accepted by SIGAR with respect to that work.

## **COMPLETED AUDITS**

- Audit 13-17: USAID Continues Providing Millions of Dollars to the Ministry of Public Health Despite the Risk of Misuse of Funds
- Audit 13-18: Afghan National Security Forces: Additional Action Needed to Reduce Waste in \$4.7 Billion Worth of Planned and Ongoing Construction Projects
- Audit 14-1: Afghan National Police Fuel Program: Concerted Efforts Needed to Strengthen Oversight of U.S. Funds
- Audit 14-3: Afghan National Army: Combined Security Transition Command-Afghanistan Lacks Key Information on Inventory in Stock and Requirements for Vehicle Spare Parts

# SIGAR OVERSIGHT ACTIVITIES

November 2009, supports the MOPH in its delivery of health services to local Afghan clinics and hospitals. The MOPH uses USAID-provided funds to contract with nongovernmental organizations to provide basic health care in 13 provinces and hospital services in five provinces.

The objectives of this audit were to determine the extent to which (1) USAID assessed the financial management capability of the MOPH and (2) cost estimates for the PCH were developed appropriately. It was not an objective to expose or find corruption, but as a result of this audit, SIGAR has opened a criminal investigation into corruption at the MOPH.

## FINDINGS

Despite financial management deficiencies at the MOPH, USAID continues to provide millions of U.S. taxpayer dollars in direct assistance with little assurance that the MOPH is using these funds as intended. Specifically, USAID's April 2012 assessment of the MOPH's financial management capability identified significant internal-control deficiencies that put U.S. funds provided under the PCH program at risk of waste, fraud, and abuse. For example, the assessment found deficiencies in MOPH's internal audit, budget, accounting, and procurement functions. USAID officials stated that they have not verified what, if any, actions the MOPH has taken to address these deficiencies. Rather, a USAID official told SIGAR that USAID has no obligation to address the deficiencies identified or to verify any of the corrective actions that the MOPH may have implemented for the ongoing PCH program. In SIGAR's view, USAID's decision to continue disbursing funds to the MOPH with little or no assurance that these funds are safeguarded from waste, fraud, and abuse raises serious concerns about the integrity of the PCH program.

USAID provided \$236 million for the PCH program based on a cost estimate that the MOPH developed, but which USAID did not independently validate. Specifically, USAID did not prepare a comprehensive analysis of the actual cost for the PCH program using key factors such as, among other things, patient workload, population statistics, existing infrastructure, and security. USAID officials stated that the estimate was based on historical data, but they could not provide documentation showing how the estimate was calculated. More than \$190 million of the \$236 million provided for the PCH program has been obligated. However, SIGAR's review found that about \$127 million has actually been spent, resulting in potential excess obligations of about \$63 million.

## RECOMMENDATIONS

SIGAR recommends that the USAID Mission Director (1) provide no further funding to the PCH program until the program cost estimates are validated as legitimate; (2) develop, in coordination with the MOPH, a comprehensive action plan to address deficiencies identified in the April 2012 ministry capability assessment, establish key milestones to monitor progress in



**USAID direct assistance** to the Ministry of Health bought incubators for Ghazni Provincial Hospital, but demand is high: the incubator at left is sheltering quadruplets, while triplets lie in the one at right. (SIGAR photo)

executing this action plan, and make additional funding for the PCH program contingent on the successful completion of established milestones; and (3) validate the funds obligated and expended under the PCH program since its inception and de-obligate any excess funds and return the funds to the U.S. Treasury or put these funds to better use.

## **AGENCY COMMENTS**

USAID did not concur with the first recommendation, partially concurred with the second recommendation, and concurred with the third recommendation. USAID stated that the safeguards it has put in place within the MOPH protect taxpayer funds from misuse. However, strong evidence exists that funds provided to the MOPH are at risk of misuse. In particular, both USAID and third party assessments of the MOPH have concluded that MOPH's systems, operations, and internal controls to manage donors' funds cannot be relied upon without substantial corrective measures being taken.

## **Audit 13-18: Afghan National Security Forces**

### **Afghan National Security Forces: Additional Action Needed to Reduce Waste in \$4.7 Billion Worth of Planned and Ongoing Construction Projects**

Since 2005, Congress has appropriated nearly \$52.8 billion to equip, train, base, and sustain the ANSF. As of April 2013, the ANSF facilities construction program had more than 400 ANSF facilities in progress or in the acquisition or planning stages. These facilities, worth \$4.7 billion, are designed to support the currently approved ANSF strength of 352,000 personnel. CSTC-A is constructing new facilities for the ANSF at the same time that the United States and Coalition partners are reducing their presence in Afghanistan and, through the International Security Assistance Force Joint Command (IJC), closing or transferring their facilities to the Afghan government. SIGAR's prior audit of ANSF facilities expressed concern that CSTC-A's lack of planning increased the risk that CSTC-A was building facilities that did not meet ANSF needs. In addition, the United States, its NATO allies, and the Afghan government announced at the May 2012 Chicago Summit that the ANSF may shrink from its currently approved strength of 352,000 to 228,500 personnel, depending on security conditions.

The objectives of this audit were to assess (1) the extent to which U.S. and Coalition basing plans for the ANSF reflect force-strength projections; (2) whether CSTC-A analyzed alternatives to minimize new construction, including using existing U.S. and Coalition bases to satisfy ANSF basing needs; and (3) the extent to which planned construction projects are likely to be completed by December 2014.

## **FINDINGS**

The IJC has established a process to review and analyze existing Coalition facilities for transfer to the Afghan government. Specifically, in April 2012,

# SIGAR OVERSIGHT ACTIVITIES

IJC instituted an Operational Basing Board that meets weekly to nominate and review existing U.S. and Coalition facilities for closure or transfer to the Afghan government. The IJC board actively engages with CSTC-A and the Afghan Ministries of Defense and Interior to determine which facilities should be transferred to the ANSF. Consequently, CSTC-A has dropped plans for 318 new ANSF facilities, saving approximately \$2 billion.

CSTC-A, with IJC assistance, has responsibility for managing the construction of ANSF facilities around the country. However, CSTC-A lacks a comprehensive ANSF basing plan that considers future ANSF reductions and excess capacity in existing facilities. Current construction requirements reflect the currently approved 352,000 ANSF personnel level and do not take into account planned reductions in the number of ANSF personnel. As a result, if the ANSF decreases to 228,500 personnel, ANSF facilities will have excess personnel capacity. SIGAR has previously noted excess capacity and underutilization in existing ANSF facilities. SIGAR attempted to review the occupancy of existing ANSF facilities and requested on-site personnel numbers for 36 randomly-selected ANA and ANP facilities, but IJC and CSTC-A officials informed SIGAR that they do not track this information. As a result, CSTC-A is unable to determine whether either existing or planned facilities meet ANSF needs, and may be missing opportunities to identify additional planned facilities that are candidates for consolidation or termination.

Using CSTC-A's 2012 base construction schedule, SIGAR identified 52 projects that may not meet the ISAF's December 2014 construction deadline, increasing cost of and oversight risks if these projects are continued. SIGAR's assessment differed from that of CSTC-A, which estimated that only one facility worth \$16 million would not meet the 2014 ISAF construction deadline. After SIGAR briefed CSTC-A on its analysis, CSTC-A began reassessing project timelines. As of June 2013, CSTC-A had revised this estimate upward to 47 projects valued at \$1.1 billion that would still be under construction beyond ISAF's December 2014 deadline.

In comments on a draft of this report, CSTC-A stated that it has several initiatives under way to identify those areas where there is excess capacity and current projects can be de-scoped or cancelled. According to CSTC-A, from January to August 2013, these initiatives, combined with routine reviews, resulted in a reduction of over \$432 million in U.S. and Coalition funding. In addition, the ISAF Commander has requested quarterly reviews to ensure that facility requirements remain valid and that construction is on track. The combination of locating ANSF construction projects in dangerous areas and the downsizing and planned withdrawal of U.S. forces will make it more challenging to complete projects by the December 2014 deadline unless CSTC-A ensures that the necessary resources are available to provide oversight.

## RECOMMENDATIONS

To help ensure that the U.S. government is providing the appropriate number of facilities for the current and future ANSF, SIGAR recommended that the Deputy Commander, CSTC-A, among other things, (1) develop a plan that considers potential ANSF reductions and defer building facilities, as appropriate, to reduce future excess capacity, and (2) identify the extent to which current facilities are underutilized in order to reduce construction of new facilities and save reconstruction funds. SIGAR also recommends that the Deputy Commander of CSTC-A, in coordination with the Commanding General, and the Chief of Engineers of USACE, prepare a plan detailing specifics for security and oversight for construction projects continuing past 2014.

## AGENCY COMMENTS

SIGAR received formal comments on a draft of this report from CSTC-A and IJC. CSTC-A concurred with all the recommendations addressed to it and IJC concurred with the two recommendations addressed to it. Both CSTC-A and IJC, as well as U.S. Central Command, provided additional technical comments, which SIGAR incorporated, as appropriate.

## **Audit 14-1: Afghan National Police Fuel Program**

### **Afghan National Police Fuel Program: Concerted Efforts Needed to Strengthen Oversight of U.S. Funds**

Since 2005, Congress has appropriated almost \$52.8 billion to train, equip, and sustain the ANSF, which includes the Afghan National Police (ANP) and the Afghan National Army (ANA). CSTC-A, which is responsible for building the ANSF, uses the Afghanistan Security Forces Fund (ASFF) to provide the ANSF with equipment, training, and supplies, as well as to build, renovate, and repair facilities and infrastructure. A portion of the ASFF has been used to purchase fuel for the ANSF. CSTC-A uses blanket purchase agreements issued by the U.S. Central Command Joint Theater Support Contracting Command (C-JTSCC). C-JTSCC, as the contracting office, executes and oversees contracts and exercises control over all contingency contracting in Afghanistan. Under the blanket purchase agreements, CSTC-A provides the contracting officer representative and is responsible for ordering and accounting for fuel purchased for the ANSF.

Since 2007, C-JTSCC has established 17 blanket purchase agreements with vendors to provide fuel to the ANSF. C-JTSCC approves the monthly fuel prices and, following that approval, CSTC-A uses the approved prices to select vendors and order fuel. These vendors then deliver fuel directly to approximately 145 authorized ANP locations throughout Afghanistan. Once vendors deliver the fuel to those locations, the ANP stores and distributes the fuel to ANP district and local level units.

# SIGAR OVERSIGHT ACTIVITIES

In January 2013, SIGAR reported on CSTC-A's accounting and oversight of fuel purchased for the ANA, and identified weaknesses in CSTC-A's process used to order, receive, and pay for fuel.

This audit evaluated U.S. oversight of fuel purchases for the ANP. Specifically, it assessed (1) the extent to which C-JTSCC and CSTC-A provided oversight of ANP fuel purchases, deliveries, and consumption; (2) CSTC-A's efforts to provide direct contributions to the Afghan government to support the ANP's logistics transition; and (3) the basis and support for CSTC-A's funding request for fiscal year 2013 and its estimates for fiscal years 2014 through 2018.

## FINDINGS

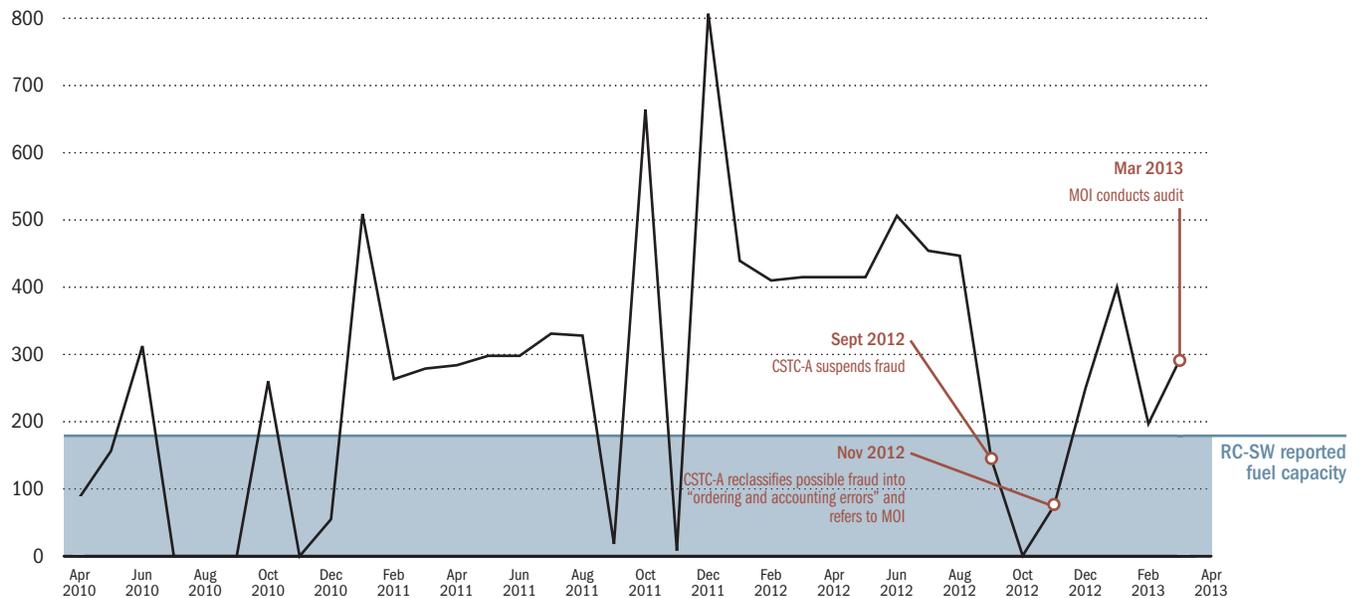
SIGAR found that C-JTSCC and CSTC-A had limited oversight of fuel purchases for the ANP. Poor oversight and documentation of blanket purchase agreements and fuel purchases resulted in the use of higher-priced vendors and questionable costs to the U.S. government. In several instances, vendors charged fees for fuel deliveries that were not allowed under the blanket purchase agreements. For example, from November through December 2012, C-JTSCC approved fuel prices for three of the four ground fuel vendors for Kabul Province that included transportation charges beyond what is allowed by the blanket purchase agreement. The total cost of these charges was approximately \$520,000. In addition, C-JTSCC approved one aviation vendor's fuel prices that included Afghan taxes and other fees totaling approximately \$25,000 from November 2010 through February 2012. The blanket purchase agreement did not allow the vendor to charge these taxes and fees.

CSTC-A did not adhere to the Federal Acquisition Regulation or C-JTSCC's blanket purchase agreement guidance related to the use of two or more vendors for competition. For instance, from November 2012 through December 2012, CSTC-A did not select the lowest-priced vendors for ground fuel for a majority of 717 orders in Kabul province because, as C-JTSCC and CSTC-A officials told SIGAR, the lower-priced vendors did not have exemptions from taxes and duties. CSTC-A did not document its justification for using the higher-priced vendors as required. The use of the higher-priced vendors resulted in almost \$1 million in additional costs over the two-month period. CSTC-A's limited oversight of ANP fuel orders and vendor deliveries also resulted in Helmand Provincial Police Headquarters ordering and receiving more fuel than it could store at its location on 24 separate occasions during a 28-month period, as shown in Figure 2.1. After CSTC-A officials suspected the excessive fuel deliveries were instances of potential fraud, they decreased fuel deliveries in October 2012. However, by December 2012, CSTC-A increased Helmand PHQ's fuel deliveries to 300,000 liters without investigating the suspected fraud. Until C-JTSSC and CSTC-A implement effective controls over

# SIGAR OVERSIGHT ACTIVITIES

FIGURE 2.1

HELMAND PHQ MONTHLY FUEL ORDERS (THOUSANDS)



ANP fuel purchases and investigate allegations of possible impropriety, there is limited assurance that U.S. funds and fuel are used as intended.

CSTC-A provided \$26.8 million in direct budgetary contributions to the Afghan government for ANP fuel between October 2011 and December 2012. However, it did not provide evidence that it had conducted the required risk assessments to determine the Ministry of Interior’s (MOI) capacity for managing U.S. funds to purchase fuel for the ANP. From October 2011 through August 2012, CSTC-A provided more than \$10.6 million of the \$26.8 million in direct budgetary contributions to the Afghan government, but could not confirm whether the funds had been used as intended. In December 2012, despite several DOD assessments that the MOI could not accomplish its logistics mission without significant coalition support until late 2014, CSTC-A provided the additional \$16.2 million.

By October 2012, CSTC-A developed new requirements to improve controls and accountability over how the MOI spends U.S. funds. However the effectiveness of those requirements could not be evaluated during SIGAR’s fieldwork because the MOI contract had not been awarded to begin the use of the \$16.2 million in U.S. funds to purchase fuel for the ANP. A one-page briefing slide prepared by CSTC-A showed that its officials considered direct contributions for ANP fuel to be “high-risk” for waste, fraud, and abuse. Yet with the U.S. drawdown underway,

# SIGAR OVERSIGHT ACTIVITIES

CSTC-A approved providing \$243 million to the MOI for ANP fuel for FY 2014 without a plan to mitigate risk.

For FY 2013, CSTC-A has requested \$134.6 million for ANP fuel. CSTC-A's justification for its request and for future ANP fuel budget estimates is partly based on prior fuel orders. Although CSTC-A has purchased fuel for the ANP for six years, it does not have reliable information on the number of ANP vehicles and generators in use, nor has it received consumption data from the MOI. Further, CSTC-A officials could not support its FY 2013 request. CSTC-A relies on past ANP fuel orders and other undocumented assumptions to calculate ANP fuel requirements.

SIGAR estimates that CSTC-A will have approximately \$94 million in FY 2013 funds for ANP fuel available when FY 2014 begins, indicating that the FY 2013 ANP fuel budget was overestimated. Further, the overall budget estimates for FY 2014 through FY 2018 may be overstated because they are based on the ANP's historical orders of fuel, including questioned deliveries. In addition to the ongoing risks SIGAR identified with the ANP fuel process, significant funds could be put at increased risk of waste, fraud, and abuse should CSTC-A proceed with its plans to directly contribute \$1.4 billion to the Afghan government through FY 2018 for ANP fuel.

## RECOMMENDATIONS

SIGAR made eight recommendations—two recommendations to the Deputy Commanding General, C-JTSCC, to ensure the reasonableness of prices for ANP fuel, and six to the Deputy Commanding General, CSTC-A, to improve the oversight of U.S. funds used to purchase ANP fuel—compliance with CSTC-A direct contribution standard operating procedures, and future estimates for ANP fuel purchases.

## AGENCY COMMENTS

SIGAR received comments on a draft of this report from C-JTSCC and CSTC-A. C-JTSCC concurred with the two recommendations addressed to it. CSTC-A concurred with five of the six recommendations addressed to it, but did not agree that reviews are needed to determine if fuel is being delivered above storage capacity. Both commands provided technical comments, which SIGAR incorporated, as appropriate.

## Audit 14-3: Afghan National Army Spare Parts

### Afghan National Army: Combined Security Transition Command-Afghanistan Lacks Key Information on Inventory in Stock and Requirements for Vehicle Spare Parts

From 2004 through 2013, CSTC-A purchased approximately \$370 million in spare parts to maintain and repair vehicles for the ANA.

A reliable and integrated logistics system is needed to provide spare parts to maintain vehicle and equipment readiness for security operations. However, questions have been raised about CSTC-A's support of the ANA's

logistics capabilities. For example, in October 2012, the ISAF Commander's Advisory and Assistance Team reported that CSTC-A could not account for approximately \$230 million worth of spare parts for the ANSF and noted that, due to the lack of accountability for these parts, CSTC-A ordered additional spare parts worth more than \$138 million. The team referred this matter to SIGAR and asked that SIGAR examine the matter further. The objectives of this audit were to assess whether (1) CSTC-A's estimates for ANA vehicle spare parts were based on accurate requirements; and (2) CSTC-A has sufficient internal controls to account for vehicle spare parts to prevent waste, fraud, and abuse.

## FINDINGS

CSTC-A is placing orders for vehicle spare parts without accurate information on what parts are needed or are already in stock. CSTC-A relies on the ANA to maintain accurate inventory records of vehicle spare parts availability and future requirements to minimize spare parts shortages. However, the ANA is not consistently using or updating its inventory to track:

- what parts are in stock,
- what parts have been ordered by ANA units, and
- when and where those parts are supposed to arrive.

The ANA did not keep fully accurate records at any of the four locations—three Regional Logistic Supply Centers (RLSC) and the Central Supply Depot (CSD)—where SIGAR conducted parts inventories. SIGAR also found that the RLSCs and the CSD are not consistently updating Afghan Ministry of Defense (MOD) forms to maintain a record of parts due to be received by and distributed to ANA units in accordance with an MOD decree. Further, the ANA is not consistently inventorying parts as they are received. RLSC-South and the CSD contain ANA vehicle spare parts that have not been inventoried. Without accurate inventories, CSTC-A does not have data to justify the number of vehicle spare parts authorized or purchased for the RLSCs and the CSD.

Moreover, the ANA continues to place orders for vehicle spare parts without demand or usage data. From 2011 through April 2013, CSTC-A modified the authorized stock quantities required at the RLSCs two times, reducing the authorized types of spare parts needed from 3,843 to 576. However, CSTC-A placed orders for \$130 million worth of parts based on the initial 3,843-types authorization. Furthermore, according to CSTC-A officials, they do not have records to show how the 3,843 total was determined. In addition, CSTC-A ordered these parts without knowledge of what parts the ANA already had in stock because there is no recorded inventory of spare parts.

CSTC-A is able to track vehicle spare parts into Afghanistan for orders placed during 2010 through 2012, but could not document that the parts were transferred to the ANA. SIGAR found that CSTC-A cannot provide

# SIGAR OVERSIGHT ACTIVITIES



**Uninventoried vehicle spare** parts at the southern Regional Logistic Supply Center. (SIGAR photo)

documentation confirming delivery or title transfer to the ANA for vehicle spare parts delivered during 2010 through 2012. SIGAR randomly sampled 68 transportation control numbers from orders during this time period and requested that CSTC-A provide documentation showing their origin, shipping, and distribution. CSTC-A was able to account for the origin of all 68 control numbers (100%) and shipping destination for 58 control numbers (85%). However, it could account for the delivery to the ANA of only seven control numbers (10%). Moreover, CSTC-A was unable to provide documentation confirming transfer to the ANA for any of the 68 control numbers. According to a CSTC-A official, a June 2013 meeting with SIGAR helped raise the issue of the lack of information on the location of vehicle spare parts and provided the support needed to fix the accountability problem.

In June 2013, CSTC-A began implementing new procedures for incoming containers of vehicle spare parts. To accelerate transferring property to the ANA and to ensure that all vehicle spare parts remain in U.S. custody until title transfer has taken place, CSTC-A now plans to redirect all incoming vehicle spare parts containers to a U.S. transfer point prior to officially transferring them to the ANA. In addition, CSTC-A is attempting to repossess vehicle spare parts until the ANA can conduct an official inventory and transfer. According to CSTC-A officials, a U.S. and Afghan official will be on-hand to conduct a joint inventory and officially transfer the vehicle spare parts to the ANA.

## RECOMMENDATIONS

To ensure that CSTC-A is ordering vehicle spare parts based on accurate information and valid requirements, and to prevent the U.S. government from purchasing unnecessary spare parts, SIGAR recommends that the Commanding General, CSTC-A Ministerial Advisory Group, (1) defer non-critical vehicle spare parts purchases until the ANA has conducted and verified the required inventories in accordance with the requirements set forth under MOD Decree 4.0, and (2) require the ANA to submit inventory reports to CSTC-A that correctly identify spare part demand and usage rates.

## AGENCY COMMENTS

SIGAR received formal comments on a draft of this report from CSTC-A. CSTC-A concurred with both recommendations and provided additional technical comments, which SIGAR incorporated, as appropriate.

## Correspondence Concerning Audit 13-6: Contracting with the Enemy

On August 8, 2013, SIGAR replied to a May 14, 2013, memorandum from Richard T. Ginman, Director of Defense Procurement and Acquisition Policy (DPAP) at DOD. Ginman had written that DPAP concurred with five of SIGAR's seven recommendations in an audit that found DOD had limited

assurance that contractors with links to enemy groups are identified and their contracts terminated. However, SIGAR was troubled by DPAP's refusal to concur with its recommendation to require prime contractors to certify that they do not have subcontracts with the enemy. DPAP had stated that DOD could not comply on the grounds that the Clinger-Cohen Act prohibits new certification requirements unless those requirements are specifically imposed by statute or approved by the Administrator of the Office of Procurement Policy. SIGAR pointed out that the act permits agencies to issue new certification requirements when they are approved in writing by the agency head, in this case the Secretary of Defense. Moreover, it argued that requiring this certification would be consistent with DOD's obligation under statute to award contracts only to "responsible" parties.

### **Correspondence Concerning Alert 13-2: Southern Regional Agricultural Development Program Had Poor Coordination, Waste, Management**

On September 6, 2013, SIGAR wrote to Donald Sampler, Acting Assistant to the Administrator, Office of Afghanistan and Pakistan Affairs, USAID. SIGAR was responding to a memorandum USAID had sent concerning SIGAR's alert letter on the Southern Regional Agricultural Development (S-RAD) program, which was funded and overseen by USAID and implemented by International Relief and Development Inc. (IRD). The memorandum had noted that USAID disagrees with SIGAR's findings regarding oversight, work plans, and program-funded equipment and supplies.

SIGAR wrote that it was very concerned about USAID's views regarding its oversight obligations. SIGAR pointed out that the use of a cooperative agreement does not absolve USAID of its obligations to ensure that U.S. funds are properly spent and that the desired outcomes are actually achieved. USAID had argued that the flexibility it granted IRD was allowed under federal regulations. SIGAR agreed, but noted that such flexibility introduces additional risk that the implementing partner may engage in activities that deviate from USAID officials' instructions—something IRD acknowledges occurred during the S-RAD program. SIGAR also disputed several of USAID's claims concerning S-RAD's provision of farm tractors, solar panels, agricultural supplies, and irrigation pumps.

### **Correspondence Concerning Alert 13-1: Geospatial Database Has Incorrect Coordinates for Some Sites**

On September 10, 2013, SIGAR wrote to William Hammink, Afghanistan Mission Director at USAID, concerning its January 2013 alert letter noting problems with the accuracy of the data contained in the Afghanistan Infrastructure and Security Cartography System (AISCS). In response to the alert letter, USAID directed IRD, which developed AISCS, to conduct a review of the database.

In a March 9, 2013 letter, USAID provided SIGAR with the results. USAID's letter stated that IRD was able to locate 41 of 42 missing schools using aerial imagery and site visit reports. However, SIGAR wrote that it continued to question the accuracy of AISCs for many of the structures its alert letter had identified as having inaccurate or inconclusive coordinates. The National Geospatial-Intelligence Agency (NGA), which conducted the original study along with SIGAR, disagreed with IRD's assessment. NGA concurred with IRD's review on the location of only 12 of the 41 schools IRD located. NGA continues to dispute the geospatial coordinates of the remaining 20 schools.

## NEW AUDITS

- U.S. Efforts to Assist and Improve Afghanistan's Education Sector
- U.S. Government Efforts to Improve the Rights and Treatment of Women in Afghanistan

## New Audits Announced This Quarter

This quarter SIGAR initiated more audits in a planned series of sector-wide audits. These audits cover U.S. government completed, ongoing, and planned projects related to a specific sector in Afghanistan. The two audits initiated this quarter will assess:

- the U.S. government's efforts to assist and improve the Afghan education sector
- Afghan women's initiatives funded by the U.S. government

### Education Sector

SIGAR has initiated an audit of the U.S. government's efforts to assist and improve the education sector in Afghanistan. This audit will focus on projects and programs undertaken by U.S. government agencies to expand access to and improve the quality of education in Afghanistan. The objectives of the audit will be to (1) identify completed and ongoing U.S. government-funded projects and programs to expand access to and improve the quality of education and assess the extent to which they have achieved or are achieving their stated objectives; (2) identify challenges, if any, that these projects have encountered and examine how the U.S. government has addressed them; and (3) assess the extent to which the progress and outcomes achieved under these completed, ongoing, and planned projects are sustainable.

### Women's Initiatives

SIGAR has initiated an audit of Afghan women's initiatives funded by the U.S. government. The audit will focus on U.S. programs and initiatives to improve the rights and treatment of women in Afghanistan and on challenges U.S. government agencies face in addressing women's issues in Afghanistan. From fiscal years 2003 through 2010, Congress provided \$627 million in appropriated funds to the Department of State and USAID to support activities specifically for Afghan women and girls. In July 2010, SIGAR reported on State and USAID's use of funds for activities for Afghan women and girls during fiscal years 2008 and 2009. Among other things, the agency found that while earmarks of appropriated funds for addressing

# SIGAR OVERSIGHT ACTIVITIES

the needs of Afghan women increased over time, and Congress directed State and USAID to report on the use of these funds, the reporting was incomplete and did not provide a clear picture of how the funds would be used to benefit Afghan women. This audit will (1) identify U.S. government programs or initiatives to improve the rights and treatment of women in Afghanistan since FY 2011; (2) assess the extent to which these programs and initiatives have been coordinated across different U.S. government agencies; and (3) identify challenges in addressing women's issues in Afghanistan and evaluate U.S. efforts to address these challenges.

## Financial Audits

This quarter, SIGAR completed one financial audit of two U.S.-funded Afghanistan reconstruction contracts implemented by Checchi & Company Consulting Inc. SIGAR transmitted the audit to USAID, which is reviewing the findings. SIGAR will publish the audit findings early next quarter. To date, SIGAR's financial audits have identified more than \$50.2 million in **questioned costs**.

SIGAR also announced 13 new financial audits of State- and USAID-funded contracts, grants, and cooperative agreements with combined incurred costs of approximately \$843.7 million, bringing the total number of ongoing financial audits to 25 with more than \$2.2 billion in costs incurred, as shown in Table 2.1.

TABLE 2.1

SIGAR'S FINANCIAL AUDIT COVERAGE (\$ MILLIONS)	
12 Completed Audits	\$815
25 Ongoing Audits	\$2,209
<b>Total</b>	<b>\$3,024</b>

Notes: Numbers have been rounded. Coverage includes auditable costs incurred by recipients of U.S.-funded Afghanistan reconstruction contracts, grants, and cooperative agreements

Source: SIGAR Audits Directorate.

SIGAR launched its financial audit program in 2012, after Congress and the oversight community expressed concerns about oversight gaps and the growing backlog of incurred cost audits for contracts and grants awarded in support of overseas contingency operations. SIGAR competitively selects independent accounting firms to conduct the financial audits and ensures that the audit work is performed in accordance with U.S. government auditing standards. Financial audits are coordinated with the federal inspector general community to maximize financial audit coverage and avoid duplication of effort.

SIGAR's financial audits have four specific objectives:

- Express an opinion on whether the **Fund Accountability Statement** for the award presents fairly, in all material respects, revenues received,

## COMPLETED FINANCIAL AUDIT

- SIGAR Financial Audit 14-9: USAID's Afghanistan Rule of Law-Informal Project and USAID's Services Under Program and Project Offices for Results Tracking Project: Audit of Costs Incurred by Checchi & Company Consulting, Inc.

**Questioned Costs:** Costs determined to be potentially unallowable. They include ineligible costs (violation of a law, regulation, contract, grant, cooperative agreement, etc., or an unnecessary or unreasonable expenditure of funds) and unsupported costs (those not supported by adequate documentation or proper approvals at the time of an audit).

**Fund Accountability Statement:** a special purpose financial statement that includes all revenues received, costs incurred, and any remaining balance for a given award during a given period.

Source: USAID, "ADS Chapter 591: Financial Audits of USAID Contractors, Recipients, and Host Government Entities," 7/31/2012.

# SIGAR OVERSIGHT ACTIVITIES

costs incurred, items directly procured by the U.S. government, and balance for the period audited in conformity with the terms of the award and generally accepted accounting principles or other comprehensive basis of accounting.

- Evaluate and obtain a sufficient understanding of the audited entity's internal control related to the award; assess control risk; and identify and report on significant deficiencies including material internal control weaknesses.
- Perform tests to determine whether the audited entity complied, in all material respects, with the award requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the award and applicable laws and regulations.
- Determine and report on whether the audited entity has taken adequate corrective action to address findings and recommendations from previous engagements.

A list of new and ongoing financial audits can be found in Appendix C of this quarterly report.

## COMPLETED INSPECTIONS

- Inspection 14-5: Archi District Police Headquarters: Extensive Mold, Lack of Running Water, and Inoperable Electrical Systems Show Facilities Are Not Being Sustained
- Inspection 14-6: Gardez Hospital: After Almost Two Years, Construction Not Yet Completed because of Poor Contractor Performance, and Overpayments to the Contractor Need to Be Addressed by USAID
- Inspection 14-7: Justice Center in Parwan Courthouse: Poor Oversight Contributed to Failed Project and Action May Be Needed to Avoid Unnecessary Costs to the U.S. Government
- Inspection 14-10: Walayatti Medical Clinic: Facility Was Not Constructed According to Design Specifications and Has Never Been Used

## INSPECTIONS

This quarter, SIGAR completed four inspections. The completed inspections found an Archi police district headquarters in a state of disrepair, an uncompleted hospital in Gardez, a failed project to build a Parwan courthouse, and a clinic in Walayatti that has never been used.

### Inspections Reports Published

#### **Inspection 14-5: Archi District Police Headquarters: Extensive Mold, Lack of Running Water and Inoperable Electrical Systems Show Facilities Are Not Being Sustained**

On March 4, 2008, the U.S. Army Corps of Engineers, Afghanistan Engineer District-North (USACE-TAN) awarded a \$4.2 million firm fixed-price contract to Swiz Hewadwal Joint Venture to construct nine district police headquarters for the ANP, including \$708,331 for the Archi District Police Headquarters Project. On March 12, 2009, USACE-TAN modified the contract to limit the Archi project to construction of force-protection measures—perimeter walls, guard towers, main and secondary entry-control points, a guard shack, and a guard house—which reduced the Archi project total from \$703,331 to \$289,185. For this inspection, we assessed whether (1) construction had been completed in accordance with the contract and (2) the facilities were being used as intended and maintained.

# SIGAR OVERSIGHT ACTIVITIES

## FINDINGS

The force-protection measures—such as the perimeter walls and guard towers—built under the March 2008 contract between USACE-TAN and Swiz Hewadwal Joint Venture appeared well constructed. However, SIGAR was unable to determine whether they had been built in accordance with contract requirements and applicable construction standards, because USACE officials could not locate the project’s construction files, including important documents such as the contract’s technical specifications and requirements. In addition, USACE and CSTC-A had conflicting information about the project’s cost. Moreover, while additional buildings had been constructed on the site, including barracks, bathrooms, and water and septic systems, neither USACE nor Afghan officials knew who built these additional buildings, when they were built, or how much they cost.

SIGAR found that the Archi District Police Headquarters facilities were in a state of disrepair, with an estimated 40 ANP personnel living and working in facilities with extensive mold—which can cause serious health problems—growing on the interior walls and ceilings of the barracks and bathrooms. In addition, the bathrooms were virtually unusable because of missing sink faucets, showers in disrepair, and no running water. Also, the main generator has needed repair for two years and, as a result, a small back-up generator was being used three hours per night to provide basic electricity needs.

Although operation and maintenance of the Archi District Police Headquarter was to be achieved using some of the \$800 million in maintenance contracts USACE awarded in July 2010 and using some of the \$829.1 million in funds the NTM-A/CSTC-A contributed to the MOI, SIGAR was unable to determine whether funds had been allocated or expended for the operation and maintenance of the Archi facility. Archi District Police officials told SIGAR they made repeated requests through their chain of



**Archi District Police Headquarters** has hazardous mold on walls and ceilings of living/working facilities for about 40 ANP personnel. (SIGAR photo)

command to the Provincial Chief of Police for maintenance and repairs, but none have been made. In early August 2013, Afghan police officials told SIGAR that the problems it found on its November 2012 site inspection had worsened. For example, the facility's water well no longer worked, requiring water to be trucked to the site twice a week.

## **RECOMMENDATIONS**

SIGAR is making one recommendation: the Deputy Commanding Generals of NTM-A and CSTC-A should determine why U.S. funds provided directly to the Afghan Ministry of Interior for O&M of the ADPH have not been used to maintain the facility.

## **AGENCY COMMENTS**

In response to SIGAR's recommendation, CSTC-A outlined steps it is taking to work with the Afghan government to help it become self-sufficient through proper budgeting and prudent financial stewardship. SIGAR commended CSTC-A for these steps, but maintained that a determination should be made as to why the Archi Police District Headquarters facility had still not received O&M funding from the Afghan Ministry of Interior, as requested by officials at the site.

## **Inspection 14-6: Gardez Hospital: After Almost Two Years, Construction Not Completed Because of Poor Contractor Performance, and Overpayments to the Contractor Need to be Addressed by USAID**

In January 2008, USAID entered into a \$57 million cooperative agreement with the International Organization for Migration (IOM) to implement the Construction of Health and Education Facilities program. The program's objective was to help increase access to healthcare for Afghan citizens through the design and construction of hospitals and midwife training centers throughout Afghanistan, including a 100-bed hospital in the town of Gardez, Paktiya province.

In May 2010, IOM awarded a contract to Sayed Bilal Sadath Construction Company (SBSCC), an Afghan company, for \$13.5 million to build the new Gardez hospital. The contract's original November 24, 2011, completion date was extended to June 30, 2013, and its value increased to \$14.6 million. In April 2011, USAID awarded a contract to IRD for nearly \$97 million—a follow-on to an existing contract—to provide independent quality assurance services for ongoing and planned design, construction, and maintenance projects, including Gardez hospital. In an April 2013 audit report on health services in Afghanistan, SIGAR noted that the Afghan government may not be able to sustain the new Gardez hospital once it is completed and that the new hospital's annual operation and maintenance costs could exceed five times the annual operating costs for the hospital it will replace.

# SIGAR OVERSIGHT ACTIVITIES

SIGAR conducted its inspection on November 25, 2012, and assessed (1) the extent to which construction had been completed, and (2) whether adequate oversight was being provided to ensure that the terms of the cooperative agreement and contract were being met.

## FINDINGS

Construction of the new 100-bed hospital in Gardez is currently about 23 months behind its original schedule. In March 2011, the USAID Office of Inspector General reported that facilities being constructed under the Construction of Health and Education Facilities program—including Gardez hospital—had fallen significantly behind schedule. During construction, the IOM granted the construction contractor five extensions through June 30, 2013, but when a sixth extension to October 31, 2013, was requested, IOM terminated the contract for failure to perform. According to USAID, the ability to complete construction of the Gardez hospital has been seriously hampered by the facility's remote location and by an active insurgency. USAID has granted IOM an extension until December 31, 2013, to complete the project. Because the facility was largely incomplete at the time of inspection, SIGAR could not thoroughly assess the quality of construction.

SIGAR also found that IOM did not have sufficient internal controls to detect overpayments of at least \$507,000 to SBSCC, which need to be returned to the U.S. government. In one instance, SIGAR found that IOM paid the contractor \$300,000 for 600 gallons of diesel fuel—a cost of \$500 per gallon. According to IOM officials, the market price in Afghanistan for diesel fuel should not exceed \$5.00 per gallon. As a result, with a proper invoice, the fuel charge should not have exceeded \$3,000. In another instance, IOM paid \$220,000 for an automatic temperature control device that should have cost between \$2,000 and \$10,000. IOM could not provide SIGAR with a vendor invoice for either of these payments. USAID did not discover the overpayments and reimbursed IOM for these unwarranted costs.

## RECOMMENDATIONS

SIGAR recommends that the USAID Mission Director (1) seek reimbursement from IOM of the \$507,000 in overpayments for diesel fuel and temperature control devices; and (2) conduct a detailed financial audit of the costs associated with construction of Gardez Hospital to determine whether there are additional overpayments that need to be returned to the U.S. government.

## AGENCY COMMENTS

USAID concurred with the second recommendation, and stated that it intends to conduct a financial audit of the costs associated with this activity. USAID also stated that, pending the results of this audit, it would recover



**SIGAR inspectors examine** the construction still in progress at Gardez Hospital. (SIGAR photo)

any contractor payments, if appropriate, in accordance with SIGAR's first recommendation.

## **Inspection 14-7: Justice Center in Parwan Courthouse: Poor Oversight Contributed to Failed Project and Action May Be Needed to Avoid Unnecessary Costs to the U.S. Government**

Under a December 2010 agreement between the State Department's Bureau of International Narcotics and Law Enforcement Affairs (INL) and DOD's Combined Joint Interagency Task Force-435 (CJIATF-435), INL agreed to provide up to \$10 million to construct the Justice Center in Parwan (JCIP) complex in Parwan province. On June 13, 2011, the Bagram Regional Contracting Center (BRCC) awarded CLC Construction Company (CLC) a \$2.38 million firm-fixed price contract to build the JCIP courthouse, the centerpiece of 11 buildings in the complex. The contractor was given 155 days to complete the project after the notice to proceed was issued on July 16, 2011. On November 11, 2011, the contract was modified to increase the height of the courthouse ceilings, which increased the contract value to \$2.67 million.

This inspection assessed (1) whether construction of the courthouse was completed in accordance with contract requirements and applicable construction standards and (2) the U.S. government's management of the JCIP courthouse construction contract.

### **FINDINGS**

Construction of the JCIP courthouse has not been completed and the workmanship of the construction that has been done to date is poor. For example, in its May 2013 inspection, SIGAR observed numerous cracks in the concrete, incomplete pours of concrete and rebar bound with wire instead of being welded that could lead to structural failure. In January 2012, INL and the Department of Defense's CJIATF-435, which both funded the project, conducted inspections and found construction flaws, including the use of inferior building materials. Based on the results of these inspections, in mid-January 2012, the Department of Defense's BRCC issued CLC a Stop-Work Order. Subsequently, in March 2012, the U.S. Army Corps of Engineers conducted an inspection and recommended terminating and re-bidding the courthouse contract.

CJIATF-435's oversight of the construction project was not conducted as required. The project fell behind schedule quickly and SIGAR found no evidence that the project's contracting officer representative (COR) conducted monthly reviews or submitted reports to the BRCC contracting officer as required. In fact, the COR, who had military experience as a construction engineering supervisor, told SIGAR that he felt unqualified to determine whether the contractor was performing according to the contract.

# SIGAR OVERSIGHT ACTIVITIES

In June 2013, BRCC notified CLC that the JCIP courthouse contract was being terminated for convenience, which gives the U.S. government the right to terminate a contract without cause. At the time, CLC had been paid \$396,000. Because the contract was terminated for convenience rather than default, CLC could have requested the amount remaining on the contract, or about \$2.2 million. A draft of this report recommended reviewing the decision to terminate for convenience and taking action to address the contractor's failure to complete the project according to the terms of the contract. On October 3, 2013, CENTCOM's Joint Theater Support Contracting Command rescinded the contract's termination for convenience and issued a termination for default. SIGAR considers this action as meeting the intent of its recommendation and, accordingly, deleted this recommendation from the final report.



**Failure risk at Parwan Justice Center:** rebar bound with wire instead of being welded. (SIGAR photo)

## RECOMMENDATIONS

SIGAR recommends that the Commander, U.S. Central Command, and the U.S. Secretary of State identify the reasons poor oversight occurred and establish processes to ensure this problem does not reoccur.

## AGENCY COMMENTS

SIGAR received comments from INL and CENTCOM's Joint Theater Support Contracting Command (C-JTSCC). INL and C-JTSCC concurred with the recommendation to strengthen oversight and noted the steps they are taking to implement this recommendation.

## Inspection 14-10: Walayatti Medical Clinic: Facility Was Not Constructed According to Design Specifications and Has Never Been Used

On February 1, 2011, Joint Task Force Kabul, within U.S. Forces-Afghanistan, awarded a \$194,572 Commander's Emergency Response Program (CERP) contract to Bonyad Watan Limited Construction Company. The contract called for a 180-day period of performance to construct a new medical clinic consisting of three structures—a single-story, 11-room medical clinic; a guard tower; and a latrine—in the village of Walayatti in Kabul province.

For this inspection, SIGAR assessed whether (1) construction was completed in accordance with contract requirements and applicable construction standards, and (2) the facilities were being used as intended and being sustained.

## FINDINGS

SIGAR's inspections found that none of the three structures built for the Walayatti clinic was constructed according to the design specifications. For example, the latrine was built as one room with four stalls, instead of two

# SIGAR OVERSIGHT ACTIVITIES



**At Walayatti Medical Clinic,** no structures were built to specifications, or are occupied. (SIGAR photo)

separate rooms with two stalls each, which would have allowed for simultaneous use by both genders. In addition, a 120-kilowatt generator and two water heaters were missing, and critical documents were missing from the project's construction files, including approvals of deviations from contract specifications and documentation of project oversight. SIGAR has previously reported on the problem of missing CERP project documentation and, while some improvements have been made in project accountability, missing documents for this project indicate that it is still a problem.

SIGAR also found that the clinic was empty and had never been used. Joint Task Force Kabul and the Afghan MOPH signed an agreement for the MOPH to staff and equip the clinic upon official transfer of the facility to the Afghan government. However, an MOPH official told SIGAR that he was unaware of the existence of a signed agreement. Moreover, the official said the clinic was not included in the MOPH's operation and maintenance plan because the U.S. government failed to coordinate with MOPH's policy and planning directorate and had not officially transferred the facility to the Afghan government. The project's files contain no documentation of the project's transfer to the Afghan government after construction was completed.

## RECOMMENDATIONS

SIGAR made a number of recommendations to address the problems identified in this inspection.

## AGENCY COMMENTS

At the time this report went to press, the agencies were finalizing their comments on the draft of this audit report. The final audit report, including agency comments and SIGAR's response to them, can be found on SIGAR's website at [www.sigar.mil](http://www.sigar.mil).

## STATUS OF SIGAR RECOMMENDATIONS

The Inspector General Act of 1978, as amended, requires SIGAR to report on the status of its recommendations. This quarter, SIGAR closed three recommendations contained in Inspection 13-1 of the Kunduz ANA garrison. From 2009 through September 2013, SIGAR published 101 audits, alert, and inspection reports and made 335 recommendations to recover funds, improve agency oversight, and increase program effectiveness. SIGAR has closed just over 62% of these recommendations. Closing a recommendation generally indicates SIGAR's assessment that the audited agency has either implemented the recommendation or otherwise appropriately addressed the issue. In some cases, a closed recommendation will be the subject of follow-up audit work.

The Inspector General Act of 1978, as amended, also requires SIGAR to report on any significant recommendations from prior reports on which corrective action has not been completed. In this quarter, SIGAR

continued to monitor agency actions on recommendations in 39 audit and inspection reports.

There are two audit reports over 12 months old that are pending resolution. SIGAR is currently reviewing recent agency activity for both audit reports, which may allow SIGAR to consider closing a number of report recommendations. Audit 11-13, *Limited Interagency Coordination and Insufficient Controls over U.S. Funds in Afghanistan Hamper U.S. Efforts to Develop the Afghan Financial Sector and Safeguard U.S. Cash*, was published on July 20, 2011. The audit, discussed in a prior SIGAR quarterly report, contains four recommendations. One was directed to the U.S. Ambassador to improve interagency coordination on financial sector development programs; the other three were directed at the Secretaries of State and Defense to strengthen oversight over the flow of U.S. funds through the Afghan economy. Audit report 12-12, titled *Fiscal Year 2011 Afghanistan Infrastructure Fund Projects Are Behind Schedule and Lack Adequate Sustainment Plans* was published July 30, 2012. The audit contains nine recommendations to enhance joint decision making, coordination, and oversight among U.S. government agencies implementing Afghanistan Infrastructure Fund projects. The recommendations were also directed at the timely completion of congressional notifications and reports, and the receipt or transfer of appropriated funds.

For five other audit and inspection reports that remain open over 12 months, the recommendations are considered resolved and SIGAR is waiting for the agreed upon resolution actions to be completed. The reports were discussed in prior SIGAR quarterly reports.

## SPECIAL PROJECTS

During this reporting period, SIGAR's Office of Special Projects issued a report on the U.S. government's lack of a strategic plan and mechanisms to fight corruption in Afghanistan. The Office of Special Projects also inquired about State, DOD, and USAID's plans to ensure adequate oversight for the U.S.-funded reconstruction in Afghanistan in the aftermath of the Coalition troop drawdown.

### **SP-13-9: U.S. Anti-Corruption Efforts: A Strategic Plan and Mechanisms to Track Progress Are Needed In Fighting Corruption in Afghanistan**

In August 2010, SIGAR reported that the United States had provided more than \$50 billion in reconstruction assistance to Afghanistan without the benefit of a comprehensive anticorruption strategy, and that U.S. anticorruption efforts had provided relatively little assistance to some key Afghan institutions. Since that time, an additional \$46 billion has been appropriated for reconstruction in Afghanistan.

### COMPLETED SPECIAL PROJECT REPORTS

- Special Project 13-9: Anti-Corruption Efforts: A Strategic Plan and Mechanisms to Track Progress Are Needed in Fighting Corruption in Afghanistan
- Special Project 14-4: Oversight Access Inquiry

# SIGAR OVERSIGHT ACTIVITIES

This review was initiated to follow up on the findings of the 2010 report, specifically on the Department of State's establishment of a comprehensive anticorruption strategy and to evaluate progress the United States has made in meeting its anticorruption goals in Afghanistan. The objectives were to (1) identify the U.S. strategic goals and objectives for reducing corruption in Afghanistan, and (2) assess the overall progress that U.S. agencies have made against those goals and objectives.

## **FINDINGS**

U.S. anticorruption activities in Afghanistan are not guided by a comprehensive U.S. strategy or related guidance that defines clear goals and objectives for U.S. efforts to strengthen the Afghan government's capability to combat corruption and increase accountability. State never finalized the draft 2010 U.S. anticorruption strategy for Afghanistan and, according to agency officials, the draft strategy and its related implementation plan are no longer in effect. In the absence of a relevant and specific anticorruption strategy, agency officials informed us that two documents guide their current anticorruption efforts: the Tokyo Mutual Accountability Framework and the U.S. Civil-Military Strategic Framework for Afghanistan. However, SIGAR found that both documents lacked specific goals and objectives with measurable outcomes for anticorruption activities against which the U.S. government can measure its progress.

As the U.S. military and civilian presence in Afghanistan is reduced, U.S. agencies plan to continue to implement programs and activities to increase the Afghan government's accountability and ability to combat corruption. To oversee these programs and activities, senior leadership at the U.S. Embassy Kabul made an effort to coordinate the agencies' various anticorruption programs and related efforts by establishing three anticorruption working groups in 2012. These working groups coordinate agencies' activities under the broad goals of building Afghan government institutional capacity, improving financial regulation and public financial management, and enhancing revenue generation. However, these groups do not measure the medium- or long-term progress of their programs against comprehensive anticorruption goals. As a result, State and Embassy Kabul remain unable to assess the overall progress the U.S. government has made to improve the Afghan government's capacity to combat corruption.

## **RECOMMENDATIONS**

SIGAR recommended that the Secretary of State: (1) develop and approve a comprehensive, coordinated strategy for U.S. anticorruption efforts in Afghanistan, including goals, objectives, and measurable outcomes; and (2) develop an updated operational plan for the implementation of the anticorruption goals and objectives that identifies benchmarks and timelines

for the accomplishment of these goals and accounts for the needed funding and personnel resources.

In response to this report, State agreed with the importance of establishing clear objectives and benchmarks in order to measure outcomes. In addition, as a result of our findings, State is developing a targeted set of anticorruption objectives, benchmarks, and plans against which U.S. efforts and resources will be directed and assessed.

#### **SP-14-4: Oversight Access Inquiry**

On October 10, 2013, SIGAR wrote to the Secretaries of State and Defense and to the Administrator of USAID to inquire about their plans to ensure adequate oversight for the U.S.-funded reconstruction in Afghanistan in the aftermath of the Coalition troop drawdown. U.S. military officials have informed SIGAR that they can provide civilian access only to areas within a one-hour round trip of an advanced medical facility and that requests to visit reconstruction sites outside of these oversight-access areas will probably be denied. See the quarterly highlight on pages 46–47 for further information.

## OVERSIGHT ACCESS CHALLENGES

SIGAR has been concerned about the implications of the Coalition troop drawdown for ensuring adequate oversight of the U.S.-funded reconstruction effort in Afghanistan ever since Special Inspector General John F. Sopko was appointed more than a year ago.

SIGAR personnel have already experienced difficulty obtaining military escort to travel into contested areas. For example, earlier this year SIGAR was unable to visit infrastructure projects in northern Afghanistan valued at \$72 million because they are located in areas that could not be reached by U.S. civilian employees. U.S. military officials have told SIGAR that in the future they can provide civilian access only to areas within a one-hour round trip of an advanced medical facility. Although exceptions can be made, most requests to visit reconstruction sites outside of these oversight-access areas will probably be denied. Similarly, State Department officials have warned SIGAR that their ability to reach reconstruction sites will be extremely limited due to constraints on providing emergency medical support without assistance from the Department of Defense.

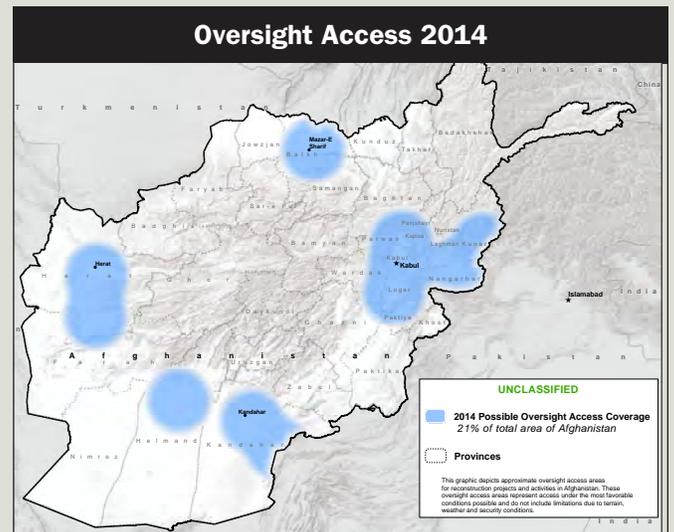
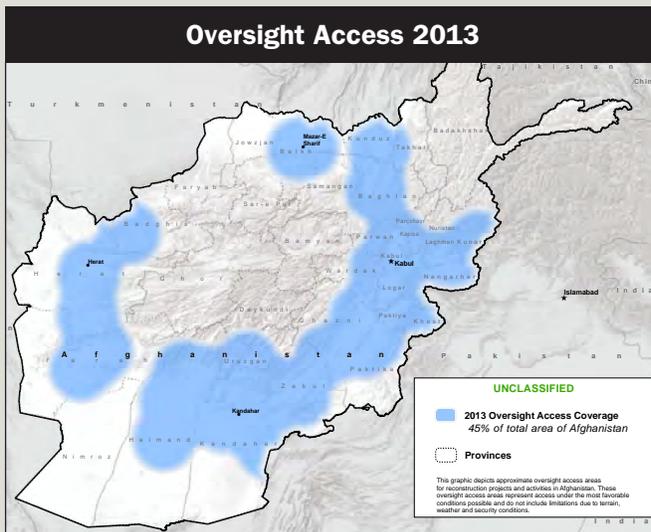
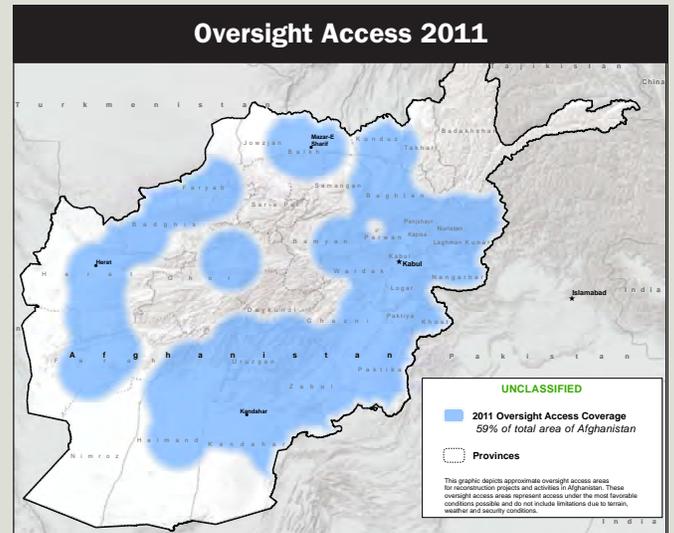
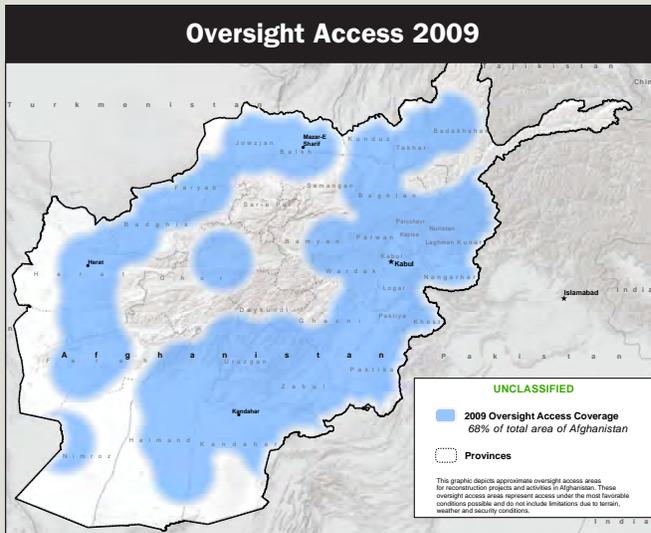
SIGAR believes this constraint on oversight will only worsen as more U.S. and Coalition bases close. Although it is difficult to predict the future of the U.S. presence in Afghanistan, it is likely that no more than 21% of Afghanistan will be accessible to U.S. civilian oversight personnel by the end of the transition, a 47% decrease since 2009.

U.S. military and civilian officials are working hard to develop alternative means to help protect the U.S. taxpayers' investment. For example, the USAID mission in Afghanistan is exploring how to use third-party monitors to help oversee reconstruction sites. Additionally, State Department personnel are contemplating how to expand oversight access by periodically deploying emergency medical and security forces to the edge of the oversight access areas.

To help the U.S. prepare for these challenges, SIGAR will conduct audits and begin other initiatives to examine the consequences of restricted oversight in Afghanistan. SIGAR has also written to the Secretaries of State and Defense and to the Administrator of USAID to inquire about their plans to ensure adequate oversight for the U.S.-funded reconstruction in Afghanistan. SIGAR also plans to convene a panel in the coming months of oversight and implementing agencies, non-governmental organizations, and others to discuss best practices for third-party monitoring, remote monitoring, and other alternatives to traditional oversight.

# QUARTERLY HIGHLIGHT

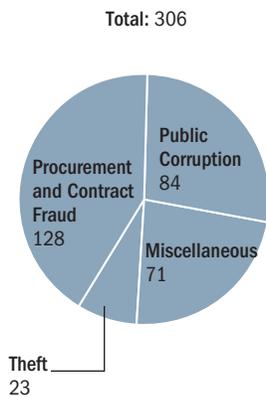
## SHRINKING OVERSIGHT ACCESS TO AFGHANISTAN 2009–2014



Sources: U.S. Army Geospatial Center, 9/25/2013, based on open outposts and medical facilities for 2009, 2011, and 2013, and SIGAR projections for open outposts and medical facilities at the end of 2014. The approximate oversight access areas represent access under the most favorable conditions possible and do not include limitations due to terrain, weather, and security conditions.

FIGURE 2.2

**SIGAR INVESTIGATIONS: NUMBER OF OPEN INVESTIGATIONS, AS OF SEPTEMBER 30, 2013**



Source: SIGAR Investigations Directorate, 10/10/2013.

## INVESTIGATIONS

In this quarter, SIGAR investigations resulted in \$63 million in fraudulently obtained funds being frozen, more than \$1.5 million being protected, \$344,000 being recovered, and \$10,000 saved. In the United States, SIGAR investigations led to two arrests, three sentences, more than \$95,000 in fines and restitution ordered, two indictments, one criminal information, a criminal complaint, and four guilty pleas. In Afghanistan, five Afghan citizens were arrested following SIGAR investigations.

During this reporting period, SIGAR initiated 64 new cases and closed 47 bringing the current number of active investigations to 306, of which SIGAR is the lead agency on 249, as shown in Figure 2.2. SIGAR also referred 14 individuals and 17 companies for suspension and debarment based on evidence developed as part of investigations the agency conducted in Afghanistan and the United States.

## \$63 Million in Fraudulently Obtained Criminal Proceeds Frozen

A SIGAR investigation of corruption in Afghanistan led the U.S. government for the first time to attempt to seize funds held by an Afghan contractor in an Afghan bank. The Department of Justice (DOJ) in recent months froze more than \$63 million in fraudulently obtained criminal proceeds located in bank accounts held in Afghanistan and in correspondent banks in the United States and abroad. The bank accounts are owned by Hikmatullah Shadman, an Afghan trucking contractor, who allegedly defrauded the U.S. government of more than \$77 million by jacking up the price to deliver U.S. military supplies.

SIGAR determined that beginning as early as November 2010 and continuing until at least March 2012, Hikmatullah conspired to obtain illegal payments for transporting U.S. military supplies. The contracts to resupply the U.S. military covered at least 5,421 transportation missions, valued at \$77,920,605. Hikmatullah allegedly paid bribes and kickbacks and manipulated contract bids to obtain them.

A U.S. judge issued seizure warrants for more than \$77 million held in Hikmatullah's accounts at Afghanistan International Bank (AIB). The seizure warrants were sent to the Afghan government in accordance with the United Nations Convention Against Corruption, as a mutual legal assistance request. In addition, the judge issued arrest warrants *in rem*—directed against an object or asset, as distinct from an *in personam* warrant against a person—and transmitted them to the Afghan government with a request to freeze the accounts. AIB froze two of the accounts at the direction of the Afghan Attorney General's Office (AGO) in response to the U.S. request. However, in April 2013, the United States learned that the freeze on the AIB accounts had been lifted and that Hikmatullah had transferred the money out of the AIB accounts to accounts at Bank Alfalah and Emirates NBD Bank in the United Arab Emirates. In May 2013, DOJ filed an amended

verified complaint for forfeiture of the assets transferred out of AIB bank, and the U.S. District Court, District of Columbia, issued arrest warrants *in rem* against those funds in the interbank accounts.

## **A U.S. Sergeant First Class and a Former U.S. Soldier Plead Guilty to Fuel Theft Scheme**

On August 29, 2013, Sergeant First Class Bilal Abdullah pled guilty in the U.S. District Court of the Western District of Kentucky to charges of bribery and conspiracy to commit bribery, while on September 5, 2013, Stephanie Charboneau pled guilty in the U.S. District Court of Denver to the same charges. The guilty pleas from Abdullah and Charboneau, a former Specialist in the U.S. Army, make a total of five convictions resulting from a SIGAR investigation of a fuel theft scheme at Forward Operating Base (FOB) Fenty in Afghanistan. The investigation revealed that Abdullah, Charboneau, Sergeant Christopher Weaver, and Jonathan Hightower, a former contractor, all conspired with Afghan nationals to help them steal fuel from the base in exchange for cash.

Early on in the investigation, 13 search warrants were executed for the suspects' email and social media accounts. After reviewing the contents, agents of SIGAR, the Federal Bureau of Investigation (FBI), U.S. Army Criminal Investigation Command (CID), and the Defense Criminal Investigative Service (DCIS) developed probable cause to obtain and execute search warrants at the homes of Weaver and Charboneau in Colorado and Hightower in Texas. During the course of these searches, Weaver, Charboneau, and Hightower all admitted to conspiring with an Afghan representative of the company Afghan American Army Services to facilitate the theft of fuel from FOB Fenty. Weaver and Hightower also implicated Staff Sergeant Bilal Abdullah in the same scheme. When SIGAR interviewed Abdullah in June 2012, he admitted receiving \$50,000 in bribes from Afghan contractors. Weaver and Hightower have already been prosecuted. Abdullah's sentencing is expected in January 2014.

## **U.S. Military Member Sentenced for Wire Fraud and Theft**

On August 15, 2013, Christopher Chase Bradshaw was sentenced in the U.S. District Court for the Southern District of Mississippi to serve three months in prison and three years of supervised release. Bradshaw pled guilty in June to one count of conspiracy to commit wire fraud and one count of theft of government property. The first three months of his release will be on electronic monitoring, on each of the two counts, to be served concurrently. He was also ordered to pay \$32,300 in restitution, \$7,500 in fines, and \$200 in special assessments.

An army reservist who served as a finance-office cashier at FOB Salerno in Afghanistan from April 2010 to March 2011, Bradshaw used his position to add stored cash value to his military debit card and to those of two

# SIGAR OVERSIGHT ACTIVITIES

co-conspirators. Bradshaw added about \$32,300 in stored value to the cards, but failed to report those transactions in the daily transaction report which was electronically submitted daily from Afghanistan to the Federal Reserve Bank in Boston.

Bradshaw was ordered to surrender himself to the authorities by November 15, 2013.

## **Investigation Results In Over \$1.5 Million Protected**

In July 2013, SIGAR opened an investigation into allegations that an Afghan-owned transportation company, Quick Logistics Transportation, had submitted false transportation movement requests (TMRs) for dry- and heavy-cargo missions at Camp Phoenix. The initial allegations indicated that 120 fraudulent TMRs valued at approximately \$450,000 were suspect, but further investigation identified as many as 421 fraudulent TMRs with a combined value of over \$1.5 million. The General Support Contracting Center at Camp Phoenix denied payment for the TMRs and notified Quick Logistics Transportation that its contract may be terminated.

## **Recovered Stolen Equipment Saves \$300,000**

SIGAR helped to recover three generators for the U.S. government valued at \$302,510. SIGAR launched its investigation after receiving information that employees of an Afghan construction company were stealing building supplies, scrap metal, and shipping containers from military yards at Camp Leatherneck and selling the property to other contractors. Five generators were reported stolen from the Class Four lot at Camp Leatherneck in June 2012 and Zikrullah Shahim, a translator for 77 Construction Company, was identified as the prime suspect. A SIGAR Special Agent and the AGO interviewed Shahim. He admitted to stealing the generators and selling three of them to a local scrap metal dealer.

The local scrap metal dealer subsequently sold the three generators to a local contractor, who then sold them to Blackwood Construction Company. The company then sold Camp Leatherneck a set of 19 generators in July 2012. A subsequent inventory revealed that the set included the three generators previously reported as stolen. The AGO arrested Shahim and placed him in jail without bond at Lashkar Gah. He is currently awaiting trial there. The AGO continues to search for the scrap metal dealer. On September 16, 2013, the Department of the Army debarred Shahim from contracting with the U.S. government until May 7, 2018.

## **Afghan National Arrested and \$42,000 in Stolen Lumber Recovered**

On July 9, 2013, SIGAR and Afghan law-enforcement agents investigating theft at Bagram Airfield (BAF) observed an Afghan truck driver loading wood valued at approximately \$41,640 from the construction supply yard.

The truck driver then presented a fraudulent TMR for the wood at the BAF exit-control point. When agents stopped and questioned him, the driver claimed that an unknown Afghan outside the airfield had hired him to drive the truck onto BAF, load the materials, and return the truck to him. The driver said he had done this on several prior occasions and been paid 2,000 afghani (roughly \$35) each time.

The Afghan prosecutor and investigator working with SIGAR attempted to escort the driver to the holding place outside BAF where he said he had met the truck's owner. However, SIGAR suspended the operation when BAF came under indirect fire, allowing the truck owner to leave the area before SIGAR agents could apprehend him. The AGO and the ANP later took the driver into custody. The truck containing the stolen lumber was seized and is currently being kept at the holding yard at BAF. SIGAR will continue to work this investigation with the Attorney General's Office in Parwan Province.

## **Tennessee Couple Indicted for Steering \$6.9 Million in Proceeds from DOD Subcontracts**

A federal grand jury indicted Keith Johnson and Angela Johnson on charges of conspiracy to commit wire fraud and substantive wire fraud for their alleged role in a scheme to steer \$6.9 million in military subcontracts through kickbacks and the use of assumed names. According to the indictment, the married couple, both of Maryville, TN, used part of the proceeds of the scheme to purchase, among other items, several luxury vehicles and more than \$191,000 in jewelry.

SIGAR, DCIS, FBI, and Army CID opened their investigation after an Army CID report alleged that Keith Johnson, a program manager for a U.S. contractor, and his family members were steering supply contracts and rigging bids to award contracts to a company owned and operated by Angela Johnson and another relative. Keith Johnson allegedly had his wife establish a separate company and then positioned her as the sales manager. The report also alleged that close associates of the Johnson couple had established other companies to allow Keith Johnson to steer contracts to them. The associates then reportedly paid kickbacks to Keith Johnson through a shell company operated in the name of Johnson's relative.

## **DOD Contractor Sentenced for Theft of U.S. Funds**

On August 7, 2013, a former DOD contractor, Lavette Domineck, appeared in U.S. District Court for the Eastern District of North Carolina and was sentenced to three years supervised probation, a \$500 fine, and \$3,239 in restitution. After a SIGAR investigation, Domineck pled guilty in November 2012 to a charge of theft of U.S. government funds. While working in Afghanistan, Domineck defrauded the U.S. government by having another person telephone the Fayetteville, NC, office of the American Red

Cross to falsely claim that her brother had died in Milwaukee, WI. After the American Red Cross transmitted this false death notification to Afghanistan, Domineck used it to claim and obtain advance paid leave and travel benefits to attend the non-existent funeral. The claimed costs were fraudulently billed to the U.S. government.

## **Former U.S. State Department Contractor Convicted**

On September 19, 2013, in the District of Delaware, Kenneth Michael Brophy, a former U.S. State Department contractor, pled guilty to count two of his indictment, receipt of an illegal gratuity by a public official. The court accepted the plea agreement as well as Brophy's recommended sentence of six months incarceration, six months supervised release, and forfeiture of \$30,000, an amount equal to the gratuity he accepted. Additionally, the \$5,500 seized from Brophy and retained by SIGAR as evidence was forfeited to partially pay his court-ordered forfeiture.

The U.S. Embassy Kabul employed Brophy from November 2009 to May 2010 to supervise contracts for a prison-renovation project, among other things. Brophy accepted a \$30,000 payment from one of the Afghan companies he was supervising on the prison contracts. The Afghan contractor reportedly sought Brophy's help in prosecuting a claim against USACE for the termination of its contracts. Brophy personally lobbied a USACE official, assisted in drafting documents to be submitted to USACE, and provided general advice regarding the Afghan company's communications with USACE. Also, Brophy initially provided false statements to federal officials about the gratuity payment.

On April 29, 2013, the State Department suspended Brophy from further contracting with the U.S. government. A final debarment decision based on Brophy's criminal conviction is currently pending.

## **Afghan Contractor Arrested For Failure to Install Culvert Denial Systems**

On July 22, 2013, Bismillah Ahmaszai, president of Muneeb Brothers Construction Company (MBCC), was arrested on fraud charges by the AGO prosecutor in Kabul. An investigation by SIGAR and the AGO determined that MBCC submitted fraudulent documents to U.S. government claiming to have installed culvert-denial systems along a critical stretch of highway in Ghazni province. The systems were meant to prevent insurgents from planting improvised explosive devices (IEDs) in the culverts. SIGAR confirmed that the denial systems MBCC invoiced for were never built and concluded that this led to the creation of a zone in which insurgents planted IEDs aimed at killing U.S. troops.

## U.S. Contractor Employee Sentenced for Kickbacks and Wire Fraud

On August 22, 2013, Elton Maurice McCabe III was sentenced to 10 months incarceration after being found guilty of conspiring to commit wire fraud and receive illegal kickbacks. Upon completion of his jail time, McCabe will be on supervised release for a period of two years. The judge in the Eastern District of Louisiana also imposed a civil forfeiture of \$60,000 and a special assessment of \$100 on him.

From June through December 2009, McCabe worked in Afghanistan for an American company while maintaining a residence in Slidell, LA. During that time, McCabe was assigned to subcontract four construction projects at Kandahar Airfield, including one to build an apron between the runway and the hangars.

McCabe awarded the apron subcontract at a value of \$3.2 million. At the time of the award, he asked the subcontractor for what he called a \$60,000 “loan.” Although McCabe called the payment a loan, he and the subcontractor established no repayment conditions or terms of interest. On July 18, 2009, the subcontractor gave McCabe \$7,000 in cash. On July 22, 2009, the subcontractor wire-transferred an additional \$53,000 from Beirut, Lebanon, to the Louisiana bank account of McCabe’s wife. The bank’s transfer form noted that the money was “to buy a vehicle from McCabe’s wife.”

McCabe was arrested in December 2012 at his Louisiana residence by special agents from SIGAR, DCIS, FBI, Army CID, and the Air Force Office of Special Investigations. He pled guilty in May 2013 to one count of conspiracy to commit offenses against the United States.

## Three Afghan Nationals Arrested for Assault and Robbery

On July 19, 2013, the AGO arrested three Afghans for assault and robbery as part of an investigation by SIGAR into bribery at BAF. The three Afghans, Zomir Shah, Kham Zarine, and Rohulla, allegedly robbed and beat an Afghan truck driver who refused to pay them a bribe to enter BAF on July 18.

The men worked for Naseeb Qurishi Construction Company, a contractor hired to provide personnel to collect documentation from truck drivers waiting to enter the BAF gates. Known as “wranglers,” they collected documentation from drivers waiting to enter BAF at nine “cool-down” parking lots across from the base. The wranglers then gave the documentation to military personnel assigned to the BAF entry control point. The company’s contract specifically states that the wranglers are not to solicit bribes. However, SIGAR’s investigation determined that truck drivers could not enter BAF without paying the Naseeb Qurishi Construction Company a bribe. The wranglers reportedly told the drivers that the more money they paid, the sooner they would be allowed access to the airfield. Meanwhile, drivers who refused to pay bribes sat outside BAF for more than 30 days at a time.



**SIGAR agents** approaching an Afghanistan-Uzbekistan border crossing. (SIGAR photo)

# SIGAR OVERSIGHT ACTIVITIES



**SIGAR agents** at the firing range in Afghanistan. (SIGAR photo)

SIGAR and an AGO investigator interrogated the wranglers after the beating incident on July 18. Agents learned that Mohammad Nazir, the brother of the owner of Naseeb Qurishi Construction Company, was the on-site wrangler supervisor and the primary person behind the bribe solicitations. On July 27, the AGO investigator summoned Nazir for interview and arrest. The investigation is ongoing.

## Investigation Results in \$10,000 Savings

SIGAR initiated an investigation following allegations that Khalil Rahimi Construction Company (KRCC) had submitted a false invoice for about \$10,000 in March 2013 for the last payment for the 2011 construction of a training building at FOB Fenty. The construction management consultant at the Regional Contracting Office-Fenty, where the invoice had been submitted, visited the facility. He found that it had not been completed and the work that had been done was not acceptable. SIGAR interviewed the camp commandant at Camp Duffman at the time of the construction. She reported that she signed an invoice for KRCC in July 2011, covering work done in June 2011. However, she said she had never signed an invoice for the final payment to KRCC and that her signature on the document had been forged.

In July 2013, an assistant command judge advocate advised that KRCC's final request for payment had been denied based on SIGAR's investigation. The judge advocate also reported that a claim against the contractor for \$11,308 has been initiated.

KRCC officials were not available for interview as they are currently in Pakistan.

## Suspensions and Debarments

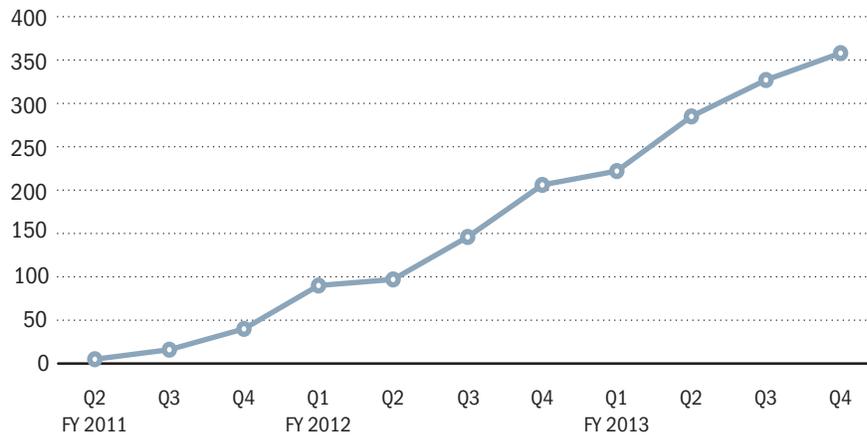
This quarter, SIGAR's suspension and debarment program referred 14 individuals and 17 companies for suspension or debarment based on evidence developed as part of investigations conducted by SIGAR in Afghanistan and the United States. Of these 31 contractors, 13 individuals and seven companies were referred for debarment based on allegations that they engaged in fraud and non-performance in connection with five contracts valued at \$174,687,292. An additional 10 individuals were referred for suspension based on allegations related to the payment of kickbacks and wire fraud related to transportation purchase orders valued at \$77,920,605. Since 2008, SIGAR has made 358 referrals—196 individuals and 150 companies—for suspension or debarment, as shown in Figure 2.3. As of the end of September 2013, SIGAR's efforts to utilize suspension and debarment to address fraud, corruption, and poor performance in Afghanistan have resulted in a total of 61 suspensions and 94 finalized debarments of individuals and companies engaged in U.S. funded reconstruction projects.

Suspensions and debarments—actions taken by U.S. agencies to exclude companies or individuals from receiving federal contracts or assistance

# SIGAR OVERSIGHT ACTIVITIES

FIGURE 2.3

## SIGAR INVESTIGATIONS: CUMULATIVE REFERRALS FOR SUSPENSION AND DEBARMENT, Q2 FY 2011–Q4 FY 2013



Source: SIGAR Investigations Directorate, 10/3/2013.

because of misconduct—are an important tool for ensuring that agencies award contracts only to responsible entities. SIGAR’s program addresses three challenges posed by U.S. policy and the contingency contracting environment in Afghanistan: the need to act quickly, the limited U.S. jurisdiction over Afghan nationals and Afghan companies, and the vetting challenges inherent in the use of multiple tiers of subcontractors. SIGAR continues to look for ways to enhance the U.S. government’s responses to these challenges through the innovative use of information resources and investigative assets both in Afghanistan and the United States.

SIGAR makes referrals for suspensions and debarments based on completed investigations. In most cases, SIGAR’s referrals occur where there is no possibility of criminal prosecution or remedial action by a contracting office. Suspensions and debarments are therefore the primary remedy to address contractor misconduct. In making referrals to agencies, SIGAR provides the basis for a suspension or debarment decision by the agency as well as all of the documentation needed for an agency to support that decision should it be challenged by the contractor at issue. Based on the evolving nature of the contracting environment in Afghanistan and the available evidence of contractor misconduct and/or poor performance, on occasion SIGAR has found it necessary to refer individuals or companies on multiple occasions for consideration by agency suspension and debarment officials.

SIGAR increased its emphasis on suspension and debarment in 2011 in response to the contracting climate in Afghanistan. Of the 358 SIGAR

# SIGAR OVERSIGHT ACTIVITIES

referrals for suspension and debarment, 322 have been made since the second quarter of 2011. In the 15-month period between June 2012 and September 2013, SIGAR accelerated its suspension and debarment program, referring 184 individuals and companies for exclusion from contracting to agency suspension and debarment officials. SIGAR's referrals over this period represent allegations of theft, fraud, poor performance, financial support to insurgents and mismanagement as part of reconstruction contracts valued at \$417,934,161.

## **Army Proposes Debarment of State Corps Incorporated for Fraud**

On August 28, 2013, the Army proposed State Corps Incorporated, for debarment based on the submission of fraudulent misrepresentations to the government as part of its bid to obtain the award of two contracts to install electrical power systems, transmission lines and substations for the Northeast Electrical Power System (NEPS) and the Southeast Electrical Power System (SEPS) being developed in Afghanistan. These contracts, with a combined overall value of \$172,904,500, required that qualified contractors have experience with high-voltage electrical work and a history of satisfactory performance on previously awarded government contracts.

Investigations by SIGAR, the Army Procurement Fraud Branch and USACE, as well as a detailed complaint to the SIGAR Hotline, resulted in allegations that State Corps had made representations regarding its experience with high-voltage electrical work that were based on another company's performance history. The investigations also found that State Corps had misrepresented its qualifications on seven other reconstruction contracts awarded by USACE in Afghanistan, calling into question its ability to complete the NEPS and SEPS contracts according to contract requirements. A final debarment decision on this matter is currently pending with the Army.

## **Debarment of New Riders Construction Company, Maiwand Ansunullah Alyas and Three Affiliated Companies**

On September 6, 2013, as a result of a referral by the SIGAR's suspension and debarment program, the Army debarred New Riders Construction Company, Maiwand Ansunullah Alyas, and three affiliated companies. The Army based this action on the failure of New Riders Construction Company to deliver 23,302.25 cubic meters of gravel to FOB Salerno between March and May of 2012, in accordance with its contract with the U.S. government.

Subsequent investigation by SIGAR determined that, in addition to failing to perform the contract, the company had significantly underbid for the contract to obtain the award, improperly measured the amount of gravel that was delivered, attempted to have the contract price adjusted after award to a price above market cost that would allow it to realize a significant profit, and improperly charged the government for unsupported and unrelated truck rental costs.

# SIGAR OVERSIGHT ACTIVITIES

Based on SIGAR's investigation into these allegations, the Army debarred New Riders Construction Company, Alyas, and three affiliated companies for a period of 48 months.

## **Debarment of Luqman Engineering Construction Company, Ghanzi Gul, and Khan Wazir**

On September 4, 2013, based on a referral from SIGAR, the Army debarred Luqman Engineering Construction Company and two of the company's officers, Ghanzi Gul and Khan Wazir, from continued contracting with the government. The Army took this action because the company had failed to repay a \$796,903.60 overpayment made in December 2009 on a Commander's Emergency Response Program (CERP) project to build a 4.35 kilometer stretch of road to support the growing population of Jalalabad. Despite multiple attempts by the government to obtain repayment of these funds, Luqman Engineering Construction Company failed to return the money and made false statements in an attempt to conceal its receipt of this overpayment from investigators. Based on evidence presented by SIGAR, Luqman Engineering Construction Company, Ghanzi Gul, and Khan Wazir were debarred for a period of 60 months.

## **Debarment of Navid Basir Construction Company, Navidullah Matun, and Wahidullah Matun and Two Affiliated Joint Venture Companies**

On September 4, 2013, as the result of a SIGAR referral, the Army debarred Navid Basir Construction Company, Navidullah Matun, Wahidullah Matun, and two affiliated joint-venture companies for attempting to bribe a USACE official for the award of future contracts. The USACE contracting officer subsequently reported the attempted bribe to law enforcement, resulting in a criminal investigation. On September 23, 2012, undercover agents from SIGAR and the ICCTF met with Navidullah Matun and Wahidullah Matun at Camp Eggers, where they were given a package containing \$5,000 in hundred-dollar bills on behalf of Navid Basir Construction Company. Both men were subsequently arrested and charged with bribery. As a result of this evidence, all parties were debarred from contracting with the U.S. government for a period of 90 months.

## **Suspension of Former Air Force Officer Based on Unlawful Representation of a Contractor**

As the result of an investigation conducted by SIGAR, the DCIS, and the FBI, the U.S. Air Force suspended former Air Force Reserve Captain Adam Jeff Julias Pudenz, and his company, Peace Thru Business LLC, on September 17, 2013. The suspension followed Pudenz's August 21, 2013, arrest on charges of knowingly and willfully performing unlawful representational activities. Pudenz allegedly accepted employment and payments

# SIGAR OVERSIGHT ACTIVITIES

totaling \$247,993 from an Afghan footwear contractor, despite being informed by Air Force officials that he had been permanently disqualified from representing the footwear contractor due to his participating in the award of reconstruction contracts to the company between December 2011 and December 2012. Pudenz also allegedly used his Air Force Reserve identification to escort representatives from this company onto Camp Eggers and other U.S. government locations. Consequently, U.S. Forces–Afghanistan issued a letter barring him from all installations in Afghanistan. Pudenz’s criminal case is currently pending in the U.S. District Court for the Northern District of Iowa.

## **SIGAR BUDGET**

Congress appropriated \$49.9 million for SIGAR’s operating expenses through FY 2013 in the Full Year Continuing Appropriations Act 2013 (Pub. L. No. 113-6). SIGAR’s FY 2013 annual funding was then reduced, in accordance with the Office of Management and Budget direction on the implementation of sequestration, to \$48.0 million. The budget supports SIGAR’s oversight activities and products by funding SIGAR’s five directorates: (1) Audits and Inspections, (2) Special Projects, (3) Investigations, (4) Management and Support, and (5) Information Management.

## **SIGAR STAFF**

Since its last report to Congress, SIGAR increased its staff by five positions, bringing the FY 2013 total staffing number to 193 federal employees. In FY 2013, SIGAR continued to be authorized to fill 57 billets in Afghanistan. This quarter, SIGAR had 37 authorized personnel at the U.S. Embassy Kabul and 13 authorized at locations outside the U.S. Embassy. SIGAR staff members were stationed at six locations across the country, including Kandahar and Bagram airfields, Mazar-e-Sharif, Camp Leatherneck, USFOR-A headquarters in Kabul, and the U.S. Consulate in Herat. SIGAR employed three local Afghans in its Kabul office to support investigations and audits. In addition, SIGAR supports its work with staff assigned to short-term temporary duty in Afghanistan. This quarter, SIGAR had 15 personnel on temporary duty in Afghanistan for a total of 282 days.

# SIGAR OVERSIGHT ACTIVITIES



**SIGAR investigators** meet with Assistant Inspector General, Investigations, Douglas Domin, center, at U.S. Embassy Kabul. (SIGAR photo)

“The United States believes firmly that lasting security and prosperity in a unified Afghanistan and an independent Afghanistan, whose people and sovereignty are respected, will take root when the people’s voice is heard in the course of this election.”

—*Secretary of State John Kerry*