

2 SIGAR OVERSIGHT



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Afghan President Ashraf Ghani, right, greets Special Inspector General John Sopko at the presidential palace in Kabul. (Palace photo)

SIGAR OVERSIGHT ACTIVITIES

This quarter, SIGAR issued 16 audits, inspections, special projects, and other products. SIGAR work to date has identified approximately \$2.1 billion in savings for the U.S. taxpayer.

SIGAR published two performance audit reports this quarter. These audits examined the impact and sustainability of the U.S. Agency for International Development's (USAID) Land Reform in Afghanistan (LARA) program and the Department of Defense's (DOD) management and oversight of organizational clothing and individual equipment, which includes uniforms, helmets, body armor, boots, and sleeping bags for the Afghan National Defense and Security Forces (ANDSF).

SIGAR completed five financial audits of U.S.-funded contracts, grants, and cooperative agreements to rebuild Afghanistan. These financial audits identified more than \$7.3 million in questioned costs as a result of internal-control deficiencies and noncompliance issues. To date, SIGAR's financial audits have identified more than \$387 million in questioned costs.

SIGAR also published two inspection reports. These reports examined the Baghlan prison and the women's dormitories at Balkh University.

SIGAR's Office of Special Projects issued seven products examining a range of issues including locations and operating conditions at 30 USAID-supported public health facilities in Ghazni Province; the general usability and potential structural, operational, and maintenance issues for 26 schools in Balkh Province; and six Bureau of International Narcotics and Law Enforcement Affairs (INL)-funded Good Performers Initiative infrastructure projects in Ghazni Province.

During the reporting period, SIGAR investigations resulted in three criminal information charges, two convictions, one sentencing, \$150,000 in restitutions, and a civil settlement of \$40 million. Additionally, SIGAR initiated 15 cases and closed 14, bringing the total number of ongoing investigations to 262.

This quarter, SIGAR's suspension and debarment program referred 12 individuals and 16 companies for debarment based on evidence developed as part of investigations conducted by SIGAR in Afghanistan and the United States. These referrals bring the total number of individuals and companies referred by SIGAR since 2008 to 837—encompassing 465 individuals and 372 companies to date.

COMPLETED PERFORMANCE AUDITS

- Audit 17-27-AR: USAID's Land Reform in Afghanistan
- Audit 17-40-AR: DOD's Afghan National Defense and Security Forces Oversight of Uniforms and Equipment

COMPLETED FINANCIAL AUDITS

- Financial Audit 17-31-FA: Afghanistan Mine, Battle Area and Range Clearance Operation-Phase II, Effort I
- Financial Audit 17-33-FA: USAID's Financial Access for Investing in the Development of Afghanistan Project
- Financial Audit 17-35-FA: USAID's Kandahar Food Zone Program
- Financial Audit 17-38-FA: USAID'S Tracking Phase II (SUPPORT II) Program
- Financial Audit 17-39-FA: USAID'S Commercial Horticulture and Agriculture Marketing Program

COMPLETED INSPECTION REPORTS

- Inspection Report 17-36-IP: Baghlan Prison
- Inspection Report 17-41-IP: Balkh University Women's Dormitories

COMPLETED SPECIAL PROJECT PRODUCTS

- Special Project Review 17-26-SP: Good Performers Initiative
- Special Project Review 17-32-SP: Schools in Balkh Province
- Special Project Review 17-34-SP: USAID Supported Health Facilities in Ghazni Province
- Special Project Review 17-37-SP: Good Performers Initiative
- Special Project Inquiry Letter 17-28-SP: DOD Infrastructure Projects
- Special Project Inquiry Letter 17-29-SP: State Infrastructure Projects
- Special Project Inquiry Letter 17-30-SP: USAID Infrastructure Projects

SIGAR CONTINUES OVERSIGHT WORK DESPITE SECURITY CONCERNS

SIGAR continues to fulfill its mandate to inspect, investigate, and audit U.S.-funded reconstruction activities across Afghanistan despite significant security challenges. Gone are the days when dozens of U.S. bases and tens of thousands of foreign troops dotted the countryside with secure outposts and helicopter landing zones. The evolving landscape has altered but not halted SIGAR's work.

With robust support from U.S. Embassy Regional Security Officer (RSO) Carlos Matus and his team of protection and movement specialists, SIGAR continues to visit Afghan government offices, construction and project sites, and select locations outside the Kabul area. It would be impossible for SIGAR to conduct this work without the RSO's protective support services. Similarly, SIGAR's positive relations with Resolute Support (RS) commander General John W. Nicholson Jr., with Combined Security Transition Command-Afghanistan (CSTC-A) commander Major General Rick Kaiser, and with others on the RS team have enabled regular inspection visits to the four NATO train, advise, and assist commands (TAAC) located in Balkh, Kandahar, Herat, and Laghman Provinces, and to Bagram Airfield.

As the hard truths about past weaknesses in the U.S. reconstruction effort have sunk in more broadly,

SIGAR's cooperation with all of those with whom the agency works has only become stronger. SIGAR remains the only U.S. oversight organization still conducting inspections of U.S.-funded reconstruction infrastructure in Afghanistan. Its site visits have documented issues including ghost soldiers and police, widespread corruption, weak leadership, and shoddy or unnecessary construction. The knowledge SIGAR has gained from this access has improved its analysis and reports and has been appreciated by Congress and U.S. and Afghan policymakers.

IG Sopko's most recent visit to Afghanistan provided a good example of SIGAR's ability to perform this mission with the support of the RSO and NATO forces. Over the course of two weeks in February, the IG conducted more than 20 meetings and other engagements outside the U.S. embassy compound. A visit to the German-commanded TAAC-North in Mazar-e Sharif involved travel on Embassy Air, and then a 45-minute drive in armored vehicles to the headquarters of the 209th Corps. This offered the chance to witness the biometric registration of Afghan soldiers as part of an expanded effort by CSTC-A and the Ministry of Defense to ensure that the Army's personnel rolls are both accurate and credible. Embassy Air moved the IG and his team to conduct



IG Sopko and his team board air transport to meet Afghan officials at the new Ministry of Interior complex in Kabul. (SIGAR photo by Tom Niblock)



IG Sopko meets with officers of the Afghan 209th Corps and officers of a German-led team from the Train Advise Assist Command in Mazar-e Sharif. (SIGAR photo by Tom Niblock)

QUARTERLY HIGHLIGHT



IG Sopko meets with Afghan prosecutors and judges at the Anti-Corruption Justice Center and Major Crimes Task Force in Kabul. (SIGAR photo by Charles Hyacinthe)

meetings at the new Ministry of Interior complex, which has been the focus of SIGAR inspection work. From there, the team went on to the Anti-Corruption Justice Center (ACJC) and Major Crimes Task Force (MCTF) to meet with Afghan police, prosecutors, and judges. Sadly, only weeks after this visit, two of the MCTF investigators were assassinated in Kabul, but this vital work goes on. Another planned helicopter movement to visit U.S. forces in Gamberi at TAAC-East was scrubbed only when winter weather closed in, blocking travel through the high mountain passes.

At the Ministry of Defense, IG Sopko received a comprehensive briefing from Minister Abdullah Khan Habibi on the outlines of the new joint NATO and Afghan four-year plan to bolster Afghan security forces and stem the spread of the insurgency. Meeting at the Ministry of Public Health, Minister Dr. Ferozuddin Feroz thanked SIGAR for its ongoing effort to document shortcomings in Afghanistan's public health enterprise and pledged to continue close collaboration going forward to achieve better results for the Afghan people.

The IG paid office calls on both President Ashraf Ghani and Chief Executive Dr. Abdullah Abdullah, continuing what has been a steady and very constructive conversation with both leaders since the Government of National Unity came into office in 2014. Senior SIGAR staff continue to be regular observers at the weekly meetings of the National Procurement Commission, which is chaired by President Ghani and includes other senior Afghan officials. The RSO security detail assisted



U.S. soldiers provide security for SIGAR inspectors at the new Ministry of Interior complex in Kabul. (SIGAR photo by Aziz Zaki)

IG Sopko in attending the commission meeting, where he met with the president and chief executive and a number of ministers to discuss procurement issues.

Among SIGAR's most constructive relationships are those it has established with other key donor countries. With the assistance of the RSO, SIGAR staff travel weekly to meet with foreign diplomatic colleagues. No visit by the IG to Afghanistan is ever complete without a full slate of talks with ambassadors of donor nations. The most recent round included an event hosted by Canadian Ambassador Ken Neufeld where ambassadors and other senior officials from the EU, the United Nations, and other embassies exchanged their own experiences that enhance SIGAR's on-the-ground knowledge of current conditions in country. During his two-week visit, the RSO also provided protective details that permitted the IG to meet with the ambassadors and staff of the German, British, and Danish embassies to further discuss areas of mutual concern.

Finally, SIGAR works and meets with a multitude of Afghan partners, non-governmental organizations (NGOs), and opinion leaders, some of whom would prefer to remain unnamed. It is often in these informal engagements that SIGAR staff pick up new ideas for inquiries or confirmation that the agency is on track with ongoing efforts. Many are in locations seldom visited by other official personnel and this always requires an extra degree of coordination and planning. Thanks again to those U.S. Embassy and RS officials who make these outside engagements possible.

AUDITS

SIGAR conducts performance audits, inspections, and financial audits of programs and projects connected to the reconstruction effort in Afghanistan. Since its last report to Congress, SIGAR has issued two performance audits, five financial audits, and two inspection reports. This quarter, SIGAR has 13 ongoing performance audits.

Performance Audit Reports Published

SIGAR published two performance audit reports this quarter. These audits examined the impact and sustainability of USAID's LARA program and DOD's management and oversight of organizational clothing and individual equipment, which includes uniforms, helmets, body armor, boots, and sleeping bags, for the ANDSF.

COMPLETED PERFORMANCE AUDITS

- Audit 17-27-AR: USAID's Land Reform in Afghanistan
- Audit 17-40-AR: DOD's Afghan National Defense and Security Forces Oversight of Uniforms and Equipment

Performance Audit 17-27-AR: Land Reform in Afghanistan Full Impact and Sustainability of \$41.2 Million USAID Program is Unknown

According to land-reform experts, in Afghanistan, as in other developing countries, land administration is critical to economic growth and security. Since 2004, USAID has supported efforts to address land reform and land tenure in Afghanistan because of their effects on the economy and the lives of the Afghan people. According to a U.S. Institute of Peace land expert, the majority of Afghans do not have proper legal documentation for their land ownership, due in part to poor paper records and land titles. To address these problems and to help the Afghan government develop a sound land administration system, USAID spent a total of \$96.7 million from 2004 through 2014 to reform the existing system.

The agency initiated its most recent effort, LARA, when it awarded the contract to implement the program to Tetra Tech ARD in January 2011. The contract ended in November 2014 and cost \$41.2 million. The objectives of this audit were to assess the extent to which: (1) USAID and Tetra Tech ARD measured the LARA program's performance and whether it achieved its goals and objectives; (2) USAID conducted its required oversight of the contract; (3) USAID and Tetra Tech ARD designed and assessed LARA's sustainability; and (4) the challenges USAID, Tetra Tech ARD, and the Afghan government faced threaten the sustainment of U.S. land reform efforts.

SIGAR found that USAID and Tetra Tech ARD did not fully measure the LARA program's performance. Without such information, the agency cannot demonstrate the full extent to which LARA achieved its goals and objectives, or the impact the \$41.2 million program had on improving land administration in Afghanistan.

Delays by Tetra Tech ARD in submitting and USAID in approving key performance monitoring and evaluation documentation limited the contractor's and the agency's ability to track program performance. Tetra Tech ARD did not submit an approved performance monitoring plan until February

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2012, more than a year after the contract was awarded and 11 months after it was due according to the contract. Therefore, USAID and Tetra Tech ARD did not have a detailed plan for how Tetra Tech ARD would accomplish the program's requirements, objectives, and goals, or collect detailed information on LARA's performance and progress during its first year.

In addition, Tetra Tech ARD never reported on six key performance indicators that measured the impact of LARA. Finally, Tetra Tech ARD did not monitor and report on LARA's performance consistently, as recommended by USAID guidance and required by the contract. USAID officials told SIGAR that they relied on Tetra Tech ARD and evaluations performed by Ernst & Young and Checchi and Company Consulting Inc. However, the evaluations show that Tetra Tech ARD's monitoring was inconsistent, and SIGAR independently confirmed that finding.

Moreover, the extent to which USAID conducted contract oversight, required by the Federal Acquisition Regulation and USAID, is unknown because the agency did not maintain complete records of Tetra Tech ARD's performance or its own oversight of the LARA contract. Although SIGAR found that Tetra Tech ARD completed eight of nine contract deliverables, it was unable to rely on the agency's contract files due to the agency's poor record keeping and had to seek additional information from Tetra Tech ARD. When asked, USAID did not have an explanation for why documents were missing from its contract files. Therefore, SIGAR questions how the agency was able to determine that the three LARA deliverables were completed when it closed out the contract.

In addition, although USAID provided SIGAR with records and evidence of its oversight of LARA from August 2011 through September 2013, it did not provide documentation for oversight it should have performed from September 2013 through November 2014, when the program ended, accounting for more than a year—or one-fourth—of the contract duration. Without complete records for the LARA contract, the agency cannot demonstrate that it fully performed its required contract oversight of Tetra Tech ARD or confirm that the contractor met all of the terms of the \$41.2 million LARA contract.

Further, USAID did not, as required by its own internal guidance, fully assess the sustainability of LARA. USAID designed LARA to consider some elements of sustainability and addressed some sustainment objectives, as required by the 2011 Administrator's Sustainability Guidance for USAID in Afghanistan and other agency directives. However, the agency did not comply with other requirements of the 2011 sustainability guidance in that sustainability assessments include an "examination, both immediate and ongoing, of all USAID Mission for Afghanistan projects against the principles of (1) Afghan ownership and capacity, (2) their contribution to transition and confidence, and (3) cost effectiveness and program effectiveness."

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USAID completed an initial sustainability assessment in June 2012 to report on all of its programs in Afghanistan, in which it stated that LARA “most closely emulate[s] the standards that USAID seeks to promote in all of its programming” about sustainability. However, this analysis primarily addressed whether LARA’s overall program design met agency sustainability standards and did not discuss whether the Afghan government could sustain ongoing program efforts.

USAID did not conduct subsequent sustainability assessments that address all the requirements in the 2011 sustainability guidance for LARA from June 2012 to the close of the program in November 2014, which amounted to a majority of the program’s implementation period. In its January 2017 response to SIGAR’s draft report, the USAID Mission for Afghanistan stated that Checchi’s November 2014 final performance evaluation of LARA, completed upon the program’s conclusion, also represented a sustainability assessment, in accordance with the June 2011 Administrator’s Sustainability Guidance for USAID in Afghanistan. However, SIGAR maintains that USAID did not fully address all of the requirements in the 2011 sustainability guidance.

For example, the 2014 final performance evaluation does not provide an “examination, both immediate and ongoing” of the LARA program’s “cost effectiveness and program effectiveness” and does not “estimate all recurrent costs [for LARA] required to maintain the services, infrastructure, and institutions, as well as ongoing capacity building investments . . . [and/or] Develop plans in partnership with GIROA [Government of the Islamic Republic of Afghanistan], and other donors to ensure such costs are priorities and are within budgets in a scarce resource environment,” all of which the guidance requires. Without such assessments, the U.S. government has less insight into whether the reported achievements associated with its \$41.2 million investment in land reform can be maintained.

According to USAID, Tetra Tech ARD, and Afghan government officials, known systemic challenges in land reform pose a threat to sustaining the program’s achievements. The challenges include (1) political and judicial corruption; (2) an underdeveloped legal system and lack of enforcement mechanisms to support land laws and property rights; and (3) a lack of Afghan government technical capacity, including the ability to use land administration information technology systems. The U.S. government currently does not have any planned programs that are specifically intended to support land reform in Afghanistan. Nevertheless, by not performing a sustainability assessment of LARA, USAID missed an opportunity to inform the Afghan government about how it could address these systematic challenges in the future.

To better understand the impact of the LARA program on land reform efforts in Afghanistan, SIGAR recommended that the USAID Administrator, in accordance with all of the requirements of the June 2011 Administrator’s

Sustainability Guidance for USAID in Afghanistan, conduct a final sustainability assessment of the LARA program to fully determine whether sufficient capacity exists for the Afghan government to sustain the program's achievements, and provide the results to the Afghan government.

Performance Audit 17-40-AR: Afghan National Defense and Security Forces

DOD Needs to Improve Management and Oversight of Uniforms and Equipment

Developing Afghanistan's security forces into a strong, sustainable force is a top priority for the U.S. government. To support this effort, from fiscal years (FY) 2002 through 2016, Congress appropriated approximately \$64 billion to the Department of Defense (DOD) to train and equip the Afghan National Defense and Security Forces (ANDSF), which consists primarily of the Afghan National Army (ANA) and Afghan National Police (ANP). These efforts included providing organizational clothing and individual equipment (OCIE) to the ANDSF. OCIE includes items such as uniforms, helmets, body armor, boots, and sleeping bags. From 2010 to 2014, DOD spent more than \$415 million to purchase these items. Within the U.S. government, the Combined Security Transition Command-Afghanistan (CSTC-A) is the DOD entity responsible for overseeing U.S. efforts to supply the ANDSF with clothing and equipment.

The objectives of this audit were to assess the extent to which DOD: (1) developed and validated clothing and equipment requirements for the ANDSF; (2) provided clothing and equipment in accordance with ANDSF needs; and (3) provided oversight and accountability for clothing and equipment, and funds transferred to the Afghan government.

CSTC-A's ability to develop and validate clothing and equipment requirements for the ANDSF is limited by poor data, reliance on questionable assumptions, and a lack of clear roles and responsibilities. CSTC-A receives data from the Afghan government on ANDSF personnel numbers, consumption rates, and inventory levels, but the command acknowledged that this data is often inaccurate and therefore unreliable.

Because CSTC-A could not rely on the Afghan government for accurate data, it defaulted to using problematic assumptions and estimates when calculating the Afghan military's annual clothing and equipment replenishment needs. For example, Coalition officials assume that the Afghan military operates at full capacity each year, consuming its entire clothing and equipment allotment without any surplus items remaining.

Given CSTC-A's history of delivering large shipments of clothing and equipment, the fact that the reported number of soldiers and police in the ANDSF is lower than what is authorized, and DOD's own reports of unopened shipping crates with clothes that are not reflected in the ANDSF's official inventories, it is unlikely that the ANDSF is using all of its clothing and equipment every year. Even though CSTC-A's reliance on some

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assumptions and estimates like this one may be necessary given the lack of reliable data, opportunities exist to more accurately define the clothing and equipment requirements of the ANDSF.

Furthermore, SIGAR found that CSTC-A did not document roles and responsibilities in the acquisition process after the multinational coalition's combat operations ended in 2014. At that time, the Coalition redistributed clothing and equipment procurement functions among several entities, without formally documenting the roles and responsibilities of those entities. DOD officials stated that Essential Function 5 (EF-5), the organization responsible for determining ANA and ANP clothing and equipment requirements and submitting orders, does not have logisticians on staff who specialize in OCIE, increasing the risk that it will order the wrong items at the wrong times. In one case, a DOD official noted that confusion about who should be ordering uniforms became so severe that U.S. Special Forces had to execute an emergency order for the Afghan special forces because no other Coalition organization knew that there was a shortage.

SIGAR found that each of CSTC-A's three methods for acquiring clothing and equipment—local acquisition, direct assistance, and pseudo Foreign Military Sales (FMS)—had mixed results that led to shortages and disruptions in the supply chain. CSTC-A provided clothing and equipment primarily through local acquisitions between 2008 and 2012, and through direct assistance between 2012 and 2013. The command supplemented these acquisitions with pseudo FMS orders, a method it has continually used since 2003. (The term “pseudo” preceding “FMS” refers to purchases where the United States consults with a partner country on needs, but funds, obtains, and delivers equipment on the partner's behalf, in contrast to other foreign sales of military items. Pseudo FMS is elsewhere known as the Building Partner Capacity program.)

DOD officials who formerly worked within or in support of CSTC-A said they saw several problems with the quality of the goods local Afghan vendors provided. SIGAR was able to identify 187 contract actions issued since January 1, 2010. Of these 187 contract actions, Army Contracting Command-Rock Island could only provide contract files for 113. Of the 113, SIGAR analyzed files for only the 97 that involved financial transactions. For these 97 files, SIGAR found evidence that some vendors supplied poor-quality goods and did not meet scheduled delivery dates.

Poor recordkeeping was evident from the beginning of the analysis because it took multiple steps to develop a list of local acquisition contracts. When asked about the 74 files not provided, the Closeout Office at Rock Island said that DOD's contingency contracting offices might not have sent them, some could have been destroyed in Afghanistan, and others could have been lost in transit. In several cases, SIGAR found memos stating that some documents were stored electronically on local servers in Afghanistan or were set aside with the intent to upload them to

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global online systems. However, Army Contacting Command staff said they did not receive any electronic records for the contracting actions SIGAR reviewed.

Despite the poor state of the local acquisition contract records, SIGAR found documents indicating instances in which CSTC-A encountered problems getting well-made items on time. For example, nine of the 97 contract actions we reviewed were terminated for convenience or cancelled. In two of the nine, SIGAR found documentation stating the “contractor had performance issues throughout the span of the contract, and stopped performing.” In a third case, the termination officer wrote that the contractor did not deliver items in conformance with the contract specifications and delivered fewer items than ordered.

In 2012, CSTC-A began providing direct assistance to the MOD and the MOI to purchase clothing and equipment, with the goal of shifting all ordering responsibility to the ministries by the end of 2014. However, less than a year later, the ANDSF faced critical shortages of uniform shirts, uniform pants, cold-weather coats, and other clothing. One Coalition official said that in anticipation of the transition to the Resolute Support Mission in 2014, the Coalition transferred many systems and responsibilities to the MOD and the MOI before the Afghans were ready to handle them.

Although a September 2013 CSTC-A memorandum judged direct assistance for clothing and equipment a success, other evidence indicated that problems had already surfaced. For example, a December 5, 2012, memorandum from the Special Operations Joint Task Force for Afghanistan to CSTC-A stated that the MOI did not place orders for critically needed Afghan Local Police field jackets, despite Coalition advisors’ urging. According to Coalition officials, the Afghan government tended to favor the cheapest contracts, even when they resulted in items that did not meet minimum quality standards.

In 2013, the Afghan government cancelled all of its clothing and equipment contracts because it did not award these contracts in time to avoid changes to U.S. requirements that any textile components used to make Afghan uniforms funded by DOD must be produced in the United States. Although the Afghan government requested a waiver for contracts that had already gone through the bidding process, CSTC-A officials told us that they were legally required to deny the ministries’ requests for waivers. According to Coalition advisors, the ministries’ mass cancellation of its contracts compounded ongoing clothing shortages. As of summer 2013, the gap between the ANDSF’s estimated need and existing inventories appeared to be substantial. According to EF-5 records, the ANP “had gone without proper uniforms for two years” and were “approaching [their] third winter without proper uniforms.” At that time, the ANP had only 21,951 uniform shirts and pants in stock, instead of its estimated annual need of 137,766, and 26,207 cold-weather coats, instead of its estimated annual need of 88,331.

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Beginning in June 2013, CSTC-A shifted from direct assistance back to procuring all ANDSF clothing and equipment through pseudo FMS orders. However, CSTC-A was caught unprepared because its local acquisition office had been dissolved following the shift to direct assistance. Without the local acquisition office's institutional knowledge, Coalition officials wasted several months searching through old records in an attempt to re-create the ANDSF's uniform specifications.

Because CSTC-A was unable to get uniforms and winter clothing to the ANDSF on time, shortages that occurred during the 2012–2013 phase of direct assistance continued or intensified. For example, SIGAR found that winter clothes continued to be in short supply in 2015. In September 2015, SIGAR sent an alert letter to DOD notifying officials there that they had not shipped any winter clothes for the ANA in the past two years. For the ANP, SIGAR found that although CSTC-A had ordered some winter items, such as wool sweaters and underwear, it did not order enough to meet annual replenishment requirements. In response to the alert letter, DOD recognized the shortages of cold-weather clothing and said it would begin delivering winter clothing in late 2015. DOD later told us that these items had been ordered and began arriving in December 2015.

Additional problems occurred because CSTC-A's attempts to address the shortages led to over-ordering and inventory surpluses. According to EF-5's forecasting models, pieces of clothing and equipment need to be replaced every one to two years. However, rather than delivering annual replenishment rates in anticipation of requirements based on these forecasting models, CSTC-A has been reacting to emergency shortages for many of these items. For example, 34,500 helmets for the ANP were due to arrive in 2016, more than 10 times what EF-5's forecasting models indicate the ANP needs annually, and, as already discussed, these forecasting models may be overestimating needs. Similarly, 252,172 ANA cold-weather coats are set to be delivered in 2017, more than enough to provide one to each of the 171,428 troops reported to be in the ANA. The remaining 80,744 coats would create a 47% inventory surplus.

Coalition advisors and DOD officials offered three possible reasons why CSTC-A has ordered too few items in some cases and ordered too many items in others:

(1) The Afghan government's unreliable personnel, inventory, and consumption reporting makes it difficult for Coalition advisors to forecast how much clothing and equipment the ANA and ANP needs in any given year.

(2) No one organization is a proponent for the ANA and ANP, and the Coalition lacks trained logisticians with experience in clothing and equipment acquisitions. Because Coalition officials lack familiarity with pseudo FMS timelines and costs, they are not aware of time- and cost-saving options available to them, such as using excess defense articles. Furthermore, clothing and equipment frequently goes unordered until the

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Afghan government reports acute shortages. In those cases, because FMS can take more than a year from order to delivery, waiting until the last minute to order items often exacerbates these shortages.

(3) Although CSTC-A officials are responsible for tracking incoming shipments and receipts of clothing and equipment, no one conducts routine analyses of the data to look for potential surpluses or shortfalls. Without such analysis, CSTC-A is missing an opportunity to adjust its shipment schedules, so that clothing and equipment shipments both meet the Afghan government's needs and arrive at a pace that does not overwhelm their system.

In addition, SIGAR found that CSTC-A did not demonstrate that it conducted effective oversight and accountability of clothing and equipment and funds transferred to the Afghan government. CSTC-A is required to document the dates of all receipts and title transfers of clothing and equipment shipments in the Security Cooperation Information Portal, an online platform for coordinating FMS case information across U.S. military departments and with their international customers. However, based on a judgmental sample of 7,798 shipments between April 2015 and October 2016 containing 5,047,824 discrete pieces of clothing and equipment, SIGAR found that CSTC-A confirmed receipt and title transfer for only 1,680,486, or about 33%, of those items.

CSTC-A is also required to retain signed forms showing that the command received, inspected, and transferred the titles of clothing and equipment to the MOD and the MOI. SIGAR reviewed a random sample of 65 clothing and equipment shipments purchased through the pseudo FMS system from 2012 to 2015, and found that CSTC-A was able to provide this documentation for 41 shipments, or 63%. Coalition officials attributed their inability to provide all required documentation to poor organization and delays in transferring paper records to electronic records, stating that they may have physical copies of the forms, but could not find them. Without readily accessible documentation, CSTC-A cannot determine whether the Afghan government received the clothing and equipment shipped to them by the U.S. government.

Finally, SIGAR found that the Afghan government could not track clothing and equipment purchased using direct assistance from 2012 to 2013. Because CSTC-A did not enforce the conditions established in commitment letters requiring the MOD and the MOI to use electronic systems to track clothing and equipment purchases, the command cannot say how much clothing and equipment the ministries bought with U.S. money. CSTC-A officials said they chose not to enforce these requirements because the mission to fully equip the ANDSF superseded their mission to improve the ministries' financial-reporting practices. As a result, CSTC-A did not properly oversee the money given to the Afghan government for clothing and equipment.

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To ensure that an appropriate amount of clothing and equipment is purchased for the ANDSF, SIGAR recommended that the Commander of CSTC-A: (1) develop and implement corrective action plans within 90 days to improve clothing and equipment requirements' forecasting models to better reflect ANA and ANP personnel, inventories, and consumption rates; (2) document and implement guidance clarifying the roles and responsibilities for the Coalition and Afghan government organizations involved in the clothing and equipment supply process, and clarifying the individual training required for identifying, assessing, reviewing, and validating requirements for acquiring clothing and equipment; (3) assess projected delivery dates for all active pseudo FMS orders and orders from other sources of clothing and equipment, and adjust these orders when necessary to avoid under- or oversupply; (4) complete, as soon as possible, the transition of archived receipt and title transfer records from paper to electronic, consistently document these records electronically in the future, and develop a system to automatically update the Security Cooperation Information Portal verifying when FMS orders have been received in Afghanistan; and (5) develop and implement enforcement mechanisms so that the command holds the MOD and the MOI accountable for supporting and keeping personnel and inventory databases up-to-date under pseudo FMS, or direct assistance, if the Coalition returns to this acquisition approach.

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 five financial audits of U.S.-funded contracts, grants, and cooperative agreements to rebuild Afghanistan. The audits question expenditures that cannot be substantiated or are potentially unallowable. SIGAR has 25 ongoing financial audits with \$792.6 million in auditable costs, as shown in Table 2.1.

SIGAR issues each financial-audit report to the funding agency that made the award(s). The funding agency is responsible for making the final determination on **questioned amounts** identified in the report's audit findings. Since the program's inception, SIGAR's financial audits have identified more than \$387 million in **questioned costs** and \$363,244 in unremitted interest on advanced federal funds or other revenue amounts payable to

TABLE 2.1

SIGAR'S FINANCIAL AUDIT COVERAGE (\$ BILLIONS)	
91 Completed Audits	\$7.0
25 Ongoing Audits	\$0.8
Total	\$7.8

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.

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the government. As of March 31, 2017, funding agencies had disallowed nearly \$25.6 million in questioned amounts, which are subject to collection. It takes time for funding agencies to carefully consider audit findings and recommendations. As a result, final disallowed cost determinations remain to be made for several of SIGAR's issued financial audits. SIGAR's financial audits have also identified and communicated 336 compliance findings and 358 internal-control findings to the auditees and funding agencies.

SIGAR's financial audits have four specific objectives:

- Express an opinion on whether the **Special Purpose Financial Statement** for the award presents fairly, in all material respects, revenues received, costs incurred, items directly procured by the U.S. government, and balance for the period audited in conformity with the terms of the award and generally accepted accounting principles or other comprehensive basis of accounting.
- Evaluate and obtain a sufficient understanding of the audited entity's internal control related to the award; assess control risk; and identify and report on significant deficiencies, including material internal-control weaknesses.
- Perform tests to determine whether the audited entity complied, in all material respects, with the award requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the award and applicable laws and regulations.
- 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 five financial audits of U.S.-funded contracts, grants, and cooperative agreements to rebuild Afghanistan. These financial audits identified \$7,301,539 in questioned costs as a result of internal control deficiencies and noncompliance issues. Although one program was found to be in full compliance in all material respects, deficiencies and noncompliance issues identified in other programs included inadequate documentation to support selection and hiring of consultants, a failure to perform checks to see if vendors were eligible to participate in U.S. government-funded activities, and inadequate documentation to support the reasonableness of costs incurred by subcontractors.

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.

COMPLETED FINANCIAL AUDITS

- Financial Audit 17-31-FA: Afghanistan Mine, Battle Area and Range Clearance Operation-Phase II, Effort I
- Financial Audit 17-33-FA: USAID's Financial Access for Investing in the Development of Afghanistan Project
- Financial Audit 17-35-FA: USAID's Kandahar Food Zone Program
- Financial Audit 17-38-FA: USAID'S Tracking Phase II (SUPPORT II) Program
- Financial Audit 17-39-FA: USAID'S Commercial Horticulture and Agriculture Marketing Program

Financial Audit 17-31-FA: Afghanistan Mine, Battle Area, and Range Clearance Operation-Phase II, Effort I

Audit of Costs Incurred by Janus Global Operations LLC

On July 30, 2014, the U.S. Army Engineering and Support Center issued delivery order 0012, under contract number W912DY-10-D-0016, to Sterling Operations Inc. (Sterling) to fund Phase II, Effort I of the Afghanistan-wide Mine, Battle Area, and Range Clearance operation. The required tasks and performance objectives included performing technical and nontechnical surveys, subsurface clearance, and mine, battle area, and range clearance, with a period of performance from July 30, 2014, through December 31, 2015. After six modifications through December 31, 2015, the total cost of the delivery order increased from \$70.9 million to \$104.2 million, and the period of performance was extended to May 1, 2017.

In April 2016, Sterling completed an organizational restructuring and changed its name to Janus Global Operations LLC (Janus).

SIGAR's financial audit, performed by Crowe Horwath LLP (Crowe), reviewed \$85,849,096 in expenditures charged to the delivery order from July 30, 2014, through December 31, 2015.

Crowe identified one significant deficiency and two material weaknesses in Janus's internal controls, and three instances of noncompliance with the terms and conditions of the delivery order. Specifically, Janus provided inadequate documentation to support the reasonableness of costs incurred by two of its subcontractors. In addition, Janus did not invoice the U.S. government using the most current or accurate indirect-cost rates. Crowe also identified sole-source procurements that either lacked adequate justifications or did not meet price reasonableness cost principles, as required by federal regulations. As a result of these internal control weaknesses and instances of noncompliance, Crowe identified \$3,114,808 in total questioned costs, consisting entirely of unsupported costs. Crowe did not identify any ineligible costs.

Crowe obtained and reviewed prior audit reports, reviews, and evaluations pertinent to Janus's financial performance under the delivery order. In a 2015 Defense Contract Audit Agency memorandum (Post Award Accounting System Audit, Sterling Operations Incorporated, Lenoir City, Tennessee, audit no. 1211-2014B17741001, dated January 6, 2015), Crowe identified two audit findings that could have had direct and material effect on the Special Purpose Financial Statement (SPFS) or other financial information significant to the audit objectives. Crowe concluded that Janus took adequate corrective action to address the first finding of inadequate contractor practices for reconciling billed to booked costs, but determined that Janus did not take corrective action on the second finding of inadequate contractor practices for billing and monitoring indirect costs and rates. Crowe issued a qualified opinion on Janus's SPFS because Janus did not provide adequate documentation to support the reasonableness of costs

incurred and erroneously submitted indirect cost adjustments to the U.S. government. As a result, the total questioned cost amount is considered to be material to the SPFS.

Based on the results of the audit, SIGAR recommended that the responsible contracting officer at the U.S. Army Engineering and Support Center:

1. Determine the allowability of and recover, as appropriate, \$3,114,808 in questioned costs identified in the report.
2. Advise Janus to address the report's three internal-control findings.
3. Advise Janus to address the report's three noncompliance findings.

Financial Audit 17-33-FA: USAID's Financial Access for Investing in the Development of Afghanistan Project

Audit of Costs Incurred by Chemonics International Inc.

On February 3, 2011, USAID awarded an 18-month, \$151,495,093 cost-plus-fixed-fee contract to Chemonics International Inc. (Chemonics) to support the agency's Financial Access for Investing in the Development of Afghanistan (FAIDA) project. The project sought to help build a sustainable, diverse, and inclusive financial sector in Afghanistan to meet the needs of micro, small, and medium enterprises.

According to the contract, Chemonics was required to engage in various activities, such as developing a strategy for lenders to reach underserved markets and partnering with Afghan governmental institutions to create conditions to increase institutional financial self-sufficiency. After 23 modifications, total funding for the contract was reduced to \$113,981,225, and the period of performance was extended until February 5, 2017. SIGAR's financial audit, performed by Mayer Hoffman McCann (MHM), reviewed \$17,464,341 in expenditures that Chemonics charged to the contract from January 1, 2015, through August 31, 2016.

MHM did not identify any deficiencies in Chemonics' internal controls but did identify one instance of noncompliance with the terms and conditions of applicable regulations. MHM found that during Chemonics' transition to using a new database, the company did not consistently perform checks to ensure, at the time of purchase, that the vendors it used were eligible to participate in U.S. government-funded activities. Upon further review, MHM determined that none of the vendors Chemonics used were excluded from receiving federal funds. MHM did not identify any questioned costs, which would have consisted of unsupported costs or ineligible costs.

MHM identified 61 findings and recommendations from nine prior engagements pertinent to Chemonics' performance under the contract. MHM determined that Chemonics had taken adequate corrective action on 56 of the prior findings and recommendations. The five findings for which adequate corrective action was not taken relate to Chemonics not checking that vendors were eligible to receive federal funds when making purchases from them. MHM issued an unmodified opinion on Chemonics' SPFS, noting

SIGAR OVERSIGHT ACTIVITIES

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

Based on the results of the audit, SIGAR recommended that the responsible contracting officer at USAID advise Chemonics to address the report's one noncompliance finding.

Financial Audit 17-35-FA: USAID's Kandahar Food Zone Program Audit of Costs Incurred by International Relief and Development Inc.

On July 31, 2013, USAID awarded a \$19,695,804 cooperative agreement to International Relief and Development Inc. (IRD) to support the Kandahar Food Zone Program. The program was designed to help rural farmers in Kandahar Province earn legitimate income by identifying and addressing the root causes and sources of instability that lead to opium poppy cultivation. After 15 modifications, the cost of the cooperative agreement increased to \$45,402,467, and the period of performance was extended by over 3 years from July 31, 2015, to August 30, 2018.

SIGAR's financial audit, performed by MHM, reviewed \$20,402,910 in expenditures charged to the cooperative agreement from January 1, 2015, through September 30, 2016.

In contracting with an independent audit firm and drawing from the results of the audit, SIGAR is required by auditing standards to review the audit work performed. Accordingly, SIGAR oversaw the audit and



An Afghan farmer participates in USAID's Kandahar Food Zone Program. (USAID photo)

reviewed its results. Our review disclosed no instances where MHM did not comply, in all material respects, with U.S. generally accepted government auditing standards.

MHM did not identify any material weaknesses or significant deficiencies in IRD's internal controls, or any instances of noncompliance with the terms and conditions of IRD's cooperative agreement. Accordingly, MHM did not identify any questioned costs, which could have consisted of unsupported costs—costs not supported with adequate documentation or that did not have required prior approval—and ineligible costs—costs prohibited by the cooperative agreement, applicable laws, or regulations.

MHM identified 11 findings and recommendations from two prior engagements that were pertinent to IRD's performance under the agreement, and determined that IRD had taken adequate corrective action on all 11.

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

MHM reported no findings related to the Kandahar Food Zone Program. Therefore, SIGAR made no recommendations to USAID.

Financial Audit 17-38-FA: USAID's Results Tracking Phase II (SUPPORT II) Program

Audit of Costs Incurred by Checchi and Company Consulting Inc.

On July 5, 2012, USAID awarded a \$52,160,960 contract to Checchi and Company Consulting Inc. (CCCI) to support the Results Tracking Phase II (SUPPORT II) program. The program's objectives were to support and strengthen the USAID Mission for Afghanistan's monitoring and evaluation systems, strategic communications and public information products, performance management, and to provide support services, such as facilitating workshops, conferences, and meetings for USAID and its implementing partners. After 15 modifications, the period of performance was extended over three years from April 30, 2014, to July 4, 2017. The total cost did not change.

SIGAR's financial audit, performed by MHM, reviewed \$16,215,486 in expenditures charged to the contract from July 1, 2014, through June 30, 2016.

MHM identified five internal control findings, consisting of one material weakness, one significant deficiency, and three deficiencies. In addition, the auditors identified two instances of noncompliance with the terms and conditions of the contract. These matters combined resulted in five findings. Most notably, MHM found that CCCI did not maintain adequate documentation to support its selection and hiring of consultants. Therefore, MHM could not determine whether the amount paid for the consultants was reasonable and awarded on a competitive basis.

SIGAR OVERSIGHT ACTIVITIES

As a result of these internal control weaknesses and instances of non-compliance, MHM identified \$4,174,726 in total questioned costs, consisting of \$4,174,695 in unsupported costs and \$31 of ineligible costs.

MHM reviewed prior audit reports and identified nine findings that were material to this audit. The auditors determined that eight of the findings had been corrected. CCCI had not taken adequate action to address one finding regarding lack of documentation to support competitive procurements.

MHM issued a qualified opinion on the fair presentation of CCCI's SPFS because the almost \$4.2 million in questioned costs were considered to be material.

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

1. Determine the allowability of and recover, as appropriate, \$4,174,726 in questioned costs identified in the report.
2. Advise CCCI to address the report's five internal-control findings.
3. Advise CCCI to address the report's two noncompliance findings.

Financial Audit 17-39-FA: USAID's Commercial Horticulture and Agriculture Marketing Program

Audit of Costs Incurred by Roots of Peace

On February 1, 2010, USAID awarded a \$30.4 million, four-year cooperative agreement to Roots of Peace to implement the Commercial Horticulture and Agriculture Marketing Program (CHAMP). The program's initial goal was to stimulate growth in Afghanistan's agricultural sector, create jobs, improve livelihoods, and boost the economy by establishing orchards and upgrading vineyards with trellising. The program was later expanded to include commercialization of high value crops through marketing and post-harvest processing. After 17 modifications, the agreement's value increased to \$61.3 million, and the period of performance was extended to December 31, 2019.

SIGAR's financial audit, performed by MHM, reviewed \$5,015,108 charged to the cooperative agreement from January 1 through December 31, 2015.

MHM identified three significant deficiencies in Roots of Peace's internal controls and two instances of noncompliance with the terms and conditions of the CHAMP cooperative agreement. First, MHM found that Roots of Peace misapplied costs incurred for other programs to CHAMP and recorded indirect costs as direct costs. Second, Roots of Peace incorrectly calculated an employee's danger pay, resulting in a salary overpayment. Last, MHM found that Roots of Peace did not report some 2013 and 2014 cash advances to USAID for reimbursement until 2015.

As a result of these internal control deficiencies and instances of non-compliance, MHM identified \$12,005 in total questioned costs, consisting entirely of ineligible cost. MHM did not identify any unsupported costs.



Workers inspect and pack pomegranates for export as part of a USAID program implemented by Roots of Peace. (Roots of Peace photo)

MHM reviewed prior audit reports applicable to CHAMP and identified seven findings and recommendations that could have a direct and material effect on the SPFS. Based on its review, MHM determined that Roots of Peace has taken adequate corrective action on six of the seven prior findings and recommendations. MHM's audit repeats a prior finding relating to costs Roots of Peace charged that are not related to the program.

MHM issued an unmodified opinion on Roots of Peace's SPFS, noting that it presents fairly, in all material respects, revenues received, costs incurred, and the balance for the period audited.

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

1. Determine the allowability of and recover, as appropriate, \$12,005 in total questioned costs identified in the report.
2. Advise Roots of Peace to address the report's three internal-control findings.
3. Advise Roots of Peace to address the report's two noncompliance findings.

INSPECTIONS

Inspection Reports Published

This quarter, SIGAR published two inspection reports that examined the Baghlan Prison and the women's dormitories at Balkh University.

Inspection Report 17-36-IP: Baghlan Prison

After More Than Three Years, Structurally Damaged Buildings Have Not Been Repaired, and New Construction Deficiencies Have Been Identified

On September 28, 2010, the Department of State's (State) Bureau of International Narcotics and Law Enforcement Affairs (INL) awarded an \$8.8 million contract to Omran Holding Group (OHG), an Afghan firm, to build a 495-inmate prison in Baghlan Province. State later modified the contract, increasing its cost to \$11.3 million. OHG completed construction on November 8, 2012.

In May 2014, SIGAR reported on its first inspection of the Baghlan prison. In that report, SIGAR identified serious structural damage to three prison buildings and made four recommendations to State, two of which were directed at addressing the construction deficiencies. One recommendation was to ensure that any rebuilding at the prison comply with International Building Code and American Concrete Institute requirements regarding the use of steel-reinforced masonry walls. The other was to determine the structural adequacy of the buildings constructed under the contract and take action to repair or replace those found structurally inadequate. Based on the structural damage to several prison buildings, and SIGAR's concerns

COMPLETED INSPECTION REPORTS

- Inspection Report 17-36-IP: Baghlan Prison
- Inspection Report 17-41-IP: Balkh University Women's Dormitories

SIGAR OVERSIGHT ACTIVITIES



The crumbling interior of Building 17, later demolished, at Baghlan Prison. (Bureau of International Narcotics and Law Enforcement Affairs photo)

that the prison was not constructed properly to withstand earthquakes and that the Afghan government lacks the capacity to maintain the prison, SIGAR initiated a follow-up inspection in August 2015. The objectives were to assess whether: (1) the prison's structurally damaged buildings have been repaired or rebuilt, and (2) the issues previously raised about whether the prison is structurally adequate to withstand earthquakes and whether the prison's maintenance issues have been addressed.

Although OHG informed State about the structural damage to Baghlan prison buildings more than three years ago, SIGAR found that the damaged buildings have not been repaired or rebuilt. No action has been taken because State's contracting officer has not issued a final decision regarding whether OHG is liable for repairing or, if needed, rebuilding the damaged structures. There are two primary reasons for State's delay: (1) INL apparently lacks the expertise necessary to respond to OHG's criticism of an independent report concluding that OHG is responsible for the damage of three prison buildings, and (2) State's Office of Inspector General (OIG) asked INL to delay a final decision until after the conclusion of an ongoing investigation of a possible civil false claim against State and OHG employees in connection with the Baghlan prison's construction.

INL contracted with Hask Engineering Services (Hask), an Afghan firm, to conduct a geotechnical and materials study of the prison's soil conditions and the materials that OHG used in its construction. Hask issued its report in July 2014 and noted that OHG did not identify the soil's potential to collapse, did not install a water drainage system, and used plumbing materials that INL rejected. OHG's negligence resulted in liquid infiltrating the subsoil,

which created soil instability, which then damaged three prison buildings, eventually causing one to collapse. The study also noted that concrete tests and photos demonstrate that OHG did not construct support columns in accordance with contract specifications. Hask concluded that these construction deficiencies reduced the ability of the buildings to withstand the soil settlement.

OHG disagreed with Hask's findings. In a February 2015 letter to the contracting officer, OHG stated that its work was done properly and did not cause the problems identified, and provided a paragraph-by-paragraph rebuttal to Hask's study. OHG stated that Hask made noticeable errors in its measurements, calculations, and analyses, which undermined the study's validity and findings. OHG also questioned Hask's competency to conduct such a complex review and stated that it had asked INL to hire an independent, international geotechnical firm and inspectors to avoid the risk of hiring an Afghan firm with limited technical capacity and competency.

In May and October 2015, the State OIG asked the contracting officer not to issue a final decision regarding the damaged buildings that would absolve OHG or bind State, pending the outcome of the joint SIGAR and State OIG investigation. The contracting officer stated her ability to issue a final decision is further restrained due to INL's failure to respond to OHG's rebuttal to the Hask study. As recently as August 2016, the contracting officer's representative (COR) and OHG told SIGAR that they were waiting for State's guidance on how to proceed.

Although OHG maintained that it was not responsible for any structural damage, it agreed to correct five items during the contract's warranty period.

The COR told us OHG successfully installed a storm-water management system, replaced waste-collection plumbing lines with approved lines, replaced electrical junction boxes in inmate living areas, and refinished bathroom walls that had cracking or loose finishes. The COR added that he is unsure whether OHG ever completed the fifth item: the submission of a corrective action plan to correct deficiencies associated with control and isolation joints.

During its November 2015 site visit, SIGAR identified 10 construction deficiencies that INL did not identify before it transferred the prison to the Afghan government. At least five of those deficiencies have safety implications:

1. lack of lightning-protection systems on building roofs
2. lack of door closers and panic bars throughout the prison facility
3. lack of fire extinguishers, smoke and heat detectors, and fire alarms in several buildings
4. lack of electrical grounding pits and
5. the installation of single-glazed glass instead of double-glazed glass in the guard towers

SIGAR OVERSIGHT ACTIVITIES

Although the warranty period expired in November 2013, INL officials told SIGAR they are concerned about these newly found deficiencies and are exploring options for correcting them. In June 2016 and again in December 2016, State officials informed SIGAR that no work has been done at the prison since the November 2015 site visit.

Despite the structural damage to prison buildings, the facility is being used. However, SIGAR has several safety concerns. For example, SIGAR's May 2014 report noted that at least one of the detention center's concrete support columns was not constructed properly to withstand an earthquake. The November 2015 site visit confirmed that improperly constructed concrete support columns is still a concern.

During the site visit, SIGAR identified an additional structural concern pertaining to a lack of isolation joints and connectors between masonry infill walls and structural columns and beams, which help prevent damage during an earthquake. In addition, INL estimated that the prison has the capacity to reasonably accommodate fewer than 350 inmates in its current damaged state. Yet, INL officials said that as of April 2016, the prison housed 371 inmates. Although this number was close to what INL stated was acceptable for the prison in its current state, SIGAR found some cells that were designed to hold eight inmates were holding 15.

SIGAR also found that the Baghlan prison continues to have maintenance problems. First, the diesel generators that were not functioning during SIGAR's initial inspection were still not functioning as of December 2016. As a result, the prison continues to rely on a generator purchased with International Red Cross assistance. Second, the leach field, designed to absorb septic-system runoff, that was clogged and not functioning during SIGAR's initial inspection was still not functioning. Third, SIGAR found that the sink and shower drainage system was backed up and not functioning. INL and OHG said Afghan authorities were not devoting sufficient attention to operating and maintaining the prison.

SIGAR made four recommendations. To improve security and prisoner safety, and to ensure that the U.S. government receives the highest value for the money spent on the Baghlan prison, SIGAR recommended that the Secretary of State direct the Regional Procurement Support Office (RPSO) in Frankfurt, Germany, to, within 90 days from the issuance of the report: (1) resolve the issue of responsibility and make a final determination for repairing or rebuilding the damaged buildings, and determine whether further analysis is required to establish the full extent of construction deficiencies; and (2) in coordination with INL, use all reasonable means available to require OHG to correct, at minimum, the construction deficiencies identified in this report that have safety implications associated with them, specifically the installation of (a) lightning-protection systems on all building roofs; (b) door closers and panic bars where appropriate; (c) fire extinguishers, smoke and heat detectors, and fire alarms that were missing

in several buildings; (d) electrical grounding pits; and (e) double-glazed glass in the guard towers.

SIGAR also recommended that the Assistant Secretary of INL, within 90 days from the issuance of this report: (3) prepare or commission a study of the concrete support column and infill wall-construction deficiencies to determine the extent of those problems and submit the results to the contracting officer to consider when making the final decision on whether to take any action against OHG; and (4) immediately work with the Afghan government and prison authorities to determine what steps to take to repair the nonfunctioning diesel generators, the backed-up sewer system, and the nonfunctioning sink and shower drainage system, and assist the Afghans in acquiring adequate long-term O&M services for the prison.

Inspection Report 17-41-IP: Balkh University Women’s Dormitories Completion is at Least Two Years Behind Schedule, and Construction and Design Deficiencies Should be Addressed

On September 23, 2013, the Department of State’s RPSO awarded a \$7.75 million firm-fixed-price contract—number SGE500-13-C-0055—to Abdulhai Gardezi Construction Firm (ACF), an Afghan firm, to construct women’s dormitories at Balkh University in Mazar-e Sharif, Balkh Province. The U.S. Embassy in Kabul’s Public Affairs Section (PAS) funded the contract. The contract required ACF to construct two four-story women’s dormitories to house up to 800 female students, with a cafeteria between them to serve both dormitories. In each dormitory, ACF was to construct 40 bathrooms and showers; one gym and fitness room; two 50-person computer laboratories; one laundry room; four 30-person classrooms; one common room; and a private suite with a bedroom, bathroom, office, and conference room for a dorm mother. In addition, the contract required ACF to build a barrier and a security wall around the two dormitories.

The Afghan Ministry of Higher Education (MOHE) provided the design drawings used for the women’s dormitories and supporting facilities. BCL Associates Ltd., located in Dhaka, Bangladesh, in association with Hi-Tech International Engineering, an Afghan engineering firm, developed the designs on the MOHE’s behalf.

On January 5, 2014, over three months after the award, ACF received the Notice to Proceed and was required to complete the dormitories by February 9, 2015. Since the contract was awarded in September 2013, it has been modified seven times, which increased the contract cost to \$8.23 million and extended the project completion date to March 28, 2016. The contract provides for a one-year warranty period to begin when ACF transfers the dormitories to PAS. RPSO designated a PAS official as the contracting officer’s representative for the dormitory construction project.

Due to security concerns, PAS officials told us they were unable to monitor the construction firsthand. Instead, they are working with a

SIGAR OVERSIGHT ACTIVITIES



A SIGAR inspection determined that the State-funded Balkh University women's dormitories are at least two years behind schedule and have construction deficiencies. (SIGAR photo)

third-party Afghan monitoring and evaluation entity, Sustainability Energy Environment, that has engineering staff on-site to monitor construction.

On August 25, 2015, PAS entered into a \$1.07 million cooperative agreement—number SAF20015CA011—with Binazeer Construction Company, an Afghan firm, to provide operation and maintenance (O&M) for the women's dormitories being built at Herat and Balkh Universities. The Balkh University women's dormitories were allocated more than half of the total, or about \$573,600, for O&M. The agreement requires Binazeer Construction Company to procure labor, materials, and equipment to support O&M for 18 months once the dormitories' construction is complete. On September 11, 2016, PAS awarded a \$500,000 contract to Barikab Durani Logistic Services to procure, deliver, and install the required furnishings and equipment for the two women's dormitories at Balkh University.

The objective for this inspection was to determine the extent to which the dormitories were completed in accordance with contract requirements and applicable construction standards.

SIGAR found that the dormitories had not been completed by their initial March 28, 2016, scheduled completion date, and the project had experienced delays throughout the construction performance period. This was mainly because of ACF's slow progress and delays caused by the RPSO contracting officer granting extensions, through contract modifications, for design changes and delays due to weather conditions. Regarding the slow construction progress, ACF progress reports showed that construction progressed only about 3% from December 2015 to August 2016. In addition, Sayed Majidi Architecture and Design's September 2015 monitoring and evaluation report raised concerns that little to no progress on the construction had been made, noting the percentage of completed construction and the percentage of the contract cost that ACF reported being paid.

As of December 2016, ACF had billed for about \$7.6 million, or 93%, of the \$8.23 million modified contract amount, and State had paid ACF \$6.6 million of the \$7.6 million billed, or almost 80% of the modified contract amount, withholding the rest as retainage. However, PAS's monitoring and evaluation contractor reported that only 67% of construction was completed as of September 2016.

In January 2017, PAS officials told SIGAR that the new scheduled completion date for the women's dormitories is June 2017. However, SIGAR found that RPSO had not modified the contract to reflect this new date or assessed any liquidated damages for ACF's failure to complete the dormitories on time. As of January 2017, the request for equitable adjustment had not been approved and no further progress payments have been made since December 2015.

Furthermore, ACF and PAS told SIGAR that no plans had been made to connect the dormitories and their supporting facilities to Mazar-e Sharif's electrical power grid, and it was not clear who would fund this effort. A

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Balkh University official noted that the university requested that the MOHE make arrangements for the dormitories to be connected to the grid, which would require infrastructure improvements, such as installing power poles, distribution cables, and transformers. During its January 2017 site visit, SIGAR found that the dormitories were still incomplete and had not been connected to the local power grid, and all construction activity had stopped.

Because the dormitories are incomplete, they are not being used. According to a university official, as a result, approximately 450 female students have been living off-campus in rented housing paid for by Balkh University, while another 400 to 450 female students have been given stipends to find their own housing near the university. If the dormitories were complete, the university would be able to house 800 of those approximately 900 female students on-campus, which would save the university approximately \$16,000 a month.

SIGAR also found four construction deficiencies resulting from ACF's failure to adhere to contract requirements, and two design deficiencies. Specifically, SIGAR found that ACF constructed seismic building separations improperly, did not install floor drains in the boiler room, did not properly finish some interior walls; and constructed stair risers improperly. In addition, the bathroom windows and ceilings were poorly designed, and the stairway landings were designed incorrectly. Five out of these six construction and design deficiencies were found to have health or safety implications.

SIGAR made three recommendations. To protect the U.S. taxpayers' investment in the Balkh University women's dormitories and to ensure that the dormitories are completed and all deficiencies addressed so that female students can move into them, SIGAR recommended that the Secretary of State direct RPSO in Frankfurt, Germany, to, in coordination with PAS: (1) direct ACF to correct the identified construction deficiencies to (a) create seismic building separations as required by the design drawings and in accordance with general engineering best practices, (b) add floor drains to the boiler room, (c) repair cracked walls and peeling paint, and eliminating mold, then, repainting the walls, and (d) repair stair risers in the cafeteria according to design specifications; (2) work with the MOHE to redesign the bathroom windows and ceilings, and stairway landing areas to meet the required building codes, and once these design changes have been made, direct ACF to make the changes; and (3) coordinate with the MOHE to determine and provide for the most effective method to fund and connect the women's dormitories and supporting facilities to the Mazar-e Sharif power grid to provide electricity to the facilities.

Status of SIGAR Recommendations

The Inspector General Act of 1978, as amended, requires SIGAR to report on the status of its recommendations. This quarter, SIGAR closed six recommendations contained in four audit and inspection reports. These

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recommendations resulted in the recovery of \$65,565 in ineligible or unsupported contract costs paid by the U.S. government.

From 2009 through March 2017, SIGAR published 244 audits, alert letters, and inspection reports and made 733 recommendations to recover funds, improve agency oversight, and increase program effectiveness. SIGAR has closed over 81% of these recommendations. Closing a recommendation generally indicates SIGAR's assessment that the audited agency has either implemented the recommendation or otherwise appropriately addressed the issue. In some cases, a closed recommendation will be the subject of follow-up audit work.

The Inspector General Act of 1978, as amended, also requires SIGAR to report on any significant recommendations from prior reports on which corrective action has not been completed. This quarter, SIGAR continued to monitor agency actions on 52 recommendations. There were no recommendations more than 12 months old for which an agency had yet to produce a corrective-action plan that SIGAR believes would resolve the identified problem or otherwise respond to the recommendations. However, there are 33 recommendations more than 12 months old for which SIGAR is waiting for the respective agencies to complete their agreed-upon corrective actions.

SPECIAL PROJECTS

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

This quarter, SIGAR's Office of Special Projects wrote seven products, including reviews and inquiry letters, examining a range of issues including: observations on 30 USAID-supported health facilities in Ghazni Province; the condition of 26 schools in Balkh Province; 13 completed infrastructure projects in Ghazni and Khowst Provinces that the Bureau of International Narcotics and Law Enforcement Affairs (INL) funded through the Good Performers Initiative; and, ongoing and planned infrastructure being built by DOD, State, and USAID.

Review 17-26-SP: Good Performers Initiative

Status of Six Completed Projects in Ghazni Province, Afghanistan

This review discusses the results of site inspections conducted by SIGAR at six INL-funded Good Performers Initiative (GPI) infrastructure projects in Ghazni Province. These six projects were completed at a cost to the

COMPLETED SPECIAL PROJECTS

- Special Project Review 17-26-SP: Good Performers Initiative
- Special Project Review 17-32-SP: Schools in Balkh Province
- Special Project Review 17-34-SP: USAID Supported Health Facilities in Ghazni Province
- Special Project Review 17-37-SP: Good Performers Initiative
- Special Project Inquiry Letter 17-28-SP: DOD Infrastructure Projects
- Special Project Inquiry Letter 17-29-SP: State Infrastructure Projects
- Special Project Inquiry Letter 17-30-SP: USAID Infrastructure Projects

SIGAR OVERSIGHT ACTIVITIES

U.S. taxpayer of about \$3.1 million. SIGAR conducted these inspections as part of its ongoing effort to verify the location and operating conditions of facilities built, refurbished, or funded by the United States as part of the reconstruction effort in Afghanistan.

SIGAR found that INLs reported geospatial coordinates for two of the six infrastructure projects were more than 40 kilometers from the actual project location. SIGAR also found that one of the projects, for which INL paid nearly \$1 million, stood abandoned, and three had deficiencies that were affecting usability, including a lack of electricity and water, and leaky roofs. At another site, SIGAR found that contractual requirements for the installation of water and sewer components may not have been met by the contractor used by the Afghan Ministry of Counter Narcotics.

SIGAR provided a draft of this review to the State Department for comment on January 3, 2017. The Department of State provided comments on January 19, 2017. In its comments on a draft of this report, the Department of State thanked SIGAR for its thorough examination of the six projects and for raising the issues contained in the review. State also provided technical comments, which were incorporated, as appropriate.

SIGAR conducted this special project in Washington, DC, and Kabul, Afghanistan, from December 2015 to June 2016 in accordance with SIGAR's quality-control standards.

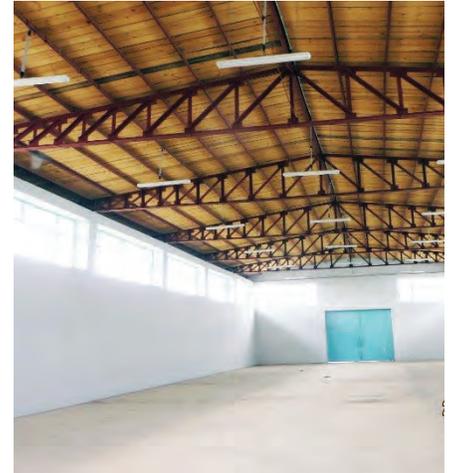
Review 17-32-SP: Schools in Balkh Province

Observations from Site Visits at 26 Schools

This review is the second in a series that will discuss findings from site visits to schools across Afghanistan. The 26 schools discussed in this report were either built or rehabilitated using taxpayer funds provided by USAID. As of September 30, 2016, USAID has disbursed about \$868 million for education programs in Afghanistan. The purpose of this special project review was to determine the extent to which schools purportedly constructed or rehabilitated in Balkh Province using USAID funds were open and operational, and to assess their current condition.

SIGAR was able to assess the general usability and potential structural, operational, and maintenance issues for each of the 26 schools. Observations from these site visits indicated that there may be problems with student and teacher absenteeism at several of the schools visited in Balkh that warrant further investigation by the Afghan government. SIGAR also observed that several schools visited in Balkh lack basic services, including electricity and clean water, and have structural deficiencies that affect delivery of education.

SIGAR provided a draft of this report to USAID for comment on February 23, 2017. USAID provided comments on March 22, 2017. In its comments, USAID pointed out "that of the 26 schools visited by SIGAR, two were constructed and 24 were rehabilitated by USAID. Of the 24



Interior of agricultural building completed, but abandoned, in Ghazni Province. (SIGAR photo)



Structural damage on the interior wall of a school in Balkh Province. (SIGAR photo)

rehabilitated schools, 11 were non-structural renovations.” USAID also stated that it is no longer building new schools in Afghanistan and that it transferred these 26 schools to the Afghan Ministry of Education (MOE).

USAID acknowledged that it “continues working with the Afghan government to build a comprehensive, nationwide education system by training teachers, expanding community-based education, supporting institutions of higher learning, and strengthening the ability of the MOE to deliver high-quality education throughout Afghanistan.” Additionally, USAID stated that it “will ensure that the MOE is notified of the data issues identified by SIGAR for further analysis, and follow-up as well on other issues raised in the SIGAR review report.

SIGAR conducted its work in Balkh and Kabul Provinces, Afghanistan, and in Washington, DC, from October 2015 through February 2017, in accordance with SIGAR’s quality-control standards.

Review 17-34-SP: USAID-Supported Health Facilities in Ghazni Province

Observations from Site Visits to 30 Locations

This review discusses the results of site inspections to verify the locations and operating conditions at 30 USAID-supported public health facilities in Ghazni Province. SIGAR found substantial inaccuracies in the geospatial coordinates USAID provided for many of these 30 health facilities, including 15 facilities that were at least 10 kilometers away from coordinates USAID provided, and observed that not all facilities visited had access to electricity and running water. This is the fifth in a series of health facility reviews SIGAR has conducted in provinces throughout Afghanistan.

The facilities reviewed are supported by USAID through the World Bank-administered Afghanistan Reconstruction Trust Fund (ARTF). Previously, the Ministry of Public Health received funds through direct bilateral assistance from USAID to fund operations at these health facilities.

SIGAR provided a draft of this review to USAID for comment on March 9, 2017. USAID provided comments on March 20, 2017. In its comments, USAID stated that it welcomed feedback on the 30 health facilities visited and that all were open, operational, and benefiting the community and observed that this information is consistent with monitoring information USAID receives from the World Bank.

USAID also stated that, “While global positioning system (GPS) coordinates are a useful tool for locating sites, they are not regularly used in the health sector to locate facilities in Afghanistan. Alternative means by which clinics can be located are available.” However, USAID added, “At the same time, USAID/Afghanistan appreciates the utility offered by strong geospatial datasets and has issued guidance for the Mission to project managers and implementing partners to standardize the collection of geospatial data where possible.”



Leaking roof and saturated walls at a health facility in Ghazni Province. (SIGAR photo)

DIRECTOR OF SPECIAL PROJECTS MEETS WITH AFGHAN MINISTER OF PUBLIC HEALTH TO SET UP INFORMATION-SHARING ARRANGEMENTS

On April 3, 2017, SIGAR's Director of Special Projects, Matthew Dove, met with the Afghan Minister of Public Health, Dr. Ferozudin Feroz, to brief the minister on SIGAR's completed and ongoing work to assess the operational condition of health facilities supported by USAID through the MOPH. The meeting was a follow-up to a February 4, 2017, meeting between IG Sopko and Minister Feroz where they agreed to set up an information-sharing arrangement dealing with future SIGAR site inspections.

Dove and Minister Feroz were joined in their meeting by SIGAR's Assistant Inspector General for Forward Operations, Thomas Niblock, SIGAR's Afghan civil society partners, and several members of the minister's senior staff. Dove presented the findings of SIGAR's site inspections of 179 facilities in six provinces (Herat, Kabul, Badakhshan, Baghlan, Ghazni, and Takhar), which found that each of the facilities was open and operational but that 37% were at least 10 kilometers from the coordinates provided by USAID, 22% did not have running water, and 15% did not have reliable electricity.

Dove also confirmed the offer for SIGAR IG Sopko to regularly share information and findings for all future inspections of MOPH facilities. The minister thanked SIGAR for its work to help the ministry ensure that the Afghan people receive access to needed health care services and committed to working closely alongside SIGAR as it continues to conduct similar inspections in additional provinces.



Dove and Minister Feroz agree to close collaboration as SIGAR continues site inspections of U.S. government-supported health facilities. (SIGAR photo by Thomas Niblock)



Dove briefs Minister Feroz and his senior staff on the importance and outcomes of SIGAR's work in the health sector. (Afghan civil society photo)

SIGAR OVERSIGHT ACTIVITIES

SIGAR conducted this special project in Washington, DC; Ghazni, Afghanistan; and Kabul, Afghanistan, from April 2016 through January 2017 in accordance with SIGAR's quality-control standards.

Review 17-37-SP: Good Performers Initiative

Status of Seven Completed Projects in Khowst Province, Afghanistan

SIGAR conducted site inspections at seven INL funded Good Performers Initiative (GPI) infrastructure projects in Khowst Province. These seven projects were completed at a cost of about \$2.7 million. SIGAR conducted these inspections as part of its ongoing effort to verify the location and operating conditions of facilities built, refurbished, or funded by the U.S. as part of the reconstruction effort in Afghanistan.

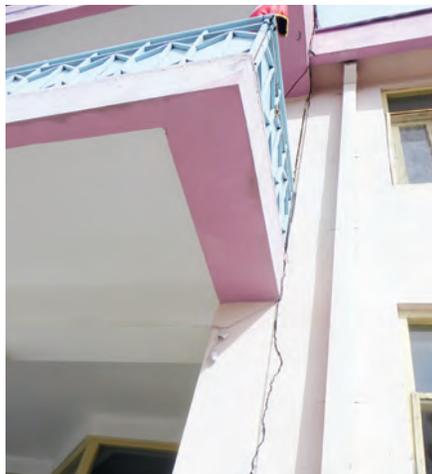
SIGAR found that INL's reported geospatial coordinates for the seven infrastructure projects were no more than three kilometers from the actual project location. However, several of the projects had deficiencies that were affecting usability, including a lack of electricity and water, and leaky roofs.

SIGAR provided a draft of this review to INL for comment on March 27, 2017. INL provided comments April 14, 2017. In its comments on a draft of this report, INL stated that GPI projects are nominated by a Provincial Development Council and approved by a Provincial Governor, based on existing Provincial Development Plans, and ultimately "cleared by the relevant national ministry responsible for the long-term maintenance and operation of the project before receiving final approval." INL also highlighted that the Afghan government is responsible for operating and maintaining projects following completion and any warranty period for which the contractor may be responsible. Finally, INL requested that we remove a statement in the report "regarding 'ghost' students, teachers, and schools." However, our report clearly states that "While a single site visit, during one of two shifts at a school, cannot substantiate claims of ghost teachers, ghost students, or ghost schools, it does provide valuable insight into the operations of a school on a normal school day. Our observations from this visit to Azady Mina School indicate that there may be problems with student absenteeism that warrant further investigation by the Afghan government." We continue to maintain that the issues with absenteeism we observed at the school warrant further investigation from the Afghan government.

SIGAR conducted this special project in Washington, DC, and in Khowst and Kabul, Afghanistan, from December 2015 to June 2016 in accordance with SIGAR's quality control standards.

Inquiry Letter 17-28-SP: DOD Infrastructure Projects

On February 14, 2017, SIGAR sent an inquiry letter to Theresa Whelan, who is performing the duties of Under Secretary of Defense for Policy, to request information regarding DOD's ongoing and planned infrastructure development projects in Afghanistan.



Vertical crack in the facade of Bakhtnoor Bakhtiar School, Khowst Province. (SIGAR photo)

Infrastructure projects have been and continue to be a significant part of the Afghanistan reconstruction effort, and the Afghanistan National Peace and Development Framework for 2017–2021 calls on international donors to support the Afghan government’s efforts to improve the economic environment by focusing on infrastructure development, among other things, over the next five years. In addition to understanding how DOD is responding to the Afghan government’s call for infrastructure development, information about DOD’s ongoing and planned infrastructure development projects in Afghanistan will help the new U.S. Congress and Administration understand existing reconstruction priorities and allow SIGAR to bolster its planning efforts.

Since its creation, SIGAR has conducted extensive oversight of infrastructure projects in Afghanistan funded by the U.S., and its efforts have resulted in hundreds of millions of dollars in cost savings. For example, as a result of SIGAR’s September 2013 audit examining ongoing and planned construction in support of the Afghan National Defense and Security Forces, the Department of Defense took actions to more closely align infrastructure development with projected needs. DOD’s actions in response to SIGAR’s work resulted in approximately \$600 million worth of U.S. taxpayer funds being put to better use.

SIGAR requested that no later than March 1, 2017, DOD provide a list of all ongoing and planned DOD-funded infrastructure development projects in Afghanistan. On March 21, 2017, DOD provided its response to SIGAR’s February 14, 2017, letter. DOD’s response showed that it had 62 ongoing infrastructure projects with a total value of approximately \$1 billion, and 361 planned infrastructure projects with a projected value of approximately \$338 million.

Inquiry Letter 17-29-SP: State Infrastructure Projects

On February 14, 2017, SIGAR sent an inquiry letter to the Special Chargé d’Affaires Hugo Llorens at the U.S. Embassy, Afghanistan, to request information regarding State’s ongoing and planned infrastructure development projects in Afghanistan. SIGAR requested that no later than March 1, 2017, State provide a list of all ongoing and planned State-funded infrastructure development projects in Afghanistan. On March 21, 2017, State provided its response to SIGAR’s February 14, 2017, letter. State’s response showed that it had 61 ongoing infrastructure projects in Afghanistan, and one planned infrastructure project. Due to differences in the reporting methods used by State, SIGAR was unable to provide an aggregate cost for these projects.

Inquiry Letter 17-30-SP: USAID Infrastructure Projects

On February 14, 2017, SIGAR sent an inquiry letter to Acting Administrator of USAID Wade Warren to request information regarding USAID’s ongoing and planned infrastructure development projects in Afghanistan.

SIGAR OVERSIGHT ACTIVITIES

On March 12, 2017, USAID provided its response to SIGAR's February 14, 2017, letter. USAID's response showed that it had 12 ongoing infrastructure projects in Afghanistan valued at approximately \$446 million; two ongoing agricultural programs with construction components worth about \$16 million; and, 15 planned infrastructure projects with a projected value of approximately \$505 million.

LESSONS LEARNED

SIGAR's Lessons Learned Program was created to identify and preserve lessons from the U.S. reconstruction experience in Afghanistan and to make recommendations to Congress and executive agencies on ways to improve efforts in current and future operations. The program currently has six projects in development: interagency strategy and planning, counternarcotics, private sector development, security sector reconstruction, stabilization, and monitoring and evaluation.

This quarter, the SIGAR Lessons Learned Program announced a project that will review U.S. government monitoring and evaluation efforts (M&E) in Afghanistan.

Monitoring and Evaluation

Since 2001, the U.S. government has been actively engaged in Afghanistan reconstruction via diplomatic, developmental, and military means. Various agencies of the U.S. government have funded and implemented hundreds of programs, with goals ranging from building the ANDSF to improving the quality of life for all Afghans. Many of these programs have been monitored and evaluated with the goal of improving program execution, documenting results, identifying lessons and best practices, and enabling improved design and execution of follow-on programs. How these programs have been monitored and evaluated varied significantly across and within U.S. government agencies. To date, there has been no comprehensive study of what U.S. government agencies learned from those experiences, and how monitoring and evaluation might be improved for current and future reconstruction efforts.

This project will identify lessons learned from the U.S. government experience with conducting M&E of Afghanistan reconstruction programs from 2001–2016. The study will identify the approaches to M&E used by various U.S. government agencies, including why these approaches were chosen and how effective they proved to be, discuss whether the results of M&E were used to improve the execution of programs during their lifetime, synthesize the lessons learned across departments and agencies, and make recommendations as to which of these lessons might be generalizable to future M&E efforts.

NEW LESSONS LEARNED PRODUCTS ANNOUNCED

- Lessons Learned 17-08-LL: Monitoring and Evaluation

SIGAR OVERSIGHT ACTIVITIES

INVESTIGATIONS

During the reporting period, SIGAR investigations resulted in three criminal information charges, two convictions, one sentencing, \$150,000 in restitutions, and a civil settlement of \$40 million. Additionally, SIGAR initiated 15 new cases and closed 14, bringing the total number of ongoing investigations to 262, as shown in Figure 2.1.

To date, SIGAR investigations have resulted in a cumulative total of 145 criminal charges, 109 convictions, and 100 sentencing. Criminal fines, restitutions, forfeitures, civil settlement recoveries, U.S. government cost savings and recoveries total nearly \$1.1 billion.

Investigation Results in \$40 Million Civil Settlement

On March 6, 2017, the United States Transportation Command (USTRANSCOM) at Scott Air Force Base reached an administrative global settlement with MAERSK Limited Lines (MLL), whereby MLL agreed to pay \$40 million for false claims submitted to the U.S. government under the Universal Services Contract (USC-06).

On January 27, 2015, SIGAR, the Defense Criminal Investigative Service (DCIS), U.S. Air Force Office of Special Investigation, and the U.S. Army Criminal Investigation Division (USACID) initiated a joint investigation after the USTRANSCOM Judge Advocate's Office (JA) requested assistance concerning possible fraud involving a 2010 delivery of non-military subsistence cargo to Forward Operating Base (FOB) Sharana, Afghanistan. The JA identified MLL as the prime contractor for the transport of the cargo, and indicated MLL denied allegations that the cargo went undelivered.

The JA also indicated that contract employees of Vectrus Systems Corporation, which managed the receipt of the cargo at FOB Sharana under a contract issued by the U.S. Army, signed the proof of delivery (POD) documents. The JA requested that SIGAR contact Vectrus to conduct interviews concerning the PODs in question and to verify the authenticity of the signatures on the PODs. The investigation, which required obtaining handwriting exemplars to verify the authenticity of the PODs in question, determined that the subject cargo was pilfered, stolen, missing or unaccounted for.

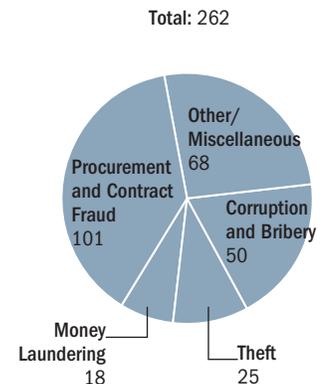
SIGAR and its JA partners conferred with the Civil Division of the Southern District of Illinois U.S. Attorney's office, who agreed to prosecute the matter if an administrative settlement could not be reached. Subsequently, prosecution was declined once the issue was administratively settled, ensuring the U.S. government would recoup the total amount owed by MLL.

Investigation Results in \$320,000 Civil Settlement

On October 28, 2016, the U.S. Attorney's Office (USAO), Tampa, Florida, reached a civil settlement whereby People Technology and Processes LLC (PTP) agreed to pay \$320,000 to settle false-billing allegations.

FIGURE 2.1

SIGAR INVESTIGATIONS: NUMBER OF OPEN INVESTIGATIONS, AS OF MARCH 31, 2017



Source: SIGAR Investigations Directorate, 4/10/2017.

SIGAR OVERSIGHT ACTIVITIES



SIGAR investigators at the firing range at Bagram Airfield. (SIGAR photo)

On July 7, 2014, SIGAR, DCIS, and the U.S. Army Criminal Investigation Division Major Procurement Fraud Unit (CID MPFU) initiated a joint investigation based on information derived from a qui tam, or whistleblower lawsuit, filed in the Middle District of Florida in February 2013, concerning allegations of false claims submitted for payment by PTP. That suit was filed under the whistleblower provisions of the federal False Claims Act, which authorizes private parties to sue for false claims on behalf of the United States and to share in any recovery.

PTP was the information technology and professional services subcontractor to the prime contractor, ManTech International Corporation, on a government contract awarded by the U.S. Army Communications-Electronics Command through the Strategic Sources Services (“S3”) Program.

As a subcontractor, PTP submitted invoices for its services to the prime contractor, who then paid those invoices and in turn, billed those costs to the United States. Between November 2011 and June 2012, PTP submitted invoices for work allegedly done by PTP employees in Afghanistan under the S3 contract; however, some of that work was not actually performed. Specifically, PTP submitted invoices for one employee while he was in another country on R&R for a month, billed for another employee for several weeks after PTP terminated him, and billed one or more weeks for two other employees before they actually started working for PTP. In all, PTP improperly billed \$127,990.90 for work never performed by employees.

This settlement resolves the allegations in the lawsuit. The relator has received \$64,000 from the proceeds of the settlement.

Former U.S. Contractor Pleads Guilty to Failing to File Tax Returns

On January 12, 2017, a criminal information for Michael J. Badgett was filed in the Western District of Texas for the offense of willful failure to file a return. On January 31, 2017, Badgett pleaded guilty to three counts of failing to file federal tax returns on taxable income he earned in Afghanistan totaling over \$7.3 million over three years.

From January 2009 until March 2011, Badgett was the managing director of a Kabul, Afghanistan, secure housing development company that served a number of U.S. government contractors. Badgett opened a JP Morgan Chase bank account in the United States to cater specifically to U.S. clients and according to admissions made in connection with his plea, he instructed U.S. clients to pay the Chase bank account directly instead of sending money overseas. Badgett further admitted he transferred the company’s overseas bank accounts to the Chase account, which made it easier for Badgett to obtain and use these funds for his own personal purposes on a monthly basis.

Badgett received taxable income of \$1,616,897, \$3,834,168, and \$1,672,828 for tax years 2010 to 2012, respectively. Pursuant to the plea agreement, for sentencing purposes, he was also responsible for his wife’s tax liability. Accordingly, Badgett caused a loss to the United States of taxes due on approximately \$7 million of income. SIGAR and IRS-CI investigated this case.

Former U.S. Contractor Charged for Making False Statements

On March 16, 2017, in the Eastern District of North Carolina, a criminal information was filed against William P. Anderson, charging one count of making false statements.

The charge stemmed from an investigation which revealed that Anderson denied smuggling criminal proceeds out of Afghanistan between May 3 and May 29, 2014. He falsely claimed that money he wired back to the United States resulted from the payments of gambling debts. In addition, he falsely denied concealing some of the criminal proceeds in plasma cutters he had stolen from Afghanistan.

The investigation is being jointly conducted by SIGAR, the Federal Bureau of Investigation (FBI), DCIS, and CID MPFU. A court date of April 10, 2017, is scheduled for an anticipated plea.

Federal Charges Filed Against Two Former U.S. Military Members

On March 24, 2017, in the Eastern District of North Carolina, a criminal information was filed against two former U.S. Army Specialists, Kenneth Preston Blevins and Michael Banks, for one count of theft of government property.

Federal agents conducted financial analysis and discovered that the spouse of Kenneth Blevins received several suspicious “structured”—dividing amounts into smaller portions to skirt reporting requirements—money transfers via Western Union, originating from Jalalabad, Afghanistan, totaling in excess of \$17,000. Further investigation revealed that Blevins, a former supply specialist with the 3rd Special Forces Group based at Ft. Bragg, was implicated in a scheme to sell food and dry goods from the dining facility (DFAC) which he managed while deployed to Afghanistan. These goods were smuggled from the military base by Afghan workers and later sold on the black market. The financial proceeds from the scheme were split between Blevins, Banks, another military member, and the Afghan DFAC workers.

SIGAR’s Investigative Operations Receives a Compliant Rating Following CIGIE Peer Review

In March 2017, a team from the Export-Import Bank of the United States (EXIM) conducted a peer review of the systems of internal safeguards and management procedures of SIGAR’s investigative operations. The review, which took place at SIGAR’s headquarters in Arlington, Virginia, was conducted in conformity with the Quality Standards for Investigations and the Quality Assessment Review Guidelines established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) and the Attorney General’s Guidelines for Office of Inspectors General with Statutory Law Enforcement Authority. The review concluded SIGAR’s safeguards and

SIGAR OVERSIGHT ACTIVITIES

procedures conform to professional standards in the planning, execution and reporting of its investigations.

Additionally, the peer review team identified some notable positive attributes of SIGAR's investigative operations. EXIM's "Letter of Observations" included the following statement:

SIGPROS & JOCs - We found that the SIGAR OI's use of Special Department of Justice Prosecutors called "SIGPROs" to be a tremendous investigative asset. Additionally, the SIGAR has an Agent permanently assigned to the Joint Operations Center, a multi-Agency task force which informs the Federal Bureau of Investigation (FBI), along with several other Investigative agencies, of all open investigations. The rapid referral process to the FBI and other agencies coupled with dedicated prosecutors to each and every SIGAR investigations fosters a rapid and highly effective case intake and prosecutorial acceptance/declination process. Additionally, numerous cases demonstrated non-criminal remedies such as suspension and/or debarment. The vast majority of the OIG community would benefit tremendously from a similar model.

Suspensions and Debarments

This quarter, SIGAR's suspension and debarment program referred 12 individuals and 16 companies for debarment based on evidence developed as part of investigations conducted by SIGAR in Afghanistan and the United States. These referrals bring the total number of individuals and companies referred by SIGAR since 2008 to 837—encompassing 465 individuals and 372 companies to date, see Figure 2.2.

As of the end of March 2017, the efforts of SIGAR to utilize suspension and debarment to address fraud, corruption, and poor performance in Afghanistan have resulted in a total of 133 suspensions and 504 finalized debarments/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.

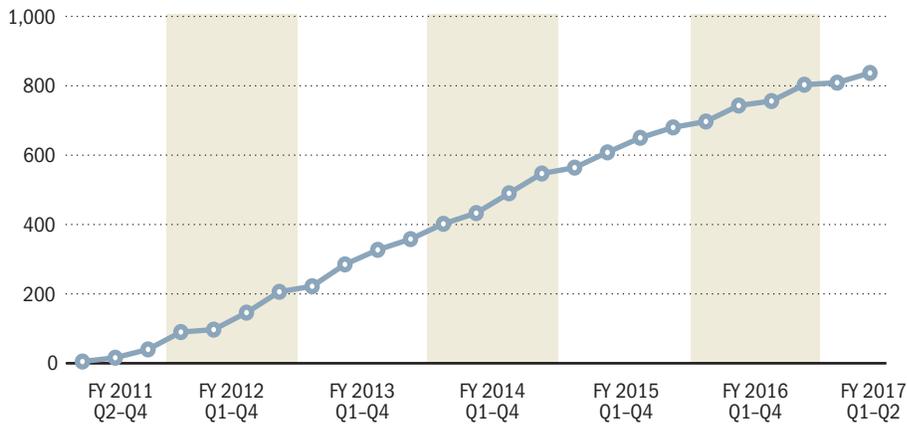
During the second quarter of 2017, SIGAR's referrals resulted in nine finalized debarments of individuals and entities by agency suspension and debarment officials. An additional 41 individuals and companies are currently in proposed debarment status, awaiting final adjudication of their debarment decisions.

Suspensions and debarments are an important tool for ensuring that agencies award contracts only to responsible entities. SIGAR's program addresses three challenges posed by U.S. policy and the contingency contracting environment in Afghanistan: the need to act quickly, the limited U.S. jurisdiction over Afghan nationals and Afghan companies, and the

SIGAR OVERSIGHT ACTIVITIES

FIGURE 2.2

SIGAR INVESTIGATIONS: CUMULATIVE REFERRALS FOR SUSPENSION AND DEBARMENT, Q2 FY 2011–Q2 FY 2017



Source: SIGAR Investigations Directorate, 4/6/2017.

vetting challenges inherent in the use of multiple tiers of subcontractors. SIGAR continues to look for ways to enhance the government's responses to these challenges through the innovative use of information resources and investigative assets both in Afghanistan and the United States. SIGAR makes referrals for suspensions and debarments—actions taken by U.S. agencies to exclude companies or individuals from receiving federal contracts or assistance because of misconduct—based on completed investigations that SIGAR participates in.

In most cases, SIGAR's referrals occur in the absence of acceptance of an allegation for criminal prosecution or remedial action by a contracting office and are therefore the primary remedy to address contractor misconduct. In making referrals to agencies, SIGAR provides the basis for a suspension or debarment decision by the agency as well as all of the supporting documentation needed for an agency to support that decision should it be challenged by the contractor at issue. Based on the evolving nature of the contracting environment in Afghanistan and the available evidence of contractor misconduct and/or poor performance, on occasion SIGAR has found it necessary to refer individuals or companies on multiple occasions for consideration by agency suspension and debarment officials.

During the 12-month period prior to April 1, 2017, referrals by SIGAR's suspension and debarment program resulted in the exclusion of 82 individuals and companies from contracting with the Government. SIGAR's referrals over this period represent allegations of theft, fraud, poor performance,

SIGAR OVERSIGHT ACTIVITIES

financial support to insurgents and mismanagement as part of reconstruction contracts valued at \$149,067,950.62.

Contractor Debarred Based on Possession of Narcotics

On March 31, 2017, as the result of an investigation by SIGAR and the NATO-Resolute Support International Military Police, Andrew Joseph Belgin, a contractor employee, was debarred by the Department of the Army based on his September 25, 2016, arrest at Hamid Karzai International Airport, Kabul, for possession of narcotics and the use of altered identification to enter and exit NATO facilities, specifically, after Belgin was observed meeting with an Afghan civilian outside the north gate of the airport in what Belgin characterized as an attempt to give that person surplus “medical supplies.”

Upon his return to the NATO facility at the airport, Belgin was taken into custody. A search of his person and living quarters resulted in the seizure of 29 small blue pills marked “OC 80,” 90 tablets of Valium in three packages, 20 vials of morphine in small glass vials, two vials with fluid labeled “testosterone,” one vial containing white powder labeled “chorionic gonadotrophin injection,” two plastic bags containing the herbal drugs Thai Kratom and Bali Kratom, and various other unknown substances, pills, and syringes.

A search of a storage container used by Belgin resulted in the discovery of signaling flares, 48 smoke grenades, expended ordnance, and weapon parts stored inside of ammunition tins. An altered contractor identification badge was also seized from Belgin. As a result, Belgin was immediately terminated by his employer, escorted to the international departures area and placed on a flight out of Afghanistan. Based on the findings of the SIGAR and International Military Police investigation, Belgin was debarred by the Army for a period of three years, ending on February 16, 2020, a period of time that takes into account the period that they were in proposed debarment status.

OTHER SIGAR OVERSIGHT ACTIVITIES

- Inspector General Sopko Speaks at the University of Ottawa and Meets with Canadian Development and Law Enforcement Officials
- Inspector General Sopko Speaks at Duke University and Meets with the U.S. Attorney for the Eastern District of North Carolina and Commanding General of U.S. Army Special Operations Command at Fort Bragg
- Inspector General Sopko Delivers Remarks at a World Bank-Sponsored Anti-Fraud Roundtable and Meets with OECD and French Anti-Money-Laundering Organizations
- Deputy Inspector General Aloise Speaks at the Naval Postgraduate School

OTHER SIGAR OVERSIGHT ACTIVITIES

Inspector General Sopko Speaks at the University of Ottawa and Meets with Canadian Development and Law Enforcement Officials

On April 5, 2017, Inspector General (IG) Sopko spoke at the Centre for International Policy Studies and the Fragile States Research Network at the University of Ottawa. IG Sopko opened by reflecting on Canada’s early post-9/11 sacrifices and its continuing commitment towards achieving stability in Afghanistan.

While in Ottawa, IG Sopko also met with officials at Global Affairs Canada, the Canadian government’s foreign affairs, trade, and development office. IG Sopko met with Assistant Deputy Minister for Asia-Pacific Donald

SIGAR OVERSIGHT ACTIVITIES

Bobiash to discuss future cooperation between the Canadian Embassy in Kabul and SIGAR, and Canada's future commitments to Afghanistan. He also met with Assistant Deputy Minister for International Security Mark Gwozdecky and discussed SIGAR's ongoing anticorruption efforts in Afghanistan and thanked the Canadian government for the support of the Embassy in Kabul for those efforts. IG Sopko held a wide-ranging meeting with the cross-directorate Afghanistan team at Global Affairs Canada, where primary concerns focused on the oversight of multilateral trust funds, and how to assess the effectiveness of development work in Afghanistan.

Before departing Ottawa, IG Sopko met with the Director of International Programs at the national headquarters of the Royal Canadian Mounted Police to discuss ongoing and future cooperation on SIGAR investigations, and also exchange information on the Afghan narcotics problem, as the majority of Canadian heroin originates in Afghanistan.

Inspector General Sopko Speaks at Duke University and Meets with the U.S. Attorney for the Eastern District of North Carolina and Commanding General of U.S. Army Special Operations Command at Fort Bragg

On March 23, 2017, IG Sopko spoke at the Sanford School of Public Policy, Duke University. He opened by identifying the need for cross-agency oversight as the impetus for creating SIGAR as a special agency to monitor the overall reconstruction effort. IG Sopko pointed out several successes as a result of the Afghanistan reconstruction effort, including the Taliban's removal from power, al-Qaeda's loss of a safe haven, the peaceful transfer of power following national elections, and the improving healthcare and education sectors.

During his visit to Duke, the IG also held roundtables with mid-career students from the Masters in International Development program and with members of the Counterterrorism and Public Policy Fellowship program, which consists of O-5 and O-6 level military officers in a military continuing-education course. Most of the officers had served at least one tour in Afghanistan. Both discussions focused on the practicalities and problems with implementing U.S. development policy during Afghanistan's current state of conflict.

While in North Carolina, IG Sopko met with Acting U.S. Attorney General for the Eastern District of North Carolina John Stuart Bruce and the Federal Bureau of Investigation to discuss ongoing investigative work. SIGAR's work, along with other law enforcement partners, has resulted in the convictions of 14 U.S. military members in the Eastern District of North Carolina alone, with some sentences as lengthy as 10 years for crimes related to corruption in Afghanistan. Over \$27 million has been recovered for the taxpayer just from the efforts of SIGAR, its law enforcement partners, and this U.S. Attorney's office.



IG Sopko with Royal Canadian Mounted Police Superintendent Rob Gilchrist. (SIGAR photo by Steve Mocsary)



IG Sopko speaking at Duke University.
(SIGAR photo by Steve Mocsary)

Before departing North Carolina, IG Sopko visited Fort Bragg, the home of Army Special Forces Operations Command, where he met Commanding General Kenneth Tovo to discuss ways in which SIGAR could help prepare the 20,000-plus Special Forces members under his command to avoid the activities that have earned a few of their predecessors criminal convictions. General Tovo saw value in instituting a SIGAR education program for his Special Forces command, and SIGAR is working with his staff to develop such a program for the units that deploy to Afghanistan.

Inspector General Sopko Delivers Remarks at a World Bank-Sponsored Anti-Fraud Roundtable and Meets with OECD and French Anti-Money-Laundering Organizations

In February 2017, IG Sopko delivered remarks at a World Bank-sponsored donor roundtable in Paris, France. The subject of the roundtable was best practices for oversight in fragile states. IG Sopko's remarks discussed SIGAR's recently published *High-Risk List* report on oversight priorities for Afghanistan, as well as SIGAR's Lessons Learned report on U.S. anticorruption efforts in Afghanistan.

Many of the World Bank donor members were eager to learn from SIGAR's experience in Afghanistan, and offered their experiences and best practices for fighting corruption in Afghanistan and other fragile states. Many donor countries were concerned with oversight of multilateral trust funds, and how to assess their effectiveness in environments like Afghanistan.

IG Sopko also met with the Organization for Economic Cooperation and Development's (OECD) Anti-Corruption Division, the Financial Action Task Force (FATF), and TRACFIN, an agency of the French Ministry of Finance tasked with fighting money laundering, organized crime, and terrorism.

During the OECD meeting, IG Sopko addressed the staff of the Anti-Corruption Division. His remarks focused on SIGAR's anticorruption Lessons Learned report and areas where the OECD and SIGAR may be able to work together to combat corruption in Afghanistan. Given FATF's ongoing review of Afghanistan, the IG's meeting was timely. He explained SIGAR's cooperation with the Afghanistan Financial Intelligence Unit (FinTRACA). FATF was very interested to learn of SIGAR's cooperation with FinTRACA and other entities in Afghanistan to fight corruption, and SIGAR's assessment of FinTRACA's capabilities.

Deputy Inspector General Aloise Speaks at the Naval Postgraduate School

On April 7, 2017, Deputy Inspector General (DIG) Gene Aloise spoke at the Naval Postgraduate School about lessons from the \$117 billion U.S. reconstruction effort in Afghanistan. During his speech, he pointed out that Afghanistan's reconstruction has cost more than was spent reconstructing

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16 countries after World War II under the Marshall Plan, and that reconstruction activities are expected to continue in Afghanistan at a cost of roughly \$5–6 billion annually.

DIG Aloise said that although these monies have touched nearly every aspect of Afghan life, large amounts of U.S. taxpayer dollars have been lost to waste, fraud, and abuse. He told the audience that “the number one reason for the misuse of U.S. taxpayer dollars has been that we spent too much money, too fast, in too small an economy, with too little oversight.” To account for these funds and to prevent further misuse, in 2008 Congress mandated the creation of SIGAR.

DIG Aloise’s speech focused on four areas of concern that SIGAR considers critical for reconstruction success now and during similar efforts in the future. These areas include enhancing the Afghan security sector, curbing corruption, succeeding at counternarcotics, and enabling sustainability. DIG Aloise emphasized that U.S. agencies and partners should ensure that programs have clear objectives, measurable benchmarks, and sustainable end-states and that successful reconstruction needs consistent oversight and coordination across U.S. entities, Afghan institutions, international donors, and non-governmental organizations.

SIGAR BUDGET

SIGAR is funded through April 28, 2017, under the Further Continuing and Security Assistance Appropriations Act, 2017, which provides the agency prorated funds based on the FY 2016 amount of \$56.9 million until the next appropriations law is signed. The budget supports SIGAR’s oversight activities and products by funding SIGAR’s Audits and Inspections, Investigations, Management and Support, and Research and Analysis Directorates, as well as the Special Projects Team and the Lessons Learned Program.

SIGAR STAFF

SIGAR’s staff count remained steady since the last report to Congress, with 190 employees on board at the end of the quarter; 28 SIGAR employees were at the U.S. Embassy Kabul and two others were at Bagram Airfield. SIGAR employed six Afghan nationals 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 13 employees on temporary duty in Afghanistan for a total of 186 days.

“The United States is committed to the Resolute Support Mission and to our support for Afghan forces. NATO’s ‘Train, Advise, and Assist’ mission is essential to our shared goal of ensuring that Afghanistan develops the capability to contribute to regional stability and prevail over terrorist threats, including al-Qaeda and ISIS.”

—*Secretary of State Rex W. Tillerson*