

# 2 SIGAR OVERSIGHT



## SIGAR OVERSIGHT CONTENTS

<b>SIGAR Oversight Activities</b>	<b>19</b>
<b>Audits</b>	<b>20</b>
<b>Inspections</b>	<b>25</b>
<b>Special Projects</b>	<b>31</b>
<b>Lessons Learned</b>	<b>41</b>
<b>Investigations</b>	<b>42</b>
<b>Quarterly Highlight: Consolidated Appropriations Act, 2018</b>	<b>49</b>
<b>Other SIGAR Oversight Activities</b>	<b>50</b>
<b>SIGAR Budget</b>	<b>53</b>
<b>SIGAR Staff</b>	<b>53</b>

**Photo on previous page**

President Ashraf Ghani presides over a February 2018 meeting of the High Council on Rule of Law and Anti-Corruption. (Afghan Presidential Palace photo)

## SIGAR OVERSIGHT ACTIVITIES

This quarter, SIGAR issued 13 audit, inspection, and other reports. SIGAR work to date has identified about \$2.1 billion in savings for the U.S. taxpayer.

SIGAR published two performance audit reports this quarter. These audits examined the World Bank's Afghanistan Reconstruction Trust Fund (ARTF) and Department of Defense's (DOD's) Commander's Emergency Response Program (CERP). SIGAR completed two financial audits of U.S.-funded contracts to support the Kabul Business Incubator and Afghan National Army (ANA) training in communications equipment. These financial audits identified \$89,892 in questioned costs as a result of internal-control deficiencies and noncompliance issues. To date, SIGAR's financial audits have identified more than \$417 million in questioned costs.

SIGAR also published two inspection reports. These reports examined phases I and III of the Ministry of Interior Headquarters construction project and phase III of the U.S. Army Corps of Engineers' (USACE) assistance to the Northeast Power System. SIGAR also completed an evaluation report examining DOD's efforts to supply and account for fuel in Afghanistan.

SIGAR's Office of Special Projects issued five reports on a range of issues including CERP-constructed or rehabilitated health facilities in Kandahar Province, procedures for collecting and screening the blood of ANA personnel, and United States Agency for International Development (USAID)-funded schools in Kunduz Province. Special Projects also issued three alert letters to relevant authorities concerning structural damage at two educational facilities and structural damage to a bridge, all in Baghlan Province.

SIGAR also issued its third lessons-learned report, *Private Sector Development and Economic Growth: Lessons from the U.S. Experience in Afghanistan*. The report examines how the U.S. government supported private-sector development in Afghanistan since 2001 through efforts led by USAID, with additional significant roles played by the Departments of State, Defense, Commerce, and Treasury.

During the reporting period, SIGAR investigations resulted in one indictment, one guilty plea, three sentencing, two arrests, \$6,527,491 in restitutions, and \$264,563,451 in cost avoidance and recoveries to the U.S. government. SIGAR initiated 12 new cases and closed 31, bringing the total number of ongoing investigations to 199.

### COMPLETED PERFORMANCE AUDITS

- Audit 18-42-AR: Afghanistan Reconstruction Trust Fund: The World Bank Needs to Improve How it Monitors Implementation, Shares Information and Determines the Impact of Donor Contributions
- Audit 18-45-AR: Commander's Emergency Response Program: DOD Has Not Determined the Full Extent to Which its Program and Projects, Totaling \$1.5 Billion in Obligations, Achieved Their Objectives and Goals in Afghanistan from Fiscal Year 2009 Through 2013

### COMPLETED FINANCIAL AUDITS

- Financial Audit 18-43-FA: Department of Defense Task Force for Business and Stability Operations' Support to the Kabul Business Incubator: Audit of Costs Incurred by the Friends of the American University of Afghanistan
- Financial Audit 18-44-FA: Department of the Army's Afghan National Army Communications Equipment Training and Sustainment Projects: Audit of Costs Incurred by DRS Global Enterprise Solutions

### COMPLETED INSPECTION REPORTS

- Inspection Report 18-35-IP: Afghan Ministry of Interior Headquarters Project: Phases I and III Experienced Construction Deficiencies, Poor Oversight, and Increased Costs
- Inspection Report 18-37-IP: USACE's Mismanagement Resulted in a System that is Not Permanently Connected to a Power Source, Has Not Been Fully Tested, and May Not Be Safe to Operate

### COMPLETED EVALUATION REPORT

- Evaluation Report 18-41-IP: Management and Oversight of Fuel in Afghanistan: DOD is Taking Steps to Improve Accountability, but Additional Actions are Needed

### COMPLETED SPECIAL PROJECTS REPORTS

- Report 18-30-SP: Health Facilities in Kandahar Province
- Report 18-31-SP: Schools in Kabul Province
- Report 18-33-SP: Collection and Screening of ANA Blood
- Report 18-34-SP: State Department's Good Performers Initiative
- Report 18-40-SP: USAID-Funded Schools in Kunduz Province

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# SIGAR OVERSIGHT ACTIVITIES

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## SPECIAL PROJECTS ALERT LETTERS

- Alert Letter 18-32-SP: Structural Damage at Educational Facility SR 06
- Alert Letter 18-36-SP: Structural Damage at Educational Facility in Baghlan Province
- Alert Letter 18-39-SP: Structural Damage at Baghlan Bridge

## COMPLETED LESSONS LEARNED PROGRAM REPORT

- SIGAR 18-38-LL: Private Sector Development and Economic Growth: Lessons from the U.S. Experience in Afghanistan

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 895, encompassing 498 individuals and 397 companies to date.

## AUDITS

SIGAR conducts performance audits, financial audits, inspections, and evaluations of programs and projects connected to the reconstruction effort in Afghanistan. Since its last quarterly report to Congress, SIGAR has issued two performance audit, two financial, two inspections, and one evaluation report. This quarter, SIGAR has eight ongoing performance audits.

## Performance Audit Reports Published

SIGAR published two performance audit reports this quarter. These audits examined the World Bank's Afghanistan Reconstruction Trust Fund and DOD's Commander's Emergency Response Program.

### **Performance Audit 18-42-AR: Afghanistan Reconstruction Trust Fund**

#### **The World Bank Needs to Improve How it Monitors Implementation, Shares Information, and Determines the Impact of Donor Contributions**

Since its establishment in May 2002, the World Bank's multidonor Afghanistan Reconstruction Trust Fund (ARTF) has been one of the largest sources of funding to Afghan government operations outside the security sector. USAID is the largest contributor to the ARTF, providing over \$3 billion as of December 2017. The objectives of this follow-on audit were to (1) assess the extent to which the World Bank, working with the Afghan government, has improved efforts to monitor and account for ARTF funding since 2011; (2) assess the extent to which the World Bank measured and reported to donors the performance and outcomes of ARTF development projects; and (3) identify the challenges, if any, donors face in holding the Afghan government accountable for ARTF implementation.

SIGAR found that continued limitations and lack of transparency into the World Bank's and the Afghan government's monitoring and accounting of the ARTF puts billions of dollars at risk. SIGAR found that the World Bank limits donors' access to information on how it monitors and accounts for ARTF funding, and does not follow its own policy to provide donors and the public with access to certain ARTF records. SIGAR's initial audit of the ARTF in 2011 found that the Afghan government struggled to implement fiduciary controls over ARTF funding; a problem that continues.

## COMPLETED PERFORMANCE AUDITS

- Audit 18-42-AR: Afghanistan Reconstruction Trust Fund: The World Bank Needs to Improve How it Monitors Implementation, Shares Information and Determines the Impact of Donor Contributions
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Based on its review of six development projects that accounted for more than \$2.25 billion of the \$4.88 billion spent on all of the development projects as of December 2017, SIGAR found that the World Bank is not consistently complying with its own guidance for measuring and reporting on ARTF development projects. While the World Bank has taken steps that it believes will improve its ability to evaluate overall ARTF performance, it is still unable to accurately measure ARTF sector-level or overall performance. Finally, SIGAR found that the World Bank and donors face challenges holding the Afghan government accountable for ARTF implementation.

The World Bank and donors also lack the ability to adjust the scope of ongoing projects without Afghan government agreement, have no mechanism to withhold or recover ARTF funding, and do not use or enforce conditionality on ARTF funds. World Bank officials told SIGAR that the ARTF does not use conditionality or other mechanisms that would restrict disbursement of ARTF funding in general because this would counter the ARTF's priority to pursue all opportunities for spending available funding on the Afghan government.

SIGAR made five recommendations to the USAID Administrator to improve overall World Bank monitoring and accounting of ARTF funding. These recommendations include expanding the scope of the World Bank's field monitoring work, improving donor access to information and public transparency, evaluating the performance of its third-party monitors, ensuring the World Bank adheres to its own performance management guidance, and allowing donors more flexibility in holding the Afghan government accountable for ARTF implementation.

## **Performance Audit 18-45-AR: Commander's Emergency Response Program**

### **DOD Has Not Determined the Full Extent to Which its Program and Projects, Totaling \$1.5 Billion in Obligations, Achieved Their Objectives and Goals in Afghanistan from Fiscal Year 2009 Through 2013**

DOD developed the Commanders' Emergency Response Program (CERP) in Iraq in June 2003 and began using it in Afghanistan in 2004. CERP is a flexible program that U.S. commanders use in support of the U.S. Forces-Afghanistan's (USFOR-A) mission and to meet urgent humanitarian needs relief and reconstruction requirements across 20 different categories. These categories include transportation, electricity, and agriculture. Since 2004, Congress has appropriated \$3.7 billion for CERP activities in Afghanistan, with over \$2.6 billion (69%) appropriated between fiscal years 2009 and 2013.

The objectives of this audit were to assess (1) the extent to which DOD's reports demonstrate how CERP is advancing U.S. strategy in Afghanistan and, (2) how DOD determined whether CERP projects were achieving its goals. The audit focused on CERP projects implemented from fiscal years

# SIGAR OVERSIGHT ACTIVITIES

2009 through 2013. During this period, USFOR-A was responsible for CERP, and DOD obligated \$1.5 billion (58%) of all CERP funds and initiated 45,846 (80%) of all CERP projects in Afghanistan.

SIGAR found that DOD’s reports did not consistently demonstrate how CERP advanced U.S. strategy in Afghanistan because the quarterly USFOR-A Commander’s Narratives did not consistently provide information describing how CERP assisted the U.S. in carrying out this strategy. In addition, SIGAR found that DOD did not fully assess the extent to which CERP projects valued at \$50,000 or more met their stated goals. Although CERP project files identified how the achievement of goals for each large and medium project would be measured, they do not include information that reported whether the projects achieved those goals. SIGAR’s sample of 1,429 projects found that none of the files for 51 large (\$500,000 or more) and 66 medium (\$50,000 to \$499,000) CERP projects reported whether project goals were achieved. However, the files for all 1,312 small (\$50,000 or less) projects in the sample reported that project goals had been achieved. According to DOD, these project goals were achieved at the time payment was made.

The results of SIGAR’s stratified-sample analysis are generalizable to the population of CERP projects that were initiated from fiscal years 2009 through 2013 with a 90% confidence level and a 10% margin of error.

To better assess CERP’s performance and improve funding accountability, SIGAR recommends that the Secretary of Defense (1) consistently implement procedures for assessing CERP and CERP-funded projects to determine the extent to which they are achieving their intended goals and assisting the United States in carrying out its strategy in Afghanistan; and (2) complete and submit to Congress the CERP report on lessons learned and best practices as soon as possible, and ensure that it includes all of the elements prescribed in the National Defense Authorization Act for Fiscal Year 2014.

## Financial Audits

SIGAR launched its financial-audit program in 2012, after Congress and the oversight community expressed concerns about oversight gaps and the growing backlog of incurred-cost audits for contracts and grants awarded in support of overseas contingency operations. SIGAR competitively selects independent accounting firms to conduct the financial audits and ensures that the audit work is performed in accordance with U.S. government auditing standards. Financial audits are coordinated with the federal inspector-general community to maximize financial-audit coverage and avoid duplication of effort. SIGAR has 31 ongoing financial audits with \$1.1 billion in auditable costs, as shown in Table 2.1.

This quarter, SIGAR completed two financial audits of U.S.-funded contracts to rebuild Afghanistan. These audits help provide the U.S.

TABLE 2.1

<b>SIGAR’S FINANCIAL AUDIT COVERAGE</b> (\$ BILLIONS)	
108 completed audits	\$6.68
31 ongoing audits	1.11
<b>Total</b>	<b>\$7.78</b>

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

Source: SIGAR Audits and Inspections Directorate.

# SIGAR OVERSIGHT ACTIVITIES

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 more than \$417.5 million in **questioned costs** and \$363,244 in unremitted interest on advanced federal funds or other revenue amounts payable to the government. As of March 31, 2018, funding agencies had disallowed nearly \$25.5 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 366 compliance findings and 390 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 two financial audits of U.S.-funded contracts to rebuild Afghanistan. These financial audits identified \$89,892 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.

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

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

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

## COMPLETED FINANCIAL AUDITS

- Financial Audit 18-43-FA: Department of Defense Task Force for Business and Stability Operations' Support to the Kabul Business Incubator
- Financial Audit 18-44-FA: Department of the Army's Afghan National Army Communications Equipment Training and Sustainment Projects: Audit of Costs Incurred by DRS Global Enterprise Solutions

## **Financial Audit 18-43-FA: Department of Defense Task Force for Business and Stability Operations**

### **Support to the Kabul Business Incubator**

On July 8, 2013, DOD's Washington Headquarters Services, on behalf of the Task Force for Business and Stability Operations (TFBSO), awarded a 6-month, \$1,348,255 grant to Friends of the American University of Afghanistan (FAUAF). The grant was intended to fund a pilot program to assess the viability of a sustainable business incubator in Kabul, Afghanistan. After four modifications, the period of performance was extended through June 30, 2014. The grant's ceiling did not change.

SIGAR's financial audit, performed by Williams, Adley & Company-DC (Williams Adley), reviewed \$1,041,953 in expenditures charged to the grant from July 8, 2013, to January 7, 2014. Williams Adley identified one material weakness, one significant deficiency, and three other deficiencies in FAUAF's internal controls, and four instances of noncompliance with the terms of the grant and with applicable laws and regulations. For example, Williams Adley found that FAUAF could not support the way it allocated certain labor costs charged to the grant. In addition, FAUAF charged costs incurred outside the grant's period of performance. In one instance, FAUAF charged for first-class travel without authorization. As a result of these internal-control deficiencies and instances of noncompliance, Williams Adley identified \$89,892 in total questioned costs. Williams Adley sought prior audit reports and corrective actions to determine their impact on the audit, but did not identify any findings or recommendations from prior engagements that could have a material effect on the Special Purpose Financial Statement or other financial data significant to the audit objectives. Williams Adley issued a qualified opinion on FAUAF's special-purpose financial statement, noting that the amount of question costs and the material weakness identified diminish FAUAF's ability to ensure that labor costs charged are accurate.

Based on the results of the audit, SIGAR recommends that the responsible Washington Headquarters Services Grant Officer:

1. Determine the allowability of and recover, as appropriate, \$89,892 in questioned costs identified in the report.
2. Advise FAUAF to address the report's five internal control findings.
3. Advise FAUAF to address the report's four noncompliance findings.

## **Financial Audit 18-44-FA: Department of the Army's Afghan National Army Communications Equipment Training and Sustainment Projects**

### **Audit of Costs Incurred by DRS Global Enterprise Solutions**

On September 7, 2012, the Army Contracting Command awarded a \$17,309,800 task order to DRS Global Enterprise Solutions (DRS). Its purpose was to advise the Afghan National Army (ANA) on utilizing the U.S. government furnished tactical ground communications systems-electronic

equipment and accessories. In addition, DRS assisted in providing training, technical assistance, and advising to the tactical communication system repair technicians at all levels for the ANA. After 14 modifications, the contract's funding increased to \$35,141,469 and the period of performance was extended from September 6, 2013, to December 31, 2014.

SIGAR's financial audit performed by Crowe Horwath LLP (Crowe) reviewed \$15,679,975 in expenditures that DRS charged to the contract for the period from September 30, 2013, through December 31, 2014. Crowe identified one significant deficiency and one material weakness in DRS' internal controls and two instance of material noncompliance with the terms and conditions of the contract and applicable regulations. Crowe found that DRS did not retain evidence of receipt for contractor-acquired and government-furnished property. In addition, Crowe determined that DRS's property records were incomplete because it omitted some acquisition costs. DRS was able to produce disposition support for each item reviewed, so no costs were questioned. Crowe identified one prior finding with potential material effects on the DRS' Special Purpose Financial Statement, but found that the matter was not repeated in the current audit. Crowe issued an unmodified opinion on DRS' Special Purpose Financial Statement, noting that it presents fairly, in all material respects, revenues received, and costs incurred for period indicated.

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

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

## INSPECTIONS

### Inspection Reports Published

This quarter, SIGAR published two inspection reports and one evaluation report. These reports examined phases I and III of the Ministry of Interior Headquarters construction project, phase III of the U.S. Army Corps of Engineers' (USACE's) Northeast Power System, and management and oversight of fuel in Afghanistan.

#### **Inspection Report 18-35-IP: Afghan Ministry of Interior Headquarters Project Phases I and III Experienced Construction Deficiencies, Poor Oversight, and Increased Costs**

In September 2011, USACE initiated a three-phase, \$90 million project to construct a headquarters compound in Kabul for the Afghan Ministry of Interior (MOI) and the national police. The Combined Security Transition Command-Afghanistan (CSTC-A) funded the project.

#### COMPLETED INSPECTION REPORTS

- Inspection Report 18-35-IP: Afghan Ministry of Interior Headquarters Project: Phases I and III Experienced Construction Deficiencies, Poor Oversight, and Increased Costs
- Inspection Report 18-37-IP: USACE's Mismanagement Resulted in a System that is Not Permanently Connected to a Power Source, Has Not Been Fully Tested, and May Not Be Safe to Operate
- Evaluation Report 18-41-IP: Management and Oversight of Fuel in Afghanistan: DOD is Taking Steps to Improve Accountability, but Additional Actions are Needed

# SIGAR OVERSIGHT ACTIVITIES



**A suboptimal ceiling-fan** installation at the Ministry of Interior headquarters building. (SIGAR photo)

This report focused on phases I and III. SIGAR issued a report on phase II on September 11, 2017. On September 8, 2011, USACE awarded a \$3.2 million firm-fixed-price contract to Abdulhai-Gardezi Construction Firm (ACF), an Afghan company, for the phase I construction of the compound's main road network, the main entry control point, a storm-water management system, and other utilities and basic infrastructure. On March 20, 2012, USACE awarded a \$54.3 million firm-fixed-price contract to Lakeshore Toltest Corporation (LTC), a U.S. firm, for the phase III construction of the national police command center, barracks buildings, a dining facility, and other support structures. In January 2014, USACE terminated LTC's contract for default and engaged Macro Vantage Levant (MVL), an Emirati company, to complete the project. The modified values of phases I and III were \$6 million and \$67.6 million, respectively.

Phase I and phase III construction was completed, generally within contract requirements, but SIGAR identified 12 design and construction deficiencies, most notably the substitution and installation of noncertified doors instead of the contract-required certified, fire-rated doors. Worse, SIGAR observed contractor personnel affixing manufacturer labels during a site visit and then, USACE directed the contractor, MVL, to affix field labels to the doors at the construction site to indicate the doors were in fact certified fire-rated doors. However, manufacturer certification labels must be affixed at the factory when the doors are built, and only one of three certifying agencies can affix field labels. USACE never required MVL to replace the doors, even though USACE knew well in advance of contract completion and warranty expiration that the non-compliant doors were not certified fire-rated doors.

SIGAR also found two other cases of product substitution by contractors, as well as deficiencies such as the poor construction of storm water-detention basins and concrete that did not meet compression-strength requirements. The MOI headquarters compound is used and maintained, but the MOI erected walls within some administration buildings after taking possession of the compound, which disrupted the heating, ventilation, and air conditioning in those buildings.

To protect the U.S. taxpayers' investment in phases I and III of the MOI headquarters project and improve the administration of other construction contracts in Afghanistan, SIGAR made two recommendations to USACE, in coordination with CSTC-A:

First, remove all manufacturer fire-rating and field labels from the noncompliant doors and notify the MOI of the potential safety hazards resulting from the noncompliant doors installed throughout the headquarters compound.

Second, reinforce with USACE's contracting officer the importance of preparing final Contractor Performance Assessment Reports that include details from interim evaluations to ensure that any contractor performance

# SIGAR OVERSIGHT ACTIVITIES

deficiencies identified and actions taken to address those deficiencies reflect the complete history of contractor's performance over the course of the contract.

USACE did not concur with one recommendation, which SIGAR revised, and concurred with the other recommendation. The draft included a third recommendation, which USACE partially concurred with, and that SIGAR removed since the contracting officer involved determined it was not in the government's interest to make any further demands on the contractor to correct the deficiencies or seek reimbursement because the construction is complete and has been accepted, and the warranty had expired.

## **Inspection Report 18-37-IP: Afghanistan's Northeast Power System Phase III**

### **USACE's Mismanagement Resulted in a System That is Not Permanently Connected to a Power Source, Has Not Been Fully Tested, and May Not Be Safe to Operate**

On September 27, 2013, the U.S. Army Corps of Engineers (USACE) awarded a \$116 million firm-fixed-priced contract to Zwakman Nabizai Construction Company (ZNCC), an Afghan company, to design and construct Northeast Power System (NEPS) phases II and III. U.S. Forces-Afghanistan (USFOR-A) funded the contract through the Afghanistan Infrastructure Fund. About \$59.7 million was allocated to phase III to design and construct 5.6 miles of 220-kilovolt power transmission lines from the Charikar substation in Parwan Province to Gulbahar in Kapisa Province; 26.1 miles of 110-kilovolt power transmission lines from Gulbahar to Nejrab, both in Kapisa Province; and a new power substation in Gulbahar to connect both sets of transmission lines.



**A Northeast Power System** terminal tower ending without connection to the Nejrab District substation. (SIGAR photo)

# SIGAR OVERSIGHT ACTIVITIES

Although NEPS III has been built, USACE's mismanagement of the contract has resulted in the U.S. government spending almost \$60 million on a power-transmission project that is not operational because land-acquisition and right-of-way issues have not been resolved, and because there was no contract provision to permanently connect the system to a power source. In addition, the NEPS III system may be structurally unsound and pose a risk to Afghans who live near transmission towers and lines, or work in the Gulbahar substation.

SIGAR found that USACE initiated NEPS III's construction before the Afghan government acquired privately held land along the transmission-line route. However, to date, the Afghan government has not acquired any privately held land, which amounts to about 68% of the total required for NEPS III. Nonetheless, USACE issued ZNCC multiple partial or limited clearances to begin construction of the NEPS III transmission towers, power lines, and substation, and ZNCC ultimately built the entire system. SIGAR then found that Afghans still reside, in some instances, directly under transmission lines. The contract also required ZNCC to deliver power from the Charikar to the Gulbahar substation, but did not include plans to connect NEPS III to the Charikar substation, as intended. However, in July 2017, more than four years after USACE awarded ZNCC the contract, following USACE's direction, ZNCC made a temporary connection, called a T-connection, to an outgoing transmission line from the Charikar substation that was not energized.

As a result of this, along with private land not being acquired and cleared, NEPS III cannot be fully tested and commissioned or become operational. In addition, SIGAR found that the NEPS III transmission lines are connected to a terminal tower instead of a permanent connection to the Nejrab substation. Furthermore, because the NEPS III system cannot be fully tested or commissioned without electricity, it is unclear whether the system will function as designed.

USACE officials told SIGAR that until all buildings, houses, and other structures and obstacles along the NEPS III transmission line route have been removed, they will not energize NEPS III because it may put residents at risk. Ultimately, in March 2018, USACE provided SIGAR with documents indicating that USACE transferred a locked and nonoperating system to USFOR-A and that USFOR-A transferred that system to the Afghan Ministry of Energy and Water on February 3, 2018. No evidence was provided that the project was transferred to Da Afghanistan Breshna Sherkat, the Afghan national power company.

In addition to discovering project mismanagement, SIGAR determined that NEPS III may be structurally unsound. ZNCC built three of the 18 transmission towers SIGAR inspected on embankments of loose soil and without retaining walls, added concrete to transmission-tower foundations that exhibited faulty workmanship like exposed rebar and have started

to crumble—raising questions about whether the foundations complied with contract requirements and whether the strength of the tower foundations has been compromised. SIGAR also identified two issues with safety risks: ZNCC did not install the required nine certified fire-rated doors in the Gulbahar substation, and stored 136 acid batteries in the substation that have an increased risk of exploding because without electricity, the storage room cannot be properly vented of hydrogen gas and maintained at required temperature.

To decrease the safety risks to Afghans living near the NEPS III transmission route and substation and protect the U.S. taxpayers' investment in NEPS, SIGAR made six recommendations. USACE did not concur with four recommendations, concurred with one recommendation, and partially concurred with another. SIGAR's draft report also included a recommendation for USACE to ensure that NEPS III components and equipment are secured to prevent theft or damage, but based on USACE's response to this recommendation and the documentation provided, SIGAR removed it from the final report. USACE also provided technical comments, which SIGAR incorporated into the report along with responses, as appropriate.

## **Evaluation Report 18-41-IP: Management and Oversight of Fuel in Afghanistan**

### **DOD is Taking Steps to Improve Accountability, but Additional Actions are Needed**

Since 2001, the U.S. military, along with its coalition and Afghan counterparts, has had to import, distribute, and consume fuel to support its operations. According to the Defense Logistics Agency-Energy (DLA-E), the agency supplied more than 2.8 billion gallons of fuel to support U.S. military operations in Afghanistan at a cost of more than \$13 billion from fiscal year (FY) 2008 through FY 2016. Additionally, from FY 2010 through FY 2018, the Department of Defense (DOD) planned to spend \$3.2 billion to supply fuel for the Afghan National Defense and Security Forces (ANDSF). As of March 2017, DOD estimated that the ANDSF would require approximately 108 million gallons of fuel annually.

Beginning in 2012, SIGAR, DOD's Office of Inspector General (OIG) and the U.S. Army Audit Agency (USAAA) have issued nine reports concerning either U.S. or Afghan military fuel management and accountability efforts in Afghanistan. Additionally, SIGAR conducted 70 criminal investigations related to fuel theft in the country, many of which were conducted in partnership with other U.S. and Afghan government agencies. As of December 2017, these investigations had resulted in almost \$32 million in fines, restitutions, and forfeitures, and \$28.5 million in recoveries and savings. Additionally, the investigations led to 40 convictions that included sentences totaling more than 115 years in prison and 53 years of probation. The investigations also resulted in authorities barring 176 individuals from military installations.

### **COMPLETED EVALUATION REPORT**

- Evaluation Report 18-41-IP: Management and Oversight of Fuel in Afghanistan: DOD is Taking Steps to Improve Accountability, but Additional Actions are Needed

# SIGAR OVERSIGHT ACTIVITIES

The objectives of this evaluation were to (1) review and summarize weaknesses identified in audits and evaluations completed prior to 2017 regarding efforts to procure, distribute, and account for fuel in Afghanistan, including those found in SIGAR's investigations related to fuel theft; (2) assess current challenges associated with overseeing and accounting for fuel acquired for the ANDSF; and (3) evaluate DOD's planned initiatives to improve oversight and accountability of fuel acquired for the ANDSF.

Due to the amount of fuel needed for military operations, along with the highly transferable nature of this commodity, fuel theft has become a lucrative business in Afghanistan. At least \$154.4 million in fuel was stolen from either the U.S. military or the ANDSF, and may have benefited the Taliban and other insurgent and terrorist organizations. SIGAR's prior audits and investigations, along with oversight work conducted by DOD OIG and USAAA, identified weaknesses in supplying and accounting for fuel in Afghanistan that may have allowed for theft and corruption, including poor contractor oversight, record keeping, and accurate fuel measurement procedures.

CSTC-A has been the primary U.S. agency responsible for supplying fuel to the ANDSF. Prior to 2017, CSTC-A used both on-budget and off-budget mechanisms to supply fuel to the ANDSF. By February 2017, CSTC-A had moved all ANDSF ground fuel procurement off-budget due to concerns about corruption and contract mismanagement within the Ministries of Defense (MOD) and Interior (MOI). CSTC-A subsequently used a contract, awarded by the Expeditionary Contracting Command-Afghanistan (ECC-A), as the primary fuel supply contract for the ANDSF. SIGAR found this contract to have oversight and accountability weaknesses including limited visibility into fuel deliveries, fuel consumption, fuel site storage capacities, infrastructure, and personnel capabilities. Similarly, ECC-A contracting officials noted insufficient contract requirements may have allowed vendors to obtain poor quality fuel and from prohibited sources, such as Iran.

Until DOD can develop a long-term plan to supply fuel to the ANDSF, CSTC-A and ECC-A added oversight provisions in interim fuel contracts meant to serve as a bridge. Contractors were required to submit daily fuel delivery reports and certified country-of-origin documentation from their fuel suppliers. Additionally, CSTC-A started using U.S. military fuel specialists to train ANDSF personnel in basic fuel quality testing methods and fuel handling procedures. CSTC-A and ECC-A also implemented a third-party monitoring contract in an effort to ensure fuel quality and provide independent verification of deliveries and fuel inventories at ANDSF locations.

SIGAR found that several weaknesses remain, including an inability to train ANDSF personnel below the corps level, no plan to address ANDSF fuel site infrastructure and accountability weaknesses, and an inability to remotely monitor and confirm ANDSF fuel deliveries or fuel storage tank levels.

# SIGAR OVERSIGHT ACTIVITIES

SIGAR made six recommendations to enhance the CSTC-A Commanding General's accountability of U.S.-funded fuel procured for the ANDSF:

(1) evaluate and determine the feasibility of using remote monitoring methods or other technology-based solutions to provide visibility of fuel while in-transit, confirm fuel deliveries, and monitor fuel levels at ANDSF fuel storage locations; (2) include detailed anticorruption and oversight requirements in future contracts to supply fuel to the ANDSF; (3) enforce commitment letter agreements that require the MOD and the MOI to regularly submit fuel consumption data to CSTC-A; (4) evaluate and determine the feasibility of expanding the training on fuel quality testing methods and fuel handling procedures to ANDSF fuel personnel below the corps level; (5) coordinate with the MOD and the MOI to develop and implement a plan to upgrade and repair infrastructure and equipment at ANDSF fuel sites; and (6) coordinate with the MOD and the MOI to develop and implement a plan to enhance accountability and oversight of fuel after it is delivered to ANDSF fuel sites.

## 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 18 recommendations contained in nine audit and inspection reports. These reports contained recommendations that resulted in the recovery of \$10,480,216 in ineligible or unsupported contract costs paid by the U.S. government.

From 2009 through March 2018, SIGAR published 291 audits, alert letters, and inspection reports and made 834 recommendations to recover funds, improve agency oversight, and increase program effectiveness. SIGAR has closed over 79% 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 166 open recommendations. There were 83 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.

## SPECIAL PROJECTS

SIGAR's Office of Special Projects was created to quickly obtain and assess information necessary to fulfill SIGAR's oversight mandates, examine emerging issues, and deliver prompt, actionable reports to federal agencies and the Congress. Special Projects reports and letters focus on providing

### COMPLETED SPECIAL PROJECTS REPORTS

- Report 18-30-SP: Health Facilities in Kandahar Province
- Report 18-31-SP: Schools in Kabul Province
- Report 18-33-SP: Collection and Screening of ANA Blood
- Report 18-34-SP: State Department's Good Performers Initiative
- Report 18-40-SP: USAID-Funded Schools in Kunduz Province

timely, credible, and useful information to Congress and the American people. 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 reports on a range of issues including DOD-funded health facilities in Kandahar Province, procedures for collecting and screening the blood of ANA personnel, and USAID-funded schools in Kunduz Province. Special Projects also issued three alert letters to relevant authorities on structural damage at educational facilities and structural damage to a bridge, all in Baghlan Province.

### **Report 18-30-SP: Health Facilities in Kandahar Province** **Observations from Visits to Three Facilities**

SIGAR verified the locations and operating conditions of three public-health facilities in Kandahar Province. All three facilities were constructed or rehabilitated using funds from the Commander's Emergency Response Program (CERP) between 2011 and 2013. CERP was established to enable U.S. commanders to respond to urgent humanitarian and reconstruction requirements. SIGAR found that the location information maintained in DOD systems was accurate, and successfully located each facility in close proximity to its documented location. SIGAR also found that all three facilities were operational, equipped with supplies, electrified, and had access to running water.

### **Report 18-31-SP: Schools in Kabul Province** **Observations from Site Visits at 24 Schools**

This report is the fifth in a series that discusses SIGAR's findings from site visits at schools across Afghanistan that were either built or rehabilitated by USAID. The 24 schools discussed in this report are in Kabul Province. The purpose of this Special Projects report was to determine the extent to which those schools were open and operational, and to assess their current condition.

SIGAR found that all 24 schools were open and in generally usable condition. However, SIGAR found that there may be problems with student and teacher attendance and staffing at several of the schools. SIGAR also found that many schools have structural deficiencies (e.g., roofs that were not structurally sound) that may affect the delivery of education.

SIGAR provided a draft of this report to USAID for comment on January 23, 2018. USAID provided comments on February 3, 2018, stating that it "will inform the appropriate authorities within the [Ministry of Education] of the schools that SIGAR identified as lacking clean water, having poor sanitation conditions, or showing signs of structural damage and

# SIGAR OVERSIGHT ACTIVITIES



**Students in a well-attended class** at a school in Kabul. (SIGAR photo)

safety hazards.” Additionally, USAID stated that it would “alert the Kabul Provincial Education Director of the observed low attendance rates in the schools identified in the review.”

## **Report 18-33-SP: Collection and Screening of ANA Blood Procedures for Screening the Blood of Afghanistan National Army Personnel**

In March 2016, SIGAR received information expressing concerns that blood types collected from Afghan National Army (ANA) recruits were not being recorded correctly in the Afghan Human Resource Information System (AHRIMS), the Afghan National Defense and Security Forces personnel database that includes personally identifiable information, including medical data, on soldiers and civil workers.

SIGAR initiated this report based on that information and found that the ANA stopped collecting or verifying blood types from new recruits in January 2017 because it lacked the supplies and equipment to conduct blood tests. As a result, SIGAR found that between January and July 2017, approximately 15,400 new ANA recruits did not have their blood type tested or verified before entering the ANA ranks, and the blood type of at least 9% of the total ANA force currently remains unconfirmed. SIGAR also found that 45% of all active Ministry of Defense personnel, including active ANA soldiers, did not have their blood type recorded in AHRIMS as of July 2017.

Further, according to DOD officials SIGAR spoke with, the ANA does not have an official system of record that tracks the medical data of new recruits. As a result, the Afghan government does not know which soldiers have been blood-typed or screened for infectious diseases. This information

# SIGAR OVERSIGHT ACTIVITIES

is critically important because successful blood transfusions for wounded soldiers require that donated blood be the appropriate type and free from infectious diseases.

Lastly, SIGAR found that the ANA's overall medical recordkeeping is unreliable and often inaccurate, and the use of AHRIMS—an established system capable of serving as a centralized, automated repository for medical information—or other electronic systems to track blood type and assist in ANA trauma care presents logistical challenges due to issues with ANA literacy and technical skills related to using computer systems, internet access, and institutional knowledge.

Developing a credible and accessible system of record to ensure that soldiers' blood types are accurately recorded helps ensure that the proper type of blood is administered to a wounded soldier, and is an important component to the health of soldiers and the sustainability of the ANA. Therefore, SIGAR suggests that CSTC-A develop a plan to improve the ANA's medical accessions process—a process intended to detect any medical issues that might prevent a recruit from serving successfully—including (1) assisting the ANA in conducting and/or validating blood testing; (2) requiring the use of AHRIMS, or other suitable systems, to record blood type and other medical data; and, (3) training ANA personnel on the use of AHRIMS, or other suitable electronic system of record, to collect this data and expand the usability of AHRIMS throughout Afghanistan. SIGAR also suggests that CSTC-A work with the ANA's Medical Command to develop a process aimed at testing for, and correcting, errors in soldiers' medical records as reported in AHRIMS and soldiers' identification cards.

SIGAR provided a draft of this report to DOD for comment on January 26, 2018. SIGAR received written comments from CSTC-A on March 2, 2018, which concurred with SIGAR's suggestions to strengthen the ANA's medical accession process and assist the ANA in collecting and recording soldiers' blood type to maintain more accurate records. CSTC-A pointed out that the ANA will transition away from AHRIMS, but acknowledged the importance of maintaining accurate records regardless of the system used.

## **Report 18-34-SP: State Department's Good Performers Initiative**

### **Status of Two Completed Projects in Kunduz Province**

SIGAR conducted site inspections at two Good Performers Initiative (GPI) infrastructure projects in Kunduz Province which were funded by the State Department's Bureau of International Narcotics and Law Enforcement Affairs (INL). GPI provided direct assistance to the Afghan Ministry of Counter Narcotics (MCN) and off-budget funding to incentivize provincial governors' counter narcotics activities. The GPI program was intended to offer Afghan provincial governors a tangible way of demonstrating to their constituents the benefits of reducing poppy cultivation.

# SIGAR OVERSIGHT ACTIVITIES



**The Kunduz library** constructed with funds from the Good Performers Initiative, Kunduz Province. (SIGAR photo)

The two projects examined in this report, a public library and a sports complex, were completed at a cost of about \$738,301. SIGAR conducted the inspections as part of our ongoing effort to verify the location and operating conditions of facilities built, refurbished, or funded by the U.S. as part of the reconstruction effort in Afghanistan.

SIGAR found that INLs reported geospatial coordinates for the two projects were within half a kilometer from the actual project location. Additionally, SIGAR found that both of the projects were in usable condition, with no apparent structural deficiencies, and that they both had access to power and water. However, at the sports stadium, SIGAR found: the facility and grounds already showed serious wear and tear; clear indications of poor workmanship; a lack of maintenance; and, that the facility was not being used as intended.

To determine why the sports stadium is not being used as intended and to make better use of INL's \$498,047 investment, SIGAR suggests that INL (1) inform the Ministry of Counter Narcotics of the sports stadium's underutilization, and (2) request that the ministry develop an action plan detailing the reasons for the underutilization and identify what can be done to ensure that this facility benefits the local population.

SIGAR provided a draft of this report to State for comment on February 27, 2018. INL provided comments on March 19, 2018, stating that it has already taken action to address SIGAR's suggested action and notified the Ministry of Counter Narcotics of our findings on March 3, 2018. INL also stated that, "the Afghan National Directorate of Security (NDS) used the stadium as a base for military operations during a heavy period of fighting

# SIGAR OVERSIGHT ACTIVITIES

against Taliban forces from April–June 2017. This irregular use caused significant damage to the facility.”

Finally, INL stated that the stadium is still in the one-year contractor’s warranty period and that MCN will “deploy a technical team to survey the project site prior to final project handover. The MCN will instruct the contractor to remedy any deficiencies caused by poor workmanship. Additionally, the Department will work with the MCN and Kunduz provincial authorities to identify and approve any extra work necessary to rectify deficiencies determined to be the result of project design flaws or damage by the NDS.”

## **Report 18-40-SP: USAID-Funded Schools in Kunduz Province Observations from Site Visits at Six Schools**

This report is the sixth in a series that discusses findings from site visits at schools across Afghanistan that were either built or rehabilitated by USAID. The six schools discussed in this report are in Kunduz Province. The purpose of this Special Projects report was to determine the extent to which those schools were open and operational, and to assess their current condition.

SIGAR found that all six schools were open and in generally usable condition. However, SIGAR also found that the data USAID provided regarding the location of three schools, and the communities served by those schools, were inaccurate. As a result, SIGAR’s site-inspection teams had difficulty finding those schools and relied on their knowledge of the area, and assistance from community members and provincial MOE representatives to locate them. Lastly, SIGAR found that there may be problems with student and teacher absenteeism at all six schools, and that several schools



**A functioning well** at a school in Kunduz City. (SIGAR photo)

appeared to have structural deficiencies (e.g. roofs that were not structurally sound) that could affect student safety.

SIGAR provided a draft of this report to USAID for comment on March 20, 2018. USAID provided comments on March 31, 2018, stating that it “was pleased to learn that all six schools were ‘open and in generally usable condition.’” Additionally, USAID stated that it will “inform the appropriate authorities within the Ministry of Education of the schools that SIGAR identified as having low attendance rates for students and teachers as well as the facilities with poor sanitation conditions, or showing signs of structural damage and safety hazards.”

## **Alert Letter 18-32-SP: Structural Damage at Educational Facility SR 06**

On February 27, 2018, SIGAR sent a letter to USAID administrator Mark Green, assistant to the administrator for USAID Gregory Huger, and USAID mission director for Afghanistan Herbert B. Smith to alert them to a safety matter that warrants action by USAID.

One building, a boys’ high school (SR-06) in Baghlan Markazi District of Baghlan Province, is in danger of collapsing. It was rehabilitated by the International Organization for Migration (IOM) under a cooperative agreement with USAID, and is currently in use. However, it poses a serious danger to students, teachers, and anyone else in or near the school building due to severe structural deterioration.

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 visited SR-06 in December 2017. While SIGAR’s site inspection focused on assessing the overall operating conditions at the facility, SIGAR also completed a basic safety review of the structural integrity of classroom buildings at SR-06 that included photographic documentation.

Following the site visit, SIGAR analysts and engineers examined photographs of SR-06 and found that the school building appears to be unsafe due to structural damage that may be beyond repair or rehabilitation. Structural failures observed in photos taken inside and outside of the school indicate a shallow foundation that has resulted in moderate-to-severe soil settlement and numerous and extensive vertical and horizontal cracks in the wall structure at irregular intervals. Our observations indicate severe structural damage that endangers people in and around the school building.

Adding to the danger posed by the degraded structural integrity of the building, the school is located in an area of high seismic activity; SIGAR believes it is likely to collapse in the event of an earthquake and has notified the Afghan government of this issue. To help ensure appropriate action, SIGAR also strongly urged USAID to contact its partners in the Ministry of Education and alert them to the unsafe conditions at SR-06. The SR-06

### **SPECIAL PROJECTS ALERT LETTERS**

- Alert Letter 18-32-SP: Structural Damage at Educational Facility SR 06
- Alert Letter 18-36-SP: Structural Damage at Educational Facility in Baghlan Province
- Alert Letter 18-39-SP: Structural Damage at Baghlan Bridge



**Large cracks** in the wall of a school in Baghlan Province. (SIGAR photo)

# SIGAR OVERSIGHT ACTIVITIES

school building should not be used as a classroom or for any other purpose, and its continued use puts the lives of staff and students at risk.

We provided a draft of this alert letter to USAID on February 14, 2018. In its response, dated February 16, 2018, USAID thanked SIGAR for the alert and stated that it “will inform key personnel within the Ministry of Education and the Baghlan Provincial Education Directorate of the situation and of the hazards of continued use of the facility.”

## **Alert Letter 18-36-SP: Structural Damage at Educational Facility in Baghlan Province**

On March 30, 2018, SIGAR sent a letter to USAID administrator Mark Green, assistant to the administrator for USAID Gregory Huger, and USAID mission director for Afghanistan Herbert B. Smith to alert them to a safety matter that warrants action by USAID.

A school building (SR-09) is in danger of collapsing. The school, in the Pul-i Khumri District of Baghlan Province, was rehabilitated by the International Organization for Migration (IOM) under a cooperative agreement with USAID and is currently in use. However, it poses a serious danger to students, teachers, and anyone else in or near the school due to severe structural deterioration.

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 visited Baghlan facility SR-09 in December 2017. While SIGAR’s site inspection focused on assessing the



**The wall and roof** of a school in Baghlan Province that was damaged by an explosion. (SIGAR photo)

overall operating conditions at the facility, SIGAR also completed a basic safety review of the structural integrity of classroom buildings at SR-09 that included collecting photographic documentation.

Following the site visit, SIGAR analysts and engineers examined photographs of SR-09 and found damage that is both substantial and potentially life-threatening. Specifically, SIGAR identified a classroom building that appears unsafe, structurally unsound, and with damage that may be beyond repair or rehabilitation. Much of the structural damage observed at the school appears to have resulted from significant blast damage, which according to interviews was caused by local criminal elements.

This damage has already compromised load-bearing walls, and the surrounding walls and ceiling appear to be on the verge of collapse. Adjacent walls also show signs of stress as well as moderate-to-severe soil settlement, increasing the danger to occupants. Adding to the danger posed by the degraded structural integrity of the building, the school is located in a highly seismic area and SIGAR believes it is likely to collapse in the event of an earthquake.

SIGAR has notified the Afghan government of this issue. To help ensure appropriate action, SIGAR also strongly urged USAID to contact its partners in the Ministry of Education and alert them to the unsafe conditions at SR-09. The SR-09 school building should not be used as a classroom or for any other purpose, and its continued use puts the lives of staff and students at risk.

SIGAR provided a draft of this alert letter to USAID on March 15, 2018. In its response, dated March 28, 2018, USAID thanked SIGAR for the alert and stated that it “will inform key personnel within the Ministry of Education and the Baghlan Provincial Education Directorate of the situation and of the hazards of continued use of the facility.”

## **Alert Letter 18-39-SP: Structural Damage at Baghlan Bridge**

On April 3, 2018, SIGAR sent a letter to General John W. Nicholson, U.S. Forces-Afghanistan (USFOR-A) commander, to alert him to a safety matter that warrants the attention of DOD and USFOR-A. Specifically, a bridge currently in use in Baghlan Province that was partially rehabilitated using funds from the Commander’s Emergency Response Program (CERP) in 2012 has significant and extensive damage that poses a risk to people on or near the bridge.

As part of SIGAR’s ongoing effort to verify the location and condition of facilities or infrastructure built, refurbished, or funded by the U.S. as part of the reconstruction effort in Afghanistan, SIGAR is conducting site inspections of bridges in Afghanistan that were constructed or repaired with CERP funds. SIGAR is inspecting such bridges in several provinces and began its work in December 2017 by travelling to eight CERP bridge projects in Baghlan Province. DOD obligated \$1.6 million in CERP funds for the eight bridge projects.

# SIGAR OVERSIGHT ACTIVITIES



**Structural damage** to a CERP-funded bridge in Baghlan Province. (SIGAR photo)

At each bridge site in Baghlan Province, SIGAR conducted an assessment to determine the overall condition and use of the bridge, identify any safety concerns, and test the accuracy of location information maintained in DOD's records. SIGAR also interviewed a local Afghan government official and a community member near each project, and took photographs embedded with global positioning system and time/date information.

At one such bridge in Baghlan Province, SIGAR found significant structural damage that could lead to structural failure that threatens the safety of persons on or near the bridge. In 2011, USFOR-A awarded a CERP-funded contract for \$16,180 to make limited repairs to the bridge to maintain a major supply route and to ensure the local population's access to services and markets. Prior to funding the project, USFOR-A signed a Memorandum of Understanding with a representative of the Afghan Ministry of Rural Rehabilitation and Development (MRRD). The memorandum stated that MRRD would provide annual funding for the operation and maintenance of the bridge, including "staffing, routine maintenance, and supplies once construction has been completed and the road has been transferred to the GIROA [the Afghan government]."

According to project records, USFOR-A terminated the project in early 2012, due to issues with the local population. Available documentation states that the repairs were 82% complete when the project was terminated and \$13,267 had been paid to the contractor for the work.

When SIGAR visited the bridge in December 2017, SIGAR observed extensive vehicle and pedestrian traffic on it. The community member and an MRRD official with whom SIGAR spoke cited the bridge's importance for commercial traffic and access to health facilities. However, SIGAR is concerned that continued use of this bridge, in its present condition, poses a danger to users unless needed maintenance is undertaken by the Afghan government.

SIGAR found that the bridge's superstructure, approach, retaining walls, and traffic safety rails show a lack of maintenance, pose a danger to users, and require repair. In addition, the bridge sits in a highly seismic area of Afghanistan, where an earthquake could cause its catastrophic failure.

SIGAR understands that USFOR-A's involvement with this bridge project ended when it terminated the project. However, SIGAR's site visit showed that the bridge is in urgent need of repairs and maintenance.

SIGAR believes that responsible Afghan government bodies should be notified of the bridge's condition to ensure the safety of people on or near the structure. As a result, SIGAR will notify its interlocutors within the Afghan government of the safety concerns associated with this bridge and urge them to take prompt action for its repair. To help ensure that this issue reaches the appropriate persons within the Afghan government, SIGAR suggests USFOR-A take similar action to notify its Afghan

government counterparts of the risks posed by this neglected, and heavily trafficked, bridge.

SIGAR provided a draft of this letter to DOD for comment on March 13, 2018. USFOR-A responded in a letter dated March 18, 2018, stating that because the project was terminated, the repairs were never formally turned over to the Afghan government to assume responsibility for maintenance. However, due to safety concerns, USFOR-A agrees that it should notify the Afghan government about the condition of the bridge. DOD also provided technical comments, which SIGAR incorporated as appropriate.

## 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 three projects in development: stabilization, counternarcotics, and Coalition responsibilities for security sector assistance.

### Private Sector Development and Economic Growth: Lessons from the U.S. Experience in Afghanistan

On April 19, SIGAR issued its third Lessons Learned Program report, *Private Sector Development and Economic Growth: Lessons from the U.S. Experience in Afghanistan*. The report examines how the U.S. government supported private-sector development in Afghanistan since 2001 through efforts led by the U.S. Agency for International Development, with additional significant roles played by the Departments of State, Defense, Commerce, and Treasury.

*Private Sector Development and Economic Growth* provides both the chronology of U.S. government support to private-sector development and an in-depth look at the five major areas of economic intervention: creating an enabling environment, providing access to finance, promoting investment, developing regional and international trade, and supporting enterprises. The report identifies lessons to inform U.S. policies and actions at the onset of and throughout a reconstruction and provides recommendations for improving private sector development efforts. These lessons and recommendations are relevant for ongoing work in Afghanistan, where the United States remains engaged in building and supporting the Afghan economy, and in future endeavors to rebuild other weak states emerging from protracted conflict.

*Private Sector Development and Economic Growth* highlights the difficulties of supporting economic development in a war-shattered country. Afghanistan's early economic gains were largely due to post-conflict recovery and substantial foreign spending, and optimistic predictions of future

#### COMPLETED LESSONS LEARNED PROGRAM REPORT

- SIGAR 18-38-LL: Private Sector Development and Economic Growth: Lessons from the U.S. Experience in Afghanistan

# SIGAR OVERSIGHT ACTIVITIES

progress did not reflect the nation’s economic and security environment, the capacity of Afghan and U.S. institutions, or the impact of corruption.

The United States also overestimated the speed at which Afghanistan could transition to a Western-style market economy. The U.S. government’s provision of direct financial support sometimes created dependent enterprises and disincentives for Afghans to borrow from market-based financial institutions. Furthermore, insufficient coordination within and between U.S. government civilian and military agencies often negatively affected the outcomes of programs.

On the other hand, early foundational investments in the economic system, undertaken in concert with allies and international organizations, established the basis for the progress that did take place and for future development. Afghanistan’s long-term prospects may also improve as a result of progress in regional integration and participation in bilateral and multilateral trade agreements, as well as investments in human capital.

The findings, lessons, and recommendations outlined in *Private Sector Development and Economic Growth* are described in Section One of this SIGAR quarterly report. The full lessons-learned report and its companion interactive version are posted on SIGAR’s website, [www.sigar.mil](http://www.sigar.mil).

## INVESTIGATIONS

During the reporting period, SIGAR investigations resulted in one indictment, one guilty plea, three sentencings, two arrests, \$6,527,491 in restitutions, and \$264,563,451 in cost avoidance and recoveries to the U.S. government. SIGAR initiated 12 new cases and closed 31, bringing the total number of ongoing investigations to 199, as shown in Figure 2.1.

To date, SIGAR investigations have resulted in a cumulative total of 124 criminal convictions. Criminal fines, restitutions, forfeitures, civil settlements, and U.S. government cost avoidance and recoveries total over \$1.5 billion.

### Investigation Results in \$264 Million Cost Avoidance to U.S. Government

An investigation was opened based on allegations of improprieties involving Afghan-based contractors and the award process of the \$134,982,989 Da Afghanistan Breshna Sherkat (DABS) Ghazni-Kandahar Five Substations Project. This project was funded by USAID and administered by the Afghan government. DABS is the national electricity utility of Afghanistan.

Allegations received by the Office of the President of Afghanistan were that the prime contractor paid a \$2 million bribe to secure the award for the project. On July 16, 2017, the contract details and the bribe allegation were presented at a meeting of the National Procurement Commission (NPC), chaired by the Afghan President Ashraf Ghani. At the meeting, President

FIGURE 2.1

SIGAR INVESTIGATIONS: NUMBER OF OPEN INVESTIGATIONS, AS OF MARCH 31, 2018



Source: SIGAR Investigations Directorate, 4/11/2018.

Ghani referred the matter for further investigation by the Afghan Attorney General's Office, SIGAR, USAID's Office of Inspector General (OIG), and the Afghan Major Crimes Task Force.

The corruption uncovered in the course of the investigation was reported by USAID-OIG 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 the DABS Ghazni-Kandahar Five Substations Project, resulting in a U.S. government cost avoidance of \$134,982,989. The letter further stated that contributing to this decision was the NPC's public announcement to investigate the contract-award process with participation from SIGAR, USAID-OIG, and the Afghan Major Crimes Task Force.

On March 6, 2018, a memorandum from USAID-OIG stated that USAID-Afghanistan ultimately deobligated all on-budget support to DABS for future and planned energy projects not yet awarded, in the amount of \$399,546,440. Included in that amount was \$134,982,989 for the DABS Ghazni-Kandahar Five Substations Project. The decision was based on information obtained by USAID-OIG and SIGAR during the course of an ongoing investigation into allegations of corruption. The \$264,563,440 cost-avoidance amount represents the difference between the \$399,546,440 of funds deobligated by USAID, less the previously cited cost-avoidance amount of \$134,982,989 for the DABS Ghazni-Kandahar Five Substations Project.

## **Former U.S. Army Special Forces Soldier Indicted for Kickbacks Related to Stolen Government Property**

On February 13, 2018, in the Eastern District of North Carolina, former U.S. Army Special Forces member Joseph Russell Graff was indicted on charges of theft of government property, bribery, laundering of monetary instruments, structuring, engaging in monetary transactions, and possession of illegal firearms. On February 14, 2018, Graff was arrested without incident at his place of employment and later released on a \$10,000 bond.

Graff is alleged to have smuggled various illegally obtained automatic weapons from Afghanistan during his 2012–2013 military deployment. In addition, while in the process of decommissioning the Special Forces compound within a forward operating base, Graff allegedly allowed U.S. military equipment to be stolen and sold on the black market. He subsequently smuggled his illegal proceeds, estimated at \$350,000, inside his personal belongings and shuffled the money among various banks to avoid bank reporting requirements. Graff used the majority of the money for a down payment on a home, installation of an in-ground pool and vehicles.

## **Former USACE Employee Sentenced for Bribery**

On March 8, 2018, in the Central District of Illinois, Mark E. Miller, a former employee of the U.S. Army Corps of Engineers (USACE), was sentenced to 100 months' incarceration and three years' supervised release after pleading

guilty in July 2017 to one count of seeking and receiving bribes as a public official. At sentencing, the court affirmed the forfeiture order of \$180,000 and a 2006 Harley-Davidson motorcycle.

From February 2009 to October 2011, while assigned to Camp Clark military base in eastern Afghanistan, Miller was the site manager and contracting officer representative for a number of construction projects. In December 2009, USACE awarded a contract to an Afghan company for construction of a road from eastern Afghanistan to the Pakistani border. Miller oversaw the work of the Afghan company on this project and authorized progress payments to the company. Miller solicited approximately \$280,000 in bribes from the company owners in return for favorable treatment, including ensuring the contract was not terminated. After the contract was no longer active, he solicited an additional \$40,000 in bribes in return for the possibility of future contract work and other benefits.

This matter was jointly investigated by SIGAR, the Federal Bureau of Investigation (FBI), Defense Criminal Investigative Service (DCIS), and U.S. Army Criminal Investigation Command-Major Procurement Fraud Unit (USCID-MPFU), with assistance from the U.S. Postal Inspection Service.

## **Former U.S. Contractor Employee Pleads Guilty to Accepting Kickbacks**

On March 5, 2018, in the Northern District of Georgia, Christopher McCray pleaded guilty to accepting kickbacks. While at Bagram Airfield from August 2012 to September 2014, McCray was the country manager for a subcontractor of a U.S. company responsible for moving cargo from Bagram to military bases throughout Afghanistan.

McCray entered into an agreement with an Afghan trucking company whereby McCray received kickback payments worth 15% of the gross revenue on each contract. McCray received secret payments from December 2012 to May 2014. He was first paid in cash, then by wires sent to his bank account in Atlanta, and by payments sent to his mother, who would deposit the funds into McCray's accounts.

SIGAR, DCIS, the FBI, Air Force Office of Special Investigation, and the U.S. Army's Criminal Investigation Command are investigating the case.

## **Afghan Major General Arrested for Embezzling Funds**

On January 15, 2018, officials of the Afghan Attorney General's Office informed SIGAR that security forces of the Anti-Corruption Justice Center (ACJC) arrested the Director of the Afghan Ministry of Interior (MOI) Police Cooperative Fund, Major General Mohammad Anwar Kohistani, for his role in the embezzlement of over 90 million afghanis (nearly \$1.3 million) from the MOI Cooperative Fund.

The MOI Cooperative Fund was a retirement fund for Afghan police officers employed by the MOI. In March of 2016, the Inspector General of the MOI requested SIGAR's assistance with investigating Major General Kohistani and allegations of fraud and embezzlement involving the MOI Cooperative Fund. The investigation, conducted jointly by SIGAR and prosecutors of the Afghan Attorney General's Office assigned to the ACJC, uncovered significant evidence of embezzlement, fraud, and abuse of the Cooperative Fund perpetrated by Major General Kohistani. The general is incarcerated, awaiting trial.

## **Former U.S. Contractor Sentenced for Failing to File Tax Returns**

On January 10, 2018, in the Western District of Texas, Michael J. Badgett was sentenced to 12 months' incarceration in a halfway house, followed by three years' supervised probation upon release, and special assessment fees of \$75. In addition, he was ordered to pay \$6,527,491 (tax loss plus accrued interest) in restitution.

Badgett, a former contractor involved in U.S. reconstruction efforts in Afghanistan and the managing director of the Green Village, a secure housing complex in Kabul that served a number of U.S. government contractors and U.S. government agencies, pleaded guilty to failing to file federal tax returns for 2010, 2011, and 2012, when he had earned over \$14 million in taxable income in Afghanistan.

Badgett opened a JP Morgan Chase bank account in the U.S. to cater specifically to U.S. clients who could pay into that account directly instead of sending money overseas. The secure housing complex also transferred some of the company's overseas bank funds to the Chase account. Over a three year period, Badgett used funds from the Chase account for his own personal purposes. The failure to file income-tax returns caused a loss to the U.S. of approximately \$5.4 million and accrued interest owing of approximately \$1.1 million. Badgett was sentenced to a halfway house to enable him to continue working in an effort to pay the restitution.

SIGAR and the Internal Revenue Service–Criminal Investigation Division investigated this case.

## **U.S. Contractor Sentenced for Theft of Government Property**

On January 24, 2018, in the Middle District of Florida, Jeremy Serna was sentenced for theft of U.S. government property. Serna, a former employee of Leonie Industries LLC (Leonie) based in Arlington, Virginia, was ordered to pay a fine of \$1,000 and a \$25 assessment fee.

During June and July 2012, Serna was assigned to work on a \$249 million U.S. Army contract for face-to-face public opinion polling in Afghanistan. When Serna was requested by an individual to provide confidential government information relating to the Leonie contract, Serna stole the

information and provided it to the individual, who used it to negotiate and obtain a subcontract award from Leonie. In return for the information, the individual offered Serna cash as well as employment with ORB International, a United Kingdom public-opinion polling company.

The investigation was conducted by SIGAR, DCIS, and USCID-MPFU, with assistance from the Defense Finance and Accounting Service.

## **U.S. Embassy Employees Terminated for Embezzling Funds**

As a result of an investigation jointly conducted by SIGAR and State's Office of Inspector General, six Afghan citizens were terminated from their positions at the U.S. Embassy Kabul, Afghanistan, barred from U.S. and NATO facilities, and placed on the Biometrically Enabled Watch List (BEWL).

The investigation was based upon allegations that staff members of the Kabul Embassy Employee Association were part of a fraudulent scheme involving the sale of Embassy meal cards, resulting in an estimated loss to the U.S. government of approximately \$5 million.

All six individuals were terminated for cause and their security clearances were revoked.

## **Suspensions and Debarments**

This quarter, SIGAR's Suspensions 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 895, encompassing 498 individuals and 397 companies to date, as shown in Figure 2.2.

As of the end of March 2018, the efforts of SIGAR to utilize suspension and debarment to address fraud, corruption, and poor performance in Afghanistan have resulted in a total of 136 suspensions and 532 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 government in lieu of exclusion from contracting since the initiation of the program.

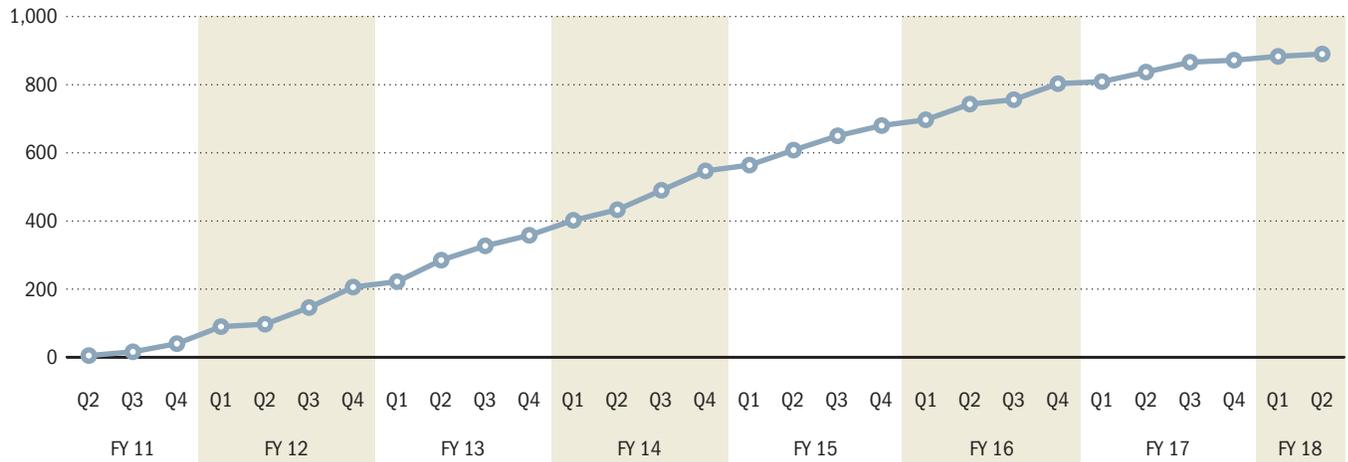
During the second quarter of 2018, SIGAR's referrals resulted in eight additional finalized debarments of individuals and entities by agency suspension and debarment officials. An additional three individuals and companies are currently in proposed debarment status, awaiting final adjudication.

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

# SIGAR OVERSIGHT ACTIVITIES

FIGURE 2.2

**SIGAR INVESTIGATIONS: CUMULATIVE REFERRALS FOR SUSPENSION AND DEBARMENT, Q2 FY 2011–Q2 FY 2018**



Source: SIGAR Investigations Directorate, 4/6/2018.

SIGAR continues to look for ways to enhance the government’s responses to these challenges through the innovative use of information resources and investigative assets both in Afghanistan and the United States. SIGAR makes referrals for suspensions and debarments—actions taken by U.S. agencies to exclude companies or individuals from receiving federal contracts or assistance because of misconduct—based on completed investigations in which SIGAR participates. 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 895 referrals for suspension and debarment that have been made by the agency to date, 868 have been made since the second quarter of 2011. During the 12-month period prior to March 31, 2018, referrals by

# SIGAR OVERSIGHT ACTIVITIES

SIGAR's suspension and debarment program resulted in the exclusion of 71 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 \$247 million.

## **Contractors Debarred for Paying \$250,000 in Kickbacks for the Award of Subcontracts**

On January 18, 2018, the Army Suspension and Debarment Office debarred Nebraska McAlpine, Javid Hamdard, and Hamdard's companies, Afghan Armor Vehicle Rental Company and Meli Afghanistan Group, based on Hamdard's payment of kickbacks to McAlpine to secure subcontracts from IAP Worldwide Inc.

In October and November 2015, McAlpine awarded sole-source contracts valued at approximately \$1,600,000 to Afghan Armor Vehicle Rental Company for the provision of an ultra-high frequency radio system for use by the Afghanistan Ministry of Interior as part of Army Contracting Command contract number W56KJD-16-C-0003. In return for these awards, Hamdard made payments of \$250,000 to McAlpine as part of a scheme to kick back 15% of contract awards made by McAlpine to Afghan Armor Vehicle Rental Company and Meli Afghanistan Group.

As a result of a 2016 internal IAP Worldwide ethics-hotline complaint and subsequent criminal investigation, a criminal information was filed against McAlpine in the U.S. District Court for the Northern District of Georgia, Atlanta Division, on June 9, 2017, charging him with one count in violation of the Anti-Kickback Act, 41 U.S.C. § 8702.

On July 18, 2017, McAlpine entered a plea of guilty to this charge, and on November 28, 2017, a criminal judgment was entered against him sentencing him confinement for a period of 21 months. Based on the guilty plea by McAlpine, and materials developed as part of the underlying investigation, McAlpine, Hamdard, Afghan Armor Vehicle Rental Company, and Meli Afghanistan Group were all proposed for debarment by the Department of the Army on September 28, 2017. McAlpine was debarred for six years and seven months, ending on April 28, 2024. Hamdard, Afghan Armor Vehicle Rental Company, and Meli Afghanistan Group were all debarred for five years, ending on September 28, 2022. All periods of debarment incorporate the time periods that the parties were in proposed debarment status.

## CONSOLIDATED APPROPRIATIONS ACT, 2018

On March 23, 2018, President Trump signed the Consolidated Appropriations Act for Fiscal Year 2018 into law. The Act contains multiple provisions implementing SIGAR recommendations.

One such provision establishes a new procedure for ensuring that training and assistance provided to the Afghan security forces does not violate the Leahy Laws' prohibition on U.S. funding for foreign military and police units which commit gross violations of human rights. Under the new provision, the Secretary of Defense's authority to waive the Leahy Laws for national-security reasons must include additional information specific to the Afghan security forces and, every 120 days thereafter, the Secretary must submit a report to Congress on corrective action being taken by the government of Afghanistan. The provision further stipulates that if no action is taken by the Afghan government within one year, the waiver to provide assistance will be revoked. Additionally, Congress removed the "notwithstanding" clause from the Afghanistan Security Forces Fund that had been used by the Defense Department to provide assistance to Afghan forces that may have been otherwise ineligible due to Leahy Laws restrictions. Congress took these actions in response to the findings and recommendations of SIGAR's June 2017 evaluation report regarding allegations of child sexual assault by Afghan security forces, the implementation of the Leahy Laws in Afghanistan, and related matters.

The joint explanatory statement accompanying the Act also contains language referencing the findings of SIGAR's special-project report on the procurement of camouflage uniforms for the Afghan National Army (ANA). It notes that SIGAR found the uniforms were "not appropriate for use in Afghanistan" and directs the Secretary of Defense to determine whether contracting practices for ANA and Afghan National Police uniforms conform to all Federal Acquisition Regulation requirements, a concern raised in SIGAR's report.

Finally, the joint explanatory statement directs SIGAR to update its ongoing audit of the Afghan government's progress to combat corruption. At the request of the House and Senate Appropriations Committees in the joint explanatory statement for the Fiscal Year 2017 Consolidated Appropriations Act, SIGAR is auditing the Afghan government's progress toward developing and implementing a whole-of-government anticorruption strategy, as required by the 2016 Brussels Conference on Afghanistan. SIGAR will report its findings to the House and Senate Appropriations Committees by May 31, 2018, and, as instructed in the Fiscal Year 2018 joint explanatory statement, conduct a second audit of the Afghan government's progress.



**President Donald J. Trump** (right) signs the \$1.3 trillion Omnibus Spending Bill as Secretary of Defense James Mattis (left) and Vice President Mike Pence (center) look on. (Official White House photo by D. Myles Cullen)

## OTHER SIGAR OVERSIGHT ACTIVITIES

- Inspector General Sopko Speaks on Anticorruption Efforts in Afghanistan at European Union Conference in Kabul, Afghanistan
- Inspector General Sopko Discusses Need for “Whole of Government” Approach to National Security at William & Mary, Williamsburg, VA
- Inspector General Sopko Discusses Private Sector Development Efforts in Afghanistan at the United States Institute of Peace, Washington, DC
- Deputy Inspector General Aloise Speaks at the Naval Postgraduate School, Monterey, CA
- Inspector General Sopko Speaks at the Organisation for Economic Cooperation and Development’s Global Anticorruption and Integrity Forum, Paris
- Inspector General Sopko and Senior Research Analyst Speak at the Marine Corps University in Quantico, VA, on SIGAR’s Security Lessons Learned Report
- Inspector General Sopko Speaks at the American University, Washington, DC

## OTHER SIGAR OVERSIGHT ACTIVITIES

### Inspector General Sopko Speaks on Anticorruption Efforts in Afghanistan at European Union Conference in Kabul, Afghanistan

On April 24, Inspector General John F. Sopko gave the second keynote address, following President Ashraf Ghani, at the fourth annual European Union Anti-Corruption Conference, which was held at the Presidential Palace in Kabul. The IG highlighted some of the steps the Afghan National Unity Government has taken to combat corruption, but emphasized that anti-corruption efforts cannot be sidelined as secondary to the war effort. He also encouraged the Afghan government to implement strong oversight and transparency mechanisms, and also made note of the importance of strong outside oversight conducted by the media and civil society organizations.



**IG Sopko**, First Lady Rula Ghani, President Ashraf Ghani, and another panelist at the Fourth Annual European Union Anti-corruption Conference on April 24, 2018. (Afghan Presidential Palace photo)

### Inspector General Sopko Discusses Need for “Whole of Government” Approach to National Security at William & Mary, Williamsburg, VA

On April 20, Inspector General Sopko spoke at the Inaugural Whole of Government National Security Conference at William & Mary. The Inspector General discussed SIGAR’s unique mandate to evaluate the reconstruction effort from a “whole of government” vantage point and emphasized that for the Afghanistan reconstruction effort to be successful, it would require all components of American power—civilian and military—to work in concert and coordinate their plans and programs. He also highlighted the challenges posed by the security restrictions placed on civilian personnel’s ability to move outside of Embassy Kabul, while the U.S. military has greater

freedom of movement, something that is of concern to both civilian and military leadership.

## **Inspector General Sopko Discusses Private Sector Development Efforts in Afghanistan at the United States Institute of Peace, Washington, DC**

On April 19, Inspector General Sopko gave the keynote address at the launch of SIGAR's most recent lessons-learned report *Private Sector Development and Economic Growth: Lessons from the U.S. Experience in Afghanistan*, at the United States Institute of Peace (USIP). In his remarks ahead of a panel discussion on the report, IG Sopko discussed the challenges facing the business environment in Afghanistan; how instability and uncertainty deterred investment; and how U.S. programs and projects were not always well managed or coordinated between different U.S. agencies. He emphasized the need for legal reform and accountability so that businesses could have certainty that their investments would be protected from corruption and other threats.

## **Deputy Inspector General Aloise Speaks at the Naval Postgraduate School, Monterey, CA**

On April 12, 2018, Deputy Inspector General Eugene Aloise spoke at the Defense Resources Management Institute of the Naval Postgraduate School in Monterey, California. Speaking to a group of foreign military flag officers, Deputy IG Aloise spoke about the history of the reconstruction effort in Afghanistan, the rebuilding of the Afghan National Defense and Security Forces, the need for independent oversight in reconstruction efforts, emphasized the importance of agencies being forthright in their program appraisals, and highlighted specific examples of SIGAR's audit and investigative work in Afghanistan.

## **Inspector General Sopko Speaks at the Organisation for Economic Cooperation and Development's Global Anticorruption and Integrity Forum, Paris, France**

On March 28, 2018, Inspector General Sopko spoke at the Organisation for Economic Cooperation and Development's Global Anticorruption and Integrity forum on the topic of "Managing Corruption Risks in Contexts of Fragility."

IG Sopko focused on the lessons learned by SIGAR in fighting corruption in Afghanistan assistance programs with special reference to their applicability in other fragile and conflict-affected countries where development cooperation might be necessary. Some of the concerns IG Sopko identified included the lack of a comprehensive whole-of-government strategy from the outset, the problem of donor countries contributing to corruption by delivering too much money too quickly, and having a willing host-government partner to work with.

While at the conference, IG Sopko spoke on the same panel as Second Vice President of Afghanistan, Sarwar Danesh, who highlighted 12 anti-corruption measures the National Unity Government had put into place over the past two years.

The Inspector General was also invited to attend and make a presentation at the launch meeting of the Auditors Alliances a unique forum for public-sector internal and external auditors to share insights and expertise on their audit practices and functions. In addition, IG Sopko was asked to attend and represent the results of the Auditors Alliance at the OECD Anti-Corruption Task Team plenary session on the OECD recommendations of the Council for Development Co-operation on managing the risk of corruption.

## **Inspector General Sopko and Senior Research Analyst Speak at the Marine Corps University in Quantico, VA, on SIGAR's Security Lessons Learned Report**

On March 23, 2018, Inspector General Sopko and Senior Research Analyst James Cunningham spoke to over 300 Marines and civilians at the Marine Corps University about SIGAR's recently published Lessons Learned Program (LLP) report *Reconstructing the Afghan National Defense and Security Forces: Lessons from the U.S. Experience in Afghanistan*.

IG Sopko was invited to speak at this event by Marine Corps commandant General Robert B. Neller. IG Sopko emphasized that the LLP report was intended to help stand up the Afghan security forces more quickly and effectively so that Afghanistan has a fighting force not dependent on the United States. IG Sopko also emphasized how these lessons can apply as the U.S. embarks on other operations of this type around the world.

## **Inspector General Sopko Speaks at the American University, Washington, DC**

On February 28, 2018, Inspector General Sopko spoke at American University to discuss the role of Inspectors General in the United States and the importance of applying rigorous oversight to foreign policy endeavors, such as the reconstruction of Afghanistan. IG Sopko discussed the importance of developing lessons learned from the past 16 years of effort in Afghanistan and how they might be applied to future similar efforts. He specifically highlighted the need for improvement in planning and coordination of such missions, addressing the challenges posed by annual rotations and counterproductive spending incentives; and the need for honesty and transparency to the American public about the reconstruction effort.

# SIGAR OVERSIGHT ACTIVITIES



**SIGAR staffers Scott Harmon** (left) and Charles Hyacinthe (second from right) met in Kabul in April with members of Integrity Watch Afghanistan and the Swedish International Development Cooperation Agency to discuss reconstruction issues of common interest. (IWA photo)

## SIGAR BUDGET

SIGAR is fully funded through FY 2019 at \$54.9 million under the Consolidated Appropriations Act, 2018. The budget supports SIGAR's oversight activities and products by funding SIGAR's Audits and Inspections, Investigations, Management and Support, and Research and Analysis Directorates, as well as the Special Projects Team and the Lessons Learned Program.

## SIGAR STAFF

SIGAR's staff count remained steady since the last quarterly report to Congress, with 187 employees on board at the end of the quarter: 24 SIGAR employees were at the U.S. Embassy in Kabul and two others were at Bagram Airfield. SIGAR employed five 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 12 employees on temporary duty in Afghanistan for a total of 191 days.

“We do look towards a victory in Afghanistan. Now, what does that victory look like? It’s a country with its own people, and with their own security forces, and own law enforcement.”

—*Secretary of Defense James Mattis*