2 SIGAR OVERSIGHT

SIGAR OVERSIGHT CONTENTS

Audits	22
Inspections	36
Special Projects	45
Lessons Learned	46
Investigations	47
Other SIGAR Oversight Activities	59
SIGAR Passes Peer Review	67
SIGAR Budget	67
SIGAR Staff	67

Photo on previous page
Special Inspector General John Sopko, back left, President Ashraf Ghani, back right, and staff members meet in Kabul in February. (Arg Palace photo)

SIGAR OVERSIGHT ACTIVITIES

This quarter SIGAR issued 17 audits, inspections, alert letters, and other products. SIGAR work to date has identified over $2 billion in savings for the U.S. taxpayer.

A performance audit examined the extent to which the Departments of Defense (DOD) and State (State) and the U.S. Agency for International Development (USAID) have identified their efforts and accounted for funding to support primary and secondary education in Afghanistan.

SIGAR completed seven financial audits this quarter of U.S.-funded contracts, grants, and cooperative agreements to rebuild Afghanistan. SIGAR also announced seven new financial audits of USAID awards and a financial statement audit of the Task Force for Business and Stability Operations (TFBSO), bringing the total number of ongoing financial audits to 24 with more than $3.6 billion in auditable costs. Three inspection reports were also completed.

This quarter, SIGAR's Office of Special Projects wrote to the USAID Administrator about a health facility that appears to have structural damage that will likely put lives at risk. Additionally, the Office of Special Projects issued a report about the process DOD follows when disposing of excess real property in Afghanistan as well as the monetary value of the property provided to the Afghan government.

During the reporting period, SIGAR investigations achieved significant results. Cost savings to the U.S. government amounted to $3.1 million; a civil settlement totaled nearly $3.7 million; and fines, forfeitures, and restitutions amounted to over $400,000. Additionally, there was one arrest, one indictment, one conviction and six sentencings. SIGAR initiated 17 new investigations and closed 38, bringing the total number of ongoing investigations to 288.

This quarter, SIGAR's suspension and debarment program referred 25 individuals and 21 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 on criminal charges being filed against them alleging 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 743, encompassing 393 individuals and 350 companies to date.

TESTIMONY GIVEN

- Testimony 16-17-TY: Assessing the Capabilities and Effectiveness of the Afghan National Defense and Security Forces
- Testimony 16-18-TY: Challenges to Effective Oversight of Afghanistan Reconstruction Grow as High-Risk Areas Persist
- Testimony 16-24-TY: Oversight of Department of Defense Reconstruction Projects in Afghanistan
- Testimony 16-29-TY: DOD Task Force For Business and Stability Operations in Afghanistan: Review of Selected Expenditures Highlights Serious Management and Oversight Problems

COMPLETED PERFORMANCE AUDIT

- Audit 16-32-AR: Primary and Secondary Education in Afghanistan

COMPLETED FINANCIAL AUDITS

- Financial Audit 16-20-FA: USDA's Soybeans for Agricultural Renewal in Afghanistan Initiative
- Financial Audit 16-21-FA: USAID's Irrigation and Watershed Management Program in Afghanistan
- Financial Audit 16-25-FA: Department of State's Demining Activities in Afghanistan
- Financial Audit 16-27-FA: USAID's Support for the American University of Afghanistan
- Financial Audit 16-28-FA: Department of State's Demining Activities in Afghanistan
- Financial Audit 16-30-FA: Construction of the Special Forces Kandak in Kandahar
- Financial Audit 16-31-FA: USAID's Health Care Improvement Project

COMPLETED INSPECTION REPORTS

- Inspection Report 16-16-IP: Afghan Ministry of Defense Headquarters
- Inspection Report 16-22-IP: Department of Defense Reconstruction Projects
- Inspection Report 16-26-IP: Afghan Air Force University

COMPLETED SPECIAL PROJECT PRODUCTS

- Alert Letter 16-19-SP: Structural Damage at Health Facility
- Report 16-23-SP: Department of Defense Base Closures and Transfers in Afghanistan: The U.S. Has Disposed of $907 Million in Foreign Excess Real Property

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.

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 one performance audit, seven financial audits, and three inspection reports. This quarter, SIGAR also began two new performance audits, bringing the total number of ongoing performance audits to 16.

Performance Audit Reports Published

This quarter SIGAR published one performance audit report. The report examined the extent to which DOD, State, and USAID have identified their efforts and accounted for funding to support primary and secondary education in Afghanistan since fiscal year (FY) 2002; defined strategies to support primary and secondary education in Afghanistan; and assessed their overall progress towards their goals and objectives to support primary and secondary education in Afghanistan.

Audit 16-32-AR: Primary and Secondary Education in Afghanistan

Comprehensive Assessments Needed to Determine the Progress and Effectiveness of over $759 Million in DOD, State, and USAID Programs

Since 2002, the U.S. government, through DOD, State, and USAID, has implemented numerous programs to support the development of primary and secondary education in Afghanistan. These efforts have focused on areas such as constructing and refurbishing schools, distributing textbooks, and training teachers.

The objectives of this audit were to determine the extent to which DOD, State, and USAID have: (1) identified their efforts and accounted for funding to support primary and secondary education in Afghanistan since FY 2002; (2) defined strategies to support primary and secondary education in Afghanistan; and (3) assessed their overall progress towards their goals and objectives to support primary and secondary education in Afghanistan.

Together, DOD, State, and USAID spent approximately $759.5 million on 39 programs to support primary and secondary education in Afghanistan from FY 2002 to FY 2014. SIGAR's analysis of State and USAID data showed that the agencies were able to identify their efforts and the amount of funds (approximately $617.9 million) or the percentage of each program that directly supported primary and secondary education. SIGAR found that DOD spent at least $141.7 million on Commander's Emergency Response Program (CERP) projects to support primary and secondary education. However, SIGAR found limitations in DOD's tracking of certain CERP projects that prevented SIGAR from determining how much DOD spent on about 1,000 CERP projects. Although DOD subsequently corrected the two limitations on its tracking of CERP funds, DOD spent additional money on

CERP beyond the $141.7 million that SIGAR was able to identify. In addition to the information that DOD provided on CERP, SIGAR collected anecdotal evidence from, for example, an independent web search, that DOD spent other funds unrelated to CERP on primary and secondary education in Afghanistan since 2002.

Since 2005, USAID's efforts to support primary and secondary education in Afghanistan has been guided by its *USAID/Afghanistan Strategic Plan 2005–2010*, which the mission has not updated and continues to use. SIGAR determined that USAID/Afghanistan's strategy aligned with agency-wide, global education strategies, as USAID guidance suggests. While USAID had a defined strategy, DOD and State did not. DOD officials stated that its primary focus was the counterinsurgency mission, and any efforts to develop Afghanistan's education system were intended to further the counterinsurgency. State officials told us that State recognized USAID as the primary U.S. agency implementing primary and secondary education programs and deferred to USAID for strategies related to these efforts. However, State does not specifically follow USAID's strategy.

USAID/Afghanistan created long-term strategic plans for its education programs in Afghanistan, in accordance with USAID's Automated Directives System (ADS) Chapter 201 guidance. However, as the primary agency conducting U.S. education development efforts in Afghanistan—as formally designated in 2010 by Presidential Policy Directive 6: U.S. Global Development Policy—and as the only agency to have an education strategy, it did not articulate other agencies' roles and responsibilities, or how their education efforts supported its strategies and objectives. USAID does not require its missions to explicitly address the roles of other U.S. agencies in their strategies, but best-practice standards make it important to do so. For example, a U.S. Government Accountability Office best practice states that a strategy should address who will be implementing the strategy, what their roles will be compared to others, and mechanisms for them to coordinate their efforts. The more detail a strategy provides, the easier it is for the responsible parties to implement it and achieve its goals.

DOD, State, and USAID have not adequately assessed their efforts to support education in Afghanistan. DOD has provided limited assessments through its semiannual *Report on Progress Toward Security and Stability in Afghanistan*, which describes combined U.S. government efforts in education, including State and USAID efforts to build capacity and improve overall education. However, SIGAR determined that most discussions in these reports had little to do with DOD education-related efforts and were limited to USAID efforts, including outputs such as the numbers of teachers trained and numbers of schools constructed. DOD officials told us the department does not have specific primary and secondary education strategic objectives against which to evaluate the success of its programs, projects, and other efforts in support of Afghan education. Moreover, State

COMPLETED PERFORMANCE AUDIT

- Audit 16-32-AR: Primary and Secondary Education in Afghanistan

and USAID's *Evaluation Guidelines for Foreign Assistance* calls for program evaluations, which focus on a program area in a country and cover multiple activities, to give a total understanding of U.S. government programs in a thematic area, such as education. State did not evaluate progress at this level. Instead, based on documentation provided by State, SIGAR determined that State evaluated the progress of its individual programs—as required by U.S. Embassy Kabul guidance—but did not aggregate these evaluations into one overall assessment of its efforts.

Since 2008, USAID has aggregated and assessed performance across its education programs in Afghanistan through its required portfolio reviews and annual Performance Plan and Report submissions. However, SIGAR's analysis showed that these assessments did not reflect a complete study of overall progress in the sector. USAID officials acknowledged that they do not assess the overall performance of the education sector but noted that they do assess the performance of individual education programs to determine if they are on track to achieve their intended results, as called for in USAID guidance. Best practices and State and USAID guidance call for compiling monitoring and evaluation data from individual programs into agency-level assessments of the impact of those efforts overall. If USAID already assesses data on progress at the individual program level, the agency should already have relevant data available to help compile into an overall assessment of its progress in the education sector. Without comprehensive assessments of the work performed in education, DOD, State, and USAID will be unable to determine the impact that the approximately $759.5 million they have spent has had in improving Afghan education.

To help demonstrate and report on its overall progress in the education sector, USAID uses education statistics that are not always based on USAID performance data and cannot be linked to its specific education programs. For example, in USAID's 2014 fact sheet on education in Afghanistan, USAID cited Afghan government data showing increased student enrollment—from 900,000 students in 2002 to 8 million in 2013—as evidence of overall progress in the sector. Importantly, USAID is not able to demonstrate how its specific education programs are linked to supporting these Afghan-reported results and cannot verify whether this Afghan data is reliable. Both the Afghan Ministry of Education (MOE) and independent assessments have raised significant concern that the MOE's education data may be inaccurate. SIGAR has previously reported on the risks associated with the U.S. government relying on unverified data provided by the Afghan government. Accurate and reliable accounting of data is necessary to ensure full accountability of U.S. funds and inform decision-making on programming and funding. Because the agency relies on Afghan education performance data that is not solely and directly attributable to specific USAID programs and is unreliable, USAID may be inaccurately portraying its program contributions to the education sector in Afghanistan.

Based on the results of the audit, SIGAR recommends that:

1. As the lead U.S. agency for development efforts, the USAID Administrator update, as appropriate, USAID Mission for Afghanistan's strategic education plan to provide clear descriptions of other U.S. agencies' roles, responsibilities, and accountability for helping to implement the strategy.
2. The Secretaries of Defense and State assess the extent to which the education efforts funded by their respective departments, to include primary and secondary education, have led to improvements in education or increased stability in Afghanistan.
3. The USAID Administrator use existing program-level monitoring and evaluation data and reports, as well as annual performance plan and report submissions and portfolio review information, to develop and issue a sector-wide assessment of the agency's efforts to support education in Afghanistan, including primary and secondary education, with specific consideration of outcomes and impacts.
4. The USAID Administrator, when reporting on progress in the Afghan education sector, acknowledge the source and reliability of data, focus on the direct results of USAID's efforts, and clearly explain whether there is a causal connection between USAID efforts and documented progress.

New Performance Audits Announced This Quarter

This quarter SIGAR initiated two new performance audits. One will examine U.S. government efforts to increase the supply, quantity, and distribution of electric power from the Kajaki Dam, and the other will review all the Task Force for Business and Stability Operations' programs and activities in Afghanistan from 2010 through 2014.

NEW PERFORMANCE AUDITS

- U.S. Efforts to Increase the Supply, Quantity, and Distribution of Electric Power from the Kajaki Dam
- Task Force for Business and Stability Operations' Programs and Activities in Afghanistan

U.S. Efforts to Increase the Supply, Quantity, and Distribution of Electric Power from the Kajaki Dam

The Kajaki Dam, located 100 miles northwest of Kandahar City on the Helmand River, holds more than 1.7 billion cubic meters of water and has long been recognized as a potential source of irrigation and hydropower for southern Afghanistan. The dam was built in 1953 with funding assistance from the United States. In 1975, USAID commissioned the installation of two 16.5-megawatt turbine generators at the dam and left space for a third turbine. However, plans to install the third turbine were abandoned after the Soviet Union invaded Afghanistan in 1979, which eliminated a vital financial pipeline for the project. Despite the lack of financing, the Kajaki Dam continued to operate and provided electricity to Helmand and Kandahar provinces through the Soviet occupation, the civil war, and Taliban rule. As a result of decades of war and neglect, the Kajaki Dam has not had sufficient, periodic upgrades and maintenance.

For more than 10 years, DOD, including the U.S. Army Corps of Engineers (USACE), and USAID have implemented several concurrent projects associated with the Kajaki Dam. The focus of these efforts was to help the Afghan government improve electricity generation and distribution to southern Afghanistan in order to promote stability, economic development, and public confidence in the Afghan government. These projects include construction and structural repairs of the dam, rehabilitating the existing turbine generators, installing an additional turbine generator, and connecting transmission lines and substations to improve the dam's capacity to deliver reliable and sustainable electric power. Despite the significant investment the U.S. government has already made, and the loss of scores of U.S. and Coalition lives in the process, the Kajaki Dam has been plagued by problems, remains incomplete, and has yet to provide sufficient and sustained power to southern Afghanistan, particularly Helmand and Kandahar Provinces.

This audit will examine U.S. government efforts to increase the supply, quantity, and distribution of electric power from the Kajaki Dam. Specifically, the audit will:

1. Identify the projects the U.S. government has implemented since 2001, and any planned projects, to increase the supply, quantity, and distribution of electrical power from the Kajaki Dam, and their associated costs;
2. Assess the extent to which the completed and ongoing projects related to the Kajaki Dam have achieved or are achieving their expected outcomes and broader U.S. objectives;
3. Assess the extent to which U.S. agencies monitored and evaluated the progress and quality of the work performed to enhance the power generation capacity of the Kajaki Dam;
4. Determine the extent to which the enhancement of the Kajaki Dam remains economically and strategically viable; and
5. Assess the extent to which U.S. agencies and the Afghan government have planned and implemented efforts to operate, maintain, and sustain the Kajaki Dam over the long-term.

Task Force for Business and Stability Operations Programs and Activities in Afghanistan

The Task Force for Business and Stability Operations was a DOD organization that administered initiatives to assist the Commander of U.S. Forces–Afghanistan and the U.S. Ambassador to Afghanistan in supporting U.S. security interests. TFBSO pursued three broad objectives: (1) restoring productive capacity in the Afghan economy wherever possible, across all industrial sectors; (2) stimulating economic growth; and (3) serving as a catalyst for private investment in Afghanistan by linking the international business community with Afghan business leaders and government

officials. Between 2010 and 2014, TFBSO disbursed nearly $640 million to support its initiatives in Afghanistan, which included efforts to facilitate foreign investments and develop various industries that the Secretary of Defense, with the concurrence of the Secretary of State, determined would strengthen stability or provide strategic support to the counterinsurgency campaign in Afghanistan. TFBSO concluded operations in Afghanistan in December 2014.

In April 2015 and January 2016, SIGAR released two performance audits reviewing U.S. efforts to develop Afghanistan's oil, gas, and minerals industries, collectively referred to as the "extractive" industries. These audits reviewed more than $215 million in disbursements made by TFBSO for the development of those industries. SIGAR found that TFBSO did not effectively coordinate its activities with the U.S. Agency for International Development and the Department of State, did not adequately plan for the sustainment of its projects following the conclusion of TFBSO operations in December 2014, and failed to transition any of its activities to another U.S. agency. SIGAR also found that TFBSO's efforts to develop the extractive industries achieved mixed results. In January 2016, the Special Inspector General for Afghanistan Reconstruction testified before the Senate Armed Services' Readiness and Management Support Subcommittee on TFBSO's programs, operations, and oversight. Following this hearing, the chair of the subcommittee requested that SIGAR perform a review of all of TFBSO's programs and operations in Afghanistan. The chair of the Senate committee on the Judiciary has also requested that SIGAR perform such a review.

This audit will review all of TFBSO's programs and activities in Afghanistan from 2010 through 2014. Specifically, the audit will determine the extent to which:

1. TFBSO created and followed an overall strategy and programmatic plans for its programs and activities within Afghanistan;
2. TFBSO coordinated its programs and activities within Afghanistan with other government agencies and donor organizations;
3. DOD conducted oversight of TFBSO's programs and activities within Afghanistan; and
4. TFBSO's programs and activities within Afghanistan achieved their designed programmatic outcomes and are sustainable.

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 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 seven financial audits of U.S.-funded contracts, grants, and cooperative agreements to rebuild Afghanistan. SIGAR announced it will soon initiate, in accordance with two congressional requests, a financial statement audit of TFBSO activities related to Afghanistan reconstruction. This is the first of multiple planned SIGAR financial audits of TFBSO. The future audits will focus on specific TFBSO reconstruction contracts in Afghanistan. SIGAR also announced seven new financial audits of USAID awards with combined incurred costs of nearly $390.2 million, bringing the total number of ongoing financial audits to 24 with more than $3.6 billion in auditable costs, as shown in Table 2.1.

TABLE 2.1

SIGAR'S FINANCIAL AUDIT COVERAGE ($ BILLIONS)

71 Completed Audits	$4.4
24 Ongoing Audits	3.6
Total	**$8.0**

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.

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 cannot be 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 over $283.1 million in questioned costs and $289,880 in unremitted interest on advanced federal funds or other revenue amounts payable to the government. As of April 30, 2016, funding agencies had reached a management decision on 57 completed financial audits and over $16.8 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 239 compliance findings and 268 internal-control findings to the auditees and funding agencies.

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.

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.
- 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.

Financial Audits Published

This quarter, SIGAR completed seven financial audits of U.S.-funded contracts and cooperative agreements to rebuild Afghanistan. These financial audits identified $922,628 in questioned costs as a result of internal-control deficiencies and noncompliance issues. These deficiencies and noncompliance issues included exceeding the approved budget without prior agency approval, failure to adhere to policies on payroll records, failure to adhere to federal regulations related to government-owned equipment and travel expenses, failure to properly monitor subcontractors, inadequate oversight of overtime and timekeeping policies, and inadequate documentation for invoices and non-payroll costs.

COMPLETED FINANCIAL AUDITS

- Financial Audit 16-20-FA: USDA's Soybeans for Agricultural Renewal in Afghanistan Initiative
- Financial Audit 16-21-FA: USAID's Irrigation and Watershed Management Program in Afghanistan
- Financial Audit 16-25-FA: Department of State's Demining Activities in Afghanistan
- Financial Audit 16-27-FA: USAID's Support for the American University of Afghanistan
- Financial Audit 16-28-FA: Department of State's Demining Activities in Afghanistan
- Financial Audit 16-30-FA: Construction of the Special Forces Kandak in Kandahar
- Financial Audit 16-31-FA: USAID's Health Care Improvement Project

Financial Audit 16-20-FA: USDA's Soybeans for Agricultural Renewal in Afghanistan Initiative

Audit of Costs Incurred by the American Soybean Association

On September 30, 2010, the U.S. Department of Agriculture's (USDA) Commodity Credit Corporation (CCC) entered into a 3-year, $12 million agreement with the American Soybean Association (ASA) to implement the Soybeans for Agricultural Renewal in Afghanistan Initiative (SARAI). Through SARAI, ASA distributed soy flour to Afghan women and implemented activities funded by monetizing soybean oil provided by the CCC. Among other objectives, these activities were intended to increase knowledge of nutrition and available protein sources in Afghanistan, increase the quantity of soy grown and consumed in Afghanistan, and establish a sustainable and profitable protein processing facility. After three modifications, program funding was increased to $16.8 million. SIGAR's financial audit, performed by Williams, Adley & Company-DC LLP (Williams Adley), reviewed $13,070,152 in expenditures charged to the agreement from October 1, 2010, through September 30, 2013.

Williams Adley identified two deficiencies in ASA's internal controls, one of which was significant, and one instance of noncompliance with the terms and conditions of the agreement. Specifically, Williams Adley found that ASA exceeded the approved budget for professional services by $61,700. ASA did not receive prior USDA approval for this cost, which exceeded the $50,000 pre-approval threshold for allowable adjustments to flexible spending items. Williams Adley also found that ASA did not adhere to its internal

policies related to payroll records. Williams Adley identified two instances where the employee's signature was missing from a timesheet, and one instance where the employee's timesheet did not have the employee's name on it.

As a result of the internal-control weakness and instance of noncompliance relating to the budget overage, Williams Adley identified $61,700 in questioned costs, consisting entirely of ineligible costs. Williams Adley did not identify any unsupported costs—costs not supported with adequate documentation or that did not have required prior approval. No costs were questioned in connection with the payroll finding, as it was found to be only an internal control issue.

Williams Adley reviewed prior Office of Management and Budget Circular A-133 audit reports that could have had a material impact on ASA's Special Purpose Financial Statement. In these reports, Williams Adley identified and followed up on six audit findings related to the scope of this audit. After reviewing and assessing documentation, Williams Adley determined that ASA had taken adequate corrective actions on all six prior findings. Williams Adley's fieldwork and testing revealed no exceptions or noncompliance issues within the areas previously identified as deficient in the prior A-133 audit reports.

Williams Adley issued an unmodified opinion on ASA's Special Purpose Financial Statement, noting that it presents fairly, in all material respects, program revenues and costs incurred for the indicated period audited.

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

- Determine the allowability of and recover, as appropriate, $61,700 in questioned costs identified in the report.
- Advise ASA to address the report's two internal-control findings.
- Advise ASA to address the report's one noncompliance finding.

Financial Audit 16-21-FA: USAID's Irrigation and Watershed Management Program in Afghanistan

Audit of Costs Incurred by Perini Management Services, Inc.

On December 21, 2012, USAID awarded a 5-year, $129.9 million task order, with an initial obligation of $10 million to Perini Management Services Inc. (PMSI) to support the Irrigation and Watershed Management Program (IWMP) in Afghanistan. The program was intended to expand and strengthen Afghan government and community-level capacity to manage water resources to improve agricultural production and productivity. The IWMP included four components: (1) governance and capacity building, (2) water-supply management, (3) water-demand management, and (4) Afghanistan government implementation of on-budget irrigation and watershed management activities.

The task order underwent modifications, and its obligated funding decreased from $26 million to $16 million. Also, during implementation of the IWMP, USAID recognized performance problems and programmatic difficulties and terminated the program for convenience. SIGAR's financial audit, performed by Mayer Hoffman McCann P.C. (MHM) reviewed $14,944,730 in expenditures charged to the task order from December 21, 2012, through July 31, 2015.

Overall, MHM found PMSI had good internal controls in place and had supporting documentation for most of the expenditures charged to the task order. However, MHM identified one significant deficiency in PMSI's internal controls, and five instances of noncompliance with the terms and conditions of the task order. Specifically, MHM found that PMSI did not adhere to federal regulations related to government-owned equipment. MHM also determined that PMSI could not provide supporting documentation for the transfer of damaged equipment to USAID. In addition, MHM found that PMSI did not properly monitor its subcontractors and did not require subcontractors to submit any supporting documentation with their invoices. Finally, PMSI did not adhere to federal regulations related to travel expenses, which resulted in PMSI overbilling the U.S. government.

As a result of the internal-control deficiency and instances of noncompliance, MHM identified $838 in total questioned costs, consisting of $748 in unsupported costs, and $90 in ineligible costs.

MHM did not identify any prior audits, reviews, or evaluations related to PMSI's work to support the IWMP. PMSI and USAID also indicated that there were no prior audit reports issued on this program.

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

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

1. Determine the allowability of and recover, as appropriate, $838 in questioned costs identified in the report.
2. Advise PMSI to address the report's one internal control finding.
3. Advise PMSI to address the report's five noncompliance findings.

Financial Audit 16-25-FA: Department of State's Demining Activities in Afghanistan

Audit of Costs Incurred by the HALO Trust

Between April 1, 2011, and April 1, 2013, the Department of State's Office of Weapons Removal and Abatement awarded five grants totaling more than $14.7 million to the HALO Trust (HALO) to support demining activities in Afghanistan. HALO is a humanitarian organization headquartered in Scotland that has worked on mine clearance and technical innovation for more than two decades. The grants were intended to: (1) protect victims

of conflict, (2) restore access to land and infrastructure, (3) develop host-nation capacity, and (4) improve conventional-weapons stockpile security and management practices. SIGAR's financial audit, performed by Williams Adley, reviewed $14,763,900 in expenditures charged to the five grants between April 1, 2011, and March 31, 2015.

Williams Adley identified five deficiencies in HALO's internal controls, one of which was considered material, and two others significant, and nine instances of noncompliance with grant terms and laws or regulations, one of which was considered material. Specifically, Williams Adley found that HALO used an unsupported allocation methodology to determine payroll costs for individuals working on multiple projects. Additionally, HALO could not provide adequate supporting documentation for vehicle purchase, maintenance, and fuel costs. Williams Adley also found that HALO did not obtain prior approval before exceeding State's 10% threshold for transferring funds between budget line items.

As a result of these internal-control deficiencies and instances of noncompliance, Williams Adley identified $63,871 in ineligible costs and $160,904 in unsupported costs.

Williams Adley obtained and reviewed three prior Office of Management and Budget A-133 reports applicable to the scope of this audit. Williams Adley identified five prior audit findings and determined that HALO had properly addressed two of the findings. HALO has not properly addressed prior audit findings related to the payroll system and procurement procedures. Williams Adley identified similar findings in this audit.

Williams Adley issued a modified opinion on HALO's Special Purpose Financial Statement due to the material weakness in the reliability of the payroll system to determine cost reasonableness and the questioned costs detailed in the statement.

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

1. Determine the allowability of and recover, as appropriate, $224,775 in total questioned costs identified in the report.
2. Advise HALO to address the report's five internal control findings.
3. Advise HALO to address the report's nine noncompliance findings.

Financial Audit 16-27-FA: USAID's Support for the American University of Afghanistan

Audit of Costs Incurred by the American University of Afghanistan

On August 1, 2013, USAID awarded a five-year, $40 million cooperative agreement with an initial obligation of $10 million to the American University of Afghanistan (AUAF). The funding was intended to be used to: (1) strengthen academic and professional development, (2) enhance the quality of programs, (3) expand programs for women, and (4) increase the university's financial self-sufficiency. After six modifications, funding

has increased to $21 million, and the period of performance is expected to continue through July 31, 2018. SIGAR's financial audit, performed by MHM, reviewed $15,855,843 in expenditures charged to the cooperative agreement from August 1, 2013, through July 31, 2015.

MHM identified five deficiencies, three of which were considered significant, in AUAF's internal controls, and four instances of noncompliance with the terms and conditions of the cooperative agreement. Specifically, MHM found that AUAF did not have adequate management oversight and charged the agreement for non-program-related and unallowable costs. As a result, MHM questioned $68,418 in ineligible costs. In addition, AUAF failed to obtain USAID approval and did not retain documentation related to emergency evacuation expenses, resulting in $29,496 in unallowable costs. MHM also found that AUAF did not provide adequate management oversight of overtime and timekeeping policies, which resulted in $9,295 in ineligible overtime costs.

As a result of these internal-control deficiencies and instances of noncompliance, MHM identified $107,209 in total questioned costs, consisting of $77,713 ineligible costs and $29,496 in unsupported costs. 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, $107,209 in questioned costs identified in the report.
2. Advise AUAF to address the report's five internal control findings.
3. Advise AUAF to address the report's four noncompliance findings

Financial Audit 16-28-FA: Department of State's Demining Activities in Afghanistan

Audit of Costs Incurred by the Mine Detection Dog Center

Between April 1, 2011, and April 1, 2013, the Department of State's Office of Weapons Removal and Abatement awarded six grants totaling more than $10.5 million to the Mine Detection Dog Center (MDC) to support demining activities in Afghanistan. MDC was established in 1989 and is an Afghan nongovernmental demining organization. The grants were intended to (1) protect victims of conflict, (2) restore access to land and infrastructure, (3) develop host-nation capacity, and (4) improve conventional weapons stockpile security and management practices. SIGAR's financial audit, performed by Williams Adley, reviewed $10,581,236 in expenditures charged to the six grants between April 1, 2011, and September 30, 2014.

Williams Adley identified three deficiencies in MDC's internal controls, one of which was considered material and another significant, and six instances of noncompliance with grant terms and laws or regulations, one of which was considered material. MDC used an unsupported allocation methodology to determine payroll costs for individuals working on multiple projects. MDC also lacked sufficient and adequate documentation for

certain non-payroll costs, such as training and veterinary costs. As a result of these internal-control deficiencies and instances of noncompliance, Williams Adley identified $98,780 in unsupported costs. Williams Adley did not identify any ineligible costs.

Williams Adley obtained and reviewed six prior audit reports, one for each of the grants. Based on its review, Williams Adley concluded that there were no recommendations from those reports that could have a material impact on the Special Purpose Financial Statement or other financial data significant to the objectives of this audit.

Williams Adley issued a modified opinion on MDC's Special Purpose Financial Statement due to the material weakness in the reliability of the payroll system to determine cost reasonableness and the questioned costs detailed in the statement

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

1. Determine the allowability of and recover, as appropriate, $98,780 in total questioned costs identified in the report.
2. Advise MDC to address the report's three internal-control findings.
3. Advise MDC to address the report's six noncompliance findings.

Financial Audit 16-30-FA: Construction of the Special Forces Kandak in Kandahar

Audit of Costs Incurred by Environmental Chemical Corporation

On February 28, 2011, the 772nd Enterprise Sourcing Squadron, in support of the Air Force Center for Engineering and the Environment (AFCEE)—reorganized in 2012 as the Air Force Civil Engineer Center (AFCEC)—awarded a 19-month, $13.0 million task order to Environmental Chemical Corporation (ECC) to design and construct facilities and infrastructure for the 2nd Special Forces Kandak, a battalion-sized unit, in Kandahar, Afghanistan. The task order was intended to construct various buildings and facilities, including barracks, a power plant, and a road system, at the kandak. After seven modifications, the total cost of the task order was increased to $21,647,410, and the period of performance was extended to April 23, 2014. SIGAR's financial audit, performed by Crowe Horwath LLP (Crowe), reviewed $21,639,589 in expenditures charged to the task order from February 28, 2011, through April 23, 2014

Crowe identified one material weakness and four significant deficiencies in ECC's internal controls, and five instances of noncompliance with the terms and conditions of the task order. Specifically, ECC was unable to provide supporting documentation for seven petty cash transactions, leading to $195,499 in unsupported costs. Additionally, Crowe found that ECC improperly charged $25,392 to the task order for vehicle fuel purchase and telephone bills. ECC did not perform required annual inventory reconciliations or periodic inventories. Crowe also noted that ECC did not comply

with the task order's requirements to provide AFCEC with monthly progress reports and biweekly cost schedule status updates. Additionally, ECC was unable to provide support for the approval of key personnel changes during the period of performance.

As a result of these internal control weaknesses and instances of noncompliance, Crowe identified $220,891 in total questioned costs, consisting of $25,392 in ineligible costs—costs prohibited by the task order, applicable laws, or regulations—and $195,499 in unsupported costs—costs not supported with adequate documentation or that did not have required prior approvals or authorization.

Crowe did not identify any prior audits or assessments that pertained to ECC's design and construction work for the 2nd Special Forces Kandak or were material to the Special Purpose Financial Statement.

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

Based on the results of the audit, SIGAR recommends that the responsible contracting officer at AFCEC:

1. Determine the allowability of and recover, as appropriate, $220,891 in questioned costs identified in the report.
2. Advise ECC to address the report's five internal control findings.
3. Advise ECC to address the report's five noncompliance findings.

Financial Audit 16-31-FA: USAID's Health Care Improvement Project

Audit of Costs Incurred by the University Research Company LLC

On September 30, 2009, the USAID awarded a 4-year, $89.5 million task order to the University Research Company LLC (URC) to implement the Health Care Improvement (HCI) project in multiple countries, including Afghanistan. URC is a global company that works to improve the quality of health care, social services, and health education worldwide. The HCI project was intended to improve the quality of maternal and newborn care and basic package of health services, and provide strategic support to the Afghan Ministry of Public Health to improve healthcare capacity and infrastructure. After 20 modifications, the total cost of the task order was increased to $90.7 million, and the period of performance was extended to September 29, 2014. Of the task order's $90.7 million, $13.9 million was for activities in Afghanistan. SIGAR's financial audit, performed by MHM reviewed $13,121,542 in expenditures charged to the task order from September 30, 2009, through September 29, 2014.

MHM identified three deficiencies in URC's internal controls, two of which were considered significant deficiencies, and three instances of noncompliance with the terms and conditions of the task order. Specifically, MHM found that URC was unable to provide adequate support for

competitive procurement processes related to consultants, travel, vendor payments, and other direct costs. MHM also found that URC did not adhere to its internal policies and task order terms related to payroll records. Finally, MHM determined that URC could not provide sufficient support that it reviewed the Excluded Parties List System before contracting with vendors to verify the vendors were not suspended, debarred, or otherwise excluded from receiving federal funds.

As a result of the internal-control deficiencies and instances of noncompliance, MHM identified $208,435 in total questioned costs, consisting of $162 in ineligible costs—costs prohibited by the task order, applicable laws, or regulations—and $208,273 in unsupported costs—costs not supported with adequate documentation or that did not have required prior approval.

MHM did not identify any prior audits, reviews, or evaluations related to URC's work to support the HCI project in Afghanistan.

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

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

1. Determine the allowability of and recover, as appropriate, $208,435 in questioned costs identified in the report.
2. Advise URC to address the report's three internal control findings.
3. Advise URC to address the report's three noncompliance findings.

INSPECTIONS

Inspection Reports Published

This quarter SIGAR published three inspection reports. One report examined whether the construction of a Ministry of Defense (MOD) headquarters building in Kabul, Afghanistan, was completed in accordance with contract requirements and construction standards, and whether the building was being used as intended and maintained. A second examined similar issues with respect to renovation work and new construction for the Afghan Air Force University. A third report identified common themes in 36 inspection reports dealing with DOD reconstruction projects that were issued by SIGAR from 2009 to 2015, including whether DOD had implemented recommendations made in the reports. SIGAR has 14 inspections ongoing.

COMPLETED INSPECTION REPORTS

- Inspection Report 16-16-IP: Afghan Ministry of Defense Headquarters
- Inspection Report 16-22-IP: Department of Defense Reconstruction Projects
- Inspection Report 16-26-IP: Afghan Air Force University

Inspection Report 16-16-IP: Afghan Ministry of Defense Headquarters

$154.7 Million Building Appears Well Built, but has Several Construction Issues That Should Be Assessed

On April 21, 2009, the Air Force Civil Engineer Center (AFCEC), previously the Air Force Center for Engineering and the Environment, awarded a $48.7 million cost-plus-fixed-fee contract to Innovative Technical Solutions Inc. (ITSI) to construct a MOD headquarters in Kabul, Afghanistan. ITSI was to complete the building by October 11, 2010. After 14 modifications, the contract cost was raised to $107.3 million. By November 2013, ITSI had requested an additional $24.7 million to finish the project. However, due to a lack of available funds, construction work was halted on December 31, 2013.

On July 30, 2014, AFCEC awarded Gilbane Federal—the new corporate name for ITSI—a second $47.4 million firm-fixed-price contract to complete the MOD headquarters building by July 31, 2015.

The five-story building included a national command center, administration space, dining facilities, bathrooms, secure garage, a 1,000-seat auditorium, a waste-water treatment plant, and a heating/cooling system.

The building is in an active seismic zone, so a key part of its design was separation into seven sections to avoid transfer of forces among sections. Separation joints between sections were designed to be complete breaks in the floors, walls, and ceilings that divide the building into discrete sections.

The objectives of this inspection were to assess whether (1) construction was completed in accordance with contract requirements and applicable construction standards, and (2) the building was being used as intended and maintained.

SIGAR found that the MOD headquarters in Kabul was constructed as a five-story building, which, with some exceptions, generally met contract requirements and appears well built. Originally, the cost of the headquarters building was $48.7 million, and it was to be completed in about 18 months. However, there were problems with the contract from the outset. Not only did the Afghan National Army (ANA) refuse the contractor, ITSI, a U.S. company, access to the site for about a year, but other delays, such as weather, security, and funding issues, emerged. As a result, the cost to complete the building rose to $154.7 million, or more than three times the original estimated cost.

Similarly, although the headquarters building is now essentially complete, it took almost five years longer to complete than originally anticipated. The Combined Security Transition Command–Afghanistan (CSTC-A) transferred the building to the MOD on December 28, 2015. As of January 7, 2016, the building was not fully occupied.

On April 30, 2015, AFCEC transferred the MOD headquarters building to CSTC-A. The transfer document listed three deficiencies, including the need

Afghan Ministry of Defense headquarters building in Kabul, January 7, 2016. (SIGAR photo by Wilhelmina Pierce)

to install a fire-rated glass entry door. An AFCEC official told SIGAR that all three deficiencies have since been corrected.

During six inspection visits to the MOD headquarters building, SIGAR examined the roof drainage system, seismic-separation joints, exterior walls and stairwells, plumbing fixtures and mechanical equipment, auditorium seats and platform stage, electrical and water systems, windows, doors, and ceiling panels, as well as fire-suppression pumps, fire alarms, and communications lines. SIGAR found other deficiencies not identified by AFCEC that could affect the building's structural integrity during an earthquake or prolonged periods of rain. These include issues with building separation joints needed for seismic activity, lateral bracing of equipment needed for seismic activity, inadequate roof drains to remove storm water, and stairway handrails that were installed below the required height.

Specifically, SIGAR found:

- The headquarters building's separation joints, needed to counter seismic activity, were (1) not continuous or aligned vertically from the foundation up to and through the roof; and (2) were spanned with non-structural systems, such as drain pipes, on the inside of the building without the required flexible connections. For example, SIGAR found that at least three of the seven separation joints did not provide complete breaks in the floors, walls, and ceiling that would divide the building into discrete sections. As a result, it is possible that one of the building's seven sections will move more than allowed during an earthquake.
- Building equipment did not have lateral bracing needed for seismic activity. The contracts required that building standards be based on DOD's Unified Facilities Criteria. Those standards require that

lateral bracing be provided for items suspended from the ceiling or floor above. SIGAR found items, such as mechanical duct work and a 60-pound ceiling-mounted piece of heating/cooling equipment, with no lateral bracing. In addition, the fire-suppression system's fuel tank in the basement was installed without lateral bracing or containment, so it could rupture and spill fuel in an earthquake.

- The roof was not constructed in accordance with contract and code requirements for roof drainage. For example, the installed roof drains measured 3 inches and not the required 4 inches in diameter. In addition, no secondary drains were installed. The contract design documents required a secondary emergency overflow system for the headquarters building's roof. Without a secondary system, storm water trapped on the roof could (1) damage the roof-mounted heating and cooling equipment, (2) allow water to enter the roof's access doors and damage the building, and (3) freeze in winter and damage the roof.
- The handrails on interior stairways were installed at a height of 31 inches, which does not meet the minimum 34-inch height that the International Building Code requires. A lower height could contribute to falls and injuries. SIGAR also found that Gilbane Federal received approval to substitute the originally planned mild steel pipe handrails with stainless steel thin-walled pipe handrails. The walls of the stainless steel pipe are no more than a fourth as thick as the originally required pipe. As a result, the installed handrails have multiple dents, which will increase maintenance costs. During a follow-up inspection on January 7, 2016, after completion of our fieldwork, SIGAR noted that CSTC-A had corrected the handrails.

To protect the U.S. government's investment, SIGAR recommends that the Commanding General, CSTC-A, take action and report back to SIGAR within 90 days, to:

1. Assess the building's structural integrity where separation joints are not a continuous line from the bottom to the top of the building and where the allowable building movement exceeds standards, and if needed, make deficient areas structurally sound.
2. Assess the need for the installation of seismic lateral bracing on nonstructural components suspended from the ceiling or floor above, such as heating/cooling equipment, duct work, dropped ceilings, electrical fixtures, and drain pipes.
3. Install flexible connections across all separation joints of nonstructural components, such as gypsum wall board, dropped ceilings, and drain pipes.
4. Assess the integrity of lateral bracing, anchorage, isolation, and energy dissipation of all equipment for compliance with the contract's

seismic requirements, and make deficient items compliant with the requirements.

5. Assess the installed roof drainage system for compliance with the design documents and the International Building Code, and correct any deficiencies.

Inspection Report 16-22-IP: Department of Defense Reconstruction Projects

Building deterioration due to water penetration at a Special Police Training Center, February 2013. (National Police Training Center Mentor photo)

Summary of SIGAR Inspection Reports Issued from July 2009 through September 2015

From July 2009 through September 2015, SIGAR issued 36 inspection reports examining DOD reconstruction projects. To develop this report, SIGAR reviewed each of the 36 reports, which involved 44 separate reconstruction projects with a combined contract value of about $1.1 billion. These projects were located in 15 of Afghanistan's 34 provinces.

The objectives of this report were to analyze and identify common themes in those reports. Specifically, SIGAR assessed the extent to which (1) contractors met contract requirements and technical specifications when constructing or renovating facilities, (2) the facilities inspected were being used, and (3) DOD has implemented recommendations made in the inspection reports. Because SIGAR's inspection reports contained numerous recommendations to improve the efficiency and effectiveness of DOD's reconstruction activities in Afghanistan, this summary report contains no new recommendations.

SIGAR found that 16 of the 44 DOD reconstruction projects it inspected met contract requirements and technical specifications. These projects show that when contractors adhere to requirements and there is adequate oversight, project goals can be achieved.

The 28 remaining projects included work that did not meet contract requirements or technical specifications. Deficiencies ranged from substituting building materials without approval to not completing work required under the contract. In some cases, these actions had health and safety implications.

The construction deficiencies SIGAR identified during its inspections involved such issues as collapsible soil due to poor compaction; improperly installed heating and cooling systems; inoperable water systems; inadequate testing of mechanical systems; electrical wiring that was not up to code; use of substandard building materials; poorly mixed, cured, and reinforced concrete; and improperly installed roofs. SIGAR also found that remedying construction deficiencies sometimes resulted in additional expenditures beyond the initial cost of the contracts.

Of the 44 DOD reconstruction projects inspected, SIGAR found that 21 were complete and 23 were incomplete at the time of our inspections. Of the 21 projects that were complete, 14 were being used and seven, or one-third of the completed projects, had never been used. SIGAR found that

usage of the 14 projects varied, some being fully used and others only partially used.

Of the 23 incomplete projects, six projects were still under construction within their originally scheduled completion dates and, therefore, would not have been ready for use at the time SIGAR inspected them. Five were incomplete due to project termination or for reasons SIGAR could not determine at the time of the inspections. Twelve were experiencing construction delays that had extended their completion past the original schedule. With respect to the 12 projects that were not completed on time due to construction delays, those delays ranged from five months to over two years and seven months beyond their originally scheduled completion dates. SIGAR noted that seven of the 23 projects, despite being incomplete, were being used to some extent at the time of its inspections.

Crumbling stairs of varying heights at Garm Ser ANP District Headquarters, June 27, 2010. (SIGAR photo)

DOD has taken steps to improve its processes to ensure control and accountability for its reconstruction projects, including hiring more engineers and changing its guidance to improve planning and oversight. Despite DOD's efforts to improve processes, serious problems continued with its reconstruction projects. Construction of the three most troubled projects SIGAR inspected—the Afghan Special Police's Dry Fire Range, Bathkhak School, and the ANA Slaughterhouse—began in 2012 or long after the first reporting on systemic oversight weaknesses in DOD reconstruction projects.

SIGAR determined that as of September 30, 2015, DOD had implemented the majority of recommendations made in its 36 inspection reports. In these reports, SIGAR made 95 recommendations to DOD; of the 90 recommendations closed, DOD had implemented 76, or 84%. The large percentage of recommendations closed shows that in response to SIGAR's inspection reports, DOD generally took action to improve efficiency and effectiveness in its reconstruction activities, and to correct construction deficiencies. For example, USACE took immediate action at the ANA garrison in Gamberi to (1) remedy possible flooding by having drainage areas examined and repaired and having the contractor conduct frequent surveys for future deteriorating conditions, (2) repair a bridge near the garrison's main entrance that SIGAR believed could collapse under heavy traffic because its deck service had been compromised, and (3) design and plan for installing a perimeter fence that SIGAR felt was needed to secure the garrison's weapons training range.

SIGAR's inspections have covered a wide range of DOD reconstruction projects in Afghanistan, from bases for the ANDSF to schools and hospitals. While some of those projects were well built and met contract requirements and technical specifications, most of the projects SIGAR inspected did not meet those requirements and had serious construction deficiencies. In many cases, poorly prepared or unqualified contractor personnel, inferior materials, poor workmanship, and inadequate oversight by both

the contractor and the U.S. government contributed to these substandard results. Unless future projects address the deficiencies SIGAR has identified by, for example, improving project planning and design, and oversight during the construction process, substandard projects will continue to be built, resulting in a waste of U.S. taxpayer funds.

Poorly maintained facilities in bathroom at Afghan Air Force University, March 2015. (SIGAR photo by Aziz Zaki)

Inspection Report 16-26-IP: Afghan Air Force University

Contract Requirements Were Generally Met, but Instances of Non-Compliance, Poor Workmanship, and Inadequate Maintenance Need to Be Addressed

On January 22, 2012, the U.S. Army Corps of Engineers awarded a nearly $10 million fixed-price, design/build contract to Technologists Inc., a U.S. company, to construct the facilities necessary to convert the National Military Academy of Afghanistan into the Afghan Air Force University. The university is located on the perimeter of Kabul International Airport and is designed to house and train 1,200 air force cadets with 400 support personnel. The contract called for construction of eight new buildings and renovation of 24 existing buildings.

Beginning in November 2012, a series of contract modifications decreased the project's scope to construction of three new buildings—a kitchen/cold storage area; an entry control point; and a depot for petroleum, oil, and lubricants—and the renovation of 15 existing buildings—four barracks, four bathroom buildings, three dining facilities, a training center, and three support structures. The modifications also decreased the contract price to about $6.7 million.

On April 14, 2014, USACE and the Train, Advise, Assist Command–Air (TAAC-Air) transferred 8 of the 15 renovated buildings to Afghan authorities as part of a two-phased turnover strategy. The one-year warranty for these eight buildings began on April 14, 2014. On April 4, 2015, USACE and TAAC-Air transferred the 10 remaining buildings—three new buildings and the remaining seven renovated buildings—to Afghan authorities. The one-year warranty for these 10 buildings began on February 9, 2015.

The objectives of this inspection were to determine whether (1) construction was completed in accordance with contract requirements and applicable construction standards, and (2) the new and renovated buildings were being used as intended and maintained.

SIGAR found that the Afghan Air Force University's renovation work and new construction was largely completed according to the terms of the contract between USACE and Technologists Inc. This work included installing new doors and windows, new plumbing fixtures, and overhead lighting, fresh paint, and tile work in 15 buildings and new construction, which included a kitchen with multiple ranges, food preparation areas, and a series of walk-in cold storage areas that were all completed successfully. However, during the inspection, SIGAR found some instances of noncompliance with the contract, as well as some instances of poor

workmanship. Noncompliance issues involved the lack of required plumbing insulation, missing ventilation fans, and the lack of protective metal strips on stairways. For example, plumbing work done in the renovated bathrooms of four existing buildings and the new kitchen/cold storage area did not include the required insulation. In addition, the contract required Technologists Inc. to install metal strips, called nosing, on each stair landing. Stair nosing protects the leading edge of the concrete landing from chipping. However, this was not installed in one of the barracks.

SIGAR also found that Technologists Inc. substituted lower-grade, lower-cost door handles and locks, and sink faucets in at least 14 buildings without USACE's prior approval. SIGAR estimates that about $80,000 in cost adjustments should have been made to reflect these substitutions. Of that amount, USACE believes it may be able to recoup an estimated $65,500 for the substituted door hardware. With regard to poor workmanship, SIGAR found inadequate ceramic tile work in some buildings. These issues can largely be attributed to USACE's failure to (1) fully monitor the implementation of its three-phase inspection process, and (2) conduct the four- and nine-month warranty inspections of the first eight buildings transferred to Afghan authorities in 2014.

Most, but not all, of the Afghan Air Force University's buildings are being used, but the Afghan government has not properly maintained the buildings that USACE has transferred to it. SIGAR found that some bathroom buildings were not being fully used due to broken sinks, faucets, and water heaters. In addition, two of the renovated barracks buildings were not being used due to multiple problems, such as plumbing leaks and broken ceiling fans. SIGAR found other building problems, which could be mostly attributed to inadequate maintenance by the Afghan government, including mold growth, filthy bathrooms, broken door locks, and broken or missing plumbing fixtures.

USACE has developed a follow-on project to address a multitude of repairs needed in various buildings at the Afghan Air Force University complex.

SIGAR's review of the project's draft requirements shows that it contains repair items for the 10 buildings transferred to Afghan authorities in April 2015 that appear to still be covered under the warranty for those buildings. For example, as part of the project, all new windows installed in two of the renovated barracks building under the original contract need to be cleaned and re-caulked with exterior-grade caulk, something which should have been done when the new windows were installed.

SIGAR recommends that the Commanding General and Chief of Engineers, USACE, take the following actions and report the results back to SIGAR within 90 days: (1) pursue all options available to have Technologists Inc. correct the issues identified in this report involving noncompliance with the contract and poor workmanship, such as a lack of required

Mold growth in bathroom at Afghan Air Force University, March 2015. (SIGAR photo by Javed Khairandish)

plumbing insulation, missing ventilation fans, and inadequate ceramic tile work in some buildings that are still under warranty; (2) pursue all options available to recoup an estimated $65,500 in charges associated with the lower-grade, lower-cost door hardware that Technologists Inc. substituted without approval from USACE; (3) conduct a review of the follow-on repair project's draft Statement of Requirements to ensure that the U.S. government is not unnecessarily paying for items that appear to still be covered by the contract warranty; and (4) review the circumstances surrounding the contracting officer and contracting officer's representative's failure to fully document the three-phase inspection process and failure to exercise due diligence by conducting the four- and nine-month warranty inspections of the first eight buildings transferred to the Afghan government, and determine what, if any, disciplinary action should be taken against the contracting officer and contracting officer's representative.

NEW INSPECTION

- Follow-up Inspection of the Pol-i-Charkhi Prison

New Inspection Announced This Quarter

This quarter SIGAR announced one new inspection. It is a follow-up to an earlier inspection of the Pol-i-Charkhi prison.

Follow-up Inspection of the Pol-i-Charkhi Prison

In June 2009, the Department of State's Regional Procurement Support Office awarded a $16.1 million construction contract to Al-Watan Construction Company, an Afghan firm, to renovate the Pol-i-Charkhi prison in Kabul province, Afghanistan. Through two contract modifications, the value of the contract increased to $20.2 million. The renovation involved reconfiguring large, undivided prisoner holding areas into smaller maximum-, medium-, and minimum-security cells. Each cell was to have a sink and one or more Eastern-style toilets depending upon cell size. The contract also required improving the electrical and plumbing systems; renovating several structures, including the prison industries building and kitchen facilities; building two septic/leach-field systems; and procuring and installing six refurbished back-up power diesel generators. In November 2010, the Regional Procurement Support Office terminated the contract at the government's convenience due to Al-Watan's unsatisfactory performance, after having paid the contractor $18.5 million for work performed.

In October 2014, SIGAR reported on our first inspection of the prison. SIGAR found that the renovation work was not complete and that the project suffered from defective workmanship. SIGAR also found that not all of Al-Watan's work was completed in accordance with contract requirements. Most notably, the contractor substituted wood for metal roof trusses without authorization, and covered the existing 30-year-old wood trusses with new roofing material rather than replacing them as required. SIGAR determined that the prison was being used as intended but was overcrowded. The security advantages of separating more serious offenders into smaller cells, per the project design plan, were lost due to the overcrowding.

Nonetheless, SIGAR found the prison was relatively well maintained. In response to SIGAR's findings, the Department of State noted that it was committed to completing the renovation project and would award a new contract to repair all identified deficiencies. The department also stated that it planned to award a second contract to construct a sustainable wastewater treatment system for the prison.

Building on our previous work, SIGAR plans to assess the extent to which (1) progress has been made in addressing the deficiencies SIGAR previously identified, and any additional construction has been or is being completed in accordance with contract requirements and technical specifications, and (2) the prison is being used as intended and maintained.

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 wrote to the USAID Administrator about a health facility that appears to have structural damage that will likely put lives at risk. Additionally, the Office of Special Projects issued a report about the process DOD follows when disposing of excess real property in Afghanistan as well as the monetary value of the property provided to the Afghan government.

COMPLETED SPECIAL PROJECTS

- Alert Letter 16-19-SP: Structural Damage at Health Facility
- Report 16-23-SP: Department of Defense Base Closures and Transfers in Afghanistan: The U.S. Has Disposed of $907 Million in Foreign Excess Real Property

Alert Letter 16-19-SP: Structural Damage at Health Facility

On March 1, 2016, SIGAR wrote to USAID Administrator Gayle E. Smith that a health facility in Badakhshan province appears to have extreme structural damage that will likely put lives at risk. Following a November 21, 2015, site visit conducted by SIGAR's Afghan partners, SIGAR analysts and engineers examined several photographs of the health facility and found that the damage at the facility is substantial. Portions of the health facility's primary care center have large cracks throughout the foundation that could result in structural failure or collapse due to the extreme differential soil settlement around the facility or in the event of an earthquake. The differential settlement at the facility may have happened over time as the result of environmental conditions, such as flooding, frost, poor drainage, or earthquakes.

SIGAR strongly urged USAID to immediately contact its partners in the World Bank, which administers the System Enhancement for Health Action in Transition (SEHAT) program, and the Ministry of Public Health (MOPH)

to alert them to the damage at the facility so corrective actions to the soil and surrounding terrain may be undertaken as quickly as possible. Repairs can then be made to the building. SIGAR also urged USAID to recommend that the World Bank and MOPH examine all MOPH facilities in the areas affected by the recent earthquakes and to make repairs as appropriate. Such actions would protect the lives and safety of medical facility staff and patients.

Report 16-23-SP: Department of Defense Base Closures and Transfers in Afghanistan: The U.S. Has Disposed of $907 Million in Foreign Excess Real Property

Between January 2010 and October 2015, DOD disposed of about $907 million worth of foreign excess real property (FERP) in Afghanistan. Of that amount, approximately $858 million worth of FERP was donated to the Afghan government. The purpose of this report was to inform Congress and U.S. taxpayers about the process DOD follows when disposing of FERP in Afghanistan as well as the monetary value of the property provided to the Afghan government.

In connection with a broader review of the U.S. military's efforts to retrograde and dispose of equipment, vehicles, and other property in Afghanistan, SIGAR requested information from DOD regarding the transfer and closure of former U.S. military bases there.

In particular, SIGAR requested information concerning base names, locations, and the total estimated value of transferred real and personal property associated with closed bases and those bases transferred to the Afghan National Defense and Security Forces (ANDSF).

After analyzing the information provided by the department, SIGAR determined that DOD mainly disposed of FERP by transferring it to the ANDSF and other entities within the Afghan government. SIGAR also determined that DOD has now closed more than 200 bases that it formerly operated. The property values presented in the report conform to DOD depreciation models, which DOD uses in determining whether and how to transition a base, and do not reflect the original acquisition costs of the property.

LESSONS LEARNED

SIGAR created the Lessons Learned Program (LLP) to identify comprehensive lessons from Afghanistan reconstruction efforts from 2001 to the present. The LLP currently has six projects in development: interagency strategy and planning, coordination of international donor aid, U.S. perceptions of and responses to corruption, counternarcotics interventions, private-sector development and economic growth, and security sector reconstruction.

In addition to those ongoing efforts, LLP worked with a team of graduate students from the Woodrow Wilson School of Public and International Affairs at Princeton University during a semester-long academic policy workshop on "Lessons Learned in Afghanistan." The workshop, led by Professors Jacob Shapiro and Ethan Kapstein, culminated in the publication of "Lessons from the U.S. Civilian Surge in Afghanistan, 2009–2014" in January 2016. SIGAR research analysts and editors provided support, advice, and feedback to the students throughout the research process.

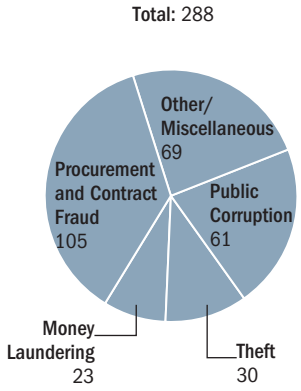
SIGAR LLP and the United States Institute of Peace (USIP) hosted a two-day conference on "Lessons from the Coalition: International Experiences from the Afghanistan Reconstruction" from April 19 to April 20 at USIP in Washington, DC. The conference opened with remarks from Special Inspector General John Sopko, USIP President Nancy Lindborg, and Ambassador Hamdullah Mohib, Afghanistan's ambassador to the United States. The keynote speakers were Ambassador Richard Olson, Special Representative for Afghanistan and Pakistan, and Ambassador Franz-Michael Mellbin, Special Representative of the European Union to Afghanistan. Panelists including six current and former European ambassadors to Afghanistan as well as experts from the United States, Australia, Denmark, Germany, Japan, the Netherlands, Norway, Sweden, and the UK shared their countries' experiences with both reconstruction in Afghanistan and efforts to institutionalize the resulting lessons.

INVESTIGATIONS

During the reporting period, SIGAR investigations achieved significant results. Cost savings to the U.S. government amounted to $3.1 million; a civil settlement totaled $3,659,500; and fines, forfeitures, and restitutions amounted to over $400,000. Additionally, there was one arrest, one indictment, one conviction and six sentencings. SIGAR initiated 17 new investigations and closed 38, bringing the total number of ongoing investigations to 288, see Figure 2.1.

FIGURE 2.1

SIGAR INVESTIGATIONS: NUMBER OF OPEN INVESTIGATIONS, AS OF APRIL 15, 2016



Source: SIGAR Investigations Directorate, 4/15/2016.

U.S. Contractor Sentenced for Bribery

On February 16, 2016, in the Eastern District of Texas, George E. Green was sentenced to 46 months' incarceration, followed by 36 months' supervised release, resulting from his guilty plea to receipt of bribes and conspiracy to structure financial transactions to avoid currency reporting requirements. Green was also ordered to forfeit $51,000.

An 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.

According to the information and the plea agreement, Green served as IRD's director of contracts, procurement, and grants in connection with a cooperative agreement between USAID and IRD to strengthen economic stabilization and promote long-term agricultural development in specific areas of Afghanistan. Green admitted that in March and April 2012, he solicited and received a $51,000 bribe from a representative of an Afghan company that provided agriculture-related products and that sought subcontracts from IRD. To conceal his receipt of the bribe payments, Green, through an Afghan national subordinate, wired money to a personal account in Texas and to the account of a vintage-used-car dealer in Italy from whom Green arranged to purchase a used car. Between May and August 2012, after he returned to Texas, Green attempted to conceal the bribe proceeds by conspiring with others to make cash deposits of less than $10,000 each into his bank and credit card accounts to circumvent the financial institutions' mandatory cash reporting requirements.

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

Criminal Complaint Filed Against Contractor

On December 23, 2015, in the Eastern District of North Carolina, a criminal complaint was filed against Hikmatullah Shadman, an Afghan national, charging him with one count of conspiracy and one count of giving, offering, and promising gratuities to public officials. Based on the complaint, Shadman's arrest warrant was issued the same day.

Between 2009 and 2012, Shadman, the owner and operator of Hikmat Shadman Logistics Services Company (HSLSC), also known as Hikmat Shadman Supply and Construction Company (HSCC), was under contract with the U.S. government to transport fuel, food, water, and other items to U.S. military forces operating in Afghanistan. During that time, Shadman paid military members cash bribes in exchange for preferential treatment in the award process of transportation movement requests.

In connection with this investigation, two U.S. military members, Robert Green and David Kline, have already pled guilty for their roles in the conspiracy. Shadman paid approximately $140,000 in cash to Green, and in return Green steered 40 contracts to Shadman's company with a combined value of $3 million. Shadman paid approximately $50,000 in cash to Kline in return for Kline using his position to award future contracts to Shadman's company.

Bribery Investigation Results in Sentencing of U.S. Contractor

On February 4, 2016, in the Eastern District of Virginia, Robert Gannon, a British citizen, was sentenced to 12 months and one day of incarceration

and two years' supervised probation with the conditions that he depart the United States immediately following completion of his incarceration, not return without permission, and be prohibited from employment or contracting with the U.S. government during this time. Additionally, Gannon was fined $193,665.

On September 8, 2015, special agents from SIGAR, the Federal Bureau of Investigation (FBI), and Defense Criminal Investigative Service (DCIS) arrested Gannon at Washington Dulles International Airport as he checked in for a flight to Bangkok, Thailand. At his initial appearance before a magistrate judge, he was remanded to the U.S. Marshals until his detention hearing held on September 10, 2015.

Gannon is the former director of operations for a DOD contracting company in Washington, DC, with responsibilities that included identifying, evaluating, and monitoring subcontracts. Gannon admitted using his position to arrange for executives of a UK-based company to make kickback payments to Gannon in return for a series of purchase orders valued at nearly $6 million and which Gannon's company awarded in August 2009. The orders called for the provision of explosive-ordnance disposal equipment to U.S. and NATO forces in Afghanistan. Gannon admitted that in return for his efforts, the UK company wired funds with a combined value of nearly $200,000 from bank accounts in the UK to Gannon's account in Singapore.

Prosecutions of Former U.S. Government Officials

An investigation was initiated on August 15, 2013, upon receipt of a SIGAR hotline complaint from an individual requesting confidentiality. The investigation concerned matters associated with certain contracts handled by the Non-Standard Rotary Wing Aircraft (NSRWA) program office at Redstone Arsenal, a component of the Army's Program Executive Office Aviation. So far, that investigation has yielded the following:

Guilty Plea by (former) Colonel Norbert Vergez. On April 20, 2015, former Colonel Norbert Vergez pleaded guilty to three felony charges, two counts charging false statements, and one count charging conflict of interest. Vergez served from 2010 to 2012 as the program manager for NSRWA, a component of the Army located at Redstone Arsenal, which was responsible for contracts involving certain "non-standard" helicopters, including the Russian-made Mi-17. Vergez has not yet been sentenced.

Vergez pleaded guilty to three instances of making false statements and using false writings in communicating with the Department of Defense Office of Inspector General (DODIG) in connection with a DODIG audit of a Mi-17 overhaul contract administered in part by NSRWA. One aspect of the audit had to do with the role NSRWA played in certain contract disputes that involved various contractors and subcontractors in the contracting chain, including a third-tier subcontractor known as Avia Baltika Aviation

Ltd. (AVB). Vergez admitted in his plea agreement that on two occasions he made or caused his office to make false representations to DODIG that his office had no direct contact with AVB concerning its subcontract on the Northrop Grumman contract, when, as Vergez then knew, he and his direct subordinates at NSRWA had significant direct contacts with AVB related to its subcontract.

Vergez also admitted that on Feb. 1, 2012, he directed a subordinate official to create and sign a document bearing the typed date "Dec. 5, 2011," representing that a $3.67 million claim by AVB under the contract was reasonable. As a result of this backdating, it falsely appeared that the subordinate official had approved the $3.67 million payment before directions were given to Northrop to make that payment. That document was then provided to DODIG in response to its requests for supporting documentation surrounding this attempt to have Northrop pay AVB.

Vergez admitted that he engaged in a criminal conflict of interest by taking official acts as a government official to assist a helicopter-manufacturing company in negotiating a "foreign military sale" and adjusting a contract so that the company received payment faster than originally agreed upon at a time when Vergez was negotiating future employment with that company.

Finally, Vergez admitted that he made false statements in his Confidential Financial Disclosure Report, a government ethics form, for the year 2012, by not disclosing that his wife had received a Rolex wristwatch from the wife of a representative of AVB, that he had accepted an offer of employment with a private company, and that he had received a $30,000 check from that company.

Guilty Plea and Sentencing of former U.S. Army Contract Officer Teresa Mayberry. On June 2, 2015, Teresa Mayberry pleaded guilty to obstruction of a federal audit. Mayberry was a contract officer for the Army Materiel Command at Redstone Arsenal, whose responsibilities included overseeing the Mi-17 overhaul and sustainment contracts.

According to the information and plea agreement, in late 2011 and 2012, DODIG was investigating contracts involving overhauls and purchases of spare parts, amounting to more than $8 million, for Russian-made Mi-17 helicopters. As part of its investigation, DODIG sought to determine whether the U.S. Army paid a reasonable price for the parts, whether the parts purchased were needed, and whether proper contracting procedures were followed. On several occasions, Mayberry prepared, and directed her subordinates to prepare, a variety of false and backdated documents that she provided to DODIG in response to its requests. As an example, the information charges that Mayberry caused the creation of a backdated document, bearing her signature, that falsely represented that price negotiations had taken place on parts purchases when, in fact, there were no such price negotiations.

On January 12, 2016, in the Northern District of Alabama, Mayberry was sentenced to three years' probation and six months' home confinement, and was fined $5,000.

Indictment of former U.S. Army Contract Officer Willis Epps. In connection with the same investigation, on January 29, 2016, Willis Epps, a former Army contract official for the Army Contract Command who handled contract matters for NSRWA at Redstone Arsenal, was indicted for making and signing a false tax return. According to the indictment, Epps failed to claim $56,250 in income earned during the 2013 tax year. No trial date has been set.

This investigation into the conduct of several individuals arising from several complicated "non-standard" helicopter procurement and sustainment contracts, has been complex. The investigation is being conducted by SIGAR, the FBI, DCIS, and the U.S. Army Criminal Investigation Command.

Investigation Results in $1.7 Million Recovery for U.S. Government

On September 17, 2015, legal counsel for Contrack International, a major subcontractor for the U.S. Embassy's Camp Sullivan project, contacted SIGAR about the illegal activities of an Afghan national, Wafioullah Sharifi. Through his contacts with corrupt Afghan police and the Afghan Attorney General's Office (AAGO), Sharifi had threatened Contrack employees and was attempting to use Afghan officials to secure the seizure of Contrack's construction equipment, vehicles, and warehouses. Contrack's legal counsel had twice notified the U.S. Embassy and the AAGO of the matter, but had not received a response.

SIGAR subsequently met with embassy officials and informed them of the impending shutdown of the Camp Sullivan project. Additionally, from October 2015 until December 2015, SIGAR met with officials from the Afghan Anti-Corruption team, Afghan AAGO investigators, and Afghan Ministry of Justice officials for the purpose of stopping Sharifi from using corrupt Afghan officials in an attempt to extort money from Contrack. This effort was to prevent the seizure of nearly $2 million of U.S. government construction property. On January 6, 2016, the Afghan Supreme Court ruled in favor of Contrack and ordered the release of Contrack's warehouses, materials, and vehicles.

On February 17, 2016, SIGAR received a letter from Contrack's security director stating that due to SIGAR's intervention, $1.5 million in equipment and $200,000 in vehicles were released back to Contrack for use in the Camp Sullivan Project.

Civil Investigation Yields over $3.6 Million Recovery for U.S. Government

On March 4, 2016, Farrell Lines Incorporated (Farrell)/DAMCO USA Inc. (DAMCO) and the U.S. government entered into an agreement whereby Farrell/DAMCO will pay the U.S. government $3,659,500.

Farrell/DAMCO, U.S. Airways, and A.G.R. Eshcol Overseas Ltd. (A.G.R.) were involved in a scheme involving other contractors in which cargo weight tickets were forged. The contracts affected were the International Heavy Lift Contract and Universal Services Contract 06, both of which were programs managed by U.S. Transportation Command (USTRANSCOM). The falsified weight tickets were submitted to USTRANSCOM resulting in overpayments by the U.S. government. Because of the investigation, A.G.R. was suspended and debarred in August 2015 and U.S. Airways entered into a settlement agreement in November 2015 whereby U.S. Airways will pay the U.S. government $528,000.

U.S. Army Reserve Staff Sergeant Sentenced for Bulk Cash Smuggling and Theft of Government Property

On February 17, 2016, in the District of Puerto Rico, U.S. Army Reserve Staff Sergeant Luis Ramon Casellas was sentenced to 21 months' incarceration, followed by three years' supervised release, 104 hours' community service, and was ordered to forfeit $113,050 and pay a $400 special assessment. Casellas was remanded to the U.S. Marshals for immediate incarceration. The sentencing was the result of his guilty plea 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 to Kandahar Airfield (KAF) and was responsible for helping to break down smaller bases in preparation for the retrograde and withdrawal of U.S. military forces from Afghanistan. This included retrieving U.S. government property for future use and selling unsuitable material as scrap to Afghan contractors. Between June 17, 2013, and August 9, 2013, Casellas was the leader of a three-person Army team that went to forward operating bases to help break them down. During this time, Casellas stole tools and equipment, including laptops, belonging to the DOD. In July 2013, he sent approximately eight boxes from a forwarding operating 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 in the United States marked as "gifts for family." In connection to his plea, Casellas admitted that, although he declared 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. The boxes were intercepted by U.S. Customs in Louisville, Kentucky.

Two U.S. Military Members Sentenced for Bribery

On January 27, 2016, in the Middle District of Pennsylvania, retired U.S. Army National Guard Staff Sergeant Timothy H. Albright was sentenced to 12 months and a day's incarceration, followed by 12 months' supervised release, fined a $100 special assessment, and ordered to forfeit $16,200. The sentencing was a result of Albright's guilty plea to conspiracy to receive and accept bribes.

On March 29, 2016, in the Northern District of Florida, retired U.S. Navy Senior Chief Petty Officer Donald P. Bunch was sentenced to 24 months' incarceration, followed by 24 months' supervised release, ordered to forfeit $25,000, and fined $5,000 and a special assessment of $100. On September 18, 2015, Bunch entered a guilty plea to receiving and accepting illegal bribes by a public official.

The bribery investigation focused on Afghan contractors paying U.S. military personnel in return for government contracts associated with the Humanitarian Aid Yard (HA Yard) at Bagram Airfield (BAF). 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.

From January 2008 until October 2008, Albright, in his position as a commercial-vendor services specialist at BAF, conspired to accept approximately $25,000 in illegal bribes from an Afghan interpreter to expedite and ensure the successful processing of a particular Afghan vendor's invoices submitted for work performed at the HA Yard. Albright sent the money he received from the vendor to his wife in Lebanon, Pennsylvania, through the U.S. Postal Service. He would typically ship the money in boxes containing DVDs by placing the money in greeting card envelopes and inserting the envelopes between the DVDs. The cards usually contained approximately $1,000.

Bunch, in his position as the yard boss at the HA Yard, accepted approximately $25,000 in illegal bribes from Afghan vendors seeking to obtain larger contracts and obtain contracts sooner than they otherwise might have received them. Bunch sent most or all of the money he received from the vendors to his wife in greeting cards at their residence in northern Florida. Bunch and his wife used this money primarily for construction of a home.

Fuel Theft Investigation Results in Guilty Plea

On Monday, March 14, 2016, in the U.S. District Court of Honolulu, Hawaii, Sergeant First Class Marvin Ware entered a plea of guilty to one count of conspiracy to commit bribery and one count of bribery. Additionally, on October 15, 2015, Ware appeared before an U.S. Army Administration Separation Board, convened on U.S. Army installation Schofield Barracks, HI. The board recommended that Ware receive an Other than Honorable Discharge from the U.S. Army. Subsequent to this action, on February 26, 2016, the Office of the Assistant Secretary of the Army for Manpower and Reserve Affairs directed that Ware be separated from the U.S. Army with an Other than Honorable Conditions characterization of service. Additionally, it was directed he be reduced in rank to Private (E-1).

During late 2011 and early 2012, Forward Operating Base (FOB) Fenty served as a regional fuel depot that supplied outlying U.S. military bases with JP8 jet fuel. Fuel deliveries were made by a local Afghan contractor, which transported the fuel in 3,000-gallon tanker trucks, termed "jingle trucks." Ware and two other servicemen, Sergeant Regionald Dixon and Specialist Larry Emmons, conspired to accept and accepted bribes in return for participating with the contractor in the theft of jet fuel from FOB Fenty. Ware and the others agreed to fill and divert jingle trucks, in return for which they received $6,000 for each truckload of stolen fuel.

Ware, Dixon, and Emmons filled the jingle trucks with jet fuel, using U.S. military equipment, at clandestine locations and at times not likely to arouse suspicion. They facilitated their scheme by creating fraudulent official military documents purporting to authorize the movement of fuel from FOB Fenty to other locations. Dixon and Emmons were charged and pled guilty to bribery charges in June 2012 for their participation in the scheme.

During Ware's involvement in the scheme from about January 1, 2012, until on or about February 18, 2012, he participated in the theft of approximately 180,000 gallons of fuel from FOB Fenty.

The case was investigated by SIGAR, DCIS, CID, and the Defense Contract Audit Agency, with substantial assistance from the FBI.

$1.4 Million Recovery for U.S. Government

A theft investigation resulted in an approximate $1.4 million recovery for the U.S. government after 12 missing U.S. government-owned containers and their contents were recovered.

On December 10, 2015, a TRANSCOM contracting officer contacted SIGAR to report that 12 containers had been missing for several months. The containers were to be transported from KAF to BAF with one container destined for the U.S. Embassy Kabul. The prime contractor under the National Afghan Trucking contract for this movement was Vanquish Worldwide LLC, which had subcontracted the movement to Emporium International Transportation Services. At some point thereafter, an Afghan

national contacted the contracting officer claiming to be in possession of the missing containers. He provided pictures of the containers showing their container numbers and stated he could arrange for their delivery to the contracting officer, in return for $500,000 payment. The contracting officer worked with SIGAR and DCIS in an elaborate undercover operation to recover the containers.

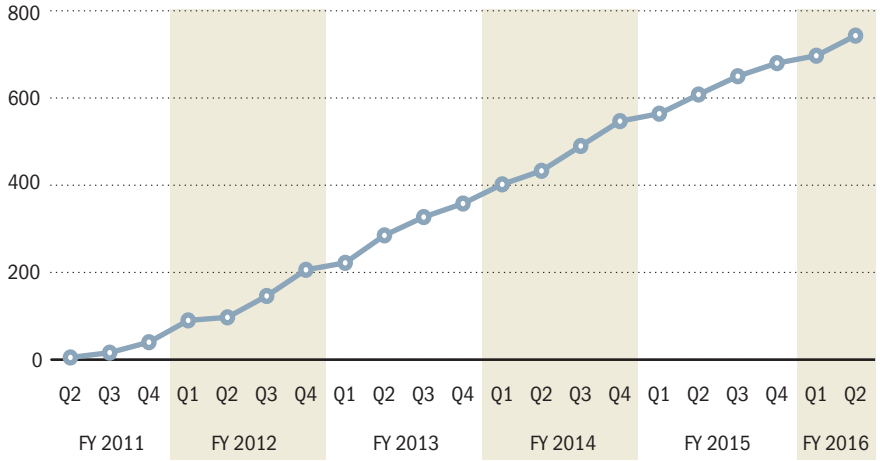
Subsequent to investigative efforts by SIGAR and DCIS, the Afghan national was arrested on March 1, 2016, by the Parwan Province Prosecutor of Criminal Investigation when he was at BAF for a meeting with the contracting officer and after being interviewed by special agents. While two of the containers had been recovered prior to the subject's arrest, subsequent to that, he made arrangements from jail for the delivery of the 10 remaining containers to KAF, which occurred on March 7, 2016. All cargo was inventoried and accounted for.

Suspensions and Debarments

This quarter, SIGAR's suspension and debarment program referred 25 individuals and 21 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 alleging 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 743, encompassing 393 individuals and 350 companies to date, see Figure 2.2.

FIGURE 2.2

SIGAR INVESTIGATIONS: CUMULATIVE REFERRALS FOR SUSPENSION AND DEBARMENT, Q2 FY 2011–Q2 FY 2016



Source: SIGAR Investigations Directorate, 3/31/2016.

As of the end of March 2016, the efforts of SIGAR to utilize suspension and debarment to address fraud, corruption, and poor performance in Afghanistan have resulted in a total of 132 suspensions, 418 finalized debarments, and 28 special-entity designations of individuals and companies engaged in U.S.-funded reconstruction projects. An additional 14 individuals and companies have entered into administrative compliance agreements with the government in lieu of exclusion from contracting since the initiation of the program. During the first quarter of 2016, SIGAR's referrals resulted in three suspensions and 44 finalized debarments of individuals and entities by agency suspension and debarment officials.

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

SIGAR makes referrals for suspensions and debarments based on completed investigations 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's emphasis on suspension and debarment is exemplified by the fact that of the 743 referrals for suspension and debarment that have been made by the agency to date, 716 have been made since the second quarter of 2011. During the 12-month period prior to January 1, 2016, referrals by SIGAR's suspension and debarment program resulted in the exclusion of 107 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 $527,311,541.73.

Debarment of Two Individuals and 15 Companies for Bribery in the Award of $28.8 Million in Department of Defense Contracts

On February 16, 2016, as a result of an investigation conducted by SIGAR, the Defense Criminal Investigative Service, and other agencies participating in the International Contract Corruption Task Force, the Department of the Army debarred James Addas, Omar Jamil, and 15 companies owned by Jamil based upon allegations of conspiracy to commit bribery and the filing of fraudulent income tax returns.

Specifically, Addas, a retired Army officer and civilian contractor at Joint Contracting Command Iraq/Afghanistan (JCC-I/A), used his position to facilitate the award of at least 15 prime contracts valued at $28,805,831 to Jamil's companies between April 2004 and March 2006. As the result of a lengthy, multi-agency investigation, it was determined that soon after Addas awarded the first contract to Jamil, Jamil provided him with a cash payment of $50,000. Subsequently, Addas continued to solicit payments from Jamil after the end of his employment at JCC-I/A, receiving approximately $455,828 in wire transfers and $72,000 in goods and services from Jamil and his associates between April 2010 and July 2013.

Among the multiple payments and gifts, Jamil paid Addas over $40,000 in adoption fees for his children, money for the purchase of expensive collectible knives, and money for an addition to his home and for purchase of trees and landscaping. In return, Addas provided multiple recommendations to prime contractors in an effort to persuade them to hire Jamil and his companies as a subcontractor.

On February 20, 2015, pursuant to a plea agreement, a criminal information was filed in the U.S. District Court for the Eastern District of Virginia charging Addas with one count of bribery and one count of making and signing a false tax return. Subsequently, on January 12, 2016, a criminal judgment was entered against Addas based on these charges, sentencing him to 30 months' confinement, restitution of $115,435, and three years' supervised release. Based upon this judgment and SIGAR's referral, the Army debarred Addas, Jamil, and Jamil's companies until July 8, 2023, a period of eight years, including the time that the parties were in suspended status during their criminal case.

Debarment of Former Air Force Officer Based on Unlawful Representation of a Contractor

On November 13, 2015, based on an investigation conducted by SIGAR, the Defense Criminal Investigative Service, and the FBI, the Air Force debarred former Captain Adam Jeff Julias Pudenz, U.S. Air Force Reserve, and his company, Peace Thru Business LLC. On August 21, 2013, Pudenz was arrested on charges of knowingly and willfully performing unlawful representational activities. Specifically, Pudenz knowingly accepted employment

and payments totaling $247,993 from an Afghan footwear contractor, despite being informed by Air Force officials that he had been disqualified for life due to his participation in the award of reconstruction contracts to that company between December 2011 and December 2012.

Furthermore, Pudenz used his Air Force Reserve identification to escort representatives from this company onto Camp Eggers and other locations as part of this representation, an action that resulted in the issue of a letter from U.S. Forces-Afghanistan barring him from all installations in Afghanistan. On March 11, 2015, Pudenz agreed to enter a plea of guilty to one count each in violation of 18 U.S.C. § 1001(a)(2), making a materially false statement and representation, and 18 U.S.C. § 207(a)(1), violating post-employment restrictions on communications and appearances, in the U.S. District Court for the Northern District of Iowa, Central Division.

Based on this plea, a criminal judgement was entered against Pudenz on August 21, 2015, sentencing him to three years' probation and a $200 special assessment. As a result of SIGAR's referral to the Department of the Air Force, Pudenz and his company were debarred for a period of three years, ending on September 17, 2016. This period of debarment includes and takes into account the time that Pudenz was suspended from contracting while awaiting the disposition of the criminal charges pending against him.

Debarment of an Afghan Company for the Sale of Fraudulent Insurance Policies to Contractors

On February 11, 2016, based on an investigation conducted by SIGAR, the Department of the Army debarred the Insurance Group of Afghanistan (IGA) and Ahmad Ratib based on the sale of fraudulent Defense Base Act (DBA) insurance to an Afghan contractor in November 2014. DBA insurance is workers' compensation insurance for contractor employees injured while performing public-works contracts overseas and is a cost-reimbursable contract line item that must be purchased prior to the start of contract performance and remain valid during the term of the contract's performance.

Proof of DBA insurance, as evidenced by payment to the insurance carrier, is verified by the contracting officer at the time that the cost of insurance is invoiced to the government. SIGAR's investigation into IGA and Ratib's sale of DBA insurance determined that the policies that they sold to Afghan construction contractors were fraudulent in nature and that the payment for this insurance policy was accepted by IGA despite the fact that no such policy had actually been issued by the insurer. When confronted with these facts, Ratib admitted that no policies were issued by IGA despite his accepting payment for them from the contractors and that the "proof of insurance" that he had provided had been fraudulent in nature.

As a result of the actions of Ratib and IGA, the Afghan contractor believed that its employees had worker's compensation insurance when, in fact, no such coverage existed and any employee who suffered an injury

would have been without the insurance required of all contractors under U.S. law. Based on these findings, the Army suspension and debarment official debarred both Ratib and IGA for a period of three years, ending on January 26, 2018. This period of debarment includes and takes into account the time that Ratib and IGA were excluded from contracting while in proposed debarment status beginning on January 26, 2014.

OTHER SIGAR OVERSIGHT ACTIVITIES

Special Inspector General Testifies before the House Armed Services Subcommittee on Oversight and Investigations

On February 12, 2016, Special Inspector General John F. Sopko testified before the House Armed Services Subcommittee on Oversight and Investigations about SIGAR's completed and ongoing work examining U.S. efforts to build, train, equip, and sustain the ANDSF. Approximately 61% of the $113 billion in U.S. reconstruction funding appropriated for use in Afghanistan has gone toward building self-sufficient Afghan security forces. Since 2008, SIGAR has released 74 reports examining how funds appropriated for the ANDSF have been used and directed 167 recommendations to DOD to improve U.S. efforts to build, train, equip, and sustain the ANDSF.

Sopko opened by stating that he concurs with former U.S. Forces-Afghanistan and Resolute Support commander General John F. Campbell's view that Afghanistan is currently at an inflection point, and Coalition efforts to support the ANDSF and stabilize Afghanistan will require deliberate, measured adjustments in 2016 to reverse the deteriorating security situation. The lack of security has made it increasingly difficult for many U.S. and even some Afghan officials to get out to manage and inspect U.S.-funded reconstruction projects. SIGAR has managed to continue its work of overseeing U.S. programs and projects, partly through the creative use of local Afghan staff and civil-society organizations, and with the assistance of the U.S. military when available; however, if recent developments are indicators of what is to come, the United States may not be on course to achieve and sustain for the long term the U.S. national security objectives, which are to "deny al-Qaida a safe haven, deny the Taliban the ability to overthrow the government, and strengthen the capacity of Afghanistan's security forces and government so that they can take lead responsibility for Afghanistan's future."

Based on SIGAR's completed and ongoing work, Sopko highlighted five key challenges facing ANDSF development:

1. **Limited oversight visibility:** With fewer forces in theater, the U.S. military has lost much of its ability to collect reliable information and data on ANDSF capability and effectiveness.

TESTIMONIES GIVEN

- Testimony 16-17-TY: Assessing the Capabilities and Effectiveness of the Afghan National Defense and Security Forces
- Testimony 16-18-TY: Challenges to Effective Oversight of Afghanistan Reconstruction Grow as High-Risk Areas Persist
- Testimony 16-24-TY: Oversight of Department of Defense Reconstruction Projects in Afghanistan
- Testimony 16-29-TY: DOD Task Force For Business and Stability Operations in Afghanistan: Review of Selected Expenditures Highlights Serious Management and Oversight Problems

2. **Questionable force-strength numbers:** SIGAR's work shows that neither the United States nor its Afghan allies truly know how many Afghan soldiers and police are available for duty, or by extension, the true nature of their operational capabilities.
3. **Unreliable capability assessments:** Measures of ANDSF capabilities and effectiveness have never been very reliable, and the amount of detail provided in these assessments has declined over the years.
4. **Limited on-budget assistance capacity:** Since 2010, the United States has been gradually increasing the amount of on-budget assistance to the Afghan Ministries of Defense and Interior. According to CSTC-A, once funds enter the Afghan government's bank account, oversight becomes considerably more challenging.
5. **Uncertain long-term sustainability:** According to DOD, while the Afghan government has increased its contributions to its security budget, the Afghan government has not even been able to make the contribution of $500 million per year it agreed to at the 2012 NATO Summit in Chicago. Additionally, the Afghan economy is not expected to grow quickly enough in the next five years to cover a significantly larger share of ANDSF costs than it is currently paying.

SIGAR Submits Written Testimony to Senate Appropriations Subcommittee

On February 24, Special Inspector General Sopko submitted written testimony to the Senate Appropriations Subcommittee on the Department of State, Foreign Operations, and Related Programs. Sopko's statement described SIGAR's FY 2017 budget request, recent successes, challenges to accomplishing its mission, and steps taken to overcome or mitigate these challenges. The statement also touched on key management and program challenges facing State, USAID, and DOD by noting areas of risk that SIGAR has identified.

A significant reconstruction mission remains in Afghanistan. For FY 2017, the President has requested $2.5 billion in Afghanistan-related funding via the State Department budget. The President has also requested more than $3 billion in the DOD budget to train, equip, and sustain the ANDSF. Another $11.5 billion from previous years' reconstruction appropriations remains available for disbursement. SIGAR currently has the largest oversight presence in Afghanistan and is the only inspector general with interagency authority to audit, inspect, and investigate the activities of all U.S. government agencies and international organizations that receive U.S. funding for Afghanistan reconstruction.

SIGAR's investigations, audit, and other work continues to have positive impacts on ongoing and planned reconstruction programs and agency operations. Whether acting on their own or in coordination with other law-enforcement agencies, SIGAR investigators have conducted investigations

into cases of bribery, theft, smuggling, money laundering, and other offenses; have made arrests in Afghanistan and stateside; and have referred many Afghans to that country's prosecutors.

Special Inspector General Testifies Before the House Committee on Oversight and Government Reform

On March 16, Special Inspector General Sopko testified before the House Committee on Oversight and Government Reform about SIGAR's inspections of facilities and infrastructure built and renovated by DOD using reconstruction funds. The testimony focused on the findings of SIGAR's March 11, 2016, report that analyzes and identifies common themes across the 36 inspection reports SIGAR issued from July 2009 through September 2015.

Through December 31, 2015, DOD reported that it disbursed approximately $5.7 billion from the Afghanistan Security Forces Fund to support infrastructure projects for the ANDSF. These projects included military headquarters, barracks, schools and other training facilities, police checkpoint structures, airfields, and roads.

Since its creation in 2008, SIGAR has issued 37 inspection reports examining 45 DOD reconstruction projects with a combined value of about $1.1 billion. The projects were located in 15 of Afghanistan's 34 provinces, and included 16 ANP and 13 ANA bases, five schools, three medical facilities, three incinerator locations, two storage facilities, one road, one bridge, and one electrical plant. Of the 45 DOD reconstruction projects SIGAR inspected, 17 met contract requirements and technical specifications. These projects demonstrate that high-quality work can be completed when contractors adhere to requirements and there is adequate oversight. The 28 remaining projects had construction work that did not meet contract requirements or technical specifications. The deficiencies found during these inspections generally fit into three categories:

1. Soil issues, including inadequate site preparation and collapsible soil due to poor grading.
2. Systems problems related, but not limited, to electrical, water, and sewer distribution, including improperly installed heating, cooling, and ventilation systems; inoperable water systems; improper testing and commissioning of mechanical systems; and non-code-compliant electrical wiring.
3. Structural problems, such as the use of sub-standard, inadequate, and irregular building materials; poorly mixed, cured, and reinforced concrete; and improperly installed roofs, which led to leaks.

SIGAR found that poor contractor performance and inadequate government oversight were the primary contributors to non-adherence to contract requirements and technical specifications. Of the 28 projects, 16 had

deficiencies so severe that they threatened the structural integrity of the buildings and the safety of their occupants. For example, during SIGAR's January 2013 inspection of the Bathkhak School in Kabul Province, inspectors found that the contractor substituted a concrete slab roof for the wood-trussed roof required by the contract, raising safety concerns for the occupants due to the school's location in an area of high seismic activity.

Utilization and timely completion of infrastructure projects is also a problem. Of the 45 DOD reconstruction projects SIGAR inspected, 22 were complete and 23 were incomplete at the time of inspection. Of the 22 projects that were complete, 15 were being used and seven, or about one-third of the completed projects, had never been used. Inspectors found that usage of the 15 projects varied with some projects being fully used and others only partially used. For example, in January 2014, SIGAR reported that although the Salang hospital in Parwan province was being used, it was not providing many of the services that it was intended to provide. In addition, the hospital staff were only using about 35% of the square footage of the constructed facility, and the hospital employed less than 20% of the staff it was expected to employ. According to the doctors and nurses on site during our inspection, the limited use—due primarily to the lack of electricity, water, furniture, and equipment—had prevented them from providing optimal medical care. Hospital staff were washing newborns with untreated river water because there was no clean water.

Sopko testified that DOD can improve its administration and oversight of its reconstruction projects by, among other things, improving its project planning and design processes; ensuring contractors are qualified and capable of adhering to requirements; and conducting the oversight needed to ensure that facilities are built correctly and contractors are held accountable for their work. This would help to avoid the waste and delay that can come from having to fix or simply abandon deficient projects. Further, SIGAR continues to be concerned about the Afghan government's ability to sustain the facilities DOD has built for it. DOD is providing operation and maintenance services at many ANDSF facilities across the country. Currently, it is unclear when the Afghan government will be able to take over this responsibility. Until it is able to do so, U.S. taxpayer funds will continue to be expended to sustain the facilities DOD has built for the Afghans.

Special Inspector General Testifies Before the House Armed Services Subcommittee on Oversight and Investigations

On April 15, Special Inspector General Sopko testified before the House Armed Services Subcommittee on Oversight and Investigations at a hearing on "Evaluating DOD Investments: Case Studies in Afghanistan Initiatives and U.S. Weapons Sustain." Sopko discussed SIGAR's work examining the Department of Defense's Task Force for Business and Stability Operations

in Afghanistan. The nearly $800 million Task Force, now shut down, was DOD's principal vehicle for stimulating private-sector growth and investment in Afghanistan's war-torn economy in order to reduce violence, enhance stability, and stimulate the economy.

TFBSO's goals were to reduce violence, enhance stability, and support economic normalcy in Afghanistan. TFBSO was intended to contribute to U.S. government objectives in Afghanistan by bolstering a very weak Afghan economy. The Task Force produced some modest achievements, primarily related to its work in the extractives industries, about which SIGAR recently reported. Unfortunately, SIGAR's cumulative work to date has shown that TFBSO's nearly $800 million investment in Afghanistan has generally not delivered on its stated goals. A compressed natural gas (CNG) filling station and a cashmere goats project are glaring examples of TFBSO activities SIGAR has examined that were ill-conceived, poorly planned, or left unfinished. Further, it appears that TFBSO's activities in Afghanistan were stymied by several avoidable problems and repeated mistakes from its Iraq experience that hindered Task Force operations and outcomes.

After 14 years, hundreds of billions of dollars spent to support U.S. military operations, and more than $113 billion appropriated for the largest reconstruction effort in U.S. history, the United States has shown an enduring commitment to the mission in Afghanistan. Although many U.S. troops have come home and Congress has reduced annual appropriations for Afghanistan reconstruction, there was still approximately $12 billion left to be spent for reconstruction as of December 31, 2015. Further, the U.S. government has committed to providing tens of billions of dollars more in reconstruction aid over the course of Afghanistan's "Transformation Decade" and recently committed to an extended military presence to support the Afghan government until it is able to sustain itself and independently secure itself from insurgent threats.

Despite those commitments, managing and overseeing this massive, ongoing effort is being left to a decreasing number of U.S. military and civilian personnel in Afghanistan. The reduction in resources means that oversight and learning from the U.S. government's experience in Afghanistan and Iraq are more important than ever. Together with Congress, we must ensure that every dollar is spent as effectively and efficiently as possible and used as intended. In that same vein, we must seek to understand where we, as a nation, did not accomplish our goals, learn from those mistakes, and take meaningful corrective action as we move forward in Afghanistan's reconstruction. Failing to do so reduces the likelihood that Afghanistan will become a secure and stable nation, thus risking all the United States, the Afghan government, and our allies have invested.

An understanding of the successes and failures of TFBSO activities is critical for Congress and future administrations when considering economic development activities in future contingency operations.

It does not appear that DOD or Task Force leadership applied the lessons identified early in its Afghanistan operations. Specifically, TFBSO operations in Afghanistan lacked: (1) a comprehensive strategy, (2) focused and consistent processes and leadership, and (3) coordination with other U.S. and Afghan government stakeholders, as well as with other donors and local populations. DOD and the Task Force's failure to respond and implement changes based on prior lessons appears to have contributed to the unfulfilled expectations for TFBSO activities in Afghanistan.

To date, SIGAR has not been able to find credible evidence showing that TFBSO's activities in Afghanistan produced the intended economic growth or stabilization outcomes that justified its creation. On the contrary, TFBSO's legacy in Afghanistan is marred by unfinished, poorly planned, and ill-conceived projects. SIGAR's analysis has shown that the Task Force did not achieve most of its goals, both in the short-term and, it would appear, in the long-term. In addition, SIGAR's ongoing review of TFBSO activities in Afghanistan raises several key questions that remain unanswered and should be considered by Congress and any Administration contemplating similar programs in the future.

Due to the unanswered questions about TFBSO activities, and at the request of Senators Ayotte and Grassley, SIGAR has begun a comprehensive performance audit of TFBSO and a full financial audit. SIGAR remains committed to uncovering the successes and stumbles of the Task Force in Afghanistan to inform Congress, the Administration, and the American people.

Special Inspector General Sopko Speaks at the University of Pittsburgh's Graduate School of Public and International Affairs

Special IG Sopko, second from left, with Dean John Keeler, Prof. Jennifer Murtazashvili, Prof. Ron Brand, and Ariel Armony, Director of the University Center for International Studies at the University of Pittsburgh. (SIGAR photo by Robert Lawrence)

On March 30, Special Inspector General Sopko spoke about the need to fight corruption to achieve the United States' goals in Afghanistan. Sopko stated that it wasn't until 2009—eight years into the reconstruction effort—that the U.S. government began to understand the extent to which corruption undermined the legitimacy and viability of the Afghan state, fueled grievances that strengthened the growing insurgency, and sapped resources from the reconstruction effort.

According to Transparency International, Afghanistan in 2015 ranked 166th-worst out of 168 countries, ahead of only Somalia and North Korea when it comes to public perceptions of corruption. Afghans regularly report having to pay bribes to a variety of Afghan government service providers, including the police, the courts, health personnel, and educators. The United Nations Office on Drugs and Crime reported that in 2012, "half of Afghan citizens paid a bribe while requesting a public service." Last year, over half of Afghans said they paid a bribe to the police. Sixty-three percent of Afghans who had contact with the courts say they paid a bribe to judicial

officials. More than half of the Afghans who had contact with the public healthcare system reported paying a bribe.

Combating corruption requires the political will to reform and the creation of some incorruptible entities to pursue the task of fighting corruption. But Sopko said he is hopeful that Afghanistan may have found the political will it needs in current President Ashraf Ghani and his colleague Chief Executive Abdullah. For example, when SIGAR briefed President Ghani that four companies had colluded to fix prices and rig bids on a nearly $1 billion MOD fuel contract funded by the U.S. government, President Ghani immediately canceled the MOD contract, saving the U.S. government over $200 million, ordered an investigation into the corruption allegations, and invited SIGAR to start attending the weekly meetings of the National Procurement Commission he chairs with Chief Executive Abdullah.

Sopko believes that donors can also help fight corruption by laying down smart donor conditions for assistance. Smart donor conditions can give Afghan reformers the political "top cover" to implement changes they might not otherwise have been able to implement due to push-back by corrupt political elites.

Special Inspector General Sopko Speaks at Harvard University

On April 7, Special Inspector General Sopko spoke at Harvard University about the perilous state of Afghan reconstruction. Sopko said that the future is likely to include new "contingency operations" involving American military and civilian personnel in violent settings that will entail rebuilding failed or fragile nation-states. Close examination of operations like the one that began in Afghanistan nearly 15 years ago can help us make more informed decisions and, hopefully, produce better outcomes in the future.

Sopko discussed the current security situation in Afghanistan, pointing out that this is where most of the U.S. reconstruction funding has gone, about 60% of the $113 billion Congress has appropriated since fiscal year 2002, or $68 billion. Security is the essential ingredient for establishing a credible, viable, legitimate government-and for persuading insurgents that they need to negotiate. And the Afghan security sector is the setting for many of the instances where SIGAR has documented that something has gone wrong in the mostly U.S.-funded Afghanistan reconstruction effort.

Reconstruction has suffered in many other areas. Reconstruction problems in Afghanistan cover a wide range of issues, from execution of particular physical projects to broad strategic guidance. They are, of course, not unique to Afghanistan or even to conflict situations. Iraq reconstruction was also fraught with problems, and the problem-riddled reconstruction after Haiti's earthquake disaster did not involve an active insurgency.

To be fair, U.S. agencies have had reconstruction successes in Afghanistan. Despite ongoing violence, the Afghan people are healthier,

better schooled, and less impoverished than they were 15 years ago. We can learn from those successes. But it is the disappointments and failures that threaten achievement of objectives and stewardship of taxpayers' dollars, so they deserve our keenest attention.

Deputy Inspector General Speaks at the Naval Postgraduate School

Deputy Inspector General Gene Aloise spoke at the Naval Postgraduate School in Monterrey, California, on April 1 about the reconstruction of the ANDSF. Aloise highlighted the challenges associated with oversight of the ANDSF both for SIGAR and U.S. military advisors, such as the difficulty of ascertaining the true number of ANDSF personnel available for duty and the inability to accurately assess ANDSF capabilities below the headquarters and corps levels.

Afghans are now more dependent on their own security forces than ever before. Afghanistan's future lies with the success, or failure, of the ANDSF, especially now that they are challenged by the Taliban, the Haqqani Network, al-Qaeda, and ISIS. To that end, approximately 60% of the $113 billion spent on reconstruction has gone to support the ANDSF with salaries, training, infrastructure, equipment, and life-support services.

Extensive SIGAR work has identified multiple areas of weakness in U.S. support to the ANDSF where improvements must be made. Unfortunately, as the number of U.S. boots on the ground has decreased in Afghanistan, so has the U.S. military's ability to oversee the ANDSF and identify challenges they are facing. While high-level assessments of ANDSF capabilities at the headquarters and corps level are still possible, assessments below those levels are beyond the capability of the United States and its Coalition partners. Therefore, they have to rely on assessments conducted by the ANDSF themselves, which SIGAR has long been concerned about because of questions about reliability and accuracy of those assessments.

Another area of concern for SIGAR are the actual personnel levels of the ANDSF, otherwise known as of the issue of "ghost soldiers." SIGAR's work shows that while the ANDSF's actual strength has approached the goal of 352,000 authorized personnel, it has never been fully achieved. Indeed, SIGAR's work shows that neither the United States nor our Afghan partners truly know how many Afghan soldiers and police are available for duty, or, by extension the true nature of their operational capabilities. This is particularly distressing as the amount of funds that flow to the ANDSF from the U.S. government are based, in part, on reimbursing them for salaries for the number of personnel they report to Resolute Support.

While the ANDSF has demonstrated some successes this year, they are clearly not ready to operate without U.S. assistance; whether financial, technical, or otherwise, and will not be operationally independent for some time to come.

SIGAR PASSES PEER REVIEW

Generally, every three years, the audit organization of each office of inspector general (OIG) is required to undergo an external review to provide an additional level of assurance that the OIG conducts its audits in compliance with applicable professional standards. The NASA OIG recently completed SIGAR's peer review for the period October 1, 2014, through September 30, 2015, to determine whether SIGAR's system of internal quality control was operating effectively and provided reasonable assurance that established policies and procedures were being followed. NASA OIG determined that SIGAR's system is suitably designed and received a rating of pass, the highest level that can be attained. The review is conducted with guidance provided by the Council of Inspector General for Integrity and Efficiency and standards are based on the Government Accountability's Office, Government Auditing Standards, December 2011 Revision.

SIGAR BUDGET

SIGAR's annual appropriation (the Consolidated and Further Continuing Appropriations Act, 2016) provides the agency with $56.9 million through September 30, 2016. 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 195 employees on board at the end of the quarter. At the end of the quarter, 29 SIGAR employees were at the U.S. Embassy Kabul and two 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 seven employees on temporary duty in Afghanistan for a total of 82 days.

"I know there are some very, very tough times ahead for the country of Afghanistan, but I do see a resilient people, resilient security forces and they're going to get through these challenges."

—General John F. Campbell, former commander of U.S. and NATO troops in Afghanistan

Source: *NYTimes.com*, "New U.S. General Takes Command of Coalition Forces in Afghanistan," 3/2/2016.