2 SIGAR OVERSIGHT

SIGAR OVERSIGHT CONTENTS

Photo on previous page
Afghan officials and representatives of 50 countries and nongovernmental organizations held a Senior Officials Meeting in Kabul in October 2017. (Afghan presidential palace photo)

SIGAR OVERSIGHT ACTIVITIES

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

SIGAR published one performance audit report this quarter. This audit examined how DOD, State, and USAID assessed the effectiveness of six Afghanistan Infrastructure Fund projects initiated in 2011 as part of the U.S. counterinsurgency strategy.

SIGAR completed five financial audits of U.S.-funded contracts to rebuild Afghanistan. These financial audits identified $1,215 in questioned costs as a result of internal-control deficiencies and noncompliance issues. To date, SIGAR's financial audits have identified more than $414.5 million in questioned costs.

SIGAR also published four inspection reports. Three examined the Ministry of Interior headquarters project, the Kabul Military Training Center project, and the Ministry of Defense Security and Support Brigade Headquarters project. The fourth reviewed SIGAR's prior inspections of State and USAID reconstruction projects.

SIGAR's Office of Special Projects issued five products on a range of issues including, among others, USAID's implementation of an electronic payment (e-payment) system to improve customs revenue collection, observations on site visits to health facilities in Nangarhar Province, and a review that found nearly half of all foreign military trainees who went AWOL while training in the U.S. since 2005 were from Afghanistan. Special Projects also issued one inquiry letter and two alert letters to relevant authorities on USAID's Kandahar Food Zone, structural damage at a health facility in Khowst Province, and structural damage at an educational facility in Khowst Province. Finally, Special Projects also issued Inspector General Sopko's testimony to Congress on the Special Projects review that identified $28 million in wasteful spending on Afghan National Army uniforms.

SIGAR's Lessons Learned Program published *Reconstructing the Afghan National Defense and Security Forces: Lessons from the U.S. Experience in Afghanistan*, which examines how the U.S. government—primarily the Departments of Defense, State, and Justice—developed and executed security-sector assistance programs to build, train, advise, and equip the ANDSF.

COMPLETED PERFORMANCE AUDITS

- Audit 18-10-AR: Agencies Have Not Assessed Whether Six Projects That Began in Fiscal Year 2011, Worth About $400 Million, Achieved Counterinsurgency Objectives, and Can Be Sustained

COMPLETED FINANCIAL AUDITS

- Financial Audit 17-63-FA: U.S. Air Force Logistical Support to the Afghan Air Force
- Financial Audit 18-04-FA: U.S. Army Contracting Command's Acquisition of Mobile Strike Force Vehicles for the Afghan National Army
- Financial Audit 18-05-FA: DOD Task Force for Business and Stability Operations' Afghanistan Indigenous Industries Program
- Financial Audit 18-06-FA: U.S. Air Force Support for Pilatus PC-12 Knight Ryder Aircraft in Afghanistan
- Financial Audit 18-07-FA: U.S. Army Contracting Command's Interim Training Support for the Afghan National Army to Maintain and Sustain Mobile Strike Force Vehicles

COMPLETED INSPECTION REPORTS

- Inspection Report 17-65-IP: Afghan Ministry of Interior Headquarters Project
- Inspection Report 18-01-IP: Kabul Military Training Center Phase IV
- Inspection Report 18-08-IP: Department of State and USAID Reconstruction Projects in Afghanistan
- Inspection Report 18-09-IP: Afghan Ministry of Defense Headquarters Security and Support Brigade

COMPLETED SPECIAL PROJECTS REVIEWS

- Review 17-61-SP: USAID's Afghan Trade and Revenue
- Review 17-66-SP: Schools in Khowst Province
- Review 17-67-SP: Health Facilities in Nangarhar Province
- Review 18-02-SP: Schools in Kapisa Province
- Review 18-03-SP: U.S.-Based Training for Afghan Security Personnel

COMPLETED LESSONS LEARNED PRODUCTS

- Reconstructing the Afghan National Defense and Security Forces: Lessons from the U.S. Experience in Afghanistan

During the reporting period, SIGAR investigations resulted in one indictment, one criminal information, two guilty pleas, two sentencings, nearly $500,000 in restitutions and forfeitures, and over $134.9 million in savings for the U.S. government. SIGAR initiated 11 new cases and closed 47, bringing the total number of ongoing investigations to 231.

This quarter, SIGAR's suspension and debarment program referred two individuals and four companies for suspension or 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 872—encompassing 480 individuals and 392 companies to date.

AUDITS AND INSPECTIONS

SIGAR conducts performance audits, inspections, and financial audits of programs and projects connected to the reconstruction effort in Afghanistan. Since its last report to Congress, SIGAR has issued one performance audit, five financial audits, and four inspection reports. This quarter, SIGAR has 11 ongoing performance audits, 27 ongoing financial audits, and 11 ongoing inspections.

Performance Audit Reports Published

SIGAR published one performance audit report this quarter. This audit examined how the Department of Defense (DOD), Department of State (State), and the U.S. Agency for International Development (USAID) assessed the effectiveness of six Afghanistan Infrastructure Fund projects initiated in 2011 as part of the U.S. counterinsurgency strategy.

COMPLETED PERFORMANCE AUDITS

- Audit 18-10-AR: Agencies Have Not Assessed Whether Six Projects That Began in Fiscal Year 2011, Worth About $400 Million, Achieved Counterinsurgency Objectives, and Can Be Sustained

Performance Audit 18-10-AR: Afghanistan Infrastructure Fund

Agencies Have Not Assessed Whether Six Projects That Began in Fiscal Year 2011, Worth About $400 Million, Achieved Counterinsurgency Objectives, and Can Be Sustained

Congress created the Afghanistan Infrastructure Fund (AIF) in 2011 to enable the U.S. government, led by DOD and State, to implement high-priority, large-scale infrastructure projects in support of the U.S. counterinsurgency (COIN) strategy in Afghanistan. COIN is a comprehensive effort intended to reinforce host-government legitimacy, and simultaneously defeat and contain an insurgency and address its root causes.

Between fiscal years (FY) 2011 and 2014, Congress appropriated approximately $1.3 billion to the AIF to fund large-scale infrastructure projects. In FY 2011, DOD and State notified Congress that six projects would receive funding, comprising four power-sector projects, one road-infrastructure project, and one project to refurbish provincial justice centers. The six projects that began in FY 2011 have been funded with appropriations from multiple FYs. Overall, approximately $399 million has been spent on these six projects.

This is SIGAR's second report on U.S. efforts to implement the FY 2011 AIF projects. In July 2012, SIGAR reported that these six projects were up to 15 months behind schedule, could be counterproductive to the COIN strategy as a result, and lack adequate sustainment plans.

The objectives of this follow-up audit were to determine the extent to which (1) DOD, State, and USAID assessed whether the six FY 2011 AIF projects achieved their intended COIN objectives; (2) the agencies made progress completing the projects; and (3) the projects will be sustained once completed and transferred to the Afghan government.

SIGAR found that the six projects that DOD and State funded through AIF that began in FY 2011 are:

1. Nawa to Lashkar Gar road: Construction of an approximately 25-mile-long, 23-foot-wide paved road from Nawa to Lashkar Gar in Helmand Province;
2. Provincial Justice Centers (PJCs): Construction of the physical infrastructure for five PJCs in the capitals of Balkh, Herat, Kandahar, Khowst, and Nangarhar Provinces;
3. Kandahar Bridging Solution: Provision of fuel, and operation and maintenance for diesel power generators in Kandahar City;
4. Southeast Power System (SEPS) Phase 1: Improvements in the reliability and robustness of electricity transmission infrastructure in Helmand and Kandahar Provinces;
5. Northeast Power System (NEPS) -- Chimtala to Ghazni: Improvements in the reliability and robustness of transmission infrastructure in Ghazni and Kabul Provinces;
6. NEPS – Chimtala to Gardez: Improvements in the reliability and robustness of transmission infrastructure lines and towers in Kabul, Logar, and Paktiya Provinces.

DOD, State, and USAID have not assessed the extent to which the six AIF projects that began in FY 2011 achieved their COIN objectives. Although DOD, State, and USAID initially reported to Congress on how each FY 2011 AIF project supported the U.S. COIN strategy, they did not develop the performance metrics needed to assess the extent to which these objectives were achieved. At a strategic level, the 2009 *U.S. Government Counterinsurgency Guide*, which applied to U.S. COIN efforts worldwide, states that effective COIN efforts should specify their overarching goals and identify performance metrics that will be used to assess the achievement of those goals.

At an operational level, the 2009 *U.S. Integrated Civilian-Military Campaign Plan* required quarterly interagency assessments of the effectiveness of 11 COIN "transformative effects," such as providing security for the population, expanding accountable and transparent government, and creating sustainable jobs for population centers. These quarterly

assessments were required to show whether and how U.S. activities affect Afghan behavior and perceptions at the national, regional, district, and local levels. Additionally, the February 2011 *U.S. Integrated Civilian-Military Campaign Plan* provided the basis for implementing a whole-of-government effort in Afghanistan that included COIN, which AIF was intended to support. This plan specifically cited metrics by which U.S. government objectives could be measured, such as the number of districts in which the Afghan government reports that it delivers essential services, percent of Afghans who approve of the government, number of new Afghan businesses registered, and percent of respondents reporting improvement in their economic situation.

During the course of this audit, DOD, State, and USAID officials provided SIGAR with several rationales for why they were not required to assess whether the AIF projects started in FY 2011 were achieving their COIN objectives. Most notably, the agencies indicated that the underlying U.S. strategy in Afghanistan has not been COIN since 2012, and that AIF's appropriating legislation and U.S. strategic guidance did not require FY 2011 AIF project objectives to be measured. In addition, in May 2015, DOD officials told SIGAR that determining whether COIN objectives are achieved is an "intuitive process."

Later, in December 2015, DOD officials said they did not determine whether the COIN objectives for ongoing or completed FY 2011 AIF projects were achieved because DOD's current counterterrorism and train, advise, and assist missions do not include measuring COIN objectives of projects that were initiated during an earlier period of the conflict. These officials also noted that techniques for measuring the achievement of COIN objectives for AIF projects would be more suited to USAID or State because of their long-term development mission.

In April 2017, DOD, State, and USAID sent SIGAR a statement that presented their shared understanding of the strategic framework for U.S. priorities in Afghanistan. This statement pointed to 2012 U.S. strategic guidance, which outlined an intended shift from COIN and stability operations toward a more traditional diplomatic and developmental approach. Despite this purported shift away from the COIN strategy, DOD's AIF funding requests for FYs 2012, 2013, and 2014 were all premised on the notion that AIF projects were needed to support the U.S. COIN strategy in Afghanistan. In May and June 2017, DOD, State, and USAID officials stated that while the U.S. strategy for Afghanistan has changed since 2011, the objectives for AIF projects remain valid because they align with the congressional intent of the AIF. However, these officials also noted that AIF's legislation and the civil-military frameworks do not require the agencies to measure whether the AIF projects have achieved their objectives.

Regardless, the lack of project performance metrics and assessments of the six FY 2011 AIF projects limits the U.S. government's ability to measure

progress, track accomplishments, and hold agencies accountable for how they have spent, and will spend, U.S. taxpayer funds. Moreover, the lack of performance metrics and the shifting explanations concerning the U.S. COIN strategy in Afghanistan mean that it is unlikely that U.S. taxpayers will ever know whether $474 million worth of AIF projects have achieved or will ever achieve their intended COIN objectives.

SIGAR found that three of the six AIF projects started in FY 2011 are complete, but that three power-sector projects are incomplete and up to five years behind their original schedule. In July 2012, SIGAR reported that the six FY 2011 AIF projects were up to 15 months behind schedule and that substantial delays in the execution of these projects may delay any potential COIN benefits for several years, and could possibly result in negative COIN effects. During this follow-up audit, SIGAR found that DOD completed the Nawa–Lashkar Gar road and Kandahar Bridging Solution projects within their original timeframes, but completed the PJCs 18 months later than originally scheduled.

As of the date of this report, the SEPS Phase 1, NEPS–Chimtala to Ghazni, and NEPS–Chimtala to Gardez power sector projects were still incomplete. SIGAR found that land disputes, increased security costs, funding delays, and allegations of contractor fraud contributed to delays in executing the FY 2011 power sector projects. Given these delays, it is still unclear whether these three power projects achieved any of their COIN objectives, whether the projects are currently supported by the Afghan people, and whether the projects have had negative COIN effects.

SIGAR also found that all six AIF projects started in FY 2011 are at risk of not being sustained once completed and transferred to the Afghan government. This is because DOD, State, and USAID did not develop comprehensive plans to sustain them, and the Afghan government lacks the resources to do so.

Congress authorized AIF projects with the expectation that DOD, State, and USAID would plan for the Afghan government to sustain them in the long term. Sustainability was also a U.S. strategic goal in civilian-military campaign plans and frameworks, and their subsequent revisions. In particular, the 2013 U.S. strategic guidance underscored the fundamental importance of improving the Afghan government's capacity to maintain and sustain infrastructure investments as a way to promote economic growth. While DOD, State, and USAID originally developed plans to sustain FY 2011 AIF projects and included them in the May 2011 AIF notification to Congress, those plans were missing a number of critical elements, including (1) realistic cost estimates for project maintenance, (2) a reliability assessment of the planned source of sustainment funding, and (3) capacity assessments of the Afghan government entity responsible for each project.

In its July 2012 report, SIGAR recommended that all ongoing AIF projects have sustainment plans, regardless of when they were initiated. In

March 2013, DOD revised the AIF guidance to require additional elements to be in AIF project sustainment plans, including: (1) an estimate of the financial and other requirements necessary for the Afghan government to sustain the project on an annual basis after project completion; (2) an assessment of the responsible Afghan entity's commitment and capacity to operate and maintain the project after completion; and (3) a description of arrangements for project sustainment if the Afghan government lacked the capacity to do so.

However, when SIGAR requested the sustainment and contingency sustainment plans for the AIF projects started in FY 2011 from DOD, State, and USAID, agency officials stated that these plans did not exist because the agencies did not apply the new AIF sustainment requirements to the FY 2011 projects. In addition, these officials told SIGAR that implementing the March 2013 guidance on sustainment and contingency sustainment plans was required only for AIF projects initiated after March 2013, and the guidance did not specify that sustainment plans had to be retroactively applied to the FY 2011 AIF projects. Nonetheless, it is important to ensure that the AIF projects started in FY 2011 are sustained. In addition, the remaining power sector projects—SEPS Completion Phase 1, NEPS–Chimtala to Ghazni, and NEPS–Chimtala to Gardez—were not rescoped or reprocured until after March 2013, meaning that the agencies had clear opportunity to apply the new sustainment guidance to those projects.

Finally, SIGAR found that the Ministry of Public Works (MOPW) and Da Afghanistan Breshna Sherkat (DABS), Afghanistan's electric power utility, have not maintained the completed FY 2011 AIF projects that DOD has transferred to the Afghan government because they lack the capacity and resources needed to do so. MOPW officials told us they do not have the funding to perform maintenance on the Nawa to Lashkar Gar road. In addition, a senior DABS official told SIGAR the national utility does not have the capacity to continue producing electrical power from the Kandahar Bridging Solution at the rates produced when DOD was purchasing fuel because of a lack of spare parts to repair disabled generators. According to this official, as of February 2016, only 20% of Kandahar City residents had access to electricity, and there were no plans to connect more residents because demand for electricity already significantly exceeded the supply.

When SIGAR asked DOD officials how FY 2011 AIF projects would be maintained over the long term, they responded that the Afghan government assumes all responsibility for AIF projects once the U.S. government transfers them. Although the Afghan government has taken ownership of three FY 2011 AIF projects, there is still time to improve the sustainment plans for the three remaining power sector projects before they are completed and transferred. A lack of updated sustainment and contingency plans for FY 2011 AIF projects, coupled with the Afghan government's inability to

maintain these projects, increases the likelihood that at least $474 million in major U.S. investments in AIF infrastructure projects will be wasted.

SIGAR made four recommendations. In recognition of their shared role in implementing FY 2011 AIF projects, SIGAR recommended that the Secretary of Defense and USAID Administrator, in coordination with the Secretary of State:

1. Conduct assessments of FY 2011 AIF projects to determine the extent to which each project has achieved its stated objectives and report the findings to the House and Senate Armed Services Committees and Appropriations Committees by January 31, 2018.

To help ensure that AIF projects are sustained by the Afghan government, SIGAR recommended that the Secretary of Defense and USAID Administrator, in coordination with the Secretary of State:

2. Develop and share with the appropriate Afghan government entities by January 31, 2018, comprehensive sustainment plans for the three incomplete FY 2011 AIF power sector projects that include validated estimates of the financial, human, technical, and other resources the Afghan government will require to operate and maintain each project at its intended performance level.
3. Conduct an assessment of the financial, human, and technical capacities of each Afghan government entity to which the three ongoing FY 2011 AIF power-sector projects will be transferred, to determine whether each entity has the capability to operate and maintain the projects for which it is responsible, and report the findings to the House and Senate Armed Services Committees and Appropriations Committees by March 31, 2018.
4. Based on those assessments, develop contingency sustainment plans by May 31, 2018, that specify how and whether the U.S. government or other international donors intend to ensure that the three remaining FY 2011 AIF power sector projects are sustained, should the Afghan government be unable to operate and maintain these projects at their intended performance level.

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

TABLE 2.1

SIGAR'S FINANCIAL AUDIT COVERAGE ($ BILLIONS)	
100 completed audits	$6.58
27 ongoing audits	$0.86
Total	**$7.44**

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

Source: SIGAR Audits and Inspections Directorate.

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

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

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

duplication of effort. SIGAR has 27 ongoing financial audits with $859.6 million in auditable costs, as shown in Table 2.1.

This quarter, SIGAR completed five financial audits of U.S.-funded contracts to rebuild Afghanistan. These audits help provide the U.S. government and the American taxpayer reasonable assurance that the funds spent on these awards were used as intended. The audits question expenditures that cannot be substantiated or are potentially unallowable.

SIGAR issues each financial-audit report to the funding agency that made the award(s). The funding agency is responsible for making the final determination on questioned amounts identified in the report's audit findings. Since the program's inception, SIGAR's financial audits have identified nearly $414.5 million in questioned costs and $363,244 in unremitted interest on advanced federal funds or other revenue amounts payable to the government. As of September 30, 2017, funding agencies had disallowed more than $25.8 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 351 compliance findings and 375 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 to rebuild Afghanistan. These financial audits identified $1,215 in questioned costs as a result of internal control deficiencies and noncompliance issues. These deficiencies and noncompliance issues included ineligible travel costs and a misinterpretation of a federal acquisition regulation.

Financial Audit 17-63-FA: U.S. Air Force Logistical Support to the Afghan Air Force

Audit of Costs Incurred by AAR Supply Chain Inc.

On July 30, 2015, the U.S. Air Force Life Cycle Management Center (AFLCMC) awarded a 1-year, $72.1 million contract to AAR Supply Chain Inc. (AAR) to provide logistical support to the Afghan Air Force (AAF). The objectives of the contract were to support and sustain up to four C-130H aircraft, provide on-call support, and interface with contractors tasked with training AAF maintenance personnel. The contract has been modified 11 times, increasing the value to $75.4 million, and extending the period of performance to July 30, 2018. Three of the modifications, including one to exercise the second option year, were outside the scope of this audit.

SIGAR's financial audit, performed by Mayer Hoffman McCann (MHM), reviewed $13,398,961 in reimbursable costs incurred on the contract between July 30, 2015, and July 30, 2016.

MHM identified three significant deficiencies in AAR's internal controls and three instances of noncompliance with the terms and conditions of the contract. All dealt with ineligible travel costs charged to the contract. Specifically, AAR charged airfare and lodging in excess of the amounts allowed by federal travel regulations, and claimed dental expenses as travel costs. As a result of these internal-control deficiencies and

Afghan Air Force C-130 aircraft of the Kabul Air Wing provide military cargo airlift, casualty evacuation, and personnel transport. (USAF photo by Staff Sgt. Alexander W. Riedel)

COMPLETED FINANCIAL AUDITS

- Financial Audit 17-63-FA: U.S. Air Force Logistical Support to the Afghan Air Force
- Financial Audit 18-04-FA: U.S. Army Contracting Command's Acquisition of Mobile Strike Force Vehicles for the Afghan National Army
- Financial Audit 18-05-FA: DOD Task Force for Business and Stability Operations' Afghanistan Indigenous Industries Program
- Financial Audit 18-06-FA: U.S. Air Force Support for Pilatus PC-12 Knight Ryder Aircraft in Afghanistan
- Financial Audit 18-07-FA: U.S. Army Contracting Command's Interim Training Support for the Afghan National Army to Maintain and Sustain Mobile Strike Force Vehicles

instances of noncompliance, MHM identified $1,215 in total questioned costs, consisting entirely of ineligible costs. MHM did not identify any unsupported costs.

MHM reviewed prior audit reports applicable to the C-130H logistical support contract and identified one finding that could have had a material effect on the SPFS. Based on the results of its testing, MHM determined that AAR has taken adequate corrective action to address the prior finding. MHM issued an unmodified opinion on AAR's SPFS, noting that it presents fairly, in all material respects, revenues received and costs incurred for the period audited.

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

1. Determine the allowability of and recover, as appropriate, $1,215 in questioned costs identified in the report.
2. Advise AAR to address the report's three internal control findings.
3. Advise AAR to address the report's three noncompliance findings.

Financial Audit 18-04-FA: U.S. Army Contracting Command's Acquisition of Mobile Strike Force Vehicles for the Afghan National Army

Audit of Costs Incurred by Textron Inc. Marine & Land Systems

On January 21, 2011, the U.S. Army Contracting Command (ACC) awarded an $84,961,000 contract to Textron Inc. Marine & Land Systems (Textron) to support pre-production efforts and the production of Medium Armored Security Vehicles (MASV) for the Afghan National Defense and Security Forces. ACC modified the contract 60 times, which increased its value from $84,961,000 to $631,195,401 and extended the period of performance from January 31, 2012, to September 30, 2015. This financial audit focused on modifications P00021 and P00025, valued at $30,512,355 and $9,115,967, respectively. The purpose of these modifications was to exercise options requiring Textron to acquire MASV and Mobile Strike Force Vehicles for the Afghan National Army.

SIGAR's financial audit, performed by Mayer Hoffman McCann (MHM), reviewed $26,612,072 in expenditures that Textron charged to the contract for the period from May 23, 2012, through May 25, 2014.

MHM did not identify any material weaknesses or significant deficiencies in Textron's internal controls, or any instances of noncompliance with the terms and conditions of the contract. Accordingly, MHM did not identify any questioned costs or unsupported costs.

MHM identified two prior findings that could have a material effect on the SPFS pertaining to Textron's activities under the modifications. One finding was in the Defense Contract Audit Agency's Testing of Paid Vouchers for Textron Systems Marine & Land Systems, and the other finding was in one of Textron's month-end closing reviews. MHM tested

A Mobile Strike Force Vehicle transports Afghan commandos after convoy training near Kabul. (U.S. Army photo by Spc. Connor Mendez)

additional transactions and determined that Textron had implemented adequate corrective actions to address these prior findings.

MHM issued an unmodified opinion on Textron's SPFS, noting that it presents fairly, in all material respects, the respective revenue received and costs incurred during the period under audit.

MHM did not report any findings related to the two modifications to the preproduction efforts and production of MASV contract. Therefore, SIGAR is not making any recommendations.

Financial Audit 18-05-FA: Department of Defense Task Force for Business and Stability Operations' Afghanistan Indigenous Industries Program

Audit of Costs Incurred by DAI Global LLC

On May 7, 2014, the Department of Interior's Interior Business Center awarded a $2,111,344 task order to Development Alternatives Inc., now DAI Global LLC (DAI), on behalf of the Department of Defense's Task Force for Business and Stability Operations (TFBSO). The task order was intended to support TFBSO's Afghanistan Indigenous Industries program, which was designed to link indigenous industries to international markets to support the growth of the licit economy in Afghanistan. This task order required that the contractor provide a weaving trainer to teach Afghan rug makers to produce rugs using the "Nepalese weave." After two modifications, the task

order's ceiling increased to $2,266,320, but the six-month period of performance that ended on November 6, 2014, did not change.

SIGAR's financial audit, performed by Williams Adley & Company–DC LLP (Williams Adley), reviewed $902,556 in expenditures charged to the task order from May 7, 2014, through November 6, 2014.

Williams Adley did not identify any material weaknesses or significant deficiencies in DAI's internal controls, or any instances of noncompliance with the terms and conditions of the task order. Accordingly, Williams Adley did not identify any questioned costs.

Williams Adley identified four findings and recommendations from one prior audit that were pertinent to DAI's performance under the task order, and determined that DAI had taken adequate corrective action on all four.

Williams Adley issued an unmodified opinion on DAI's Special Purpose Financial Statement, noting that it presents fairly, in all material respects, program revenues, costs incurred and reimbursed, and items and technical assistance directly procured for TFBSO for the period under audit.

Williams Adley did not report any findings related to the Afghanistan Indigenous Industries program. Therefore, SIGAR is not making any recommendations.

Financial Audit 18-06-FA: U.S. Air Force Support for Pilatus PC-12 Knight Ryder Aircraft in Afghanistan

Audit of Costs Incurred by Sierra Nevada Corp.

On May 17, 2014, the Air Force Life Cycle Management Center (AFLCMC) awarded a $34,425,000 contract to Sierra Nevada Corp. (SNC) to support a fleet of up to 13 modified Pilatus PC-12 Knight Ryder aircraft and three aircrew trainers for use by the North Atlantic Treaty Organization (NATO) Special Operations Component Command and the Afghan Special Mission Wing based at Kabul International Airport and Kandahar Airfield. The initial period of performance was May 17, 2014, through December 16, 2014. However, after 13 modifications, the contract amount increased to $39,154,162, and the period of performance was extended to March 16, 2015.

SIGAR's financial audit, performed by Mayer Hoffman McCann (MHM), reviewed $29,540,958 in expenditures charged to the contract from May 17, 2014, through March 16, 2015.

As part of obtaining reasonable assurance about whether the SPFS is free from material misstatements, MHM considered SNC's internal controls over financial reporting and performed tests of those controls. MHM discovered one internal-control finding, which was classified as a significant deficiency. MHM noted that employees' overtime hours did not have prior approval from the supervisor/manager as stated in SNC's timesheet and labor charging policy. There were no questioned costs related to this finding because the employees worked the overtime hours charged. MHM tested

SNC's compliance with certain provisions of the contract and other laws and regulations. The results of MHM's tests disclosed no instances of noncompliance related to this audit.

MHM did not identify any questioned costs or ineligible costs.

MHM identified one finding and one recommendation from a prior engagement that could have a material effect on SNC's SPFS. MHM reviewed and determined that SNC had taken adequate corrective actions to address the finding and recommendation.

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

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

1. Advise SNC to address the report's one internal-control finding.

Financial Audit 18-07-FA: U.S. Army Contracting Command's Interim Training Support for the Afghan National Army to Maintain and Sustain Mobile Strike Force Vehicles

Audit of Costs Incurred by Textron Inc. Marine & Land Systems

On August 31, 2015, the U.S. Army Contracting Command (ACC) awarded a $17,434,922 contract to Textron Inc. Marine & Land Systems (Textron) to provide interim contractor training support, including mentorship, supply support, and parts management for the Afghan National Army (ANA). The contact's purpose was to enable the Afghans to support their own fleet of Mobile Strike Force Vehicles (MSFVs) and be self-sufficient in maintaining and sustaining them. After three modifications, funding has increased from $17,434,922 to $23,723,646, and the period of performance extended from August 31, 2016, to February 28, 2017.

SIGAR's financial audit, performed by Mayer Hoffman McCann (MHM), reviewed $8,011,422 in expenditures that Textron charged to the contract for the period from August 31, 2015, through August 31, 2016.

MHM identified one significant deficiency in Textron's internal controls and one instance of noncompliance with the terms and conditions of the contract and applicable regulations. MHM found that Textron misinterpreted the Federal Acquisition Regulation (48 CFR 15.404-4,4iC) and its statutory requirements for fixed fees, which cannot be higher than 10%. Textron overcharged the ACC and paid its subcontractor 14.7% in excess fixed fees. Nevertheless, MHM determined that no reimbursement is due to ACC because Textron deducted the overcharged amount from its billings.

As a result of this internal-control deficiency and instance of noncompliance, MHM identified $301,895 in total questioned costs, consisting entirely of ineligible costs. MHM did not identify any unsupported costs.

MHM identified two prior findings with potential material effects on the SPFS under the scope of this audit. One finding was identified in the

Defense Contract Audit Agency's Testing of Paid Vouchers for Textron Systems Marine & Land Systems, and the other finding was in one of Textron's month-end closing reviews. MHM tested additional transactions and determined that Textron had implemented adequate corrective actions to address these prior findings.

MHM issued an unmodified opinion on Textron's SPFS that presents fairly, in all material respects, the respective revenue received and costs incurred.

Based on the results of the audit, SIGAR recommends that the responsible contracting officer at Army Contracting Command:

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

SIGAR is not making a recommendation related to the questioned costs because the excess amount charged has been reimbursed to the government.

Inspection Reports Published

This quarter, SIGAR published four inspection reports. These reports examined the Ministry of Interior headquarters project, the Kabul Military Training Center project, reviewed SIGAR inspection reports on State and USAID reconstruction projects, and examined the Ministry of Defense Security and Support Brigade Headquarters project.

COMPLETED INSPECTION REPORTS

- Inspection Report 17-65-IP: Afghan Ministry of Interior Headquarters Project
- Inspection Report 18-01-IP: Kabul Military Training Center Phase IV
- Inspection Report 18-08-IP: Department of State and USAID Reconstruction Projects in Afghanistan
- Inspection Report 18-09-IP: Afghan Ministry of Defense Headquarters Security and Support Brigade

Inspection Report 17-65-IP: Afghan Ministry of Interior Headquarters Project

Phase 2 Experienced Lengthy Delays, Increased Costs, and Construction Deficiencies that Need to Be Addressed

In September 2011, the U.S. Army Corps of Engineers (USACE) initiated a three-phase, $90 million project to construct a headquarters complex near the Kabul International Airport for the Afghan Ministry of Interior (MOI) and the national police.

On December 16, 2011, USACE awarded a $30.6 million firm-fixed-price contract to Technologists Inc. to complete phase 2 of the project. This phase required the construction of a MOI headquarters building, a communications building, gatehouse, water supply, wastewater-treatment plant, power plant, and fuel storage facility.

On December 24, 2012, USACE terminated the contract with Technologists Inc. for default, citing poor contractor performance. On June 23, 2013, USACE awarded a second contract, worth $31.5 million, to Yuksel Insaat, a Turkish company, to complete the project. Following the contract's completion, the Combined Security Transition Command-Afghanistan (CSTC-A) funded a third contract on September 15, 2015, worth $2.3 million, that the North Atlantic Treaty Organization Support

Agency awarded to FEKA Insaat to make several aesthetic enhancements to the MOI headquarters building. The phase 2 project was completed on November 21, 2015.

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

Phase 2 construction of the MOI headquarters project experienced lengthy delays and cost increases because of the need for three contracts to complete the project, one of which was terminated for default for poor work that was demolished and redone by the second contractor. The phase 2 project was completed in November 2015, more than two and a half years after the originally planned completion date of May 1, 2013. In addition, the phase 2 project's cost rose to approximately $46.2 million or $15.6 million more than originally planned.

During 13 site visits between October 2015 and August 2016, SIGAR found seven instances where the phase 2 contractors did not comply with contract requirements. Most significantly, Yuksel Insaat did not install certified fire-rated doors in the headquarters, communications buildings, and gatehouse, as the contract required, which raises safety concerns should a fire occur. Due to the seriousness of this issue, on October 5, 2016, SIGAR sent an alert letter to USACE, CSTC-A, and other Department of Defense components notifying them that none of the 153 doors installed under phase 2 were certified. In its May 9, 2017, response, USACE acknowledged

Afghan National Police officers march in a drill outside the Ministry of Interior in Kabul. (U.S. Army photo by Staff Sgt. Richard Andrade)

that the doors did not meet certification requirements and stated that it requested corrective-action plans from Yuksel Insaat. USACE also stated that it was investigating the suitability of the noncertified doors that had been installed and the contractual issues involved, as well as developing several potential courses of action to address SIGAR's concerns. USACE further noted that it was implementing a personnel training program that entails a detailed review of fire-door assemblies, to include contract requirements and referenced standards.

The other six instances where the phase 2 contractors did not comply with contract requirements included several items that USACE overlooked, which raises concerns about the quality of USACE's project oversight. Some of these instances of noncompliance also pose potential health or safety risks:

- The design drawings required wires of various sizes, or capacities, for the electrical panel boards and feeding receptacles in the headquarters, communications buildings, and the gatehouse. However, SIGAR found that Yuksel Insaat installed wires that were not the required size. For example, SIGAR found that the headquarters building had wires that were only 2.5 square millimeters in cross-sectional area, where a 4-square-millimeter wire was required. These smaller wires can overheat and catch fire, and SIGAR found a burnt receptacle in the gatehouse.
- USACE approved the installation of door closers and hardware manufactured by Briton, a company based in the United Kingdom, for the headquarters, communications buildings, and the gatehouse, but SIGAR found that Yuksel Insaat installed door closers and hardware by Kale, a Turkish company, AoLiDa, a Chinese company, and other unidentified manufacturers. USACE did not approve the substitution and did not find the noncompliant hardware during its quality assurance process.

Areas around the headquarters building, special entry gate, and sidewalks were not properly sloped so that water could drain away from them. As a result, rainwater collects near the headquarters building entrance. In addition, the soil was not well compacted in some areas, and the soil around the wastewater treatment plant settled about 50 centimeters below grade level. The contract also required a soil density of 95%, and in eight of the 10 project sites where SIGAR conducted soil density tests, density levels ranged from 70 to 94%. As a result, the soil will erode and lead to unnecessary repairs.

- Yuksel Insaat installed rigid instead of the required flexible electrical conduits and cable trays across the two seismic joints that divide the headquarters building into three parts, allowing each part to react separately in a seismic event. As a result, the rigid electrical conduits and cable trays could break or be damaged during a seismic event.

- The submittal register for the contract showed that Yuksel Insaat did not perform and submit the seismic bracing analysis for USACE's review, as required. The contract required that suspended equipment and other items be braced using specified arrangements of rods, wire rope, bars, or pipes to protect building occupants from falling objects during a seismic event. However, SIGAR found that equipment in the electrical and mechanical rooms did not have the required seismic bracing.
- Several locations in the headquarters building contained step risers constructed at a height of just over nine inches, and thereby exceeding the seven-inch height limit established by the International Building Code, which was required to be followed under the contract's specifications. An uneven step height can create a tripping or falling hazard.

The deficiencies that SIGAR found are associated with USACE's failure to adhere to its three-phase quality assurance inspection process. The process—preparatory, initial, and follow-up—is designed to help contractors and USACE detect and correct construction deficiencies. USACE's process requires a contractor to identify every definable feature of work (DFOW) in its quality control plan. A DFOW is separate from other tasks and has separate control requirements. However, USACE could not provide the required information from the preparatory and initial phases for any of the seven instances of contract noncompliance listed above. Further, the deficiencies were not identified during the follow-up inspection phase, the final inspection before USACE transferred the facility over to CSTC-A, or any of the warranty inspections after the transfer, raising concerns about the quality of USACE's project oversight.

Despite these construction deficiencies, SIGAR found that the MOI headquarters building was being used and maintained. SIGAR also found that IDS International Government Services, a U.S. company, was providing the operation and maintenance services required by the contract, and it had conducted all of the required operation and maintenance training for the MOI staff, including courses in electrical, plumbing, power generation, and general maintenance. Plans call for the staff to take over the site's maintenance responsibilities eventually.

To protect the U.S. taxpayers' investment in the MOI headquarters project, SIGAR recommended that the CSTC-A Commander and the USACE Commanding General and Chief of Engineers take the following actions and report the results back to SIGAR within 90 days:

1. Take immediate steps to replace the noncertified fire doors that were installed in the MOI headquarters building, communications building, and gatehouse that do not meet the fire-rating standards, as required in the contract.
2. Obtain a refund from Yuksel Insaat for deficient workmanship or direct the contractor to correct the issues identified in this report

involving noncompliance with the contract and poor workmanship, such as the use of substituted door closers and hardware, smaller than required wires for panel boards and receptacles, rigid instead of flexible electrical conduits and cable trays across seismic joints, lack of seismic bracing for suspended equipment in the electrical and mechanical rooms, poorly graded and compacted soil, and step risers that exceed specified height limits.

3. Clarify guidance of the project oversight team's responsibility to ensure that all three phases of USACE's inspection process are performed and documented so that all definable features of work are completed in accordance with the contract.

Inspection Report 18-01-IP: Kabul Military Training Center Phase IV

Poor Design and Construction, and Contractor Noncompliance Resulted in the Potential Waste of as Much as $4.1 Million in Taxpayer Funds

On July 18, 2013, the U.S. Army Corps of Engineers (USACE) awarded a $17.1 million firm-fixed-price contract to MegaTech Construction Services (MegaTech), an Afghan company, to complete the Kabul Military Training Center's (KMTC's) Phase IV design and construction of new facilities and renovation of several existing ones. Newly constructed facilities included three barracks, two dining facilities (DFACs), three storage buildings, eight latrines, and seven guard shacks. The KMTC is Afghanistan's primary training base for new Afghan National Army recruits, with about 18,000 receiving training in 2016. In 2011, SIGAR reported on the Combined Security Transition Command-Afghanistan's (CSTC-A's) $140 million construction project covering Phases I through III of the KMTC.

The report noted that construction was completed nearly two years behind schedule and that project costs increased by $12.5 million. Because of incomplete or contradictory documentation, SIGAR could not determine why the project was delayed and costs increased. However, SIGAR found that poor contractor performance and inaccurate site information were contributing factors. SIGAR made four recommendations to improve planning and maintenance of contract files, and for the contractor to reimburse the government for costs associated with correcting construction deficiencies. The U.S. Air Force Center for Engineering and the Environment implemented the recommendations, and SIGAR closed them in 2012. The objectives of this inspection were to determine whether the KTMC's Phase IV facilities (1) were constructed or renovated in accordance with contract requirements and applicable construction standards, and (2) are being used and maintained.

SIGAR found that the newly constructed and renovated KMTC Phase IV facilities were not completed according to contract requirements. There

were instances of poor design and construction, contractor noncompliance, and unauthorized product substitution that resulted in the potential waste of as much as $4.1 million in taxpayer funds. For example, MegaTech—based on USACE's design— placed propane gas cylinders too close to the new DFACs, which could lead to a gas explosion in the kitchens; did not install certified fire-rated doors as required; and installed some counterfeit fire extinguishers. Although the contract required adherence to National Fire Protection Association standards, which specify at least 10 feet of separation between propane gas cylinders and any ignition source or building, USACE designed and approved specifications with "zero clearance" between the cylinders and the DFACs. As a result, despite USACE paying $3.9 million to build two new DFACs, the kitchens have never been used to prepare meals because of gas issues that could lead to explosions. SIGAR found three additional instances where MegaTech did not comply with contract requirements and safety standards when constructing the two DFACs, all of which also could lead to gas explosions.

Propane gas pipelines in the DFACs are connected with welded instead of threaded connections, increasing the chance of gas leaks. Stainless-steel gas hoses were not connected to kitchen stoves with quick disconnect-devices, making them more susceptible to gas leaks. The gas line with a service valve was installed too close to electrical disconnect devices in one DFAC.

MegaTech was also required to install 62 certified fire-rated doors in eight of the Phase IV buildings, including the two DFACs and two of the new barracks. SIGAR found that none of the 62 doors installed was a certified fire-rated door, resulting in an estimated $192,679 overpayment. More specifically, 42 of the doors appeared to have counterfeit fire-rating labels; 13 doors had no fire-rating labels, and seven had labels from an Afghan company that was not approved by USACE or certified to manufacture fire-rated doors. The contract required that companies with products approved by a certifying agency, such as Underwriters Laboratory, manufacture the doors and ensure that they have labels with information attesting to their fire-protection attributes and about the manufacturer.

The Phase IV contract also required MegaTech to install safety items to protect building occupants during a fire. SIGAR found that none of the required fire stops in the DFACs and barracks was installed; fire stops are used to fill holes in walls when wiring or piping is installed to help prevent fires from spreading quickly. In addition, MegaTech installed exit signs, but they only showed the word "Exit" and did not include the international symbol of a green man running in the direction of the exit, as the contract required.

Furthermore, MegaTech installed noncompliant fire extinguishers and approved faucets that were not compliant with the contract. The contract required MegaTech to install 88 fire extinguishers. SIGAR found

that although USACE did not approve MegaTech's request to purchase equipment from Buckeye Fire Equipment Company (Buckeye), it allowed MegaTech to install 81 Buckeye fire extinguishers, including 17 with counterfeit Buckeye labels and five from another nonapproved manufacturer. The counterfeit fire extinguishers raise concerns about whether they will work in the event of a fire. USACE overpaid MegaTech by an estimated $1,452 for the fire extinguishers not installed and for counterfeit items. Similarly, USACE approved noncompliant faucets.

The contract required MegaTech to install chrome-plated brass or bronze alloy wall-mounted faucets and prohibited the use of gooseneck faucets, except in the DFACs and medical clinics, where gooseneck faucets with wrist-blade handles were required. By installing faucets without wrist-blade handles in the DFACs and medical clinics, MegaTech failed to comply with the latter requirement. SIGAR determined that USACE overpaid MegaTech by an estimated $10,841 for the substituted items.

The contract required MegaTech to assess the existing water supply and distribution system within the KMTC facility. In March 2014, MegaTech completed its assessment and found two existing water wells capable of providing about 1.18 million liters of water, or about one-third of the 3.36 million liters of water needed daily at the KMTC. MegaTech drilled two new water wells, but they were capable of providing only about 345,600 liters of water daily, increasing the total supply to 1.53 million liters. As a result, the supply of water is about 1.83 million liters short of daily requirements. Even though MegaTech did not find a sufficient amount of water, in

Noncommissioned officers listen to guest speakers during a conference at the Kabul Military Training Center. (USAF photo by Staff Sgt. Robert M. Trujillo)

its written comments on a draft of this report, USACE stated that the company fully met contract specifications by providing the required two wells with a total drilled depth of 240 meters, and, as a result, it paid MegaTech $604,084. USACE also stated that because water has proven to be scarce in the KMTC area, other alternatives are being researched. KMTC's water shortage has resulted in occupants of the facility having bathing and drinking water for only about one hour a day.

SIGAR found that USACE did not conduct adequate oversight of the Phase IV project, as evidenced by USACE's acceptance and transfer of the Phase IV facilities with little oversight and documentation that quality assurance activities occurred, including no evidence that either USACE or CSTC-A participated in inspections of the constructed facilities. Despite three key quality-assurance activities—the three-phase inspection process, final inspection, and the four- and nine-month warranty inspections—USACE failed to discover any of the construction deficiencies identified in this report.

Finally, SIGAR found that most of the Phase IV facilities it inspected were being used and generally well maintained. The two facilities not being used were the DFAC kitchens, as noted earlier, because of concerns about possible gas explosions. However, the latrines were being used but not well maintained, and emergency lighting systems were installed, but almost half were not functioning properly. The KMTC facility manager told SIGAR that the use of the latrines is limited due to the water shortage, and we found that the floor drains and sinks were clogged with dirt and other materials, causing water to pool.

To protect the U.S. taxpayers' investment in the KMTC Phase IV project, and to ensure the safety of Afghan National Army personnel using the facilities, SIGAR recommends that the USACE Commanding General and Chief of Engineers, in coordination with the CSTC-A Commander, take the following actions and report the results back to SIGAR within 90 days:

1. Eliminate the unsafe conditions at the KMTC and bring all construction into compliance with contract requirements by working with MegaTech to correct instances of contract noncompliance. Specifically, (a) move the propane gas cylinders at least 10 feet away from the walls of DFACs 510 and 511; (b) replace all welded connections used on pipelines 50 millimeters or less in diameter that are supplying propane gas in DFACs 510 and 511 with threaded connections; (c) replace the threaded gas-supply line's final connections to the DFAC kitchen stoves with quick-disconnect devices; (d) move the gas-line service valves and piping in DFAC 511 away from the electrical disconnect devices; and (e) install fire stops and correct the exit signage throughout the KMTC Phase IV facilities.
2. Examine all fire extinguishers and direct MegaTech to replace counterfeit or missing extinguishers.

3. Determine whether the installed fire-door assemblies and faucets meet the contract requirements, and direct.
4. MegaTech to replace the items that do not or seek reimbursement for the price difference.
5. Work with KMTC officials to identify alternate solutions, other than drilling new wells, to supplying sufficient amounts of water to meet the facility's daily needs.

Inspection Report 18-08-IP: Department of State and USAID Reconstruction Projects in Afghanistan

Analysis of SIGAR Inspection Reports Issued from August 2009 through March 2017

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

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

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

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

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

prepared or unqualified contractor personnel, substandard materials, poor workmanship, inadequate government oversight, and possible fraud contributed to these results.

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

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

The failure to hold contractors accountable for their work also occurred on other occasions. For example, State's Bureau of International Narcotics and Law Enforcement Affairs (INL) paid a contractor, Al-Watan Construction Company, $18.5 million or 90% of the $20.2 million contract, to renovate Pul-e Charkhi prison, even though Al-Watan completed only about 50% of the work. An independent firm identified defective workmanship, including the failure to backfill trenches, missing roof flashings, and soil settlement issues. In addition, SIGAR found that not all of Al-Watan's work was completed according to contract.

SIGAR found that only two of the 13 reconstruction projects inspected met contract requirements: a State project to construct a power grid at the Counter Narcotics Strip Mall in Kabul, and the Sheberghan Teacher Training Facility, which initially did not meet requirements. SIGAR found that the strip mall's constructed power lines, transformer substations, and control panels conformed to contract requirements. The location of the facility in a heavily guarded compound in Kabul allowed INL officials to routinely visit the site, resulting in robust oversight throughout the construction. During the follow-up inspection at the Sheberghan Teacher Training Facility, SIGAR

determined that it generally was completed according to contract requirements and the electrical deficiencies were fixed.

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

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

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

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

Because SIGAR's inspection reports contained several recommendations to improve the efficiency and effectiveness of State's and USAID's reconstruction activities in Afghanistan, this report contains no new recommendations.

Inspection Report 18-09-IP: Afghan Ministry of Defense Headquarters Security and Support Brigade

Facility Construction Generally Met Contract Requirements, but Four Safety-Related Deficiencies Need to Be Addressed

On September 8, 2011, the Air Force Center for Engineering and the Environment awarded a $16.5 million cost-plus-fixed-fee task order—number 0049—to Innovative Technical Solutions Inc. (ITSI) to construct facilities for the Ministry of Defense (MOD) Headquarters Security and Support Brigade (HSSB) in Kabul. ITSI was to demolish, renovate, design, and construct 16 facilities, such as a gym, a vehicle-maintenance building, and an administration/barrack building, by September 7, 2013. The facilities would accommodate 2,200 Afghan National Army personnel. After five modifications, the contract cost increased to $35.1 million, and the completion date was extended to July 13, 2014. The Air Force closed out this task order in June 2014 before ITSI completed any of the HSSB facilities.

On July 30, 2014, the Air Force Civil Engineer Center (AFCEC) awarded Gilbane Federal—the new corporate name for ITSI—a $10.6 million firm-fixed-price task order to complete the HSSB facilities by July 31, 2015. This task order, number TG06—also required site grading, road construction, and upgrades to the sewage, site water, and storm-water management systems.

On July 31, 2015, AFCEC awarded Gilbane Federal an $18.6 million firm-fixed-price task order—number TG11—to finish construction of the partially completed facilities by March 14, 2016. After three modifications, this task order's value increased to $19.8 million. The project was completed in November 2015.

The objectives for this inspection were to determine whether (1) construction was completed in accordance with contract requirements and applicable construction standards, and (2) the facilities were being used and maintained.

The MOD HSSB project cost $65.5 million, $49 million more than the original cost, and it was completed more than two years after the original completion date. The cost increased despite five facilities, such as a quick reaction force building and an administration building, being descoped from the task orders. AFCEC officials stated that the increased cost was primarily due to the facilities not being completed under task order 0049 and attributed the delay mostly to the Afghan National Army's continued occupation of buildings designated for demolition under task order 0049. When AFCEC closed out task order 0049 in June 2014, it had already paid ITSI $35.1 million based on the work performed up to the closeout date, even though the contractor had not completed any of the HSSB facilities. This required AFCEC to issue two additional task orders—numbers TG06 and TG11—to complete the project.

SIGAR found that although the MOD HSSB facilities generally met contract requirements, four construction deficiencies exist that have safety implications associated with them—improperly installed electric heaters in restrooms, oversized circuit breakers in electrical panels, uninsulated hot water pipes, and suspended equipment installed without seismic bracing. Specifically,

- Three electric heaters in the administration/barrack building restrooms were installed above the ablution station, which army personnel use to wash themselves before prayer. AFCEC stated that the electric heaters installed above the ablution station were acceptable because the design for the electrical connections included a ground-fault circuit interrupter (GFCI), a safety feature that reduces the risk of electric shock and electrocution. However, the electric heaters were installed with an on-off disconnect switch instead of a GFCI connection. Because the electric heaters are within reach of the wash stations, people with wet hands could be shocked or electrocuted if they touch a faulty heater that does not have GFCI protection.
- Based on TG11 task order requirements, 60 circuit breakers—59 in the administration/barrack building and one in the fire station—and two main breakers in the administration/barrack building were oversized. For example, power panel 2 in the administration/barrack building contained 30 oversized circuit breakers, including circuit breakers 4 and 6 for unit heaters that required 16 amp circuit breakers, but had 32-amp circuit breakers installed. Installed circuit breakers that have a higher amperage rating than designed are considered "oversized" and could allow more electricity to flow than the wires can safely handle. This could melt the plastic coating around the wires and possibly start a fire.
- Exposed hot water pipes in the medical clinic were not insulated. According to the contract's plumbing drawings for the medical clinic, "All hot water piping shall be insulated." AFCEC officials stated that the water heater will not deliver water that is more than 120 degrees Fahrenheit. However, both the contract and the International Plumbing Code specifically required insulation on the hot water piping to prevent wasted energy and water, and protect occupants from exposed hot piping within their reach.

Despite the construction deficiencies and late completion, the Afghan National Army is using all of the HSSB facilities. Further, the MOD's engineering department manages the operations and maintenance for the headquarters facilities and its staff is maintaining the HSSB facilities adequately. However, the lack of adequate planning and coordination between AFCEC and Afghan officials during early stages of the medical clinic's design ultimately resulted in the building not meeting the user's needs.

To ensure the safety of Afghan National Army personnel at the MOD HSSB, SIGAR recommends that the Director of the Air Force Civil Engineering Center (AFCEC) take the following actions and report the results back to SIGAR within 90 days:

1. Develop an accurate set of as-built drawings for all systems that includes the locations of the electric heaters without GFCI protection, the oversized circuit breakers, and the exposed hot water pipes; provide the updated as-built drawings to the MOD HSSB facility managers; and inform the facility managers of the potential risks to Afghan National Army personnel.

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 16 recommendations contained in nine audit and inspection reports. These reports contained recommendations that resulted in the recovery of $93,370 in ineligible or unsupported contract costs paid by the U.S. government.

From 2009 through September 2017, SIGAR published 273 audits, alert letters, and inspection reports and made 785 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 or inspection 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 144 open recommendations. There were 31 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. Additionally, there are 22 recommendations more than 12 months old for which SIGAR is waiting for the respective agencies to complete their agreed-upon corrective actions. SIGAR previously reported these recommendations in a single category of "open," however, SIGAR now uses the category of "open-resolved" to more accurately align SIGAR recommendations statuses with CIGIE.

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 a team of analysts supported by 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 issued five products on a range of issues including, among others, USAID's implementation of an electronic payment (e-payment) system to improve customs revenue collection, observations on site visits to health facilities in Nangarhar Province, and a review that found nearly half of all foreign military trainees that went AWOL while training in the U.S. since 2005 were from Afghanistan. Special Projects also issued one inquiry and two alert letters to relevant authorities on USAID's Kandahar Food Zone, structural damage at a health facility in Khowst Province, and structural damage at an educational facility in Khowst Province. Special Projects also issued Inspector General Sopko's testimony to Congress on wasteful ANA uniform procurement.

COMPLETED SPECIAL PROJECTS REVIEWS

- Review 17-61-SP: USAID's Afghan Trade and Revenue
- Review 17-66-SP: Schools in Khowst Province
- Review 17-67-SP: Health Facilities in Nangarhar Province
- Review 18-02-SP: Schools in Kapisa Province
- Review 18-03-SP: U.S.-Based Training for Afghan Security Personnel

Review 17-61-SP: USAID's Afghan Trade and Revenue

Program has Failed to Achieve Goals for Implementation of E-Payment System to Collect Customs Revenues

The Afghan government's ability to efficiently and effectively collect customs duties—a key source of government income—is of critical importance to its long-term sustainability. In previous reports, SIGAR has raised concerns about customs duty collections and their impact on the Afghan government's ability to sustain its operations. For example, in a March 5, 2015, SIGAR inquiry letter to the USAID Administrator, SIGAR pointed out that representatives from the U.S. Embassy Kabul's Economic Section noted that a large portion of the decline in revenue could be attributed to concerns that approximately half of the customs duties for Afghan fiscal year 1393—which ran from December 21, 2013, through December 20, 2014—are believed to have been stolen. USAID officials suggested that eliminating or significantly stemming corruption in the customs process could potentially double the customs revenue remitted to the Afghan government.

SIGAR reviewed one component of USAID's four-year (November 2013–November 2017), $77.8 million Afghanistan Trade and Revenue (ATAR) program to implement an e-payment system to provide a more efficient and effective way to collect custom duties. USAID, in consultation with its ATAR implementing partner, Chemonics, established an objective of collecting 75% of all custom duties electronically by the end of the program.

However, SIGAR found that by the end of December 2016, less than 1% (0.59%) of all custom duty collections were being collected electronically.

SIGAR provided a draft of this review to USAID for comment on July 27, 2017. USAID provided comments on August 17, 2017. In its comments, USAID highlighted the challenges it encountered implementing the e-payment system, including the need for Da Afghanistan Bank—Afghanistan's central bank—and the Afghanistan Customs Department to work together, and the willingness of traders to use the system. USAID also pointed out, as does this review, that the implementation of the e-payment system was only one component of the ATAR program. Finally, USAID agreed with SIGAR's suggestion to hold Chemonics accountable to the terms of the contract and direct it to comprehensively assess the reasons why it failed to achieve the goals of the e-payment component, and said a root-cause analysis would be completed by August 31, 2017.

SIGAR conducted its work in Kabul, Afghanistan; at inland customs depots and border crossing points throughout Afghanistan; and in Washington, DC, from September 2016 through May 2017, in accordance with SIGAR's quality-control standards.

Review 17-66-SP: Schools in Khowst Province

Observations from Site Visits at 23 Schools

This report is the third in a series that discusses findings from SIGAR site visits at USAID-funded schools across Afghanistan. The 23 schools in Khowst province discussed in this report were either built or rehabilitated using taxpayer funds provided by USAID. The purpose of this Special Project review was to determine the extent to which those schools 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 23 schools. SIGAR's observations from these site visits indicated that there may be problems with student and teacher absenteeism at several of the schools visited in Khowst that warrant further investigation by the Afghan government. SIGAR also observed that several schools visited in Khowst lacked basic services, including electricity and clean water, and have structural deficiencies that are affecting the delivery of education.

SIGAR provided a draft of this review to USAID for comment on August 24, 2017. USAID provided comments on September 10, 2017. In its comments, USAID pointed out "that of the 23 schools visited by SIGAR, two were constructed and 21 were rehabilitated by USAID. Of the 21 rehabilitated schools, seven were nonstructural renovations." USAID also stated that the Afghan Ministry of Education (MOE) was responsible for the operation and maintenance of the schools, and USAID was no longer building new schools in Afghanistan. USAID reported that officials contacted the Khowst Provincial Education Director who indicated that the

Serious foundation flaws at a school in Khowst Province. (SIGAR photo)

Few of the students enrolled at this school in the Tani District of Khowst Province could be seen there during a March 2017 visit. (SIGAR photo)

school calendar in Khowst varies in urban and rural localities, which might account for the low attendance rates observed at three schools. Finally, 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 Khowst and Kabul Provinces, Afghanistan, and in Washington, DC, from March 2017 through August 2017, in accordance with SIGAR's quality-control standards.

Review 17-67-SP: Health Facilities in Nangarhar Province

Observations from Visits at Four Locations

SIGAR conducted this review to verify the locations and operating conditions of four public health facilities in Nangarhar Province. All four facilities received funds from the Commander's Emergency Response Program (CERP) in 2011. CERP was established to enable local U.S. commanders in Afghanistan to respond to urgent humanitarian and relief and reconstruction requirements. SIGAR found that the location information maintained in DOD systems was accurate and SIGAR successfully located each facility within one kilometer of its expected location. SIGAR also found that all four facilities were operational and well-equipped, electrified, and had access to running water.

SIGAR provided a draft of this review to DOD for comment on August 24, 2017. SIGAR worked closely with DOD subject-matter experts to verify the projects and data associated with the health facilities reviewed in this report. DOD did not provide formal comments, but did provide technical

Maternity-ward equipment at Health Facility 307, Nangarhar Province. (SIGAR photo)

Pharmacy at Health Facility 2509, Nangarhar Province. (SIGAR photo)

comments to a draft version of the report. SIGAR incorporated DOD's technical comments, as appropriate.

SIGAR conducted this special project in Washington, DC, and Nangarhar Province, Afghanistan, from June 2016 to August 2017, in accordance with SIGAR's quality-control standards.

Review 18-02-SP: Schools in Kapisa Province

Observations from Site Visits at Five Schools

This report is the fifth in a series that details SIGAR findings from site visits at U.S.-built or rehabilitated schools across Afghanistan. The five schools discussed in this report were either built or rehabilitated in Kapisa Province, using U.S. taxpayer funds provided by CERP between 2007 and 2008 at a cost of approximately $837,000. The purpose of this review was to determine the extent to which those schools were open and operational, and to assess their condition.

First, SIGAR found that each of the five schools was open and operational. Second, SIGAR found that most of the schools were structurally sound, safe for educational use, and well-attended. However, SIGAR also found that most schools lacked access to clean water and all lacked access to reliable electricity.

SIGAR provided a draft of this report to DOD for comment on September 25, 2017. SIGAR worked closely with DOD officials to verify data for the five schools reviewed in this report. DOD officials also provided technical comments to a draft of this report, which we incorporated as appropriate.

SIGAR conducted its work in Kapisa Province, Afghanistan, and in Washington, DC, from March 2016 through August 2017, in accordance with SIGAR's quality-control standards.

Review 18-03-SP: U.S.-Based Training for Afghan Security Personnel

Trainees Who Go Absent Without Leave Hurt Readiness and Morale, and May Create Security Risks

This report discusses the results of SIGAR's review of Afghan security personnel going Absent Without Leave (AWOL) while training within the United States. The report determines (1) the extent to which Afghan security personnel went AWOL while training in the United States; (2) the processes for vetting and selecting Afghans for training in the United States, and for investigating their disappearance once they have gone AWOL; and (3) the impact AWOLs have on the United States and Afghan training and reconstruction efforts.

SIGAR found that nearly half of all foreign military trainees who went AWOL while training in the United States since 2005 were from Afghanistan (152 of 320). Of the 152 AWOL Afghan trainees, 83 either fled the United States after going AWOL or remain unaccounted for. SIGAR also found that these instances of AWOL may have negative consequences for both Afghanistan and the United States. For example, SIGAR found that the increasing instances of AWOL since 2015 may have had a negative impact on operational readiness of Afghan National Defense and Security Forces (ANDSF) units and the morale of fellow trainees and home units, and posed security risks to the United States.

To help prevent Afghan trainees in the United States from going AWOL in the future, SIGAR suggests that DOD mentors in Afghanistan work closely with the Ministry of Defense (MOD) and Ministry of Interior (MOI) to develop processes and procedures that increase the likelihood that ANDSF personnel returning from training in the United States will be placed in positions that take advantage of their newly acquired skills.

Additionally, to improve coordination between U.S. Citizenship and Immigration Services (USCIS) and U.S. Immigration and Customs Enforcement's (ICE), and to help prevent AWOL trainees who may pose a threat to U.S. national security from remaining in the United States, SIGAR suggests that USCIS and ICE develop policies or procedures that will ensure improved communication between the two agencies throughout the investigatory and potential asylum processes, such as requiring ICE to include important case information in the TECS system immediately upon initiating an investigation into AWOL Afghan trainees.

Finally, given the demonstrated propensity of Afghan trainees to go AWOL while training in the United States, when compared to trainees of other nations, SIGAR suggests that State, in coordination with DOD and the

Department of Homeland Security (DHS), (a) determine whether requiring all Afghan trainees to complete an in-person interview prior to being granted an A-2 visa would help to mitigate AWOL occurrences or assist in ICE investigations when AWOLs occur, and (b) review the policy of exempting Afghan military trainees from provisions pertaining to registration as alien residents in the United States, as outlined in 8 U.S.C. § 1201, and evaluate the benefits of providing greater granularity on biographical and background information for all Afghan security trainees in the United States.

SIGAR provided a draft of this report to DOD, State, and DHS on August 29, 2017, SIGAR received both written and technical comments on a draft of this report from State and DHS. SIGAR incorporated their technical comments, as appropriate, and their written comments are reproduced in Appendix I and Appendix II, respectively. SIGAR also received technical comments from multiple DOD entities, including the Office of the Secretary of Defense, the Combined Security Transition Command-Afghanistan (CSTC-A), the Navy Internal Programs Office, and the Office of the Secretary of the Air Force Internal Affairs, which we incorporated as appropriate.

In its comments, State did not concur with one suggested action and neither agreed nor disagreed with another. The Department disagreed with the suggestion to determine whether requiring all Afghan trainees to complete an in-person interview prior to being granted a visa would help mitigate AWOL occurrences or assist in ICE investigations. However, SIGAR maintains that in-person interviews may provide valuable information regarding the likelihood of a trainee to abscond from training in the United States, and additional information (e.g., the names and addresses of friends and family members living in the United States) that, if shared with ICE, may be helpful in their investigative work.

Regarding SIGAR's suggestion that the Department review the policy of exempting Afghan military trainees from provisions pertaining to registration as alien residents in the United States and evaluate the benefits of providing greater granularity on biographical and background information for all Afghan security trainees in the United States, the Department neither agreed nor disagreed. Nevertheless, it is clear that Afghan trainees go AWOL while in the United States at a far higher rate than do trainees from any other country, and SIGAR believes that the State Department (as well as other government agencies) should use all the tools at their disposal to reduce these occurrences and ensure that Afghan trainees return to Afghanistan and make use of the substantial U.S. taxpayer investment in training. Finally, the State Department disagreed with the phrasing used in the draft report related to improving coordination between USCIS and ICE. Accordingly, SIGAR revised the suggested action.

In its comments, DHS stated that it "has a number of mechanisms in place to identify and remove aliens who overstay their period of lawful admission in the United States," and that ICE's Counterterrorism and Criminal Exploitation Unit "focuses on preventing criminals and terrorists from exploiting our immigration system by proactively developing cases for investigation on individuals who violate the conditions of their status or overstay their period of admission." Although the Department acknowledged the need for close cooperation with USCIS and other interagency partners to help ensure a safe and secure homeland, it did not agree with the language contained in a draft of suggested action because of the implications that such an action could have on the asylum process. SIGAR revised the language in response to the Department's concern.

SIGAR conducted its work in Kabul, Afghanistan, Joint Base San Antonio, and Washington, DC, from May 2016 to August 2017, in accordance with SIGAR's quality-control standards.

SPECIAL PROJECTS INQUIRY LETTER

- Inquiry Letter 17-64-SP: Kandahar Food Zone

Inquiry Letter 17-64-SP: Kandahar Food Zone

On September 8, 2017, SIGAR sent an inquiry letter to Mark Green, Administrator for USAID, to request information regarding USAID's Kandahar Food Zone (KFZ) program. USAID launched the $45.4 million KFZ program, a counternarcotic effort, in July 2013 to help rural farmers in targeted districts of Kandahar Province earn legitimate incomes from activities other than growing heroin-producing poppy. USAID initially awarded International Relief and Development Inc. (IRD) a three-year contract to implement the KFZ program, and the program has since been extended to run through August 2018.

USAID designed the KFZ program to create licit economic opportunities by providing small grants for infrastructure projects and alternative-livelihood training for local farmers in Kandahar Province. The KFZ program is also intended to strengthen the capacity of the Afghan Ministry of Counter Narcotics to promote licit alternatives to opium production through the implementation of alternative livelihood programs and piloting successful models of alternative development. In November 2016, USAID reported that the KFZ program has been successful in rehabilitating irrigation infrastructure, enhancing water management capacity, improving crop yields, and managing greenhouses efficiently.

Given the tens of millions of U.S. taxpayer dollars USAID spent on KFZ, and the importance of counternarcotics efforts to Afghanistan's reconstruction, SIGAR sought additional information concerning the completed infrastructure projects and KFZ program activities. SIGAR requested that USAID provide the following:

1. A list of all completed and ongoing infrastructure projects constructed through the KFZ program (including irrigation canals, greenhouses, and any other structures), along with: (a) project status

(completed or ongoing); (b) completion or anticipated completion dates; (c) GPS coordinates and names of associated villages for each project (or the most detailed location information available for each project); (d) funding levels for each project.

2. Copies of all prime contracts and contract modifications with implementing partner(s) for the KFZ program.

SIGAR requested a response and all requested documentation no later than September 22, 2017, and USAID responded on September 18, 2017.

Alert Letter 17-59-SP: Structural Damage at Health Facility 2132

On August 1, 2017, SIGAR sent an inquiry letter to Wade Warren, then-Acting Administrator for USAID to alert him of a safety matter that warrants action by USAID. SIGAR is conducting site inspections at USAID-supported health facilities throughout Afghanistan. USAID's support for these facilities is intended to enable health service delivery by providing funding for staff, basic supplies, and utilities, and is not intended to fund the construction or refurbishment of health facilities. While SIGAR site inspections at these facilities focus on the accuracy of location information maintained by USAID and the Afghan government and the operational status of the facilities, one aspect of SIGAR site inspections includes photographing and conducting a basic review of the structural integrity and general safety of the buildings at each site.

In April 2017, SIGAR conducted site visits to 20 health facilities in Khowst Province supported by USAID through the World Bank-administered System Enhancement for Health Action in Transition (SEHAT)

Construction at a Khowst Province health facility supported by USAID funds administered through a World Bank program. (SIGAR photo)

SPECIAL PROJECTS ALERT LETTERS

- Alert Letter 17-59-SP: Structural Damage at Health Facility 2132
- Alert Letter 17-60-SP: Structural Damage at Educational Facility SR 21

USAID support benefits a health facility in Khowst Province via the World Bank-administered SEHAT program. (SIGAR photo)

program. Following each site visit, SIGAR analysts and engineers examined the status of the facilities. SIGAR found that while health facility 2132 is operational and being used to treat patients, it has substantial structural damage and is not safe for use as a health facility or for any other purpose. SIGAR engineers found the facility's beams, column, and roof to be severely damaged, and that clinic staff used wooden beams to temporarily support the roof.

Of particular concern at health facility 2132 is the number of staff and patients in the facility at any given time. According to staff interviewed at the facility, it provides health services to between 70 and 120 patients per day, from approximately 20 surrounding villages. While conducting the site inspection, SIGAR observed roughly 15 patients at the facility.

SIGAR strongly urged USAID to immediately contact its partners in the SEHAT program (i.e., the World Bank and the Afghan Ministry of Public Health) and alert them to the unsafe conditions at facility 2132. SIGAR is concerned that continued use of the building puts the lives of staff, patients, and visitors at risk, and that the building is not safe for use until remedial actions are taken.

SIGAR conducted its work in Kabul, Afghanistan, Khowst Province, Afghanistan, and Washington, DC, from April 2017 through July 2017, in accordance with SIGAR's quality-control standards.

Alert Letter 17-60-SP: Structural Damage at Educational Facility SR 21

On August 15, 2017, SIGAR sent an alert letter to then-Acting Administrator of USAID Wade Warren to alert him to a safety matter that warrants immediate action. SIGAR observed serious structural damage at one building near a school in Khowst District, Khowst Province (facility SR 21); a school that was rehabilitated by the International Organization for Migration (IOM) under a cooperative agreement with USAID. While SIGAR does not believe the building to be part of the school that was rehabilitated by IOM, it is currently being used as a classroom and poses a serious danger to students and teachers.

SIGAR is engaged in efforts to determine the operational condition of schools constructed or renovated by USAID in provinces throughout Afghanistan. As part of this effort, SIGAR inspectors visited Khowst facility SR 21. While the site inspection focused on assessing the overall operating conditions at the facility, the inspectors also completed a basic safety review of the structural integrity of classroom buildings at facility SR 21 that included the collection of photographic documentation. Following the site visit, SIGAR engineers examined photographs of SR 21 and other buildings nearby being used as classrooms. At one such building, SIGAR found damage that is both substantial and potentially life-threatening. Specifically, SIGAR identified a building occupied by staff and students that appeared

Irreparable damage to building used as a classroom in Khowst Province. (SIGAR photo)

unsafe, structurally unsound, and with damage that appeared to be beyond repair or rehabilitation.

Structural failures observed in photos taken in the building indicate that the reinforcing structure of the building near SR 21 cannot withstand the weight of several of its own concrete sections, and SIGAR believes that complete detachment of these sections is imminent. Anyone under these concrete sections is in danger of being seriously injured or killed. Furthermore, the danger of building collapse is likely in the event of an earthquake.

Of particular concern at the building being used as a classroom near facility SR 21 is the number of staff and students in the damaged building at any given time. Specifically, while conducting the site inspection, SIGAR observed several teachers and dozens of children in the building and found that it was being used as a classroom.

SIGAR strongly urged USAID to immediately contact its partners in the Ministry of Education and alert them to the unsafe conditions at the building which was apparently serving as an auxiliary facility to SR 21. SIGAR is concerned that continued use of this building puts the lives of staff and students at risk, and that the building is not safe and should not be used as a classroom or for any other purpose.

SIGAR provided a draft of this alert letter to USAID on August 2, 2017. In its response, dated August 9, 2017, USAID thanked SIGAR for alerting it of the structural damage of educational facility SR 21, and stated that it had

"informed key personnel within the Ministry of Education of the situation and of the hazards of continued use of the facility."

SIGAR conducted its work in Kabul, Afghanistan, Khowst Province, Afghanistan, and Washington, DC, from April 2017 through July 2017, in accordance with SIGAR's quality-control standards.

SPECIAL PROJECTS TESTIMONY

- Testimony 17-58-TY: Procurement of Afghan Army Uniforms: Poor Decisions and Questionable Contracting Processes Added $28 million to Procurement Costs

Testimony 17-58-TY Procurement of Afghan Army Uniforms: Poor Decisions and Questionable Contracting Processes Added $28 Million to Procurement Costs

On July 25, 2017, IG Sopko testified before the U.S. House of Representatives Committee on Armed Services, Subcommittee on Oversight and Investigations, regarding the SIGAR Special Projects review that identified $28 million in wasteful spending on Afghan National Army (ANA) uniform procurement.

IG Sopko's testimony addressed (1) the generation of unnecessary, untested, and costly uniform specifications; (2) circumvention of Federal Acquisition Regulation requirements; and (3) a lack of oversight of direct assistance funds and the violation of U.S. law by the Afghan government.

IG Sopko reported that, as a result of the Special Projects review, DOD agreed to (1) take swift action and conduct an assessment to determine whether there is a more effective alternative, considering both operational environment and cost, available for the ANA, and (2) ensure that current contracting practices for ANA uniforms as well as Afghan National Police uniforms conform to all Federal Acquisition Regulation requirements.

COMPLETED LESSONS LEARNED PRODUCT

- Reconstructing the Afghan National Defense and Security Forces: Lessons from the U.S. Experience in Afghanistan

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 has five projects in development: interagency strategy and planning, counternarcotics, private-sector development, stabilization, and monitoring and evaluation.

Reconstructing the Afghan National Defense and Security Forces: Lessons from the U.S. Experience in Afghanistan

On September 21, SIGAR issued *Reconstructing the Afghan National Defense and Security Forces: Lessons from the U.S. Experience in Afghanistan*, which examines how the U.S. government—primarily the Departments of Defense, State, and Justice—developed and executed security-sector assistance programs to build, train, advise, and equip the ANDSF.

The development of the ANDSF is a cornerstone of the overall U.S. policy in Afghanistan and a key requirement of the U.S. strategy to transition

security responsibilities to the Afghan government. Since 2002, the ANDSF has been raised, trained, equipped, and deployed to secure Afghanistan from internal and external threats, as well as to prevent the reestablishment of terrorist safe havens. To achieve this, the United States devoted over $70 billion (60%) of its Afghanistan reconstruction funds to building the ANDSF through 2016, and continues to commit over $4 billion per year to that effort.

Reconstructing the ANDSF draws important lessons from the U.S. experience building the ANDSF. These lessons are relevant to ongoing efforts in Afghanistan, where the United States will likely remain engaged in security-sector assistance efforts to support the ANDSF through at least 2020. In addition, the United States participates in efforts to build other developing-world security forces as a key tenet of its national-security strategy, an effort which SIGAR anticipates will continue and will benefit from the lessons learned in Afghanistan. The report contains a detailed array of findings, lessons, and recommendations intended to improve U.S. actions in Afghanistan and elsewhere. It includes 12 researched and documented findings, 11 lessons drawn from those findings, and 35 recommendations for addressing those lessons—two for Congress to consider, seven that apply to executive agencies in general, seven that are DOD-specific, and 19 that are Afghanistan-specific and applicable to either executive agencies at large or to DOD.

The findings, lessons, and recommendations outlined in the report are described in Section One of this report. The full report and an interactive version are posted at SIGAR's website, www.sigar.mil.

INVESTIGATIONS

During the reporting period, SIGAR investigations resulted in one indictment, one criminal information, two guilty pleas, two sentencings, nearly $500,000 in restitutions and forfeitures, and over $134.9 million in savings for the U.S. government. SIGAR initiated 11 new cases and closed 47, bringing the total number of ongoing investigations to 231, as seen in Figure 2.1.

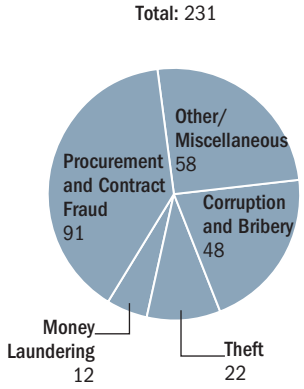
To date, SIGAR investigations have resulted in a cumulative total of 114 criminal convictions. Criminal fines, restitutions, forfeitures, civil settlement recoveries, U.S. government cost savings and recoveries total more than $1.2 billion.

Active Investigation Nets Over $134.9 Million Savings to U.S. Government

On July 16, 2017, the National Procurement Commission (NPC), chaired by President Ashraf Ghani, suspended the awarding of a $134,982,989 contract due to corruption exposed by a bribery investigation.

FIGURE 2.1

SIGAR INVESTIGATIONS: NUMBER OF OPEN INVESTIGATIONS, AS OF SEPTEMBER 30, 2017



Source: SIGAR Investigations Directorate, 10/11/2017.

SIGAR INTERCEPTS $1.6 MILLION IN SMUGGLED GOLD AT BAGRAM AIRFIELD

Reconstruction work in Afghanistan has been plagued with modern forms of criminality like bid rigging and money laundering. But the ancient trade of smuggling also survives, and its corrupt traffic includes the incorruptible metal prized since antiquity—gold.

In late July 2017, SIGAR Special Agents at Bagram Airfield (BAF) near Kabul trained contractors, law-enforcement members, and military personnel on fraud awareness.

Shortly thereafter, on August 4, a person who had attended the fraud briefing contacted SIGAR Special Agents to inform them that an individual was travelling from Kabul to BAF that day with a large quantity of gold in his possession. His final destination was reported to be Dubai in the United Arab Emirates.

Acting on this information, SIGAR Special Agents intercepted the traveler while he was changing planes at BAF. They quickly observed that he was carrying two heavy bags. The agents questioned the traveler, who said the bags contained eight newspaper-wrapped packages of gold bars.

The traveler could not show any documentation that authorized him to transport gold out of Afghanistan. But he did have papers indicating the nearly 92 pounds of gold he carried was worth about $1.6 million.

SIGAR took possession of the gold while further investigation was conducted. The results of a subsequent interview indicated that the transport of the gold violated Afghan customs and anti-money laundering laws. Further investigation revealed that the individual was working as a courier for an Afghanistan-based organization that transports large quantities of gold from Afghanistan to Dubai. The investigation also identified links between this organization and people living in the United States.

Given likely violations of Afghanistan's laws, and pursuant to the U.S.-Afghan Status of Forces Agreement, SIGAR Investigators contacted officials at the presidential palace in Kabul. By mid-August, SIGAR had sent a letter to President Ghani's special advisers outlining the facts of the investigation and receipt of the gold bars. In the letter, SIGAR investigators requested that the gold bars be transferred from SIGAR to Afghan government officials.

SIGAR Special Agents turn over intercepted gold bars to officials of the Afghan central bank. (SIGAR photo by Stuart Henderson)

President Ghani then formed a special working group to investigate the case. Members of the working group included senior officials from the Ministry of Finance, the Customs Department, the Attorney General's Office, Afghanistan's central bank, and the Major Crimes Task Force. One of the working group's first tasks was to coordinate the transfer of the gold from SIGAR to the central bank. Once that was completed, the working group and SIGAR began a joint investigation of the source and transport of the gold.

Whatever its final outcome, the case stands as a sterling example of what can be achieved when U.S. oversight agencies like SIGAR maintain good working relationships with Afghan officials.

SIGAR and USAID OIG received information regarding alleged impropriety by Afghan-based contractors in the award process of the DABS contract to build five NEPS/SEPS connector substations. The contract, totaling $134,982,989, was to be Afghan-administered, but funded by USAID. Afghan officials advised that a complaint was filed with the Afghan Ministry of Economy regarding an alleged $2 million bribe paid to secure the contract award and that President Ghani had frozen the tentative contract award and requested SIGAR's assistance in investigating the matter. Afghan officials stated that the Chinese-based prime contractor used Afghan subcontractors for assistance with interpreting and understanding Afghan procurement law, and with local logistics and transportation in Afghanistan. Afghan officials stated that part of the allegations received by the Office of the President was that the prime contractor had paid a $2 million bribe to secure the contract.

On July 16, 2017, the contract details were presented for approval to the Afghan National Procurement Authority. The NPC and President Ghani suspended the awarding of the contract when the corruption was exposed. Previous corruption had also been uncovered under another bidding process in late 2016 for the same award, which was canceled. The NPC and President Ghani referred this matter to the Afghan Attorney General's Office (AGO), for further investigation by the AGO, SIGAR, and USAID-OIG/I.

These corruption and investigative findings were reported by USAID-OIG/I to USAID in Kabul, Afghanistan. On July 27, 2017, USAID prepared an official letter advising that USAID was indefinitely revoking consent for any award related to this contract. The letter further stated that contributing to USAID's decision was the NPC's public announcement to investigate the contract award process with participation of SIGAR, USAID-OIG, and Afghanistan's Major Crimes Task Force. The letter was provided to the Afghan Ministry of Finance. This ongoing investigation is being conducted jointly with SIGAR and USAID-OIG.

Former U.S. Government Contractor Pleads Guilty to Accepting Kickbacks

On July 18, 2017, in the Northern District of Georgia, Nebraska McAlpine, former project manager of a DOD prime contractor in Afghanistan, pleaded guilty to accepting illegal kickbacks.

McAlpine and an Afghan executive agreed that in exchange for illicit kickbacks, McAlpine would ensure that the executive's companies were awarded lucrative subcontracts. McAlpine repeatedly informed his supervisors that these companies should be awarded sole-source subcontracts, which allowed them to supply services to the prime contractor without having to competitively bid on them. As a result of the kickback scheme, the prime contractor paid over $1.6 million to the subcontractor to assist with

SIGAR Afghanistan Investigations
Key Statistics September 1, 2016–September 30, 2017

- Over $239 million in U.S. government cost avoidance/contract money protected as a direct result of SIGAR Afghanistan Investigations
- Apprehension and turnover to Da Afghanistan Bank approximately 91.5 pounds of gold with an estimated $1.6 million value
- 75 recommendations for suspension and debarment
- Two U.S. citizen felony-plea agreements
- Two Afghan citizen arrests of Sayed Mustafa Kazemi and Major General Abdul Wasay Raoufi and the prosecution of Raoufi in coordination with the Attorney General's Office and the Anticorruption Justice Center
- 15 Afghan employee terminations/dismissals as a result of evidence gathered in criminal investigations
- High-level Afghan officials terminated by the Ghani Administration, or, who resigned as a result of SIGAR Afghanistan investigations:
  - Major General Abdul Wasay Raoufi, Ministry of Interior, Deputy to MOI Deputy Minister on Policy and Strategy, and Member of the Fuel Evaluation Committee, terminated as a result of a joint SIGAR/MCTF investigation
  - Deputy Minister Murtaza Rahimi, Ministry of Interior Support/Procurement, terminated for his role in the Raoufi investigation
  - CEO of Da Afghanistan Bresha Sherkat (Afghanistan Electric and Power Company) resigned as a result of an ongoing joint investigation by SIGAR/USAID/GIROA

maintaining the Afghanistan Ministry of the Interior ultra-high frequency radio communications system in Kabul, Afghanistan.

The executive agreed to pay kickbacks to McAlpine totaling approximately 15% of the value of the subcontracts and, in 2015 and 2016, McAlpine accepted over $250,000 in kickbacks. McAlpine hid these cash payments from his employer and took steps to secretly bring them back to his home in Georgia. Upon receipt of the cash in Afghanistan, McAlpine stored the money at the secure facility near the Kabul Airport and physically transported the cash when he traveled by airplane from Afghanistan to the United States on leave. McAlpine deposited the majority of these funds—approximately $183,250—into his bank accounts at bank branches in the Atlanta metropolitan area between August 2015 and May 2016.

This investigation is being conducted by the Defense Criminal Investigative Service (DCIS), SIGAR, and U.S. Army Criminal Investigation Command (CID-MPFU).

U.S. Military Member Indicted for Bribery

On July 27, 2017, in the Eastern District of California, David Turcios was indicted on two counts of receiving and agreeing to receive bribes.

Turcios is one of eight subjects of a major bribery investigation which focused on Afghan contractors paying bribes to U.S. military personnel in return for government contracts associated with the Humanitarian Aid Yard at Bagram Airfield. The Yard served as a storage-and-distribution facility for millions of dollars' worth of clothing, food, school supplies, and other items purchased from local Afghan vendors. U.S. military commanders provided those supplies to displaced Afghans as part of the Commander's Emergency Response Program (CERP) to meet urgent humanitarian relief needs for the Afghan people.

In June 2012, investigators uncovered an unusual pattern of suspect criminal activity at the Yard. They found traces of criminal activity affecting inventories, accounting, payments, and contract oversight.

As investigators conducted interviews, checked records, and scrutinized other evidence, they confirmed that U.S. military personnel, stateside contacts, and local Afghans had conspired in bribery, fraud, kickbacks, and money-laundering schemes. Among other improper acts, U.S. personnel took bribes from vendors or from Afghan interpreters who wanted to steer business to favored vendors. The conspiracies pervaded activities at the Yard, and persisted for years as new personnel were assigned there and, in some cases, adopted the corrupt practices of their predecessors.

The investigation led to a series of guilty pleas, prison terms, and forfeiture agreements as offenders were held accountable for their deeds.

Former USACE Employee Pleads Guilty to Bribery

On July 18, 2017, in the Central District of Illinois, Mark E. Miller, a former employee of the U.S. Army Corps of Engineers (USACE), was charged in a criminal information with one count of seeking and receiving bribes as a public official. On July 25, 2017, Miller pleaded guilty to soliciting almost $320,000 in bribes while working in Afghanistan. In addition, Miller agreed to forfeiture of $180,000 and a 2006 Harley-Davidson motorcycle.

From February 2009 to October 2011, Miller was assigned to Camp Clark military base in eastern Afghanistan. While in Afghanistan, Miller was the site manager and a contracting officer representative for a number of construction projects.

On December 10, 2009, the USACE awarded a contract worth approximately $2.9 million to an Afghan construction company for the construction of a road from eastern Afghanistan to the Pakistan border. This contract later increased in value to approximately $8.1 million. Miller admitted that he oversaw the work of the Afghan company on this road project, including verifying that the company performed the work called for by the contract and authorizing progress payments to the company by the USACE.

In the course of overseeing the contract with the Afghan company, Miller solicited approximately $280,000 in bribes from its owners, in return for assisting a company associated with the road project, including making sure the contract was not terminated. After the contract was no longer active, he solicited an additional $40,000 in bribes in return for possible future contract work and other benefits.

This matter was jointly investigated by SIGAR, the Federal Bureau of Investigation (FBI), DCIS, and CID-MPFU, with assistance from the U.S. Postal Inspection Service.

U.S. Contractor Sentenced for Making False Statements

On July 11, 2017, in the Eastern District of North Carolina, after pleading guilty to making false statements, William P. Anderson was sentenced to five months' incarceration, two years' supervised release and five months' home confinement. Anderson was ordered to pay restitution of $6,000 and a special assessment of $100.

An investigation revealed that between May 2013 and May 2014, Anderson denied smuggling criminal proceeds out of Afghanistan. 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 was jointly conducted by SIGAR, the FBI, DCIS, and CID-MPFU.

Head of SIGAR investigations Douglas Domin awards investigator Greg Hautau at the completion of a successful tour in Kabul (SIGAR photo by Charles Hyacinthe)

Former Soldier Sentenced for Theft and Conversion of $289,276 Worth of Government Property

On September 13, 2017, in the Eastern District of North Carolina, former U.S. Army Specialist, Kenneth Preston Blevins, was sentenced to 51 months' incarceration and three years' supervised release, and was ordered to pay $289,276 in restitution for the theft and conversion of government property.

Federal agents conducted financial analysis and discovered that the spouse of Kenneth Blevins had received several suspicious wire transfers originating from Afghanistan in small denominations to skirt reporting requirements. These funds totaled in excess of $17,000. Further investigation revealed the funds previously wired were proceeds from a scheme orchestrated by Blevins and former U.S. Army Specialist Michael Banks to sell food and dry goods from the dining facility (DFAC) they were assigned to at Camp Dyer, Afghanistan.

As food-service specialists responsible for the preparation and service of food at the DFAC, Blevins and Banks conspired to over-order food and supplies meant to feed U.S. Special Forces members. Once a substantial amount of supplies was set aside, Blevins and Banks used local Afghan DFAC daily workers who acted as negotiators and smuggled the stolen supplies off base to a local bazaar, where they were sold on the black market. A small portion of proceeds from the scheme was shared with the Afghan workers.

The case was jointly investigated by SIGAR, DCIS, CID, and the FBI.

SIGAR Investigations Personnel Receive FinCEN 2017 Certificates of Appreciation

During this quarterly reporting period, the SIGAR Investigations Directorate received a congratulatory letter from the Financial Crimes Enforcement Network (FinCEN) along with four certificates of appreciation for investigative staff. The letter and certificates are in recognition of SIGAR's submission to FinCEN's 3rd Annual Law Enforcement Awards Program.

The program recognizes law-enforcement agencies that demonstrate excellence in utilizing Bank Secrecy Act (BSA) reporting by financial institutions in their criminal investigations. The goal of the program is to recognize law-enforcement agencies that made effective use of financial-institution reporting to obtain successful prosecution, and to demonstrate to the financial industry the value of its reporting to law enforcement. The awards program is overseen by senior FinCEN executive staff and is open to all federal, state, county, local, tribal, and other U.S. law-enforcement agencies.

The following summarizes the case which was submitted to FinCEN for consideration for their awards program.

SIGAR Investigations conducts an ongoing program to review FinCEN BSA reporting pertaining to individuals with an Afghanistan nexus,

including uniformed military, civilians, and contractors, to identify criminal activities indicative of fraud and corruption.

During September/October 2012, a possible subject was identified when research into BSA reporting was being conducted by SIGAR. The subject, James Addas, was a contracting officer, government employee, and a retired U.S. Army major. Addas was employed by the U.S. Marine Corps as a business and technical management professional at Quantico, VA.

During the James Addas investigation, numerous interviews were conducted, approximately 15 grand jury subpoenas and two inspector-general subpoenas were served, and one search warrant was executed. Assisting in the investigation were CID, NCIS, DCIS, and IRS. In February 2015, in the U.S. District Court for the Eastern District of Virginia, Addas waived indictment and pleaded guilty to a two-count criminal information charging him with bribery of a public official, and making and signing a false tax return. On January 8, 2016, Addas was sentenced to 30 months' imprisonment and three years' supervised release, and was ordered to forfeit $577,828, pay restitution to the IRS totaling $115,435, and pay a court assessment of $100.

Suspensions and Debarments

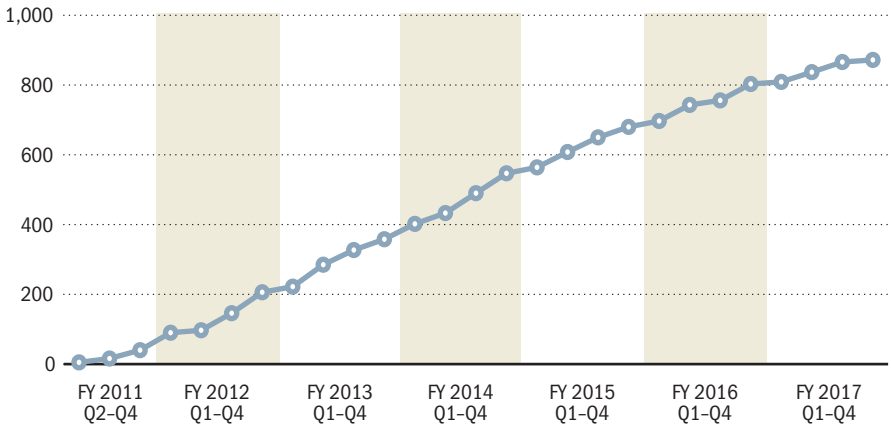
This quarter, SIGAR's suspension and debarment program referred two individuals and four companies for suspension or debarment based on evidence developed as part of investigations conducted by SIGAR in Afghanistan and the United States. These referrals bring the total number of individuals and companies referred by SIGAR since 2008 to 872, encompassing 480 individuals and 392 companies to date, as shown in Figure 2.2 on the next page.

As of the end of September 2017, the efforts of SIGAR to utilize suspension and debarment—actions taken by U.S. agencies to exclude companies or individuals from receiving federal contracts or assistance because of misconduct—to address fraud, corruption, and poor performance in Afghanistan have resulted in a total of 136 suspensions and 521 finalized debarments/special-entity designations of individuals and companies engaged in U.S.-funded reconstruction projects. An additional 23 individuals and companies have entered into administrative-compliance agreements with the U.S. government in lieu of exclusion from contracting since the initiation of the program. During the third quarter of 2017, SIGAR's referrals resulted in 13 finalized debarments of individuals and entities by agency Suspension and Debarment Officials and the entry of nine individuals and companies into an administrative-compliance agreement. An additional seven 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

FIGURE 2.2

CUMULATIVE REFERRALS FOR SUSPENSION AND DEBARMENT, Q2 FY 2011–Q4 FY 2017



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

U.S. jurisdiction over Afghan nationals and Afghan companies, and the vetting challenges inherent in the use of multiple tiers of subcontractors. SIGAR continues to look for ways to enhance the U.S. government's responses to these challenges through the innovative use of information resources and investigative assets both in Afghanistan and the United States. SIGAR makes referrals for suspensions and debarments based on completed investigations that SIGAR participates in.

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

SIGAR's emphasis on suspension and debarment is exemplified by the fact that of the 872 referrals for suspension and debarment that have been made by the agency to date, 845 have been made since the second quarter of 2011. During the 12-month period prior to October 3, 2017, referrals by SIGAR's suspension and debarment program resulted in the exclusion of

75 individuals and companies from contracting with the U.S. government. SIGAR's referrals over this period represent allegations of theft, fraud, poor performance, financial support to insurgents, and mismanagement as part of reconstruction contracts valued at approximately $145,267,069.

Construction Contractor Debarred for Submission of Fraudulent Claims Made for Construction of Afghan National Army Support Facilities in Badghis Province

On August 31, 2017, the Department of the Army debarred Elizabeth N. Carver, Paul W. Carver; Areebel Engineering and Logistics; Areeb of East for Engineering and General Trading Company Limited, d.b.a. "Areeb of East LLC"; Areeb-Rixon Construction Company LLC, d.b.a. "Areeb-REC JV"; Afghan Bamdad Construction Company, d.b.a. "Afghan Bamdad Development Construction Company"; RAB JV; and Areeb-BDCC JV based on the submission of a fraudulent claim and certification for payment regarding work allegedly completed on Afghan National Army support facilities in the vicinity of Qala-e-Naw, Badghis Province, Afghanistan.

Evidence developed as part of an investigation conducted by SIGAR and the ICCTF showed that on September 2, 2012, Elizabeth Carver, owner of Areebel Engineering and Logistics, submitted a request for equitable adjustment (REA) to the U.S. Army Corps of Engineers for $2,120,022 as part of contract W917PM-09-C-0023. The basis for this REA were changes made by the Spanish Provincial Reconstruction Team to reduce the dimensions of the footprint available for the construction of the ANA support facilities envisioned under the contract. These changes required a redesign of the faculties and a corresponding increase in the cost of the project. As part of her submission, Carver submitted a claim for $102,920 in additional costs for design work completed by an Egyptian subcontractor in order to comply with the changes required by the PRT. Carver also stated that the subcontractor had previously been paid $150,000 for design work associated with the project, bringing the overall costs associated with designing the support facilities to $252,920. This claim was accompanied with a certification from Carver stating that the costs and supporting materials were accurate and complete. When contacted by an ICCTF investigator to verify these costs, the subcontractor stated that Areebel Engineering and Logistics had not been charged the additional $102,920 and had never made full payment on the $150,000 for the original design work.

Areebel Engineering and Logistics had previously been debarred by the Department of the Army from March 7, 2013, through December 6, 2015, based on allegations that it obtained prohibited procurement sensitive information and employed an active duty Army contracting officer then overseeing multiple contracts awarded to the company in Iraq. During that time period, Areeb-Rixon, Areeb of East, and Areeb-REC JV were founded by Carver and her husband, Paul Carver, allowing these

companies to continue to obtain government contracts despite having the identical facilities, management, affiliations and employees as Areebel Engineering and Logistics despite the exclusion from contracting imposed on that company.

Based on the allegations made against them, Elizabeth N. Carver, Paul Carver, and their companies were debarred for a period of three years, ending on June 22, 2020, a period of time that takes into account the period that they were in proposed debarment status beginning on June 22, 2017.

Operator of Green Village Compound Enters into Administrative Compliance Agreement Following Proposal for Debarment

On August 25, 2017, the Department of the Army entered into an Administrative Compliance Agreement with Neil Emilfarb, Stratex Hospitality Holdings A.G., Stratex Limited, Stratex Hospitality, Stratex Management Inc., Stratex F.Z.C., and Shield Security Services (collectively referred to as Stratex) based on an investigation conducted by SIGAR into the operation of the Green Village Compound, a housing facility utilized by government contractors in Kabul, Afghanistan.

In April 2017, SIGAR recommended that Emilfarb and his companies be debarred from additional government contracts and subcontracts based on allegations that between 2010 and 2014, Baryalai Gafuri, an individual working with Emilfarb's companies, participated in a bribery scheme to fraudulently obtain visas and work permits for contractors residing at the Green Village Compound, in violation of the Foreign Corrupt Practices Act. SIGAR's recommendation was based on the benefits received by Emilfarb and his companies from obtaining these documents for contractors at Green Village and their relationship with Gafuri. As a result of this recommendation, Emilfarb, Stratex Hospitality Holdings A.G., Stratex Limited, Stratex Hospitality, Stratex Management Inc., Stratex F.Z.C., and Shield Security Services were placed in proposed debarment status on June 22, 2017. Gafuri and his company, Stratex Logistics and Support, were also placed in proposed debarment status at that time.

Following a written and oral presentation to the Army Suspension and Debarment Official, in which it denied the allegations in the SIGAR recommendation, counsel for Emilfarb and his companies requested that the Department of the Army enter into an agreement in lieu of the imposition of a suspension or debarment in this matter. The agreement required Stratex to sever its business relationships with Gafuri, initiate a compliance program, including a code of business ethics and conduct, antibribery and anticorruption training for all employees, and the hiring of a compliance officer to oversee the company's internal controls, all to be completed within 180 days of the effective date of the agreement. Additional periodic reporting to the Army regarding the status of the compliance

program is also required. The term of the ACA is three years, ending on August 25, 2020.

On September 7, 2017, Gafuri and Stratex Logistics and Support were debarred for a period of three years, ending on June 22, 2020, a period of time that takes into account the period that they were in proposed debarment status beginning on June 22, 2017.

OTHER SIGAR OVERSIGHT ACTIVITIES

Inspector General Sopko Speaks at the New York University Law Forum, New York City

On October 17, 2017, Inspector General Sopko spoke at the New York University Law School Symposium focused on transparency and corruption in the defense sector. IG Sopko spoke about SIGAR's law enforcement and auditing presence on the ground in Kabul, as well as the unique and innovative approaches SIGAR has taken in both areas to enable SIGAR to operate in a non-permissive environment.

Inspector General Sopko Speaks at Columbia University's School of International and Public Affairs, New York City

On October 16, 2017, Inspector General Sopko spoke at Columbia University's School of International and Public Affairs to discuss the importance of a "whole of government" approach. Given its multi-agency jurisdiction, IG Sopko said that SIGAR can play a strong role in developing lessons learned products that guide the current reconstruction effort in Afghanistan and future contingency operations.

Inspector General Sopko Speaks at the Center for Strategic and International Studies, Washington, DC

On September 21, 2017, Inspector General Sopko spoke to the Center for Strategic and International Studies on SIGAR's recently published Lessons Learned Program report titled *Reconstructing the Afghan National Defense and Security Forces: Lessons from the U.S. Experience in Afghanistan*. He explained SIGAR's oversight mission, described the status of corruption in Afghanistan, and highlighted SIGAR's findings, lessons, and recommendations.

Deputy Inspector General Aloise Speaks at the University of Denver's Korbel School of International Studies, Denver, Colorado

On September 25, 2017, Deputy Inspector General Aloise spoke at the Korbel School of International Studies at the University of Denver about SIGAR's oversight work and challenges facing reconstruction efforts

OTHER SIGAR OVERSIGHT ACTIVITIES

- Inspector General Sopko Speaks at the New York University Law Forum
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- Inspector General Sopko Speaks at the Center for Strategic and International Studies
- Deputy Inspector General Aloise Speaks at the University of Denver's Korbel School of International Studies
- Deputy Inspector General Aloise Speaks at a NATO Building Integrity Conference, Washington, DC

Gene Aloise, left, SIGAR Deputy IG, addressed a NATO panel on good governance and defense institution-building on September 12, 2017. (SIGAR photo by Alexandra Hackbarth)

Afghanistan. Using SIGAR's seven key questions for decision-makers, he explained the importance of using evidence-based policy making during reconstruction efforts.

Deputy Inspector General Aloise Speaks at a NATO Building Integrity Conference, Washington, DC

On September 12, 2017, Deputy Inspector General Aloise spoke on a panel at a NATO conference, "NATO Building Integrity: Projecting Stability Through Good Governance and Defence Institution Building." The panel in which DIG Aloise spoke was "Embedding Good Governance and Defence Institution Building in Operations and Missions from the Start."

SIGAR BUDGET

SIGAR is fully funded through FY 2017 at $54.9 million under the Consolidated Appropriations Act, 2017. 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.

Inspector General Sopko (center) and staff meet with Afghan Second Vice President Sarwar Danish in Kabul. (Afghan government photo)

SIGAR STAFF

SIGAR's staff count remained steady since the last report to Congress, with 184 employees on board at the end of the quarter: 27 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 19 employees on temporary duty in Afghanistan for a total of 249 days.

"Only by instilling budget discipline, by establishing a culture of cost awareness, and by holding ourselves accountable, can we earn the trust and confidence of the Congress and the American people."

—*Secretary of Defense James Mattis*

Source: Secretary of Defense, "Our Mission and Stewardship Responsibilities," memorandum to Under Secretaries of Defense, 7/21/2017, p. 1.