

# 2 SIGAR OVERSIGHT



## SIGAR OVERSIGHT CONTENTS

<b>Audits</b>	<b>20</b>
<b>Inspections</b>	<b>36</b>
<b>Special Projects</b>	<b>38</b>
<b>Lessons Learned</b>	<b>42</b>
<b>Investigations</b>	<b>44</b>
<b>Quarterly Highlight: SIGAR Hotline Outreach</b>	<b>46</b>
<b>Quarterly Highlight: Federal Judge Hands Down Stiff Sentences as a Result of a Bribery and Fuel Theft Conspiracy Investigation</b>	<b>52</b>
<b>Other SIGAR Oversight Activities This Quarter</b>	<b>57</b>
<b>SIGAR Budget</b>	<b>61</b>
<b>SIGAR Staff</b>	<b>61</b>

**Photo on previous page**

Special Inspector General John Sopko (right) receiving briefing at the Italian-led Train, Advise, and Assist Command-West in Herat. (SIGAR photo by Tom Niblock)

## SIGAR OVERSIGHT ACTIVITIES

This quarter SIGAR issued 17 audits, inspections, alert letters, and other products. SIGAR work to date has saved over \$2 billion.

A SIGAR performance audit found that the United Nations High Commissioner for Refugees (UNHCR) and the Department of State (State) are unable to independently verify the number of Afghan refugees reported by the Pakistani and Iranian governments, and that the Afghan Ministry of Refugees and Repatriation (MORR) has limited capacity to fulfil its obligations, despite international assistance. A second performance audit found that despite the Department of Defense's (DOD) spending about \$470 million to help support the Afghan Local Police (ALP), the ALP lack adequate logistics support, oversight, and a plan for either disbanding the force or incorporating it into the Afghan National Police (ANP).

During this reporting period, SIGAR also issued three alert letters this quarter. Two letters (one classified) expressed concerns about the fate of a command-and-control facility at Camp Brown. A third letter alerted DOD officials and U.S. military commanders of potential critical shortages of cold-weather gear for the Afghan National Defense and Security Forces (ANDSF).

This quarter, SIGAR published six financial audits; accomplishments to date include identifying more than \$280.4 million in questioned costs and \$289,880 in unremitted interest on advanced federal funds or other revenue amounts payable to the government. Furthermore, as of October 30, 2015, funding agencies had reached a management decision on 50 audits and over \$16.7 million in questioned amounts are subject to collection.

Additionally, this quarter SIGAR published one inspection report. The report found that while a power-grid project was completed within budget and met contract performance standards, the power grid was not tested and deemed operable until more than 18 months after its completion.

This quarter, SIGAR's Office of Special Projects published its review of the Task Force for Business and Stability Operations' (TFBSO) Downstream Gas Utilization project. The office also wrote to U.S. military commanders to request information about the necessity for, and potential wastefulness of, several recent procurements made on behalf of the ANDSF.

Additionally, the Office of Special Projects wrote two letters to the U.S. Agency for International Development (USAID) which reviewed operations

### ALERT LETTERS

- Alert Letter 15-79-ALc: Camp Brown Command and Control Facility (Classified)
- Alert Letter 15-79-AL: Camp Brown Command and Control Facility (Unclassified)
- Alert Letter 15-86-AL: ANDSF Cold-Weather Gear

### COMPLETED PERFORMANCE AUDITS

- Audit 15-83-AR: Afghan Refugees and Returnees
- Audit 16-3-AR: Afghan Local Police

### COMPLETED FINANCIAL AUDITS

- Financial Audit 15-81-FA: Audit of Costs Incurred by Raytheon Company
- Financial Audit 15-84-FA: Audit of Costs Incurred by Democracy International Inc.
- Financial Audit 15-87-FA: Audit of Costs Incurred by International Relief and Development Inc.
- Financial Audit 15-88-FA: Audit of Costs Incurred by Tetra Tech ARD
- Financial Audit 15-89-FA: Audit of Costs Incurred by the Consortium for Elections and Political Process Strengthening
- Financial Audit 16-4-FA: Audit of Costs Incurred by Women for Afghan Women

### COMPLETED INSPECTION

- Inspection 15-78-IP: Power Grid at the Counter Narcotics Strip Mall in Kabul

### COMPLETED SPECIAL PROJECT PRODUCTS

- Review 15-80-SP: Tarkhil Power Plant
- Alert Letter 15-82-SP: PCH Facilities Coordinates Response
- Inquiry Letter 15-85-SP: ANDSF Procurements
- Alert Letter 16-1-SP: USAID-Supported Health Facilities in Herat
- Review 16-2-SP: TFBSO CNG Filling Station

# SIGAR OVERSIGHT ACTIVITIES

**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 decision-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, to provide an assessment of the extent to which the facilities were constructed in accordance with the contract requirements, used as intended, and are being maintained.

**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.

at the Tarakhil Power Plant and stressed the importance of maintaining accurate geospatial information for USAID-supported health facilities. As part of its ongoing review of USAID-supported health facilities in provinces throughout Afghanistan, SIGAR also wrote to USAID to provide the results of recent site inspections conducted by SIGAR to verify the accuracy of USAID locational data and operating conditions at 23 USAID-funded public-health facilities in Herat.

During the reporting period, SIGAR investigations achieved significant results once again. Cost savings to the U.S. government amount to approximately \$123.7 million; fines, forfeitures, and restitutions total over \$26.7 million. Additionally, there were two arrests, five criminal charges, seven convictions, and nine sentencing. SIGAR initiated 18 new investigations and closed 22, bringing the total number of ongoing investigations to 306. Savings to date from SIGAR investigations total over \$944.5 million.

SIGAR's suspension and debarment program referred 18 individuals and 12 companies for suspension or debarment from receiving U.S. government contracts. Three of these individuals were referred for suspension based upon criminal charges being filed against them for misconduct related to or affecting reconstruction contracting in Afghanistan. These referrals bring the total number of individuals and companies referred by SIGAR since 2008 to 680, encompassing 361 individuals and 319 companies to date.

## AUDITS

SIGAR conducts **performance audits**, **inspections**, and **financial audits** of programs and projects connected to the reconstruction effort in Afghanistan. Since its last report to Congress, SIGAR has issued two performance audits, one inspection, six financial-audit reports, and three alert letters. This quarter, SIGAR also began two new performance audits, bringing the total number of ongoing performance audits to 16. One published performance-audit report examined the extent to which State and UNHCR verify the number of Afghan refugees in Pakistan and Iran, and the Afghan government has implemented its refugee strategy. A second performance audit report was conducted to identify challenges to the ALP's success, assess the Ministry of Interior's (MOI) internal controls and CSTC-A's oversight of salary disbursements to ALP personnel, and determine how the U.S. government and the MOI plan to monitor and sustain the ALP program. The performance audits made eight recommendations. The financial audits identified nearly \$1.2 million in questioned costs as a result of internal-control deficiencies and noncompliance issues.

## Alert Letters

U.S. military and civilian officials have asked SIGAR to provide them with real-time information to prevent waste and increase the effectiveness of

# SIGAR OVERSIGHT ACTIVITIES

U.S. reconstruction programs in Afghanistan. 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. To achieve that goal, SIGAR sends alert letters to highlight concerns in real time, while implementing agencies are still able to act. During this reporting period, SIGAR also issued three alert letters this quarter. Two letters (one classified) expressed concerns about the fate of a command-and-control facility at Camp Brown. A third letter alerted DOD officials and U.S. military commanders of potential critical shortages of cold-weather gear for the ANDSF.

## Alert Letter 15-79-AL: Camp Brown Command and Control Facility

On August 25, 2015, SIGAR wrote to DOD officials and U.S. military commanders to share the results of an inspection SIGAR conducted at Camp Brown on Kandahar Airfield (KAF).

In 2012, a KAF Infrastructure Planning Board official proposed construction of a command-and-control facility at Camp Brown to support missions in southern and western Afghanistan. At the time, mission activities were split among numerous buildings on Camp Brown adapted for intended use. In June 2012, the U.S. Army Corps of Engineers (USACE) awarded a firm-fixed-price contract for approximately \$5 million to the Road and Roof Construction Company (RRCC), an Afghan firm, to construct the command-and-control facility at Camp Brown. The contract provided a performance period of 375 days from the notice to proceed, which occurred on July 17, 2012.

SIGAR visited the command-and-control facility at Camp Brown in November 2014, and again in January and February 2015. SIGAR found the building's exterior walls were concrete and solidly built, with no visible cracks. The interior was a shell with some cinder-block walls and concrete pillars, but no flooring at the ground level. The 35-foot-high building had a roof but no means of ascending to the second floor, and no plumbing or electrical systems had been installed.

From November 2012 through August 2013, USACE sent 14 letters to RRCC identifying issues with worksite safety, poor quality, lack of timely design submittals, and construction-schedule slippage. In April 2014, USACE sent a letter to RRCC stating that USACE was terminating the construction contract for convenience of the government because the facility was no longer needed. At the time of contract termination, RRCC had completed less than half of the command-and-control facility and USACE had paid the company about \$2.2 million. According to a USACE official, no final termination settlement agreement has been reached with RRCC. The official stated that the final amount paid would not be determined until after the Defense Contract Audit Agency completes its audit of RRCC's costs and

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**A SIGAR inspection** found that while the exterior of the command-and-control facility at Camp Brown was solidly built and without cracks, the interior was a shell with no flooring, electrical, or plumbing systems, or any means of ascending to the second floor. (SIGAR photo)

# SIGAR OVERSIGHT ACTIVITIES



A preliminary SIGAR review found that the ANDSF will likely not have enough cold-weather clothing for 2015 and 2016, which could impact the force's overall effectiveness. (DOD photo by Specialist Andy Barrera)

expenses. Since construction was terminated, the command-and-control facility has stood empty and has never been used.

Responsible officials stated they are not aware of any DOD plans to complete the facility or to demolish it. During SIGAR's February 2015 site visit, the Train, Advise, and Assist Command-South deputy commander said the operations for which the facility had originally intended were modified. The deputy commander further stated that Camp Brown's other buildings provided personnel with sufficient assets and that completing the command-and-control facility would not be an effective use of DOD funds.

Based on information available to SIGAR at this time, the decision to terminate the contract for the command-and-control facility at Camp Brown appears reasonable. Requirements and conditions had changed, resulting in the determination that the facility was no longer needed and project termination would save U.S. taxpayers' money.

However, depending on what the future of DOD's or the Afghan government's activities at KAF might be, the department may want to consider whether the facility may be of use and, if so, complete the remaining construction. Factors to consider would include cost and time needed for project completion, mission requirements, and the expected life and maintenance costs of currently used facilities.

SIGAR wrote a classified version of this letter to DOD officials and U.S. military commanders on August 6, 2015.

## Alert Letter 15-86-AL: ANDSF Cold-Weather Gear

SIGAR wrote to DOD officials and U.S. military commanders on September 16, 2015, to alert them to a potential critical shortage of cold-weather clothing for the ANDSF. SIGAR is currently conducting an audit examining the procurement and supply of organizational clothing and individual equipment (OCIE) for the ANDSF. Based on SIGAR's preliminary review, it appears that the ANDSF will not have enough cold-weather clothing for 2015 and 2016. A lack of cold-weather clothing could adversely impact the overall effectiveness of the Afghan National Army (ANA) and ANP, and degrade their operational capabilities.

## COMPLETED PERFORMANCE AUDITS

- Audit 15-83-AR: Afghan Refugees and Returnees: Corruption and Lack of Afghan Ministerial Capacity Have Prevented Implementation of a Long-term Refugee Strategy
- Audit 16-3-AR: Afghan Local Police: A Critical Rural Security Initiative Lacks Adequate Logistics Support, Oversight, and Direction

## Performance Audit Reports Published

This quarter SIGAR published two performance audit reports. One report examined the extent to which State and UNHCR verify the number of Afghan refugees in Pakistan and Iran, and the Afghan government has implemented its refugee strategy. A second report was conducted to identify challenges to the ALP's success, assess the MOI's internal controls and CSTC-A's oversight of salary disbursements to ALP personnel, and determine how the U.S. government and the MOI plan to monitor and sustain the ALP program.

## **Audit 15-83-AR: Afghan Refugees and Returnees** **Corruption and Lack of Afghan Ministerial Capacity Have Prevented Implementation of a Long-term Refugee Strategy**

As a result of more than three decades of war and instability, millions of Afghans have fled to Pakistan, Iran, and other neighboring countries. As of December 2014, UNHCR reported that nearly 2.5 million Afghans, including 1.5 million registered refugees, were living in Pakistan, and 950,000 registered Afghan refugees were living in Iran. Since 2002, State has allocated over \$950 million to programs intended to assist Afghan refugees in Pakistan and Iran and returnees in Afghanistan, as well as other vulnerable groups of Afghans. State's Bureau of Population, Refugees, and Migration oversees the department's refugee and returnee programs. State provides funding to UNHCR, other international organizations, and nongovernmental organizations to implement assistance programs. State relies on UNHCR—which in turn relies on the governments of Pakistan and Iran—to determine the number of Afghan refugees and returnees, and uses this estimate, among other data, to help form the basis for the bureau's funding requests.

In May 2012, the governments of Afghanistan, Pakistan, and Iran developed the Solutions Strategy for Afghan Refugees, to Support Voluntary Repatriation, Sustainable Reintegration and Assistance to Host Countries (Solutions Strategy) to address the problems that Afghan refugees and returnees face. According to the strategy, the three countries agreed to work towards providing a minimum standard of living and livelihood opportunities for returnees, and preserving asylum space for refugees, among other initiatives.

The objectives of this audit were to assess the extent to which (1) State and UNHCR verify the number of Afghan refugees in Pakistan and Iran, and (2) the Afghan government has implemented the Solutions Strategy.

UNHCR and State are unable to independently verify the number of Afghan refugees reported by the Pakistani and Iranian governments. Since 2001, UNHCR and the Pakistani government have implemented additional processes to improve the accuracy of the data, but weaknesses in these processes limit assurances that the data is accurate and reliable. For example, the Pakistani government's reported death rate for Afghan refugees in Pakistan is significantly lower than UNHCR's estimate. UNHCR estimates that there are approximately 23,000 deaths among Afghan refugees in Pakistan each year. However, the Pakistani government reported only nine total deaths among Afghan refugees from January 2008 through June 2014.

Despite international assistance, the Afghan government has made limited progress in implementing the Solutions Strategy. The MORR—the ministry responsible for coordinating refugee and returnee affairs with other ministries and international organizations—has limited capacity to fulfill its obligations under the Solutions Strategy or to work with other ministries, and had been beset by allegations of corruption. For example, the



**A SIGAR audit** found that UNHCR and State are unable to independently verify the number of Afghan refugees, like those pictured here in Pakistan, reported by the Pakistani and Iranian governments. (UN photo by Luke Powell)

# SIGAR OVERSIGHT ACTIVITIES

MORR has been unable to effectively distribute land to Afghan returnees under the Land Allocation Scheme, as called for in the Solutions Strategy, as well as by presidential decree and Afghan law.

Additionally, the MORR has failed to achieve one of the main objectives of the Solutions Strategy—identifying the needs of returnees in areas of high return—and communicating those needs to other ministries, as called for in the strategy. The MORR developed memoranda of understanding with each of the ministries that require the MORR to identify returnee needs, communicate those needs to its partner ministries, reassess the needs annually, and update partner ministries on any changes. In addition to the MORR's shortcomings, there was a lack of will on the part of the MORR's partner ministries to incorporate returnees' needs into their programs. Citing a high-ranking Afghan government official in November 2013, a State official with the Bureau of Population, Refugees, and Migration said, "Refugees do not get much attention because they are not a priority issue and ministries do not think refugees are directly related to their work."

Corruption within the MORR under the prior Afghan administration further limited its ability to implement the Solutions Strategy. For example, a 2013 Independent Joint Anti-Corruption Monitoring and Evaluation Committee assessment of the MORR's operation found several instances of corruption. The assessment found that the MORR's process for distributing land under the Land Allocation Scheme is afflicted by institutional corruption. The assessment also cited bribery, forgery, nepotism, embezzlement, and poor customer service as obstacles to the program's implementation. Similarly, an evaluation of the UNHCR Shelter Assistance Program conducted in the fall of 2012 said the MORR is not a reliable partner to take over or continue UNHCR's Shelter Assistance Program due to numerous instances of corruption, inefficiency, mishandling of funds, lack of human resources, and an inability to demonstrate technical or thematic knowledge of the populations falling under the ministry's responsibility. UNHCR has since restricted its assistance to the MORR to mainly nonfinancial items.

Furthermore, State's two-year capacity-building program, which was implemented by the International Organization for Migration (IOM) and intended to develop the MORR's capacity, was hampered due to an "extremely challenging" working relationship with the MORR under its prior leadership. Prior to the conclusion of the program in 2014, and after discussing its concerns about the MORR with State, IOM decided to focus the program solely on the MORR's provincial offices.

As a result of the MORR's limited capacity and its problems with corruption, it has been unable to effectively lead and coordinate Afghan refugee and returnee efforts across the Afghan government and with international partners, thus preventing the ministry from fully implementing the Solutions Strategy and addressing the challenges refugees and returnees continue to face. The new Afghan national-unity government has expressed

# SIGAR OVERSIGHT ACTIVITIES

its commitment to addressing refugee integration needs and dealing with capacity and corruption issues within the MORR, but it is too soon to tell how effective its efforts will be.

To assist the new Afghan administration in addressing the needs of Afghan refugee and returnees, and ensure effective implementation of the Solutions Strategy, SIGAR recommends that the Assistant Secretary of State, Bureau of Population, Refugees, and Migration monitor the Afghan administration's efforts to increase capacity and reduce corruption within the MORR. If State determines that the MORR has made the necessary progress and that future U.S. assistance to the ministry is warranted, SIGAR recommends that such assistance include working with: (a) the MORR, in coordination with UNHCR and other implementing partners, to conduct an assessment that identifies the needs and challenges of returnees and develop a timeframe to address those needs and challenges, as called for in the Solutions Strategy; (b) the Afghan administration to ensure that other ministries incorporate the returnee needs the MORR identifies into Afghanistan's national development priorities; and (c) the Afghan administration to hold the MORR, and other relevant ministries, accountable for implementing the Land Allocation Scheme, as required by Afghan law and presidential decree.

## **Audit 16-3-AR: Afghan Local Police A Critical Rural Security Initiative Lacks Adequate Logistics Support, Oversight, and Direction**

The ALP, established in 2010 under the authority of the MOI, works to enhance security in rural areas outside the reach of the ANA or the ANP. The ALP is tasked with strengthening local security through the training of rural Afghans to defend their communities against insurgents and other illegally armed groups.

The ALP headquarters is in Kabul, but each ALP unit is controlled through its respective district and provincial police headquarters. The ALP is authorized a total of 30,000 personnel, and, as of August 2015, consisted of 28,073 personnel across 150 districts.

The ALP is supported by U.S. and coalition forces, with oversight from the Combined Security Transition Command-Afghanistan (CSTC-A). CSTC-A is responsible for managing the use of U.S. funds to equip and sustain the ALP, and for building the capacity of the MOI in support of the ALP. As of April 2015, DOD had obligated and expended about \$470 million to support the ALP. Based on current DOD estimates, \$121 million will be needed annually to sustain the program.

SIGAR conducted this audit to (1) identify challenges to the ALP's success; (2) assess the MOI's internal controls and CSTC-A's oversight of salary disbursements to ALP personnel; and (3) determine how the U.S. government and the MOI plan to monitor and sustain the ALP program.



**SIGAR's audit of the ALP** found that its effectiveness is hindered by inadequate logistics support and misuse of some ALP personnel. (SIGAR photo by Matt Sternberger)

# SIGAR OVERSIGHT ACTIVITIES

Since 2010, DOD, has supported the creation, training, equipping, and sustainment of the ALP. However, despite hundreds of millions of dollars invested in the program over the last five years, the ALP lack adequate logistics support, oversight, and a plan for either disbanding the force or incorporating it into the ANP.

SIGAR found that the ALP's effectiveness is hindered by inadequate logistics support and misuse of some ALP personnel. The ALP is the first line of defense for many villages across Afghanistan, but supplies ordered for the ALP are often diverted, delayed, of inferior quality, or heavily pilfered. Furthermore, Coalition and ALP personnel SIGAR interviewed stated that unreliable logistics and lack of supplies also increase the likelihood of attrition. Several internal reviews conducted by ALP leadership, which SIGAR reviewed, reported supply shortages for ALP units across many districts and provinces. Additionally, SIGAR found that some ALP personnel have been used inappropriately as bodyguards for Afghan government officials, which is in direct violation of the program's regulating *Afghan Local Police Procedures of Establishment, Management and Activity*.

To independently assess internal controls of the time and attendance and salary disbursement data, SIGAR reviewed payroll documentation and identified several irregularities, primarily with the data collected and the forms used to facilitate the salary disbursement process. An audit conducted by the DOD Inspector General in 2012 recommended that CSTC-A should conduct a financial review of the funds spent on the ALP. While CSTC-A agreed with this recommendation, CSTC-A has not conducted any audits of the program. In 2014, CSTC-A commenced a limited audit of the program but cancelled it when SIGAR initiated this audit, despite SIGAR's request that the command not cancel its audit.

DOD intends to continue funding the ALP program through at least September 2016, but long-term plans for transitioning or dissolving the ALP remain undefined, and recommended improvements are unimplemented. According to documents that created the ALP, the ALP is to be transferred to other Afghan security forces; however, age limitations and literacy requirements limit the number of ALP personnel who could potentially transfer. DOD's continuing support is contingent on the Afghan government determining its intent for the program and how it plans to pay the annual \$121 million in program costs. The ALP management staff, in conjunction with DOD personnel, conduct periodic site visits of ALP units and report recommendations, which detail how the program could be improved; however, the recommendations often are not implemented.

To ensure that the ALP program is responsibly managed and sustained, and oversight of U.S. funds is improved, SIGAR recommends that the commanding general of CSTC-A consider making future funding for the ALP conditioned on the Special Operations Joint Task Force-Afghanistan and the MOI taking steps to (1) develop and enact measures to ensure that ALP

units, across all districts in which they are located, can reliably receive necessary supplies; (2) stop the misuse of the ALP as bodyguards for provincial and district officials; (3) create a comprehensive plan for the future transition, sustainment, or dissolution of the ALP; and (4) provide ALP headquarters the authorities necessary to enact recommendations included in its field visit reports. Additionally, to improve the oversight of U.S. funds, SIGAR recommends that the commanding general of CSTC-A: (5) assist the MOI in taking steps to improve internal controls over ALP time and attendance recording and collecting; (6) incentivize the MOI to maximize the use of electronic payment of ALP salaries, and reduce the use of the trusted agent method for paying salaries to the ALP; and (7) re-initiate its financial audit of the ALP program.

## New Performance Audits Announced This Quarter

This quarter SIGAR initiated two new performance audits. They will assess the effectiveness of the Commander's Emergency Response Program (CERP) and the award, administration, and performance of Legacy research contracts.

### Effectiveness of the Commander's Emergency Response Program in Afghanistan

According to DOD's Financial Management Regulations and U.S. Forces-Afghanistan's (USFOR-A) CERP standard operating procedures, the purpose of CERP is to enable commanders to respond to urgent humanitarian relief and reconstruction requirements within their areas of responsibility by carrying out programs that will immediately assist the indigenous population. In Afghanistan, the USFOR-A commander is responsible for program oversight and provides guidance on the program's goals and objectives.

Since 2004, Congress has appropriated more than \$3.68 billion to CERP in Afghanistan. SIGAR has previously issued reports on DOD's management of CERP in Afghanistan, including a 2009 report examining the management and planning for CERP and a 2011 report on the oversight and management of CERP projects in Laghman Province, that have described issues with the management and oversight of the program, as well as the sustainment of CERP-funded projects.

This audit will evaluate whether DOD assessed the effectiveness of individual CERP projects, and the overall program, in meeting department and U.S. strategic goals and objectives. Specifically, SIGAR plans to determine the extent to which: (1) CERP regulations and standard operating procedures include guidance for the assessment of CERP projects; (2) DOD assessed the effectiveness of individual CERP projects to determine how the projects advance DOD and U.S. strategic objectives; and (3) DOD measured the effectiveness of CERP as a whole in meeting DOD and U.S. strategic goals.

### NEW PERFORMANCE AUDITS

- Effectiveness of the Commander's Emergency Response Program in Afghanistan
- Award, Administration, and Performance of Legacy Research Contracts



**Students sing the Afghan national anthem** during the ceremony commemorating a 17-room addition to a school built with CERP funds. SIGAR has initiated an audit of CERP's effectiveness. (DOD photo by Kurt Draper)

## **Award, Administration, and Performance of Legacy Research Contracts**

From 2007 to 2013, the U.S. Army Research Laboratory (ARL) awarded six contracts under two broad agency agreements to the Imperatis Corporation, which until 2013 was known as Jorge Scientific Corporation, to implement the Legacy program. Under the program, Imperatis and its subcontractor, New Century Consulting, were to provide basic and scientific research, develop technological solutions for Afghanistan, and provide highly specialized counterinsurgency intelligence experts to mentor and train the ANDSF. These efforts would allow the forces to conduct successful human intelligence operations against terrorist and insurgent networks in support of USFOR-A. The expected value of the six Legacy contracts from the beginning of the period of performance in September 2007 through its expected completion in March 2017 is more than \$920 million. Imperatis Corporation and New Century Consulting have performed work under the contracts throughout Afghanistan during the period.

In April 2015, SIGAR issued a financial report on one of the Legacy contracts—Legacy East—from October 21, 2011, through March 15, 2014. The audit found that Jorge Scientific did not retain sufficient supporting documentation for New Century Consulting’s costs for the auditors to determine if the costs claimed were incurred, allocable, and complied with the appropriate cost principles. In addition, Jorge Scientific did not comply with federal procurement policies related to a competitive procurement process. As a result, Jorge Scientific could not demonstrate that \$134.6 million of inadequately supported and improperly approved costs were reasonable, and the U.S. government may not have obtained the best value for goods and services procured.

This audit will review ARL’s award and administration of the Legacy research and analysis contracts, and determine whether Imperatis and its subcontractor, New Century Consulting, performed services in accordance with the contracts’ terms. Specifically, SIGAR plans to determine the extent to which: (1) ARL developed and awarded the Legacy contracts in accordance with its broad agency announcements for research and analysis contracts, and DOD and federal regulations; (2) ARL provided oversight of the tasks performed by Imperatis and New Century Consulting in accordance with the broad agency agreements and terms of the contracts; and (3) Imperatis and New Century Consulting performed tasks in accordance with ARL broad agency agreements and terms of the contracts.

## **Financial Audits**

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

# SIGAR OVERSIGHT ACTIVITIES

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.

This quarter, SIGAR completed six financial audits of U.S.-funded contracts, grants, and cooperative agreements to rebuild Afghanistan. SIGAR also announced three new financial audits of USAID awards with combined incurred costs of more than \$253 million, bringing the total number of ongoing financial audits to 23 with nearly \$2.5 billion in auditable costs, as shown in Table 2.1. These audits help provide the U.S. government and the American taxpayer reasonable assurance that the funds spent on these awards were used as intended. The audits question expenditures that have not been substantiated or are potentially unallowable.

SIGAR issues each financial-audit report to the funding agency that made the award(s). The funding agency is responsible for making the final determination on **questioned amounts** identified in the report's audit findings. Since the program's inception, SIGAR's financial audits have identified more than \$280.4 million in **questioned costs** and \$289,880 in unremitted interest on advanced federal funds or other revenue amounts payable to the government. As of October 30, 2015, funding agencies had reached a management decision on 50 completed financial audits and over \$16.7 million in questioned amounts are subject to collection. It takes time for funding agencies to carefully consider audit findings and recommendations. As a result, agency management decisions remain to be made for several of SIGAR's issued financial audits. SIGAR's financial audits have also identified and communicated 201 compliance findings and 240 internal-control findings to the auditees and funding agencies.

SIGAR's financial audits have four specific objectives:

- Express an opinion on whether the **Special Purpose Financial Statement** for the award presents fairly, in all material respects, revenues received, 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.

TABLE 2.1

<b>SIGAR'S FINANCIAL AUDIT COVERAGE</b> (\$ BILLIONS)	
59 Completed Audits	\$4.4
23 Ongoing Audits	2.5
<b>Total</b>	<b>\$6.9</b>

Note: 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 and Inspections Directorate.

**Questioned amounts:** the sum of potentially unallowable questioned costs and unremitted interest on advanced federal funds or other revenue amounts payable to the government.

**Questioned costs:** costs determined to be potentially unallowable. The two types of questioned costs are 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).

**Special Purpose Financial Statement:** a financial statement that includes all revenues received, costs incurred, and any remaining balance for a given award during a given period.

- Determine and report on whether the audited entity has taken adequate corrective action to address findings and recommendations from previous engagements.

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

## COMPLETED FINANCIAL AUDITS

- Financial Audit 15-81-FA: Department of the Army's Afghan National Army Depot Project: Audit of Costs Incurred by Raytheon Company
- Financial Audit 15-84-FA: Afghanistan's Electoral Reform and Civic Advocacy Program: Audit of Costs Incurred by Democracy International Inc.
- Financial Audit 15-87-FA: USAID's Afghan Civilian Assistance Program II: Audit of Costs Incurred by International Relief and Development Inc.
- Financial Audit 15-88-FA: USAID's Land Reform in Afghanistan Program: Audit of Costs Incurred by Tetra Tech ARD
- Financial Audit 15-89-FA: USAID's Sub-national Governance Structures Program in Regional Commands East and South: Audit of Costs Incurred by the Consortium for Elections and Political Process Strengthening
- Financial Audit 16-4-FA: Department of State's Promotion and Protection of Afghan Women's Rights in Afghanistan Program: Audit of Costs Incurred by Women for Afghan Women

**Unsupported costs:** not supported with adequate documentation or that did not have the required prior approval

**Ineligible costs:** prohibited by agreement, applicable laws, or regulations

Source: SIGAR Audits and Inspections Directorate.

## Financial Audits Published

This quarter, SIGAR completed six financial audits of U.S.-funded contracts, grants, and cooperative agreements to rebuild Afghanistan. These financial audits identified nearly \$1.2 million in questioned costs as a result of internal-control deficiencies and noncompliance issues. These deficiencies and noncompliance issues included, among other things, failure to follow competitive procurement procedures, purchase of materials from restricted sources, overcharging due to utilization of improper currency exchange rates, lack of sufficient documentation to support costs incurred, and billing for ineligible tax fines and penalties.

### Financial Audit 15-81-FA: Department of the Army's Afghan National Army Depot Project Audit of Costs Incurred by Raytheon Company

On July 15, 2011, the Army Contracting Command (ACC) awarded a one-year, \$20.1 million contract to Raytheon Company (Raytheon) to support the ANA Depot Project. The project was intended to provide, among other things, management, operating, and logistics support, as well as personnel, materials, supplies, and equipment for two ANA depots in Kabul Province.

After several modifications, ACC exercised one additional option year, and project funding increased to \$34,512,935. SIGAR's financial audit, performed by Crowe Horwath LLP (Crowe Horwath), of the ANA Depot contract reviewed \$33,396,684 charged to the contract from July 15, 2011, through June 19, 2013.

Crowe Horwath identified minor deficiencies that were resolved by Raytheon prior to the completion of the audit. As a result, there are no reportable audit findings.

Crowe Horwath did not identify any questioned costs, which would have included **unsupported costs** or **ineligible costs**. Crowe Horwath did not identify any prior reviews or assessments that pertained to Raytheon's implementation of the ANA Depot Project or were material to the Special Purpose Financial Statement.

Crowe Horwath issued an unmodified opinion on Raytheon's Special Purpose Financial Statement, noting that it presents fairly, in all material aspects, revenues received, costs incurred, and the balance for the indicated period audited.

Because Crowe Horwath did not report any findings related to the ANA Depot Project, SIGAR is not making any recommendations.

## **Financial Audit 15-84-FA: Afghanistan's Electoral Reform and Civic Advocacy Program**

### **Audit of Costs Incurred by Democracy International Inc.**

On July 13, 2009, USAID awarded a \$5 million, 140-day cooperative agreement to Democracy International Inc. (Democracy International) to fund the International Election Observation Mission for the 2009 presidential and provincial council elections in Afghanistan. The program was intended to conduct election observations and research to strengthen democratic election processes. After 28 modifications, the total cost of the cooperative agreement was increased to \$38.7 million, the period of performance was extended to December 31, 2015, and the program was renamed the Afghanistan Electoral Reform and Civic Advocacy Program (AERCA). SIGAR's financial audit, performed by Crowe Horwath, reviewed \$6,179,567 in expenditures charged to the cooperative agreement from January 1, 2013, through June 30, 2014.

Crowe Horwath identified two material weaknesses in Democracy International's internal controls and one instance of noncompliance with regulations. Specifically, Crowe Horwath found Democracy International did not have a process in place to monitor subrecipient expenditures under its USAID awards. Such a process would determine if Democracy International's subrecipients were required to have financial audits of their USAID-funded expenditures. Additionally, Democracy International did not include certain contract provisions within its procurement contracts as required by federal regulations. Although Democracy International has since revised its standard contract templates to prevent omissions in future contracts, Crowe Horwath recommended that Democracy International obtain written certification on prior awards from each vendor regarding their compliance with the omitted regulatory provisions.

Crowe Horwath did not identify any questioned costs associated with the internal-control weaknesses and instance of noncompliance. Questioned costs consist of unsupported costs and ineligible costs.

Crowe Horwath identified two prior audit findings that pertained to Democracy International's implementation of AERCA, and were material to the Special Purpose Financial Statement. The first finding concerned the retention of procurement documentation. Democracy International implemented corrective action, and Crowe Horwath did not identify any further concerns about documentation in its audit. The second prior audit finding noted that Democracy International did not include various provisions required by federal regulations and USAID policies within its subcontracts. As noted above, Crowe Horwath had a similar finding in its audit, but Democracy International has since revised its standard contract templates to prevent omissions in future contracts.

Crowe Horwath issued an unmodified opinion on Democracy International's Special Purpose Financial Statement, noting that it presents



**A contract to fund** the International Election Observation Mission for the 2009 presidential and provincial council elections in Afghanistan was the subject of a recent SIGAR financial audit. (U.S. Embassy Kabul photo)

fairly, in all material respects, revenues received, costs incurred, and the balance for the indicated period audited.

Based on the results of the audit, SIGAR recommends that the responsible agreement officer at USAID:

1. Advise Democracy International to address the report's two internal-control findings.
2. Advise Democracy International to address the report's one noncompliance finding.

## **Financial Audit 15-87-FA: USAID's Afghan Civilian Assistance Program II**

### **Audit of Costs Incurred by International Relief and Development Inc.**

On September 27, 2011, USAID issued a three-year, \$76.8 million cooperative agreement to International Relief and Development Inc. (IRD) to fund the Afghan Civilian Assistance Program (ACAP) II. The agreement consisted of \$64 million in government obligations and \$12.8 million in cost-share obligations from IRD. The program's objective was to provide support to Afghan families and communities suffering from military operations against the Taliban or from insurgent attacks. After 11 modifications, the period of performance was extended through May 15, 2015. SIGAR's financial audit, performed by Crowe Horwath, reviewed \$52,440,664 in expenditures charged to the agreement from September 27, 2011, through May 15, 2015.

Crowe Horwath identified two material weaknesses in IRD's internal controls, and one instance of noncompliance with the terms and conditions of the cooperative agreement. Specifically, Crowe Horwath found that IRD did not comply with USAID's requirement to monitor subrecipient expenditures. IRD should have had a process in place to determine if its subrecipients were required to have financial audits of their USAID-funded expenditures. Additionally, Crowe Horwath identified that IRD overvalued donated supplies to meet cost-share requirements within the agreement. Per IRD, its in-kind donations was valued at \$20,608,697; however, Crowe Horwath recalculated the actual value of the donated supplies at \$14,211,358. The adjusted value of IRD's donations still met the \$12.8 million cost-share requirement of the agreement. To address this finding, IRD plans to issue new cost-share guidelines. Finally, IRD did not comply with federal regulations requiring that property and equipment records accurately reflect the assignment of title, source of the items, and ultimately their disposition.

Crowe Horwath did not identify any questioned costs associated with the internal-control weaknesses and instance of noncompliance. Questioned costs consist of unsupported costs and ineligible costs. Because IRD met its cost-share requirement as described above, the overvaluation of in-kind donations did not result in questioned costs.

Crowe Horwath obtained and reviewed prior audits, reviews, and evaluations pertinent to IRD's financial performance under the cooperative



**A recent widow** can now offset lost income with the help of a cow provided by ACAP II, a program whose implementation by IRD was the subject of a recent SIGAR financial audit. (USAID photo)

agreement. Per communications with IRD and USAID, there were three Office of Management and Budget Circular A-133 reports and one report issued by USAID that included ACAP II within their scopes. Crowe Horwath did not identify any findings pertinent to the ACAP II program during its review of the A-133 audit reports. USAID's previous report contained a finding related to cost-sharing requirements; however, Crowe Horwath was not required to conduct follow-up procedures because the report made no recommendations for corrective action to IRD.

Crowe Horwath issued an unmodified opinion on IRD's Special Purpose Financial Statement, noting that it presents fairly, in all material respects, revenues received, costs incurred, and the balance for the period audited.

Based on the results of the audit, SIGAR recommends that the responsible agreement officer at USAID:

1. Advise IRD to address the report's two internal-control findings.
2. Advise IRD to address the report's one noncompliance finding.

## **Financial Audit 15-88-FA: USAID's Land Reform in Afghanistan Program**

### **Audit of Costs Incurred by Tetra Tech ARD**

On January 30, 2011, USAID awarded a \$4 million, 18-month contract, inclusive of one option period, to Tetra Tech ARD to support the Land Reform in Afghanistan (LARA) program. The purpose of the LARA program was to develop a set of policies and laws that would establish a framework for Afghanistan's land market to support investment and productive growth. The program was intended to provide technical assistance to the Afghan Land Authority and develop Afghan capacity to design, manage, and implement land-reform policies. After 12 modifications, the total cost of the contract increased to \$41.8 million, and the period of performance was extended to November 2, 2014. SIGAR's financial audit, performed by Davis, reviewed \$38,424,091 in expenditures charged to the contract from January 30, 2011, through November 2, 2014.

Davis did not identify any material weaknesses or significant deficiencies in Tetra Tech ARD's internal controls, or instances of noncompliance with the terms and conditions of the LARA program contract. As a result, Davis did not identify any questioned costs, which would have included unsupported costs or ineligible costs.

Davis requested copies of all prior audit reports that could have a material effect on the Tetra Tech ARD's Special Purpose Financial Statement. Davis determined that a compliance review was performed by Ernst and Young in July 2012. The report issued identified three findings related to mandatory clauses not being included in subcontracts or subagreements, and one finding related to lost or missing assets not being reported to USAID. Davis reviewed Tetra Tech ARD's response to the report and determined that the contractor's corrective action was adequate.

# SIGAR OVERSIGHT ACTIVITIES

Davis issued an unmodified opinion on Tetra Tech ARD's Special Purpose Financial Statement, noting that it presents fairly, in all material respects, revenues received, costs incurred, and reimbursed for the period audited.

Davis did not report any findings related to the LARA program. Therefore, SIGAR is not making any recommendations.

## **Financial Audit 15-89-FA: USAID's Sub-National Governance Structures Program in Regional Commands East and South Audit of Costs Incurred by the Consortium for Elections and Political Process Strengthening**

On June 3, 2008, USAID signed an 18-month cooperative agreement for \$5.0 million with the Consortium for Elections and Political Process Strengthening (CEPPS) to support the Sub-national Governance Structures (SNG) program in Regional Commands East and South. The primary objective of the SNG program was to bridge the gap between governors and citizens by developing provincial governments' capacity to understand and address constituent needs. SNG's required activities included holding town hall meetings, distributing information about the governors' policies, and supporting oversight of provincial development projects and budgets. After 14 modifications, program funding increased to \$20.8 million, and the period of performance was extended through September 30, 2013. SIGAR's financial audit, performed by Davis, reviewed \$18,832,886 in expenditures charged to the agreement from June 3, 2008, through September 30, 2013.

Davis identified two material weaknesses and three significant deficiencies in CEPPS' internal controls, and three instances of material noncompliance with the terms and conditions of the cooperative agreement. Specifically, Davis found that CEPPS was unable to provide adequate support for a competitive procurement process for rental-vehicle transactions. Davis also found several transactions in which CEPPS requested reimbursement for vehicles that were purchased in cash under employees' names, but whose titles were never transferred to CEPPS. SIGAR is looking into this matter for a potential investigation. In addition, Davis found transactions that were not supported with a proof of payment or other sufficient documentation to prove the reasonableness of costs.

As a result of these internal-control deficiencies and instances of non-compliance, Davis identified \$75,740 in total questioned costs, consisting of \$75,740 in unsupported costs. Davis did not identify any ineligible costs.

Davis did not identify any prior audits, reviews, or evaluations that pertained to CEPPS's activities under the SNG program. CEPPS and USAID also indicated that there were no prior audit reports issued on the program.

Davis issued an unmodified opinion on CEPPS's Special Purpose Financial Statement, noting that it presents fairly, in all material respects, revenues received, costs incurred, and the balance for the period audited.

Based on the results of the audit, SIGAR recommends that the responsible agreement officer at USAID:

1. Determine the allowability of and recover, as appropriate, \$75,740 in total questioned costs identified in the report.
2. Advise CEPPS to address the report's five internal-control findings.
3. Advise CEPPS to address the report's three noncompliance findings.

## **Financial Audit 16-4-FA: Department of State's Promotion and Protection of Afghan Women's Rights in Afghanistan Program Audit of Costs Incurred by Women for Afghan Women**

On March 3, 2011, INL awarded a three-year, \$5.7 million grant to Women for Afghan Women (WAW) to support the Promotion and Protection of Afghan Women's Rights in Afghanistan program. The program was intended to improve awareness of individual and human rights, conduct outreach campaigns, and prevent and reduce violence against women and girls. After two modifications, program funding increased to more than \$6.8 million, and the period of performance was extended to June 3, 2014. SIGAR's financial audit, performed by Davis, reviewed \$6,803,484 in expenditures charged to the grant from March 5, 2011, through June 3, 2014.

Davis identified one material weakness and one significant deficiency in WAW's internal controls, one instance of noncompliance, and two instances of material noncompliance with the terms and conditions of the grant. Specifically, Davis found that WAW did not properly calculate the currency exchange rate, which resulted in WAW overbilling the U.S. government by \$204,844. Additionally, Davis found that WAW charged the U.S. government \$126,219 for New York-based positions, but was unable to provide adequate supporting documentation for these costs. WAW also charged the government for ineligible costs such as its executive director's tax penalties and materials purchased from Iran. Based on Davis's review of the supporting documentation, WAW charged the government for its executive director's Afghan income taxes, including fines for tax penalties. In addition, WAW purchased some Iranian materials, including gas cylinders, carpet, plastic chairs, and cable line; however, the purchase of materials from Iran is not allowable under U.S. government awards. In addition, Davis found that WAW did not competitively procure or provide adequate support justifying the use of sole-source-rented office space at a cost of \$717,933 to the government.

As a result of these internal-control deficiencies and instances of noncompliance, Davis identified \$1,083,283 in total questioned costs, consisting of \$844,152 in unsupported costs and \$239,131 in ineligible costs.

Davis did not identify any prior audits, reviews, or evaluations that pertained to WAW's activities under the Promotion and Protection of Afghan Women's Rights in Afghanistan program. WAW and State also indicated that there were no prior audit findings that could have a material effect on the Special Purpose Financial Statement.

Davis issued a modified opinion on the Special Purpose Financial Statement due to unreasonable and unsupported program costs, such as the

improper currency exchange rate used, a lack of competitive procurement bids, and insufficient supporting documentation for administrative costs.

Based on the results of the audit, SIGAR recommends that the responsible grant officer at State:

1. Determine the allowability of and recover, as appropriate, \$1,083,283 in total questioned costs identified in the report.
2. Advise WAW to address the report's two internal-control findings.
3. Advise WAW to address the report's three noncompliance findings.

## INSPECTIONS

### Inspection Report Published

This quarter SIGAR published one inspection report. The report found that while a power grid project was completed within budget and met contract performance standards, the power grid was not tested and deemed operable until over 18 months after its completion.

#### **Inspection 15-78-IP: Power Grid Project at the Counter Narcotics Strip Mall in Kabul**

##### **Construction Met Contract Requirements but Electrical System Was Not Deemed Operable Until More Than 18 Months After Project Completion**

In September 2011, State awarded a \$1.3 million firm-fixed-price design/build contract to BSCEC JV MSCC (BSCEC), an Afghan firm, to connect eight law-enforcement compounds in Kabul, Afghanistan, to the local commercial power grid. The eight compounds—one for the U.S. Drug Enforcement Administration and seven for Afghan government entities—are co-located at a site referred to as the Counter Narcotics Strip Mall (Strip Mall). The site, which is on the northern outskirts of Kabul, provides a secure location for agencies working on interdiction of drug trafficking and detention of suspects.

Each compound at the Strip Mall is powered by diesel-fuel generators. Under a contract awarded by USACE in 2007, a commercial power line was installed between the Kabul North Electric Substation and the Strip Mall in anticipation of a future project to install an electrical system inside the Strip Mall. The 2011 BSCEC project—funded by State's Bureau of International Narcotics and Law Enforcement Affairs (INL)—called for construction of three components that, taken together, would provide commercial power to the eight law enforcement compounds.

The contract was completed within the firm-fixed-price amount with only a \$5,381 deduction under the final modification to account for actual Defense Base Act insurance costs paid by the contractor. The objectives of this inspection were to determine whether: (1) work was completed in accordance with contract requirements and applicable construction

#### COMPLETED INSPECTION

- Inspection 15-78-IP: Power Grid at the Counter Narcotics Strip Mall in Kabul: Construction Met Contract Requirements but Electrical System Was Not Deemed Operable Until More Than 18 Months After Project Completion

# SIGAR OVERSIGHT ACTIVITIES

standards, and (2) the compounds have access to commercial power, as intended.

A January 2015 SIGAR site visit found that BSCEC's construction conformed to contract requirements. Although SIGAR found that the project's construction fulfilled requirements, SIGAR could not determine whether the electrical system was operational during its site visits because no commercial power was available to the system at those times. However, INL officials stated that the system was tested on January 14, 2015, and all electrical components functioned properly.

Although the contracting officer's representative determined that the contract was substantially complete and INL accepted the power-grid project from the contractor in June 2013, the electrical system powering the compounds was not tested and deemed operable until January 2015. During that delay, BSCEC's one-year warranty period expired without any testing to determine if the electrical system was operable.

INL officials attributed this delay to protracted discussions and negotiations with the Afghan power authority regarding (1) a hookup fee to bring commercial power to the new electrical system, and (2) actions needed to repair the existing USACE-built power lines, which run from the Kabul North Electrical Substation to the new system built within the Strip Mall. INL officials explained that Afghan government authorities still need to put in place billing arrangements with the Afghan power authority to pay for any supplied commercial power. It is expected these arrangements will be made prior to the turnover of these compounds to the Afghan government, which is expected to occur by December 2015.

In addition, SIGAR found that a protracted payment dispute with INL led BSCEC to delay its final invoice until just prior to the expiration of the funds appropriated for the project. INL officials are seeking current-year funds to pay the contractor's final invoice and acknowledge that a minor Prompt Payment Act penalty will be due to the contractor.

## New Inspections Announced This Quarter

This quarter, SIGAR has initiated five new inspections. Each inspection will assess whether (1) construction has been or is being completed in accordance with contract requirements and applicable construction standards, and (2) the parts of the facility, if any, that are occupied are being used as intended and properly maintained. These inspections will assess:

- Construction of the ANA's Ground Forces Command, Garrison Support Unit, and Army Support Command
- Afghan 3rd Air Squadron Special Mission Wing Facilities in Kandahar
- Women's dormitories at Balkh University
- Salang Hospital in Parwan Province
- Baghlan Prison



**A SIGAR inspection** of a power-grid project, including these overhead power lines, at the Counter Narcotics Strip Mall found that although the State Department accepted the project from the contractor, the electrical system powering the compounds was not tested and deemed operable until more than 18 months later. (SIGAR photo)

## NEW INSPECTIONS

- Construction for the ANA's Ground Forces Command, Garrison Support Unit, and Army Support Command
- Afghan 3rd Air Squadron Special Mission Wing Facilities in Kandahar
- Women's dormitories at Balkh University
- Salang Hospital in Parwan Province
- Baghlan Prison

## 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 28 recommendations contained in 12 audit and inspection reports. Five of the reports contained recommendations that resulted in the recovery of \$5,561,021 in ineligible or unsupported contract costs paid by the U.S. government.

From 2009 through September 2015, SIGAR published 197 audits, alert letters, and inspection reports and made 609 recommendations to recover funds, improve agency oversight, and increase program effectiveness. SIGAR has closed over 81% 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 five inspection reports. In this quarter, there were no recommendations over 12 months old where the agency had yet to produce a corrective-action plan that SIGAR believes would resolve the identified problem or otherwise respond to the recommendations. However, there are 11 audit reports over 12 months old where SIGAR is waiting for the respective agencies to complete their agreed-upon corrective actions.

## SPECIAL PROJECTS

SIGAR's Office of Special Projects was created to examine emerging issues and deliver prompt, actionable reports to federal agencies and the Congress. The team conducts a variety of assessments, producing reports on all facets of Afghanistan reconstruction. The directorate is made up of auditors, analysts, investigators, lawyers, subject-matter experts, and other specialists who can quickly and jointly apply their expertise to emerging problems and questions.

This quarter, SIGAR's Office of Special Projects published its review of TFBSO's Downstream Gas Utilization project. The office also wrote to U.S. military commanders to request information about the necessity for, and potential wastefulness of, several recent procurements made on behalf of the ANDSF.

Additionally, the Office of Special Projects wrote two letters to USAID which reviewed operations at the Tarakhil Power Plant and stressed the importance of maintaining accurate geospatial information for USAID-supported health facilities. As part of its ongoing review of USAID-supported health facilities in provinces throughout Afghanistan, SIGAR also

### COMPLETED SPECIAL PROJECTS

- Review 15-80-SP: Tarakhil Power Plant
- Alert Letter 15-82-SP: PCH Facilities Coordinates Response
- Inquiry Letter 15-85-SP: ANDSF Procurements
- Alert Letter 16-1-SP: USAID-Supported Health Facilities in Herat
- Review 16-2-SP: TFBSO CNG Filling Station

# SIGAR OVERSIGHT ACTIVITIES

wrote to USAID to provide the results of recent site inspections conducted by SIGAR to verify the accuracy of USAID locational data and operating conditions at 23 USAID-funded public-health facilities in Herat.

## **Review 15-80-SP: Tarakhil Power Plant**

SIGAR wrote to USAID on August 7, 2015, to respond to the agency's June 26, 2015, memorandum which addressed a prior SIGAR's special project (see SIGAR 15-65-SP).

Based on information provided in USAID's June 26 response, SIGAR found that the \$335 million Tarakhil Power Plant, an apparently "vital component" of the electrical grid serving Kabul, remains severely underutilized. In particular, data provided by USAID and by Da Afghanistan Breshna Sherkat (DABS) show that the Tarakhil Power Plant continues to operate at only a fraction of its power production capacity.

In fact, SIGAR analysis determined that power production has actually declined over time. In addition to running far below its full capacity, the plant contributes a relatively small amount of electricity to the power grid serving Kabul. In its letter, SIGAR also pointed out that there is strong evidence that the Tarakhil Power Plant was originally intended to provide electrical power to Kabul on a continuous basis, and not as a "means of providing insurance against disruption of power supplies from Central Asia and as a backup during peak demand," as USAID explained.

Furthermore, according to the USAID Office of the Inspector General, the use of the Tarakhil Power Plant on only an intermittent basis caused damage to the plant. This underutilization of the plant has apparently already resulted in the premature failure of equipment, which was expected to raise already high operation and maintenance costs, and could result in "catastrophic failure."

While USAID agreed to, and has taken, some actions in response to the concerns raised by USAID OIG, those actions have not yet resulted in the increased use of the Tarakhil Power Plant. Affordable and reliable electricity is critical to the economic growth and stability of Afghanistan. However, the construction of a \$335 million diesel-fueled power plant outside of Kabul does not seem to have contributed significantly to this important goal since it was handed over to the Afghan government more than five years ago.

## **Alert Letter 15-82-SP: PCH Facilities Coordinates Response**

On August 18, 2015, SIGAR wrote to USAID, addressing USAID's response to a prior SIGAR special project (see SIGAR 15-67-SP). In its response, USAID sent SIGAR an updated list of 586 PCH-supported health facilities, which is 55 fewer facilities than in the original list of 641 that SIGAR originally analyzed.

After analyzing the updated list, SIGAR found new irregularities that led the agency to believe that the updated list may contain errors. For



**SIGAR's Office of Special Projects** continues to review the use of the \$335 million Tarakhil Power Plant. Seen here, a control panel at the plant. (USAID photo)

# SIGAR OVERSIGHT ACTIVITIES

example, SIGAR found that 60 facilities did not have geospatial data in either list and that the updated list does not provide any new coordinates for 115 of the facility locations which SIGAR expressed concern about in its June 2015 letter.

Moreover, the updated list provided new coordinates for 513 facilities; however, SIGAR analysis showed that these new locations were an average of 55 kilometers away from the original coordinates, with some locations hundreds of kilometers away. Of particular concern, in five provinces, USAID provided new location data for every PCH-supported health facility. These observations led SIGAR to believe that either the original USAID data or the new data was terribly inaccurate.

After SIGAR convened meetings with USAID officials in Washington, DC, and in Afghanistan, the USAID team committed to address these errors and provide SIGAR with updated data. USAID's action to address these errors demonstrated a commitment to maintaining accurate and reliable information for the location of these health facilities.

However, SIGAR remains puzzled by conflicting statements from various USAID officials regarding the importance of geospatial data and the usefulness of that data in providing effective program oversight. SIGAR is also concerned by some statements attributed to an unidentified USAID spokesman regarding the USAID-provided data SIGAR used to complete the analysis contained in its original inquiry. According to a July 2015 article, the USAID spokesman stated, "I believe that SIGAR's initial request for the data was informal in nature. SIGAR did not express concerns about the data with us prior to this inquiry letter."

This is a gross mischaracterization of SIGAR's request. The coordinates SIGAR initially analyzed were requested as part of a formal and ongoing criminal investigation. At no time prior to the release of SIGAR's original inquiry letter—which identified concerns with nearly 80% of all PCH-supported health facilities—did USAID alert SIGAR investigators to the existence of a more reliable data set.

Although the PCH program ended June 30, 2015, USAID has stated that it will continue to support health-facility operations through a World Bank-managed program. SIGAR encourages USAID to obtain accurate geospatial locations for the health facilities it will support through the World Bank mechanism as soon as possible, ideally before USAID begins using this mechanism. SIGAR will continue to monitor USAID's support to health facilities in Afghanistan.

## **Inquiry Letter 15-85-SP: ANDSF Procurements**

On September 11, 2015, SIGAR wrote to U.S. military commanders to request information about the need for several recent procurements made on behalf of the ANDSF. These included multipurpose and tactical vehicles, M16 rifles, and ammunition whose contract value totaled more than \$630 million.

# SIGAR OVERSIGHT ACTIVITIES

SIGAR is concerned that U.S. taxpayer funds may be purchasing equipment and vehicles in quantities that exceed the needs of the ANDSF. SIGAR also expressed concern that such large acquisitions could prompt the premature disposal of equipment and vehicles that have already been issued to the ANDSF and that have significant service life remaining. DOD has responded to this inquiry letter, and SIGAR is currently processing that response.

## **Alert Letter 16-1-SP: USAID-Supported Health Facilities in Herat**

SIGAR wrote to USAID on October 20, 2015, to provide the results of recent site inspections conducted by SIGAR to verify the accuracy of USAID locational data and operating conditions at 23 USAID-funded public-health facilities in Herat. Forty additional sites were deemed inaccessible due to security conditions. The site inspections are part of SIGAR's ongoing examination of the USAID- and Afghan government-maintained geospatial location information for health facilities, the accuracy of which is essential for effective oversight.

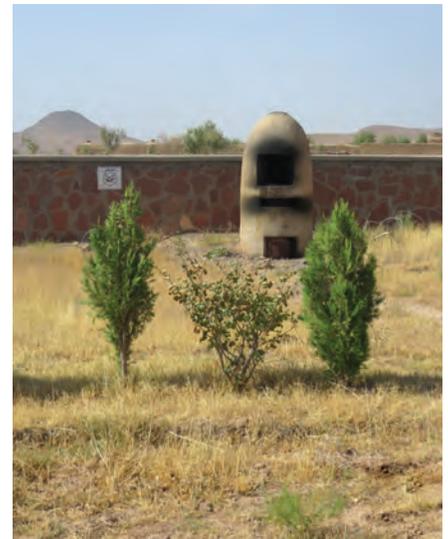
At each of the 23 site visits in Herat, SIGAR took a minimum of 25 time, date, and location-stamped photographs; completed an overall assessment of the facility; recorded, among other information, the geospatial coordinates of the facility, whether the facility appeared to be open and operational, and whether the facility had reliable access to electricity and water and an on-site pharmacy; and conducted interviews with a facility staff member and a member of the community intended to be served by the health facility.

The 23 site inspections revealed that the geospatial coordinates for seven of the 23 facilities were more than five kilometers away from the coordinates provided by USAID and the Afghan government. All 23 health facilities were open and operational, and of the 23 community members interviewed, 18 perceived the facilities to be in good working order. The site inspections noted issues including inadequate or sporadic access to electricity, water, or needed pharmaceuticals at several locations, which raises concerns that USAID is paying for services that the implementing partner is not providing.

Also of concern is that the documentation provided by USAID to identify the location and existence of the remaining clinics (inaccessible due to security conditions) in Herat was generally quite poor. None of the photographs were embedded with geospatial coordinates, and there were no site visit or other monitoring reports included for any of the facilities.

## **Review 16-2-SP: TFBSO CNG Filling Station**

On October 22, 2015, SIGAR provided its report on TFBSO's Downstream Gas Utilization Project to DOD. According to a TFBSO study, the Task Force spent nearly \$43 million to construct a compressed-natural-gas (CNG) automobile filling station in the city of Sheberghan, Afghanistan. The main purpose of the project was to demonstrate the commercial viability



**SIGAR's site inspections** of USAID-supported health facilities in Herat Province revealed some concerns, including open-air kilns used for disposing medical waste, raising the risk of exposing patients and nearby children to contaminated waste. (SIGAR photo)

# SIGAR OVERSIGHT ACTIVITIES



**TFBSO's Downstream Gas Utilization** project, which constructed this compressed-natural-gas filling station, was the subject of a SIGAR special project review this quarter. (Central Asia Development Group photo)

of CNG for automobiles in Afghanistan as part of a broader effort to take advantage of Afghanistan's domestic natural gas reserves and reduce the country's reliance on energy imports.

Although TFBSO achieved its immediate objective of building the CNG filling station, it apparently did so at an exorbitant cost to U.S. taxpayers. In comparison, SIGAR found that a CNG station in Pakistan costs no more than \$500,000 to construct. Furthermore, there is no indication that TFBSO considered the feasibility of achieving the station's broader objectives or considered any of the potentially considerable obstacles to the project's success before beginning construction.

One of the most troubling aspects of this project is that, when asked, DOD was unable to provide documentation supporting the high cost of the project or to answer any other questions concerning the development, initiation, or outcome of the overall project. In response to SIGAR's initial request for information, an official from the Office of the Secretary of Defense stated that due to the fact that TFBSO operations had ceased, the Department no longer had the expertise to answer SIGAR's questions.

However, after receiving this SIGAR special project report, that official stated that the Department is "fully prepared" to provide SIGAR with access to documents and officials related to SIGAR's review of TFBSO activities. On October 13, 2015, SIGAR again reached out to DOD to speak to those officials, but DOD was not able to identify anyone, within the time requested, who could answer SIGAR's questions regarding the lack of a feasibility study for the project or the reported \$30 million in overhead.

Although DOD was unable to clarify or respond to the issues related to this TFBSO project, SIGAR's efforts to obtain necessary documentation—from TFBSO prior to its closure and via subpoena to TFBSO contractors—yielded sufficient evidence to issue this special project report. For future projects related to TFBSO activities, SIGAR will continue to reach out to DOD in hopes of identifying someone at the Department who is able to discuss the activities and expenditures of the Task Force and provide requested documentation in accordance with SIGAR's statutory authorities.

## LESSONS LEARNED

SIGAR created the Lessons Learned Program (LLP) to conduct a comprehensive analysis of the reconstruction effort in Afghanistan from 2001 onwards to identify best practices and lessons to help address systemic issues facing U.S. reconstruction efforts there. The LLP has four ongoing projects which are examining interagency coordination on strategy and planning, U.S. coordination with external partners in administering aid to Afghanistan, the efficacy of counternarcotics interventions and U.S. perceptions of and responses to corruption in Afghanistan. A Lessons Learned

project announced this quarter will review how U.S. efforts contributed to private-sector development and economic growth in Afghanistan.

## New Lessons Learned Project

This quarter the LLP announced a project that will review the impact of U.S. efforts on private-sector development and economic growth in Afghanistan.

### Private Sector Development and Economic Growth

In 2001, after the disruptions caused by two decades of war, conflict, and repressive regimes in Afghanistan, the United States and its allies recognized the importance of building a strong Afghan economy. In addition to providing human security and livelihoods for the Afghan people and generating revenue for the government, one of the main justifications for economic growth was the deeply ingrained assumption that economic growth would lead to stability and support for both the state and the international forces. In most surveys conducted since 2001, Afghans have put broad-based economic growth and job creation second only to physical security as a priority.

Considering the starting point in 2001, Afghanistan's economy has made significant progress, experiencing 10 years of nearly double-digit growth in GDP and notable success in sectors such as telecommunications. Yet Afghanistan's economic growth has not met expectations, even before growth declined to 3.7% in 2013 and then further to 2% the following year. Growth has been driven largely by unsustainable, donor-fueled consumption based on spending in sectors such as construction and services. Job creation has not nearly kept up with the number of new workers entering the workforce each year, let alone met the heightened expectations created after 2001.

A key question, then, is to what extent the characteristics of the present-day Afghan economy are the result of the level and type of donor-supported policies and programs, and to what extent are they simply the consequences of conditions and dynamics (e.g., insecurity and uncertainty) beyond the influence of any reconstruction effort. For a variety of reasons, there has been very limited systematic and comprehensive assessment of this question. Many of the metrics used by agencies for determining the success of their programs are narrowly focused on activities and outputs (e.g., people trained, months of employment provided) and outcomes are often measured within the limited timeframes of projects, ignoring long-term impact such as economic growth or poverty reduction. Also, in part due to the pressure to implement projects quickly, rigorous monitoring and evaluation was not always built in from the start.

To address this issue, this project will examine: (1) the extent to which there was a comprehensive and consistent U.S. strategy for private-sector development and economic growth, and how it evolved over time in

## NEW LESSONS LEARNED PROJECT

· Private Sector Development and Economic Growth

# SIGAR OVERSIGHT ACTIVITIES

response to changes in the political and security situation; (2) the extent to which individual programs and projects fit with the overall stated strategy and goals; (3) the extent to which strategy, policies, programs, and projects were a good fit with the environment; (4) the level of programming coherence among U.S. agencies and other sectors and donors (e.g., World Bank, UK Department of International Development, UN agencies); and (5) the extent that U.S. government reconstruction efforts led to planned outcomes such as new or higher value economic activity, especially in the areas of job creation, trade, investment, and development of value chains.

## INVESTIGATIONS

During the reporting period, SIGAR investigations achieved significant results once again. Cost savings to the U.S. government amount to approximately \$123.7 million; fines, forfeitures, and restitutions total over \$26.7 million. Additionally, there were two arrests, five criminal charges, seven convictions, and nine sentencing. SIGAR initiated 18 new investigations and closed 22, bringing the total number of ongoing investigations to 306, see Figure 2.1.

The accomplishments of the quarter bring the cumulative total in criminal fines, restitutions, forfeitures, civil settlement recoveries, and U.S. government cost savings from SIGAR's ongoing investigations to over \$944.5 million. Investigative outcomes include 103 arrests, 136 criminal charges, 100 convictions, and 78 sentencing.

### Investigation Results in \$116 Million Savings to the U.S. Government

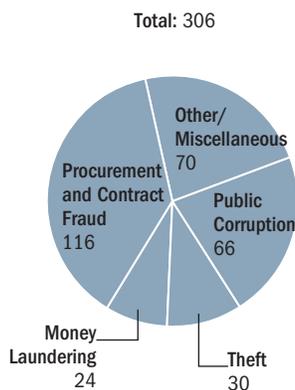
A SIGAR investigation confirmed allegations that Mitas Energy Afghanistan (Mitas) submitted a fraudulent bid package to USACE. Mitas was subsequently disqualified from the bid process, resulting in a savings of \$116,272,883 to the U.S. government.

In April 2015, SIGAR received information that Mitas had submitted a bid to USACE on the Northern Electrical Power System Phase IV (NEPS IV) Project in Afghanistan, which had a projected cost range of \$100 to \$250 million. The allegations included information that the president of Mitas, Abdul Majeed Fana, had previously been debarred by the U.S. government when Fana was president of another company.

Through coordination between SIGAR and Afghan officials, various findings revealed that the bid package submitted by Mitas appeared to contain fraudulent affidavits and fraudulent letters of attestation provided by Fana and other Mitas officials. USACE unknowingly accepted the fraudulent documents as valid and deemed Mitas to be a qualified vendor. SIGAR contacted officials at USACE who advised that Mitas was one of the companies found to be responsible and eligible to be selected for the NEPS IV contract.

FIGURE 2.1

SIGAR INVESTIGATIONS: NUMBER OF OPEN INVESTIGATIONS, AS OF SEPTEMBER 30, 2015



Source: SIGAR Investigations Directorate, 10/8/2015.

SIGAR worked closely with USACE officials and provided USACE with a detailed report of findings. Subsequently, USACE determined that Mitas was nonresponsible and disqualified Mitas from the bidding process. The cancellation of the Mitas bid, which totaled \$116,272,883, marks a significant savings to the U.S. government.

In addition, SIGAR obtained information indicating that officials at Mitas paid large bribes to officials of the Afghanistan Investment Support Agency (AISA), including the director of licensing at AISA. AISA is an organization that plays a key role in the screening of individuals and businesses and in the issuing of business licenses to individuals and entities conducting business in Afghanistan. In exchange, the director of licensing provided fraudulent AISA documents to Mitas, which were then submitted to USACE as part of the fraudulent bid package. The director of licensing is one of the most powerful and influential positions at AISA. SIGAR had previously received information from various sources that the director of licensing was heavily involved in bribery and corruption.

Because of the high level of corruption and the sensitivity of the matter, SIGAR referred its investigative findings directly to special advisors to President Ghani at the presidential palace. The palace then referred the matter to the Afghan Attorney General's Office, which resulted in the termination of the director of licensing's employment at AISA. This matter continues to be jointly investigated by SIGAR and the Afghan Attorney General's Office.

## **Former U.S. Air Force Captain Sentenced**

On August 21, 2015, in the Northern District of Iowa, Central Division, Adam Pudenz, a former U.S. Air Force officer, was found guilty of making a materially false statement and of violating the restriction on post-employment communications and appearances. Pudenz was sentenced to serve two concurrent terms of three years' supervised probation. As part of his plea agreement, Pudenz forfeited items purchased with the proceeds of the crime valued at approximately \$150,000, including his home in Carroll, Iowa, and several Afghan rugs.

In 2010, Pudenz, then a U.S. Air Force Captain, was stationed at Camp Eggers in Afghanistan, where he oversaw multimillion-dollar U.S. government contracts for the provision of clothing and footwear to the ANDSF.

In December 2010, prior to departing Afghanistan, Pudenz negotiated for future employment with an Afghan company that held several of the U.S. government contracts administered by Pudenz, a fact Pudenz later denied in an interview with law enforcement agents. Prior to his discharge from the military in January 2011, Pudenz received from his command a legal opinion prohibiting his employment with the same Afghan company. Pudenz disregarded the legal advice and, in March 2011, returned to Afghanistan to begin working for the Afghan company.

## SIGAR HOTLINE OUTREACH

In February 2014, the SIGAR Hotline launched an outreach effort using the Facebook social-media platform. The outreach program has succeeded in publicizing the SIGAR mission to combat corruption, fraud, waste and abuse in the Afghanistan reconstruction effort to hundreds of thousands of Afghans.

Most recently, the Hotline prepared a Pashto advertisement page detailing SIGAR's mission and responsibilities. With assistance from SIGAR's Public Affairs team, the advertisement was posted to SIGAR's Facebook page. The post has had a "reach" in excess of 600,000. Reach is defined as the number of Facebook users who have viewed the post. Of these viewers, over 48,000 have "liked" the post and it was shared (reposted) over 270 times. The additional shared postings increased the exposure exponentially. Additionally, there were over 180 Facebook comments posted by viewers.

It is important to note that all of these comments were positive in nature. Comments posted to previous ads were mixed; both negative and positive. SIGAR analyzed these previous ad comments and realized there was a misunderstanding of the SIGAR role and mission in Afghanistan. What SIGAR found was that many Facebook followers believed SIGAR was a private American corporation. This prompted a change in strategy to ad phrasing whereby SIGAR first informs the readers about SIGAR and its mission before asking them to report fraud, waste, and abuse. This change in phrasing, with an improved, clearer explanation of the SIGAR organization, has had the outcome of positive

and supportive comments as demonstrated by the latest Pashto ad.

These numbers, detailed in Table 2.2 represent a remarkable achievement in exposing SIGAR's mission within Afghanistan's Pashto-speaking community. The results of prior Dari and English-language postings showed similarly excellent results and extensive reach.

Since the Hotline began using Facebook, SIGAR has processed in excess of 120 Hotline complaints, due in large part to the increased exposure via social media.

In addition, the Hotline is in the initial planning stages of another project intended to increase awareness and exposure of the SIGAR mission along with Hotline information. The project will entail distributing SIGAR informational summaries in Dari, similar to the summary in Pashto posted to Facebook, but in a hard-copy handbill style. The handbills will be distributed in Kabul at high-traffic locations during a five-day trial period using hired Afghan nationals. This project is a low-risk opportunity with the potential for high-value return.

Also in the planning stages is a project utilizing billboards to inform Afghan citizens of SIGAR's mission and invite them to report instances of corruption, fraud, waste, and abuse. Through these programs using Pashto and Dari, SIGAR is increasing the scope of awareness about the Hotline and is promoting greater vigilance in the detection and reporting of waste, fraud, and abuse in the Afghanistan reconstruction efforts, which ultimately benefits the American taxpayer.

# QUARTERLY HIGHLIGHT

TABLE 2.2

## FACEBOOK HOTLINE ADVERTISEMENT RESULTS

Language	Month Posted to Facebook	LIKES		SHARES		REACH*	
		Count	Percentage Increase	Count	Percentage Increase	Count	Percentage Increase
Dari	June 2014	10,485		159		250,000	
	July 2015	43,831	318%	349	119%	529,920	112%
English	May 2014	4,493		83		136,356	
	May 2015	28,385	532%	85	2%	306,304	125%
Pashto	May 2014	6,549		143		213,824	
	September 2015	48,718	644%	272	90%	687,465	222%

Note: \* "Reach" is Facebook's term for the number of people who have seen a post displayed.

Source: SIGAR Investigations Directorate, 10/5/2015.



**Special Inspector General for Afghanistan Reconstruction (SIGAR)**

سیگار اداره د امریکا د متحدو ایالتونو د کانگرس له خوا د پروژو او د بارغاوې د کړنو د تفتیش او خپرې د ترسره کولو لپاره په کال ۲۰۰۸ کی د قانون د ۱۲۲۹ مادې له صلاحیتونو سره سمه جوړه شوه. د سیگار اداره د ظرفیتونو د لوړولو او اغیزمن کولو او همداراز د بارغاوې په پروگرامونو کې د درغلیو، نفل او بی-خایه کې اخیستنې د مخنیوي په موخه منځته راغله.

د امریکا متحدو ایالتونو له کال ۲۰۰۲ څخه تر ۲۰۱۳ جون ۲۰۱۳ میلادي کال پورې شاوخوا ۱۰۹ بیلون امریکایي ډالر د افغانستان د بارغاوې د مرستې په توګه ځانګړې کړېدې و. نوموړې مرستې د افغان ملي امنیتي ځواکونو د جوړونې، د ښه حکومتدارۍ د ودې، د براجتایې مرستو د ترسره کولو او د محدره موادو او فساد په وړاندې د مبارزې د هڅو لپاره په کار اچول شوي دي.

هغه لاین (شکایتونو ته د رسیده ګی شعبه) د سیگار اداره د درغلیو، د پیسو د ضیاع او د مالي سوء استفادې په اړه د شکایتونو هم راټولوي.

ناسو کولای شئ د نفل، درغلیو او ناوړه کې اخیستنې په اړه هرډول شکایت له افغانستان او متحدو ایالتونو څخه د فکس، پست او آنلاین لارې په بڼه، درې او انګلیسي ژبو د سیگار ادارې ته ورسوئ.

زمونږ تحلیلګران د هر شکایت له اړونې وروسته بریکه کوي چې آیا نوموړې معلومات د سیگار په مسؤلیتونو کې راځي که نه. هر شکایت چې د سیگار ادارې د صلاحیتونو په ساحه کې راځي نو د لاریاتو خپرونو لپاره اړونده پرسونل ته سیارل کېږي.

هغه کسان چې د سیگار له ادارې سره اړیکه نیسي، ددوئ د غوښتنې په صورت کې ددوئ بېزادګلوي نه به ډاګه کېږي.

افغانستان:  
 د اړیکو شمېره: ۰۷۰۰۱۰۷۳۰۰  
 متحده ایالتونه:  
 له مرکزي دفتر سره د اړیکو شمېره:  
 نړیوال: ۱-۸۶۶-۲۲۹-۸۸۹۲  
 د فکس شمېره: ۷۰۳-۶۰۱-۴۰۴۵  
 ایمیل: sigar.hotline@mail.mil





**در غلي د وژني سبب کيدلای شي**

This Pashto advertisement was created and posted to Facebook as part of SIGAR's hotline outreach.

# SIGAR OVERSIGHT ACTIVITIES



**SIGAR investigative analyst** Shokoor Siddiqi spoke at the October 2015 Afghan Arts and Culture Festival in Virginia. Siddiqi spoke on SIGAR's mission, vision, and accomplishments; discussed the Afghanistan reconstruction effort; and requested that Afghans report fraud, waste, and abuse involving reconstruction programs and activities. (SIGAR photo by George Melendez)

From March until November 2011, Pudenz lobbied U.S. government officials in person and via email on behalf of his Afghan employer. His lobbying efforts were tied to the same contracts he had administered as a U.S. Air Force officer in 2010. In return, his Afghan employer agreed to pay him \$500,000 per year, of which \$250,000 was paid up front upon Pudenz's arrival in Afghanistan. Pudenz repeatedly and falsely told U.S. government contracting officials that he had been given "safe harbor" by military lawyers, permitting him to represent his Afghan employer, and on several occasions Pudenz gained unlawful entry to U.S. military compounds by falsely telling security guards he was still on active duty with the U.S. military and that he was still a U.S. contracting official.

SIGAR, the Defense Criminal Investigative Service (DCIS), Air Force Office of Special Investigation (AFOSI), the Army Criminal Investigative Division (CID), and the Federal Bureau of Investigation (FBI) jointly investigated this case.

## U.S. Navy Reserve Members Receive Admiral's Mast for Dereliction in Duties

On June 27, 2012, at a culvert along Highway 1 in Ghazni Province, Afghanistan, an improvised explosive device (IED) detonated, wounding four U.S. Army soldiers. On July 18, 2012, at the same culvert, an IED explosion killed two U.S. Army soldiers and wounded two more.

Culverts are structures that allow water to flow under a road. They are large enough for insurgents to plant IEDs under the highway, necessitating the installation of culvert-denial systems (CDS) in the form of metal bars. In August 2012, an investigation was initiated after the lead engineer on the Provincial Reconstruction Team in Ghazni Province reported that two Afghan contractors were suspected of having committed fraud on separate U.S. government contracts to install the CDSs along Highway 1 in Ghazni Province.

The Afghan Mercury Construction Company (AMCC) was awarded one of the contracts to install 125 CDSs in January 2011. United States Navy Reserve Lieutenant Commander Matthew J. Cook, one of the contracting officer representatives (COR) for AMCC, authorized 75% of the \$361,689 payments to AMCC for performance on the contract. Muneeb Brothers Construction Company (MBCC), was awarded one of the contracts to install 125 CDSs in January 2011. U.S. Navy Reserve Lieutenant Commander Michael J. Cernuska was the COR for MBCC. He authorized MBCC to receive full payments of \$541,360 for performance on the contract.

A subsequent survey of the CDSs on Highway 1 identified a large number of unprotected culverts in Ghazni Province. As the CORs, Cook and Cernuska had a duty to verify that AMCC and MBCC performed the technical and management requirements of the contract in accordance with the contract terms, conditions, and specifications. Cook and Cernuska

had the duty to notify the contracting officers in writing of unsatisfactory performance and/or deficiencies. Both AMCC and MBCC's submissions for payment had deficiencies that should have been evident to Cook and Cernuska. These deficiencies included the use of the same photograph for different CDS installation sites; CDS site global positioning system coordinates that, in many cases, were miles away from the culvert intended for CDS placement; submitting less than the four photographs required by the contract; photographs of CDS installations that unequivocally failed to meet contract specifications. Despite these deficiencies, Cook and Cernuska failed to notify the contracting officers as required, and approved AMCC and MBCC's submissions for payment.

On April 7, 2015, Cook received an Article 32 hearing for violation of Article 92, Uniform Code of Military Justice, Dereliction of Duty. On July 9, 2014, Cook received an Admiral's Mast for violation of Article 92 and was issued a punitive letter of reprimand for being derelict in his duties in that he negligently failed to monitor day-to-day administration of a contract.

On July 9, 2015, Cernuska received an Admiral's Mast for violation of Article 92, Uniform Code of Military Justice, Dereliction of Duty. Cernuska received a punitive letter of reprimand for being derelict in his duties in that he negligently failed to monitor the day-to-day administration of a contract.

## Two U.S. Military Members Plead Guilty to Bribery

On July 2, 2015, in the United States District Court, Western District of Kentucky, U.S. Army Sergeant First Class Ramiro Pena pled guilty to a one-count **criminal information** charging him with conspiracy to receive and accept illegal bribes by a public official.

On September 18, 2015, in the United States District Court, Northern District of Florida, U.S. Navy Retired Senior Chief Petty Officer Donald P. Bunch entered a guilty plea to a one-count criminal information charging him with receiving and accepting illegal bribes by a public official.

Both individuals were subjects of a bribery investigation focusing on Afghan contractors paying bribes to U.S. military personnel in return for government contracts associated with the Humanitarian Aid Yard (HA Yard) at Bagram Airfield (BAF) in Afghanistan. The HA Yard functions as a storage facility for large quantities of clothing, food, school supplies, and other items available to military units in support of humanitarian aid for the Afghan people. The HA Yard, through the Commander's Emergency Response Program, enables U.S. military commanders to respond to urgent humanitarian relief needs.

Pena was project purchasing officer at the HA Yard and accepted approximately \$100,000 in illegal bribes and a Rolex watch worth approximately \$25,000 from Afghan vendors. Pena sent approximately \$22,000 of the bribe money home in greeting cards addressed to his wife, who resided at Fort

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**Criminal Information:** a written accusation made by a public prosecutor, without the participation of a grand jury. The function of a criminal information is to inform the defendant of the nature of the charge made against him, and the act constituting such a charge so that he can prepare for trial and to prevent his being tried again for the same offense.

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Source: *Black's Law Dictionary*.

Campbell. He would send three to four bills totaling \$300 to \$400 in each card at a time so as to not bring attention to the envelope at the post office. Further, Pena used bribe money to purchase a Harley-Davidson motorcycle and to pay his and his family's personal expenses.

Bunch, in his position as a yard boss at HA Yard, accepted approximately \$25,000 in illegal bribes from Afghan vendors to ensure the successful approval and processing of contracts to restock supplies at the HA Yard. Like Pena, Bunch sent most of the money home to his wife in greeting cards. The couple used the money for a house they were having constructed.

## **Contracting Officer Pleads Guilty**

On July 31, 2015, in the Northern District of Alabama, Teresa Mayberry pled guilty to charges of obstruction of a federal audit for conduct arising from her efforts to obstruct an audit by the Department of Defense Office of Inspector General (DOD IG). The audit was of the overhaul and purchase of Mi-17 helicopters for the Afghan Air Force.

An investigation was initiated on August 15, 2013, upon receipt of a SIGAR hotline complaint from an individual who requested confidentiality. The investigation concerned an illicit relationship between the Non-Standard Rotary Wing Aircraft (NSRWA) Program office at Redstone Arsenal and two contractors: Avia Baltika (AVB) and MD Helicopters Inc. (MDHI).

In late 2011 and 2012, DOD IG audited contracts involving the overhaul of Russian-made Mi-17 helicopters and the purchase of spare parts amounting to over \$8 million. The purpose for the audit was to determine whether the U.S. Army paid reasonable prices for the parts, the parts were necessary, and the proper contracting procedures were followed.

Teresa Mayberry, a contracting officer at NSRWA, approved the parts contract on behalf of the U.S. government and had a key role in its implementation. Throughout the course of the audit, DOD IG made several requests to Mayberry for contracting documents used to justify the decisions made in purchasing the spare parts. Mayberry prepared, and directed her subordinates to prepare, a variety of false and backdated documents, which she then provided to DOD IG in response to its requests.

The investigation of Mayberry and other subjects involved in this matter was complex, involving more than 150 interviews, 137 federal grand jury subpoenas, the execution of four email search warrants, e-discovery utilization, and the review of at least 500,000 documents. The investigation was jointly conducted by SIGAR, the FBI, DCIS, and CID.

## **Investigation Yields over \$7.4 Million Savings for the U.S. Government**

A SIGAR investigation and independent audits resulted in the termination of the Civilian Technical Assistance Program (CTAP) and a \$7,445,950 savings to the U.S. government.

CTAP was primarily a USAID-funded program, managed by the Afghan Ministry of Finance. The purpose of CTAP was to hire and place expert technical advisors in various Afghan government ministries and departments. Once in place, the advisors were to help build the capacity of these government agencies through the mentoring of senior personnel. Approximately \$36 million was expended by CTAP over the five-year life of the program. Information developed by a SIGAR investigation, as well as independent audits, confirmed allegations of nepotism in the program. As a result, USAID terminated CTAP on July 31, 2015, withheld \$7,445,950 in committed funds, and declined to provide future funds.

## **Bribery Investigation Results in the Conviction of U.S. Contractor**

On September 8, 2015, in the Eastern District of Texas, George E. Green pled guilty to the receipt of bribes and conspiracy to structure financial transactions to avoid currency reporting requirements. The plea agreement provided that Green would receive a sentence of 46 months' incarceration and forfeit \$51,000, the amount of the bribe proceeds he received.

The investigation was initiated after USAID received allegations that Green, an employee of International Relief and Development Inc. (IRD), had solicited and received kickbacks in exchange for contract awards for the USAID Southern Regional Agriculture Development program, with a contract value of \$65 million. An Afghan employee of IRD wired \$20,000 to Green's U.S. bank account and several Afghan contractors wired a combined total of \$25,000 to Green's bank account and to an antique-auto dealer in Italy. Green bought \$16,000 in jewelry in Dubai as a means to launder money and arranged for his wife to transport over \$30,000 to the United States from Italy upon her return from their vacation.

SIGAR was involved in every aspect of the investigation, which included 19 federal grand jury subpoenas, 23 interviews, four e-mail search warrants, and a physical search warrant of Green's residence, as well as forensic computer examinations.

## **U.S. Military Member Sentenced for Conspiracy and Bribery**

On September 22, 2015, in U.S. District Court, Northern District of California, former U.S. Army Specialist Anthony D. Tran was sentenced to 30 months' confinement and was ordered to pay \$69,000 in restitution, as well as a mandatory assessment fee of \$100. He was ordered to forfeit \$11,437 and his 2009 Honda Accord, valued at \$8,563. Additionally, Tran will be on supervised release for three years upon completion of his sentence. On June 9, 2015, Tran pled guilty to one count of bribery of a public official.

After reports of missing fuel at Forward Operating Base Gardez, SIGAR initiated the investigation of coconspirators Tran, Sergeant First Class James E. Norris, Sergeant Seneca D. Hampton, and one other individual.

## FEDERAL JUDGE HANDS DOWN STIFF SENTENCES AS A RESULT OF A BRIBERY AND FUEL THEFT CONSPIRACY INVESTIGATION

On September 29, 2015, U.S. Army Sergeant First Class Jeffery B. Edmondson, former U.S. Army Sergeant Christopher Ciampa, former U.S. Army Sergeant Enmanuel Lugo, and former U.S. Army Staff Sergeant Geoffrey K. Montague were sentenced by U.S. District Judge Terrence W. Boyle in the Eastern District of North Carolina for their involvement in a bribery and fuel-theft conspiracy scheme while deployed in Afghanistan.

Each of the four conspirators previously pled guilty to one count of conspiracy and one count of bribery. For his role in the scheme, Edmondson was sentenced to eight years in federal prison and ordered to pay restitution in the amount of \$7,499,200.

Ciampa was sentenced to 10 years in federal prison and ordered to pay \$10,353,000 in restitution.

Montague was sentenced to five years in federal prison and ordered to pay \$7,499,200.

Lugo was sentenced to four years in federal prison and ordered to pay \$1,296,000 in restitution. All four conspirators paid a special assessment of \$200, and will serve three years of supervised release following their respective periods of incarceration.

The four conspirators deployed to Afghanistan in 2011–2012 with the U.S. Army 3rd Special Forces Group Service Detachment, a unit based out of Fort Bragg, North Carolina. All were assigned to Camp Brown on Kandahar Air Field (KAF), where their duties included oversight of transportation requests for fuel, water, and other supplies to support U.S. military units operating across southern Afghanistan. The transportation movement requests (TMRs) are fulfilled by various Afghan trucking companies under contract.

Upon arrival in Afghanistan in February 2011, Edmondson, the senior ranking member of the group, appointed Ciampa to oversee the TMR process and trained Ciampa in the details of the planned criminal conspiracy. Lugo and Montague joined the scheme later in the deployment; Montague was senior to Ciampa and Lugo, and Lugo assumed Ciampa's role of overseeing the TMR process in August 2011.

As part of the scheme, the conspirators falsified TMRs to reflect that a U.S. military unit in the field had requested a fuel shipment, when in fact it had not. The falsified TMR designated a specific Afghan trucking contractor that was conspiring with the four military conspirators to complete the fake TMRs. Drivers for the Afghan company used the falsified TMRs at fuel depots on KAF to load 10,000-gallon fuel trucks, drive the trucks off the base, and sell the stolen fuel on the black market. The trucking company paid the four soldiers for the official acts of falsifying the TMRs and also for

falsely certifying that the stolen fuel had been successfully delivered to legitimate military units. In addition to the value of the lost fuel, the United States also paid fraudulent freight charges for the movement of the stolen fuel.

From February 2011 through December 2011, the conspiracy caused the loss of at least 114 10,000-gallon truckloads of stolen fuel. The resulting loss to the U.S. government was \$8,661,000 in stolen-fuel costs and \$1,692,000 in fraudulent freight charges.

The investigation was conducted by SIGAR, CID, DCIS, and the FBI.



**Federal agents seize weapons** that were purchased from proceeds of a fuel-theft scheme. (DCIS photo)

The investigation confirmed a total loss of 59,000 gallons of fuel valued at \$600,000. The four individuals were identified as having been involved in a bribery scheme in connection with the fuel loss.

Tran admitted to accepting approximately \$20,000 in illegal bribes from an Afghan driver in exchange for permitting the driver to steal approximately 12,000 gallons of fuel from the base. Tran admitted to shipping the bribery proceeds concealed in personal effects that he sent to the United States and to using the currency to purchase a Dodge Challenger vehicle. Additionally, Tran admitted receiving cash from Hampton in exchange for not reporting the criminal activities to authorities.

As previously reported, coconspirators Norris and Hampton admitted to accepting approximately \$2,000 per day from local Afghan drivers in exchange for permitting the drivers to take thousands of gallons of fuel from the base. Both individuals shipped the bribery proceeds to the U.S. by concealing them in their personal effects. Both Norris and Hampton admitted purchasing expensive vehicles with the cash derived from the bribery scheme. The vehicles were subsequently forfeited as part of their plea agreements.

## **U.S. Army Reserve Staff Sergeant Pleads Guilty to Bulk Cash Smuggling and Theft of Government Property**

On July 15, 2015, in the District of Puerto Rico, Luis Ramon Casellas pled guilty to three counts of bulk cash smuggling and one count of theft of government property. The plea includes an admission to smuggling \$113,050 and theft of \$6,302 in government property while serving with the U.S. Army in Afghanistan.

In April 2013, Casellas was deployed by the Army to KAF. As part of his duties, Casellas was responsible for helping to break down smaller bases in preparation for the withdrawal of U.S. military forces from Afghanistan. These duties included retrieving U.S. government property for future use and selling unsuitable material as scrap to Afghan contractors. Between June 17 and August 9, 2013, Casellas was the leader of a three-person Army team that went to a forward operating base to help break down that base. While at the base, Casellas stole tools and equipment, including laptops, belonging to DOD. In July 2013, he sent approximately eight boxes from the base to his wife in Puerto Rico. The boxes contained some of the stolen property and undeclared U. S. currency totaling \$50,500.

Additionally, in August 2013, Casellas sent two boxes from KAF to his wife that were marked as “gifts for family.” In connection to his plea, Casellas admitted that, although he declared that the items inside the boxes were valued at \$700 and \$400, respectively, one box contained some of the stolen government property as well as \$41,750 in U.S. currency, while the other box contained \$20,800 in U.S. currency. These boxes were intercepted by U.S. Customs in Louisville, Kentucky.

## U.S. Army Sergeant First Class Sentenced for Receipt of Gratuities

On September 29, 2015, U.S. Army Sergeant First Class Robert Warren Green, of the 82nd Sustainment Brigade based out of Fort Bragg, North Carolina, was sentenced by U.S. District Judge Terrence W. Boyle in the Eastern District of North Carolina, stemming from his earlier plea of guilty to demanding, seeking, and receiving unlawful gratuities while deployed in Afghanistan. Judge Boyle sentenced Green to serve 10 months in federal prison and ordered Green to forfeit \$45,000 in illegal proceeds. Following his incarceration, Green will serve one year of supervised release.

While serving in Afghanistan in 2008–2009, then-Staff Sergeant Green sought and received cash payments totaling \$150,000 from Afghan trucking contractors seeking transportation contracts with the U.S. government. Following receipt of payment, Green caused at least 40 transportation contracts totaling at least \$3 million to be awarded to the Afghan contractors who paid him. Green sent his illegal proceeds to the U.S. in packages shipped to his wife and he smuggled cash into the U.S. in a footlocker upon his return from deployment. In addition to the cash proceeds, Green accepted rugs, jewelry, and trinkets from the Afghan contractors.

**Special entity designations:** exclusions in the General Services Administration's System for Award Management based upon identifications by the CENTCOM Commander of individuals and entities that are or have the potential to engage in contracting and have provided material support to insurgent or terrorist groups in accordance with Section 841 of the 2015 National Defense Authorization Act. Special entity designations are for an indefinite period and act as notice that contracts and subcontracts awarded to individuals and entities identified by the CENTCOM Commander may be restricted, terminated or voided as a matter of public policy.

**Administrative compliance agreements:** entered into in lieu of debarment as the result of negotiations between suspension and debarment officials and contractors.

## Suspensions and Debarments

This quarter, SIGAR's suspension and debarment program referred 18 individuals and 12 companies for suspension or debarment based on evidence developed as part of investigations conducted by SIGAR in Afghanistan and the United States. Three of these individuals were referred for suspension based upon criminal charges being filed against them based on misconduct related to or affecting reconstruction contracting in Afghanistan. These referrals bring the total number of individuals and companies referred by SIGAR since 2008 to 680, encompassing 361 individuals and 319 companies to date, see Figure 2.2.

As of the end of September 2015, the efforts of SIGAR to utilize suspension and debarment to address fraud, corruption, and poor performance in Afghanistan have resulted in a total of 127 suspensions, 366 finalized debarments, and 28 **special entity designations** of individuals and companies engaged in U.S.-funded reconstruction projects. Since the initiation of the program, an additional 14 individuals and companies have entered into **administrative compliance agreements** with the government in lieu of exclusion from contracting. During the fourth quarter of 2015, SIGAR's referrals resulted in 22 suspensions and 23 finalized debarments of individuals and entities by agency suspension and debarment officials.

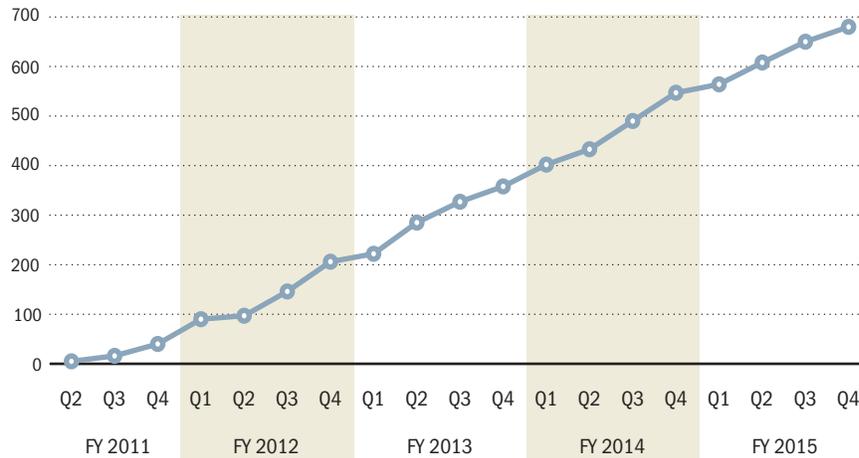
Suspensions and debarments are an important tool for ensuring that agencies award contracts only to responsible entities. SIGAR's program addresses three challenges posed by U.S. policy and the contingency

Source: SIGAR Suspensions and Debarments.

# SIGAR OVERSIGHT ACTIVITIES

FIGURE 2.2

**SIGAR INVESTIGATIONS: CUMULATIVE REFERRALS FOR SUSPENSION AND DEBARMENT, Q2 FY 2011–Q4 FY 2015**



Source: SIGAR Investigations Directorate, 10/8/2015.

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 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—actions taken by U.S. agencies to exclude companies or individuals from receiving federal contracts or assistance because of misconduct—based on completed investigations that SIGAR participates in.

In most cases, SIGAR’s referrals occur in the absence of acceptance of an allegation for criminal prosecution or remedial action by a contracting office and 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 supporting 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 OVERSIGHT ACTIVITIES

SIGAR's emphasis on suspension and debarment is exemplified by the fact that of the 680 referrals for suspension and debarment that have been made by the agency to date, 653 have been made since the second quarter of 2011. During the 12-month period prior to October 1, 2015, referrals by SIGAR's suspension and debarment program resulted in the exclusion of 152 individuals and companies from contracting with the government. 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 approximately \$762.5 million.

## **Insurance Company and Owners Debarred Based on the Sale of Fraudulent Insurance Policy to Reconstruction Contractor**

On August 27, 2015, the U.S. Army suspension and debarment official debarred Umbrella Insurance Limited Company, Karim Timor, and Khalid Wardak for a period of five years, ending on May 14, 2020, based on allegations of Defense Base Act (DBA) insurance fraud. DBA insurance is workers' compensation insurance for contractor employees injured while performing public-works contracts overseas and is required by U.S. law. DBA insurance is a cost-reimbursable expense and must be purchased prior to the start of contract performance and remain valid throughout the contract's performance. A multi-agency investigation, including SIGAR and Army CID's Major Procurement Fraud Unit, revealed that Umbrella, an insurance broker, sold a nonexistent DBA policy to an Afghan contractor working on a reconstruction contract. This sale of a fraudulent DBA insurance policy placed the Afghan contractor's employees at risk of having no insurance for injuries sustained in an accident or other mishap connected to their employment on the contract. As a result of this finding, Umbrella Insurance Limited Company, Timor, and Wardak were all referred by the SIGAR's suspension and debarment program to the Army on March 27, 2015, for debarment.

## **Contractors Debarred for Theft of Equipment and Vehicles from Kandahar Airfield**

On September 24, 2015, Syed Gardazi and Sagara Smarasinghage were debarred by the U.S. Army suspension and debarment official as a result of a referral by SIGAR alleging that both had participated in the theft of \$257,322 worth of vehicles and equipment from a storage yard at KAF operated by Skylink Aviation.

Based on an investigation conducted by SIGAR, it was determined that on November 28, 2014, Gardazi and Smarasinghage, then working as contractor employees at KAF, entered the storage yard and removed two diesel forklifts using a Ford semi truck with a 40-foot trailer also located in the yard. Both forklifts, the truck, and trailer were then driven off Kandahar Airfield and were sold to an unknown Afghan by Gardazi and

Smarasinghage. Both subsequently admitted to participating in this theft when confronted by SIGAR investigators and were immediately removed from KAF. As a result of SIGAR's investigation and referral for debarment, both Gardazi and Smarasinghage were debarred for a period of five years from their date of proposed debarment, ending on May 3, 2020.

## **Logistics Contractors and Owner Debarred for Misrepresenting Veteran- and Women-Owned Status and for Lack of Financial Responsibility**

On July 20, 2015, the U.S. Air Force suspension and debarment official debarred James Michael O'Brien, a.k.a. "James Michael Wienert," and his companies, Tamerlane Global Services Inc., and Artemis Global Inc., based on a referral made by SIGAR alleging that both Tamerlane Global Services and Artemis Global improperly claimed to be veteran- and woman-owned businesses as part of representations made on the General Services Administration's System for Award Management and materials promoting the company's services.

An investigation by SIGAR determined that, based on ownership and control of both companies by O'Brien, an individual who could not claim either status due to the characterization of his discharge from the military as other than honorable, the company's present responsibility had been called into question. In addition, SIGAR's investigation determined that O'Brien and Tamerlane were financially irresponsible due to the fact that two default judgements, totaling over \$2.1 million had been entered against them in U.S. District Court for failure to pay subcontractors in Afghanistan for the movement of cargo as part of U.S. Transportation Command contracts. Following their proposals for debarment, it was determined that neither O'Brien nor Tamerlane had any intent to satisfy the judgements entered against them, again calling into question their present responsibility as government contractors. Based on these findings, the Air Force debarred O'Brien, Tamerlane Global Services, and Artemis Global for a period of three years from the date of their proposed debarment, ending on April 18, 2018.

## **OTHER SIGAR OVERSIGHT ACTIVITIES THIS QUARTER**

### **Deputy Inspector General Speaks at Naval Postgraduate School**

Deputy Inspector General Aloise spoke on August 25, 2015, at the Naval Postgraduate School about the fraud, waste, and abuse that has occurred from the beginning of the Afghanistan reconstruction effort. Aloise highlighted SIGAR's role in overseeing the historic \$110 billion investment of U.S. taxpayer money spent in Afghanistan, and explained what makes the agency unique. The Deputy Inspector General detailed the three areas

SIGAR has pinpointed as critical for reconstruction success in Afghanistan as well as future reconstruction operations: project management, progress measurement, and civilian-military relations. As part of the way forward, Aloise called on senior officials in the audience to heed the lessons learned reports being produced by SIGAR, and to consider a list of seven key questions to answer when presented with a reconstruction project in a future operation.

## **Special Inspector General Speaks at Georgetown University's School of Foreign Service**

On September 10, 2015, Special Inspector General Sopko spoke at Georgetown University's School of Foreign Service about the need for evidence-based policymaking and honestly assessing the reconstruction in Afghanistan. Sopko emphasized the importance of considering the end goal before setting baselines; setting realistic, measurable baselines; and making policy decisions based on honestly measured results. The Special Inspector General provided examples from SIGAR's work—including reviews of CERP and USAID health programs—to illustrate the evidence-based policymaking process he described.

## **Special Inspector General Speaks at the George C. Marshall European Center for Security Studies**

Special Inspector General Sopko spoke at the Senior Executive Seminar's Session on 21st Century Converging Threats: Nexus of Terrorism, Drugs, and Illicit Trafficking on September 16, 2015. Sopko provided an overview of SIGAR's mission and work before delving into an assessment of the counternarcotics effort in Afghanistan. In the speech, Sopko detailed the rampant narcotics cultivation and use in Afghanistan, despite the approximately \$8.2 billion spent by the United States from 2002 to mid-September 2015 on counternarcotics efforts. Sopko concluded with a call for revised counternarcotics strategies and vigorous oversight.

## **Special Inspector General Speaks at the Royal United Services Institute**

On September 22, 2015, Special Inspector General Sopko spoke at the Royal United Services Institute about SIGAR's mission, discussing its similarities to and differences from the United Kingdom's Independent Commission for Aid Impact, as well as to other oversight agencies. Sopko also described the work SIGAR has done and detailed the obstacles the reconstruction effort in Afghanistan faces, including the seven high-risk areas articulated in the agency's December 2014 *High-Risk List*. The Special Inspector General concluded by highlighting areas of opportunity and SIGAR's commitment to continue its rigorous oversight.



**In September, Special Inspector General Sopko** spoke at the George C. Marshall European Center for Security Studies in Germany. (Marshall Center photo)

## **Special Inspector General Speaks at Princeton's Woodrow Wilson School of Public and International Affairs**

Special Inspector General Sopko spoke on October 6, 2015, at Princeton's Woodrow Wilson School of Public and International Affairs on the importance of doing a better job of foreign aid and reconstruction in failed states and post-conflict environments. Sopko discussed SIGAR's mission and work, as well as the concept and importance of aid conditionality. The speech also highlighted possible mechanisms for, problems with, and ways to develop smart conditionality.

## **Deputy Inspector General Speaks at the University of Denver's Korbel School of International Studies**

Deputy Inspector General Aloise spoke at the University of Denver's Korbel School of International Studies on September 28, 2015. Aloise provided an overview of SIGAR's mission and work, and echoed Special Inspector General Sopko's message on the importance of evidence-based policymaking.

## **SIGAR Conducts Peer Review of the Office of Personnel Management**

From May 12 to September 22, 2015, SIGAR conducted an external peer review of the Office of Personnel Management, Office of Inspector General. The peer review was conducted in accordance with Generally Accepted Government Auditing Standards and the Council of the Inspectors General on Integrity and Efficiency guidance.

# SIGAR OVERSIGHT ACTIVITIES



**At the annual Afghan Arts and Culture Festival** in Rosslyn, Virginia, where SIGAR had an information booth, Afghan and American performers shared traditional and modern Afghan music and dance. (SIGAR photo by Shokoor Siddiqi)

## **SIGAR Participates in Annual Afghan Arts and Culture Festival**

On October 4, 2015, SIGAR participated in the annual Afghan Arts and Culture Festival held in Rosslyn, Virginia. SIGAR hosted a booth featuring SIGAR publications and handouts in Dari and English. SIGAR personnel staffed the booth and provided information to attendees, including handouts featuring hotline and Facebook contact information for SIGAR. Many of the event's 2,500 to 3,000 attendees stopped by the SIGAR booth.

## **SIGAR Receives Four CIGIE Awards**

On October 22, 2015, SIGAR staff received four awards from the Council of the Inspectors General on Integrity and Efficiency (CIGIE). One SIGAR team was honored with the Sentner Award for Dedication and Courage in recognition of courage, uncommon selflessness, and dedication to duty in conducting audit and investigative work in a kinetic environment to support the Afghan government in developing revenue collection capability leading to long-term sustainability. Another team of SIGAR staff accepted the Award for Excellence in Investigation in recognition of outstanding achievement in successfully mitigating fraud related to nearly a billion dollar Afghan fuel contract, resulting in immediate action by the Afghan president and saving over \$200 million of U.S. government funds. A SIGAR special agent also received the Award for Excellence in Investigation (in conjunction with 10 investigators from other agencies) in recognition of

# SIGAR OVERSIGHT ACTIVITIES

successfully conducting a joint investigation, leading to the recovery of \$31.5 million to the U.S. government due to false billings and overcharges for Afghan goods. A third SIGAR team was given the Award for Excellence-Special Act in recognition of extraordinary initiative in identifying gaps in financial audit coverage of Afghanistan reconstruction contracts, resulting in potential recoveries exceeding \$100 million of U.S. government funds.

## SIGAR BUDGET

SIGAR is funded through the Consolidated and Further Continuing Appropriations Act, 2016. The funding level of \$56.9 million (the same as FY 2015) runs through December 11, 2015. The budget supports SIGAR's oversight activities and products by funding SIGAR's (1) Audits and Inspections, (2) Investigations, (3) Management and Support, and (4) Research and Analysis directorates, as well as the Special Projects Team and the Lesson Learned Program.

## SIGAR STAFF

SIGAR's staff count remained steady since the last report to Congress, with 193 employees on board at the end of the quarter. At the end of the quarter, 31 SIGAR employees were at the U.S. Embassy Kabul and three others were at Bagram Airfield. SIGAR employed seven local Afghans in its Kabul office to support the Investigations and Audits directorates. In addition, SIGAR supplements its resident staff with personnel assigned to short-term temporary duty in Afghanistan. This quarter, SIGAR had 12 employees on temporary duty in Afghanistan for a total of 114 days.



**SIGAR staff participated** in the annual Afghan Arts and Culture Festival in Rosslyn, Virginia. (SIGAR photo by George Melendez)

“I remain concerned about the long-term viability of the ANDSF. Succinctly, Afghanistan cannot afford its security forces—particularly at their present size. Yet their current numbers are needed to contend with the scale of the threat.”

—*U.S. Army General John F. Campbell*