

2 SIGAR OVERSIGHT



SIGAR OVERSIGHT CONTENTS

Audits	18
Inspections	22
Special Projects	27
Lessons Learned	30
Investigations	31
Other SIGAR Oversight Activities	38
SIGAR Budget	39
SIGAR Staff	39

Photo on previous page

An Mi-17 helicopter from the Kandahar Air Wing and UH-60 Black Hawk helicopter from 2nd Battalion, 25th Aviation Regiment, 25th Combat Aviation Brigade, await proper loading procedures training from Afghan and Coalition forces during an air-assault rehearsal on Forward Operating Base Shoja. (DVIDS photo by Sgt. Daniel Shroeder)

SIGAR OVERSIGHT ACTIVITIES

This quarter, SIGAR issued 14 products. SIGAR work to date has identified over \$2.1 billion in savings for the U.S. taxpayer.

SIGAR issued one performance audit report this quarter, examining the multibillion dollar effort by the Department of Defense (DOD) to build the capacity of the Afghan Air Force (AAF) to field UH-60 Black Hawk helicopters, including helicopter delivery, pilot training, and maintenance contractor programs.

SIGAR completed six financial audits of U.S.-funded contracts to rebuild Afghanistan. These financial audits covered a range of topics including USAID's support to the Sheberghan Gas Generation Activity, USAID's Afghan Trade and Revenue Project, and the Department of State's (State) support for corrections and national justice-system programs in Afghanistan. These financial audits identified approximately \$3.6 million in questioned costs as a result of internal-control deficiencies and noncompliance issues. To date, SIGAR's financial audits have identified more than \$418.5 million in questioned costs, interest, and other amounts payable to the U.S. government.

SIGAR also issued three inspection reports. These reports examined the construction, use, and maintenance of the Zarang Border Crossing Point, phase III of the Afghan National Army's (ANA) Camp Commando, and phase III of the Marshal Fahim National Defense University.

This quarter, SIGAR's Office of Special Projects issued four products, including two review reports on USAID-funded education facilities in Baghlan Province and CERP-funded bridges in Kabul; as well as two fact sheets on USAID's Stability in Key Areas Program.

During the reporting period, SIGAR investigations resulted in federal indictments of five persons, and one criminal information. One subject pleaded guilty, three were sentenced, and three were arrested. In addition, approximately \$2.2 million in savings to the U.S. government were realized, as well as \$140,000 in criminal fines, restitutions and forfeitures. SIGAR initiated five new cases and closed 18, bringing the total number of ongoing investigations to 164.

This quarter, SIGAR's suspension and debarment program referred 10 individuals and 13 entities for suspension or debarment based on evidence developed as part of investigations conducted by SIGAR in Afghanistan and

COMPLETED PERFORMANCE AUDIT REPORT

- Audit 19-18-AR: Afghan Air Force UH-60 Implementation: DOD Met the Initial Date for Fielding UH-60 Helicopters, but Program Is at Risk of Not Having Enough Trained Pilots or the Capability to Maintain Future UH-60s

COMPLETED FINANCIAL AUDIT REPORTS

- Financial Audit 19-17-FA: Afghanistan Ministry of Interior and Afghan National Police Mentoring, Training, and Logistics Support Requirement: Audit of Costs Incurred by IAP Worldwide Services Inc.
- Financial Audit 19-15-FA: USAID's Sheberghan Gas Development Project (SGDP): Audit of Costs Incurred by Ministry of Mines and Petroleum
- Financial Audit 19-12-FA: Department of State's Support for Corrections System and National Justice System Programs in Afghanistan: Audit of Costs Incurred by PAE Justice Support
- Financial Audit 19-13-FA: USAID's Support to the Sheberghan Gas Generation Activity: Audit of Costs Incurred by Advanced Engineering Associates International Inc.
- Financial Audit 19-06-FA: Department of State's Security Support for Justice Sector, Corrections System, and Counter Narcotics Police Programs in Afghanistan: Audit of Costs Incurred by PAE Justice Support
- Financial Audit 19-14-FA: USAID's Afghan Trade and Revenue Project: Audit of Costs Incurred by Chemonics International Inc.

COMPLETED INSPECTION REPORTS

- Inspection Report 19-09-IP: Afghan National Army Camp Commando Phase III: Facility Construction and Renovation Generally Met Contract Requirements, but Three Construction Deficiencies Increased Safety Risks
- Inspection Report 19-07-IP: Zarang Border Crossing Point: Facilities Generally Met Contract Requirements, but Construction Deficiencies Pose Safety Concerns
- Inspection Report 19-16-IP: Marshal Fahim National Defense University Phase III: Phase III Construction Generally Met Contract Requirements, but Five Deficiencies and Inadequate Maintenance Increase Safety Risks for Building Occupants

Continued on the next page

Continued from previous page

COMPLETED SPECIAL PROJECTS REPORTS

- Review 19-10-SP: Schools in Baghlan Province, Afghanistan: Observations from Site Visits to 14 Facilities
- Review 19-08-SP: Bridges in Kabul, Afghanistan: Six Bridges Constructed by DOD in Generally Good Condition; Funding for Sustained Maintenance Not in Budget
- Fact Sheet 19-05-SP: Information on USAID's Stability in Key Areas (SIKA) Program—Eastern Region, Afghanistan: USAID Spent \$140.1 million Implementing Stabilization Projects Between December 2011 and September 2015 in Eastern Provinces of Afghanistan
- Fact Sheet 19-11-SP: Information on USAID's Stability in Key Areas (SIKA) Program – Western Region, Afghanistan: USAID Spent \$54 Million Implementing Stabilization Projects Between December 2011 and September 2015 in Western Provinces of Afghanistan

COMPLETED PERFORMANCE AUDITS

- Audit 19-18-AR: Afghan Air Force UH-60 Implementation: DOD Met the Initial Date for Fielding UH-60 Helicopters, but Program Is at Risk of Not Having Enough Trained Pilots or the Capability to Maintain Future UH-60s

the United States. These referrals bring the total number of individuals and companies referred by SIGAR since 2008 to 928, encompassing 515 individuals and 413 companies.

AUDITS

SIGAR conducts performance and financial audits of programs and projects connected to the reconstruction effort in Afghanistan. Since its last report to Congress, SIGAR has issued one performance audit and six financial audits. This quarter, SIGAR has 10 ongoing performance audits and 39 ongoing financial audits.

Performance Audit Reports Issued

SIGAR issued one performance audit report this quarter. This audit examined DOD's multibillion dollar effort to build the capacity of the Afghan Air Force to field UH-60 Black Hawk helicopters. A list of completed and ongoing performance audits can be found in Appendix C of this quarterly report.

Performance Audit 19-18-AR: Afghan Air Force UH-60 Implementation

DOD Met the Initial Date for Fielding UH-60 Helicopters, but Program Is at Risk of Not Having Enough Trained Pilots or the Capability to Maintain Future UH-60s

A key component of the Afghan Air Force's modernization is the addition of 159 UH-60 Black Hawk helicopters, of which 119 will be for the AAF and 40 for the Special Mission Wing (SMW), at a cost estimated at between \$5.75 billion to \$7 billion. The first 16 of 159 UH-60s have been delivered.

DOD has reported to Congress concerns about recruiting, training, and sustainment challenges facing the AAF. SIGAR found that based on the current UH-60 delivery schedule, it is unlikely that there will be enough pilots trained before all of the UH-60s are received. Despite the fact that pilot development is not keeping pace with original program assumptions, DOD has yet to establish benchmarks it can use to determine if it should pause the deliveries of UH-60s or reduce the number of aircraft delivered to the Afghan government.

SIGAR also found that DOD does not currently have a maintenance training course in place to train Afghan personnel to maintain UH-60s. DOD estimates that the cost of contractor maintenance from 2019 through 2023 will be over \$2.8 billion and is likely to grow the longer it takes to develop the AAF's and SMW's maintenance capabilities. Additionally, having insufficient Afghan maintenance personnel limits the locations at which UH-60s can operate because DOD policy bars U.S. contractors from working where there is no U.S. or Coalition control due to security concerns.

Finally, SIGAR found that Train Advise Assist Command-Air, Combined Security Transition Command-Afghanistan, and the AAF have not

SIGAR OVERSIGHT

developed a flying-hour program for the UH-60s that limits the hours they are flown each month. Flying the aircraft more than the 35 hours per month assumed in the maintenance strategy risks excessive wear that could require additional maintenance at an increased cost.

SIGAR made six recommendations to DOD and their subordinate commands: take steps to reduce the waiting time between initial pilot training and the UH-60 qualification course; fully implement the AAF English language program; develop and implement a program to train AAF personnel to maintain the UH-60s; develop and implement a plan for maintaining aircraft in locations where security conditions prevent U.S. contractors from working; work with the AAF to develop a flying-hour program; and link the deliveries of UH-60s to the training of pilots and maintenance personnel. In response to a draft of the report, DOD stated that it is working to establish additional pilot training locations and has developed a proposed training plan that includes establishing a maintenance development center outside of Afghanistan that will focus specifically on training entry-level UH-60 maintenance personnel.

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 39 ongoing financial audits with more than \$1.0 billion in auditable costs, as shown in Table 2.1. A list of completed and ongoing financial audits can be found in Appendix C of this quarterly report.

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

SIGAR issues each financial-audit report to the funding agency that made the award(s). The funding agency is responsible for making the final determination on **questioned amounts** identified in the report's audit findings. Since the program's inception, SIGAR's financial audits have identified more than \$418.2 million in **questioned costs** and \$364,907 in unremitted interest on advanced federal funds or other revenue amounts payable to the government. As of December 31, 2018, funding agencies had disallowed about \$24.2 million in questioned amounts, which are subject to collection.



An Afghan Air Force UH-60 in the Kandahar Air Wing. (DOD photo)

TABLE 2.1

SIGAR'S FINANCIAL AUDIT COVERAGE (\$ BILLIONS)	
127 completed audits	\$7.27
39 ongoing audits	1.01
Total	\$8.28

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

Source: SIGAR Audits and Inspections Directorate.

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

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

COMPLETED FINANCIAL AUDITS

- Financial Audit 19-17-FA: Afghanistan Ministry of Interior and Afghan National Police Mentoring, Training, and Logistics Support Requirement: Audit of Costs Incurred by IAP Worldwide Services Inc.
- Financial Audit 19-15-FA: USAID's Sheberghan Gas Development Project (SGDP): Audit of Costs Incurred by Ministry of Mines and Petroleum
- Financial Audit 19-12-FA: Department of State's Support for Corrections System and National Justice System Programs in Afghanistan: Audit of Costs Incurred by PAE Justice Support
- Financial Audit 19-13-FA: USAID's Support to the Sheberghan Gas Generation Activity: Audit of Costs Incurred by Advanced Engineering Associates International Inc.
- Financial Audit 19-06-FA: Department of State's Security Support for Justice Sector, Corrections System, and Counter Narcotics Police Programs in Afghanistan: Audit of Costs Incurred by PAE Justice Support
- Financial Audit 19-14-FA: USAID's Afghan Trade and Revenue Project: Audit of Costs Incurred by Chemonics International Inc.

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 435 compliance findings and 459 internal-control findings to the auditees and funding agencies.

Financial Audits Issued

This quarter, SIGAR completed six financial audits of U.S.-funded contracts to rebuild Afghanistan. These audits identified more than \$3.6 million in questioned costs because of internal-control deficiencies and noncompliance issues, such as using incorrect foreign currency conversion rates and improperly supporting amounts invoiced.

Financial Audit 19-17-FA: Afghanistan Ministry of Interior and Afghan National Police Mentoring, Training, and Logistics Support Requirement Audit of Costs Incurred by IAP Worldwide Services Inc.

On May 12, 2016, the U.S. Army Contracting Command—Rock Island awarded delivery order 3 under contract W52P1J-13-D-0107 to DRS Technical Services Inc. (DRS). The \$36,250,064 order was intended to support the modernization and expansion of the Afghan Ministry of Interior's Network Operation Center and Joint Operations Center project. After 14 modifications, total funding increased to \$50,902,910, and the end date of the order's period of performance was extended from November 8, 2016, to December 3, 2018. IAP Worldwide Services Inc. (IAP) acquired DRS and became the prime contractor in September 2016.

SIGAR's financial audit, performed by Conrad LLP (Conrad), reviewed \$49,786,625 charged to the contract from May 12, 2016, through July 31, 2018. Conrad identified one significant deficiency and two deficiencies in IAP's internal controls, and three instances of noncompliance with the terms and conditions of the delivery order and applicable regulations. Because of these internal-control deficiencies and instances of noncompliance, Conrad identified \$2,231,965 in questioned costs.

Financial Audit 19-15-FA: USAID's Sheberghan Gas Development Project Audit of Costs Incurred by Ministry of Mines and Petroleum

On May 15, 2012, USAID and the Afghan government signed Implementation Letter 45 to fund the Sheberghan Gas Development Project (SGDP). According to the letter, USAID would fund up to \$30 million for the project, which was designed to increase the use of Afghanistan's natural resources and generate electric energy for economic and social benefits. The Ministry of Mines and Petroleum (MOMP) was responsible for implementing the

project. USAID modified the letter 17 times, extending the period of performance to August 31, 2016, while leaving the total amount unchanged.

SIGAR's financial audit, performed by Crowe LLP (Crowe), reviewed \$30 million charged to the grant from May 15, 2012, through August 31, 2016. Crowe identified three material weaknesses and four significant deficiencies in MOMP's internal controls, and seven instances of material noncompliance with the terms and conditions of the grant. Because of these internal-control deficiencies and instances of noncompliance, Crowe identified \$803,171 in questioned costs.

**Financial Audit 19-12-FA:
Department of State's Support for Corrections System
and National Justice System Programs in Afghanistan
Audit of Costs Incurred by PAE Justice Support**

On December 30, 2014, State awarded Pacific Architects and Engineers Inc. a six-month, \$41,093,479 cost-plus-fixed-fee contract. The contract's objective was to help the Afghan government implement the Corrections System Support Program and support the National Justice Program to modernize and develop the Afghanistan's corrections system. State modified the contract 12 times, decreasing the estimated cost to \$27,625,000, and extending the period of performance to February 29, 2016. After the second contract modification, the name of the entity receiving the contract was changed to PAE Justice Support.

SIGAR's financial audit, performed by Crowe LLP, reviewed \$26,381,932 expenditures and fixed fees charged to the contract from January 1, 2015, through February 29, 2016. Crowe identified two material weaknesses, three significant deficiencies, and two deficiencies in PAE's internal controls, and seven instances of noncompliance with the terms and conditions of the contract. Because of these internal-control deficiencies and instances of noncompliance, Crowe identified \$546,017 in questioned costs.

**Financial Audit 19-13-FA:
USAID's Support to the Sheberghan Gas Generation Activity
Audit of Costs Incurred by Advanced Engineering Associates International Inc.**

On December 21, 2011, USAID awarded a \$31,780,600, cost-plus-fixed-fee, 18-month task order to Advanced Engineering Associates International Inc. (AEAI), to support the Sheberghan Gas Generation Activity (SGGA). AEAI was to provide training, technical assistance, and capacity enhancement to the Ministry of Mines and Petroleum in support of the SGGA. The agency modified the task order six times, decreasing the total cost to \$30,440,956 and extending the period of performance to July 31, 2016.

SIGAR's financial audit, performed by Crowe LLP, reviewed \$4,571,929 in expenditures and fixed fees charged to the task order from January 1, 2016, through July 31, 2016. Crowe found two material weaknesses and

one significant deficiency in AEAI's internal controls and four instances of noncompliance with the terms and conditions of the task order. Because of these internal-control deficiencies and instances of noncompliance, Crowe identified \$33,517 in questioned costs.

Financial Audit 19-06-FA: Department of State's Security Support for Justice Sector, Corrections System, and Counter Narcotics Police Programs in Afghanistan

Audit of Costs Incurred by PAE Justice Support

On December 15, 2014, State awarded Pacific Architects and Engineers Inc. (PAE), a one-year, \$52,035,382 cost-plus-fixed-fee contract. The contract's objective was to ensure a secure environment for personnel supporting State programs for the justice sector, the corrections system, and the Counter Narcotics Police in Afghanistan. State modified the contract 15 times, increasing the estimated cost to \$74,784,378, and extending the period of performance to September 18, 2017. In the first contract modification, the name of the entity receiving the contract was changed to PAE Justice Support.

SIGAR's financial audit, performed by Crowe LLP, reviewed \$72,193,961 in expenditures and fixed fees charged to the contract from December 15, 2014, through September 18, 2017. Crowe identified one material weakness, two significant deficiencies, and three deficiencies in PAE's internal controls, and seven instances of noncompliance with the terms and conditions of the contract. Because of these internal-control deficiencies and instances of noncompliance, Crowe identified \$30,251 in total questioned costs.

Financial Audit 19-14-FA: USAID's Afghan Trade and Revenue Project Audit of Costs Incurred by Chemonics International Inc.

On November 7, 2013, USAID awarded Chemonics International Inc. (Chemonics) a four-year, \$77.8 million contract to support the Afghan Trade and Revenue (ATAR) project. The project's purpose was to provide technical support and assistance aimed at strengthening Afghanistan's business climate to enable private investment, enhanced trade, job creation, and fiscal sustainability. USAID modified the contract 12 times, extending the period of performance to February 28, 2018, while leaving the total amount unchanged.

SIGAR's financial audit, performed by Crowe LLP, reviewed \$17,881,176 charged to the contract from January 1, 2017, through February 28, 2018. Crowe identified one deficiency in Chemonics' internal controls, and two instances of noncompliance with the terms and conditions of the contract. Because of these internal-control deficiencies and instances of noncompliance, Crowe identified \$346 in questioned costs.

INSPECTIONS

Inspection Reports Issued

This quarter, SIGAR issued three inspection reports. These reports examined the construction, use, and maintenance of the Zarang Border Crossing Point, phase III of the Afghan National Army's (ANA) Camp Commando, and phase III of the Marshal Fahim National Defense University. A list of completed and ongoing inspections can be found in Appendix C of this quarterly report.

Inspection Report 19-09-IP: Afghan National Army Camp Commando Phase III Facility Construction and Renovation Generally Met Contract Requirements, but Three Construction Deficiencies Increased Safety Risks

On December 27, 2012, the U.S. Army Corps of Engineers (USACE) awarded a \$14.9 million firm-fixed-price contract to ECC CENTCOM Constructors LLC (ECC) to design, construct, and renovate the phase III facilities for approximately 1,950 personnel at Camp Commando in Kabul, Afghanistan. The contract required ECC to construct seven new facilities, such as the dining facility (DFAC) and warehouse, and renovate four existing buildings to use as training classrooms. After 11 modifications, the contract's value increased by \$2.5 million to \$17.4 million. ECC completed the phase III construction and renovation work on June 26, 2014. On July 18, 2014, CSTC-A transferred the phase III facilities to the Afghan Ministry of Defense (MOD).

SIGAR found that the phase III construction and renovation work generally met contract requirements. However, SIGAR also identified three construction deficiencies that raise safety concerns for building occupants should a fire occur. First, ECC installed 125 certified fire-rated doors in the four newly constructed barracks, but did not install 40 certified fire-rated interior doors in the four renovated buildings. Second, ECC installed non-certified rolling counter doors in the DFAC, instead of the Alpine fire-rated rolling counter doors USACE approved. Third, SIGAR could not locate six of the 33 fire extinguishers ECC installed and found that at least 19 of the 27 extinguishers that it could locate were counterfeit. SIGAR determined that USACE paid ECC more than \$51,000 for 33 fire extinguishers that should have cost less than \$2,000 if ECC had purchased and installed the approved extinguishers. USACE may have also paid ECC more than necessary for the noncertified fire doors and noncertified rolling counter doors, but these amounts were not available because the costs are combined with other contract costs. SIGAR found that USACE did not perform effective quality assurance or fully adhere to its own three-phase quality-assurance inspection process, which contributed to these deficiencies going undetected.

COMPLETED INSPECTION REPORTS

- Inspection Report 19-09-IP: Afghan National Army Camp Commando Phase III: Facility Construction and Renovation Generally Met Contract Requirements, but Three Construction Deficiencies Increased Safety Risks
- Inspection Report 19-07-IP: Zarang Border Crossing Point: Facilities Generally Met Contract Requirements, but Construction Deficiencies Pose Safety Concerns
- Inspection Report 19-16-IP: Marshal Fahim National Defense University Phase III: Phase III Construction Generally Met Contract Requirements, but Five Deficiencies and Inadequate Maintenance Increase Safety Risks for Building Occupants

Finally, SIGAR found that the Camp Commando phase III facilities are being used and maintained. However, broken door hardware on the exit doors in the DFAC has resulted in three of the six exit doors being permanently locked from the outside, and only one of the three exits in the dining area is available to personnel during an emergency evacuation. In addition, Afghan National Army (ANA) personnel converted two of the renovated training classrooms into barracks and obstructed the only exit corridor with lockers. In one of the new barracks, the ANA constructed a permanent wall with a door in the only corridor of the building, blocking access to one of the building's exits. These conditions could increase safety risks to building occupants in the event of a fire or other emergency.

SIGAR made one recommendation in the draft report, that the CSTC-A commander notify the ANA of the following potential safety hazards: non-certified doors in the renovated buildings and noncertified rolling counter doors in the DFAC; the counterfeit fire extinguishers installed throughout the phase III facilities; the blocked exits in the DFAC and one of the new barracks; and the obstructed exit corridors in the two training classrooms converted into barracks. Based on the CSTC-A's response and actions taken, SIGAR closed the recommendation as implemented and removed it from the final report.

Inspection Report 19-07: Zarang Border Crossing Point Facilities Generally Met Contract Requirements, but Construction Deficiencies Pose Safety Concerns

On August 22, 2011, the U.S. Air Force's 772nd Enterprise Sourcing Squadron, in support of the Air Force Center for Engineering and the Environment—reorganized in 2012 as the Air Force Civil Engineer Center (AFCEC)—awarded a \$26.9 million cost-plus-fixed-fee task order to United Research Services Group Inc. (URS). The task order required URS to design and construct Afghan Border Police border-patrol company headquarters at Burjas, Kang, and Taba-e Talib, and a border crossing point at Zarang, all in Nimroz Province.

This inspection focused on the \$11.1 million Zarang Border Crossing Point. After 14 modifications, the value of the border crossing point was reduced to \$10.9 million. On February 28, 2013, AFCEC transferred the Zarang Border Crossing Point facilities to the Combined Security Transition Command-Afghanistan (CSTC-A), and CSTC-A transferred the facilities to the Afghan Ministry of Interior (MOI).

SIGAR found that URS completed all of the required construction, and the facilities were generally constructed according to task-order requirements. Despite this, SIGAR also identified eight instances in which URS failed to adhere to task-order requirements and technical specifications. Most notably, the task order required URS to install 32 certified fire-rated doors in six buildings. SIGAR inspected those doors and found that they

did not have the required manufacturer's labels identifying the manufacturer and specifying that the doors were fire-rated and certified. These deficiencies pose safety risks and raise concerns that U.S. taxpayer funds may have been wasted on noncompliant products and construction. Due to AFCEC's incomplete record keeping, SIGAR could not fully assess the extent to which URS complied with the task order and AFCEC oversaw the project. As a result, there may be additional deficiencies that SIGAR did not discover.

SIGAR also found that most of the Zarang Border Crossing Point's facilities were being used or partially used, but were not being adequately maintained. For example, two barracks were not being used, two other barracks were being partially used, and three other buildings have not been used since they were constructed. These buildings have a combined cost of \$1.1 million. In addition, the sewer line was blocked, and SIGAR found counterfeit and missing fire extinguishers, nonfunctioning lights and smoke alarms, broken door hardware, leaking electric water heaters, and missing and broken electrical panel doors.

SIGAR made one recommendation in the draft report, that the CSTC-A Commander inform the MOI of the 32 unlabeled doors in the six buildings that the task order required to be fire-rated and explain the potential safety hazards in event of a fire if the doors were not fire-rated. Based on CSTC-A's response and actions taken, SIGAR closed the recommendation as implemented and removed it from the final report.

Inspection Report 19-16-IP: Marshal Fahim National Defense University Phase III Phase III Construction Generally Met Contract Requirements, but Five Deficiencies and Inadequate Maintenance Increase Safety Risks for Building Occupants

In July 2012, USACE awarded a \$24.6 million firm-fixed-price contract to State Corps to design and construct 37 buildings and support facilities as part of the phase III construction of the ANA's Marshal Fahim National Defense University (MFNDU). After 44 modifications, the contract's value increased by \$9.7 million to \$34.3 million. In February 2013, USACE awarded a second \$15.4 million firm-fixed-price contract to Assist Consultants to design and construct another 33 buildings and support facilities as part of phase III. After 21 modifications, the contract's value increased by \$3 million to \$18.4 million. The final value of the MFNDU phase III construction was \$52.7 million and included the construction of 70 buildings and support facilities. By July 2015, CSTC-A had accepted and transferred all phase III buildings and facilities to the MOD.

SIGAR found that State Corps and Assist Consultants generally built the phase III buildings and facilities according to contract requirements and technical specifications. However, SIGAR identified five deficiencies that create safety risks for building occupants. Specifically, SIGAR found that

State Corps and Assist Consultants installed noncertified fire doors in all 21 phase III buildings instead of certified doors as required by the contracts, and installed lightning-protection systems in only three of 21 buildings, even though the systems were required in all buildings. In addition, Assist Consultants did not install seismic bracing on water heaters that required this bracing; welded propane gas-supply pipes together instead of using the required threaded fittings; and installed threaded connectors instead of the required flexible quick-disconnect connectors on the stoves in the dining facility. SIGAR also found that the ANA was using all of the MFNDU phase III buildings and facilities, except for the wastewater-treatment plant, which has never been operational. Because the MFNDU does not have a functioning wastewater-treatment plant, the ANA is discharging untreated wastewater into ditches that flow toward a nearby village, potentially contaminating its water supply. In addition, SIGAR found that the phase III buildings were not being well maintained. SIGAR found broken and missing door-lock assemblies, nonfunctioning smoke detectors, and empty and counterfeit fire extinguishers in all 21 buildings.

Because the Afghan government has been responsible for operating and maintaining the MFNDU's phase III buildings and facilities since 2015, the MOD has agreed to address facility maintenance, and CSTC-A has informed the MOD of the safety risks, SIGAR made no recommendations in this report.

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 20 recommendations contained in 10 audits, inspections, and financial reports. These reports contained recommendations that resulted in the recovery of \$3,075,312 in ineligible or unsupported contract costs paid by the U.S. government.

From 2009 through December 2018, SIGAR issued 321 audits, alert letters, and inspection reports, and made 910 recommendations to recover funds, improve agency oversight, and increase program effectiveness.

SIGAR has closed 776 of these recommendations, about 85%. Closing a recommendation generally indicates SIGAR's assessment that the audited agency has either implemented the recommendation or has otherwise appropriately addressed the issue. In some cases where the agency has failed to act, SIGAR will close the recommendation as "Not Implemented"; this quarter SIGAR closed six recommendations in this manner. In some cases, these recommendations will be the subject of follow-up audit or inspection work.

SIGAR is also required 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 134 open

recommendations. Sixty-six of these recommendations have been open more than 12 months; these remain open because the agency involved has not yet produced a corrective-action plan that SIGAR believes would resolve the identified problem, or has otherwise failed to appropriately respond to the recommendation(s).

For example, in SIGAR's April 2017 report on uniforms and equipment DOD supplied to the ANDSF, SIGAR recommended that the Under Secretary of Defense for Policy direct the Commander of U.S. Central Command to direct the Commander of CSTC-A to develop and implement corrective action plans within 90 days to improve clothing and equipment requirements forecasting models to better reflect ANA and ANP personnel, inventories, and consumption rates. In addition, in SIGAR's June 2017 report on DOD's and State's implementation of the Leahy laws in Afghanistan, SIGAR recommended that the Secretaries of Defense and State reiterate guidance to all department personnel and contractors in Afghanistan that establishes clear reporting and training requirements related to gross violations of human rights and child sexual assault, including specific instructions on how to report a suspected incident. These recommendations remain open and unresolved.

For a complete list of open recommendations see www.sigar.mil.

SPECIAL PROJECTS

SIGAR's Office of Special Projects was created to quickly obtain and access 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 timely, credible, and useful information to Congress and the public. 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. The team conducts a variety of assessments, producing reports on all facets of Afghanistan reconstruction.

This quarter, SIGAR's Office of Special Projects issued two review reports on: USAID-funded education facilities in Baghlan Province and CERP-funded bridges in Kabul. The Office of Special Projects also issued two fact sheets on USAID's Stability in Key Areas Program in the East Region and the West Region. The two review reports issued by Special Projects in accordance with CIGIE Quality Standards for Inspection and Evaluation had one recommendation. A list of completed and ongoing Special Projects can be found in Appendix C of this quarterly report.

COMPLETED SPECIAL PROJECTS REPORTS

- Review 19-10-SP: Schools in Baghlan Province, Afghanistan: Observations from Site Visits to 14 Facilities
- Review 19-08-SP: Bridges in Kabul, Afghanistan: Six Bridges Constructed by DOD in Generally Good Condition; Funding for Sustained Maintenance Not in Budget
- Fact Sheet 19-05-SP: Information on USAID's Stability in Key Areas (SIKA) Program—Eastern Region, Afghanistan: USAID Spent \$140.1 Million Implementing Stabilization Projects Between December 2011 and September 2015 in Eastern Provinces of Afghanistan
- Fact Sheet 19-11-SP: Information on USAID's Stability in Key Areas (SIKA) Program – Western Region, Afghanistan: USAID Spent \$54 Million Implementing Stabilization Projects Between December 2011 and September 2015 in Western Provinces of Afghanistan

SIGAR OVERSIGHT



USAID-funded high school for girls in Baghlan Province. (SIGAR photo)

Review 19-10-SP: Schools in Baghlan Province, Afghanistan Observations from Site Visits to 14 Facilities

This report is the eighth in a series that discusses SIGAR findings from site visits at 14 schools built or rehabilitated by USAID in Afghanistan. SIGAR found that all 14 schools were open and in generally usable condition, but identified potential problems with staffing and with student and teacher attendance at several of the schools. SIGAR also found minor structural deficiencies in some schools (such as damaged walls, leaking roofs, and/or holes in windows) that may affect student safety and the delivery of education.

Two of the schools, however, had major structural issues, which were the subject of two alert letters—*Structural Damage at Educational Facility SR 06*, SIGAR, 18-32-SP, and *Structural Damage at Educational Facility SR 09*, SIGAR, 18-36-SP. SIGAR also found that some schools have structural deficiencies (e.g., cracked or crumbling walls or holes in windows) that could potentially impact safety and the delivery of education. In addition, SIGAR found that eight of the 14 schools did not have access to electricity, two did not have access to water, and 10 of the 14 schools did not have enough tables and chairs for the students. The lack of access to water and electricity, poor sanitary conditions, and structural damage and safety hazards, could potentially impact the safety and limit the attendance of teachers and students.

SIGAR made one recommendation, that USAID share the results of this review with the Ministry of Education so that structural and other deficiencies can be remedied.



CERP-funded pedestrian bridge in Kabul. (SIGAR photo)

Review 19-08-SP: Bridges in Kabul, Afghanistan

Six Bridges Constructed by DOD in Generally Good Condition;

Funding for Sustained Maintenance Not in Budget

This report discusses the results of SIGAR's review of six DOD-funded bridges in Kabul, Afghanistan, that were constructed or rehabilitated using funds from the Commander's Emergency Response Program (CERP) between 2009 and 2012. SIGAR found that the location information maintained in DOD systems was accurate, with all the eight bridges reviewed within 200 meters of their recorded coordinates. All bridges had some form of signed agreement to maintain the bridges with either the Ministry of Public Works (MOPW) or local officials. However, the MOPW official interviewed said the ministry had no budget for maintenance or repairs for any of the bridges.

Fact Sheet 19-05-SP: Information on USAID's Stability in Key Areas (SIKA) Program—Eastern Region, Afghanistan

USAID Spent \$140.1 Million Implementing Stabilization Projects Between December 2011 and September 2015 in Eastern Provinces of Afghanistan

Since 2003, USAID has spent at least \$2.3 billion on stabilization programs intended to extend the reach of the Afghan government to unstable areas, provide income-generation opportunities, build trust between citizens and their government, and encourage local populations to take an active role in community development.

This fact sheet provides information on the different types of projects conducted for stabilization operations through USAID's SIKA Program in six provinces in eastern Afghanistan: Paktika, Ghazni, Khost, Paktiya, Logar, and Maydan Wardak. In conjunction with the other assessments that

took a more comprehensive look at outcomes, the output-based information contained in this report can assist decision-makers and government officials in better understanding U.S. efforts and expenditures intended to help stabilize Afghan communities.

Approximately 80% of the SIKA-East projects were “soft projects” consisting of capacity-building projects such as vocational training, teacher training, education, and conflict resolution, and focused on reducing instability by building trust in local government bodies. The hard projects consisted of infrastructure-focused activities, such as the construction of roads, culverts, wells, and playgrounds.

Fact Sheet 19-11-SP: Information on USAID’s Stability in Key Areas (SIKA) Program—Western Region, Afghanistan

USAID Spent \$54 Million Implementing Stabilization Projects Between December 2011 and September 2015 in Western Provinces of Afghanistan

Since 2003, USAID has spent at least \$2.3 billion on stabilization programs intended to extend the reach of the Afghan government to unstable areas, provide income generation opportunities, build trust between citizens and their government, and encourage local populations to take an active role in community development.

This fact sheet provides information on the different types of projects conducted for stabilization operations through the SIKA Program in four provinces in western Afghanistan: Herat, Badghis, Ghor, and Farah. In conjunction with the other assessments that took a more comprehensive look at outcomes, the output-based analysis contained in this report can assist decision-makers and government officials in better understanding U.S. efforts and expenditures intended to help stabilize Afghan communities.

Approximately 73% of the SIKA-West projects were “soft projects” consisting of capacity building projects such as inventory and asset management, financial management and leadership, conflict resolution projects, and counternarcotics projects. The soft projects focused on reducing instability by building trust in local government bodies. The hard projects consisted of infrastructure-focused activities, such as the construction of roads, culverts, wells, and cricket and football fields.

LESSONS LEARNED

SIGAR’s Lessons Learned Program was created to identify lessons and make recommendations to Congress and executive agencies on ways to improve current and future reconstruction efforts. To date, the program has issued five reports. Four projects are currently in development: U.S. and coalition responsibilities for security-sector assistance; U.S. government support to elections; monitoring and evaluation of reconstruction contracting; and reintegration of ex-combatants.

Lessons-learned reports and their companion interactive versions are posted on SIGAR’s website, www.sigar.mil.

INVESTIGATIONS

SIGAR’s Investigations Directorate produced significant outcomes during the reporting period. Criminal investigations resulted in federal indictments of five persons, and one criminal information (a written accusation by a prosecutor that does not involve a grand-jury indictment). One subject pleaded guilty, three were sentenced, and three were arrested. In addition, approximately \$2.2 million in savings to the U.S. government was realized, as well as \$140,000 in criminal fines, restitutions and forfeitures. SIGAR initiated five new cases and closed 18, bringing the total number of ongoing investigations to 164, as shown in Figure 2.1.

To date, SIGAR investigations have resulted in a cumulative total of 133 criminal convictions. Criminal fines, restitutions, forfeitures, civil settlements, and U.S. government cost savings and recoveries total approximately \$1.5 billion.

Three Senior Executives at Defense Contracting Firms Indicted for Defrauding the U.S. Military in Connection with \$8 Billion Contract and for Violating the Iran Sanctions Regime

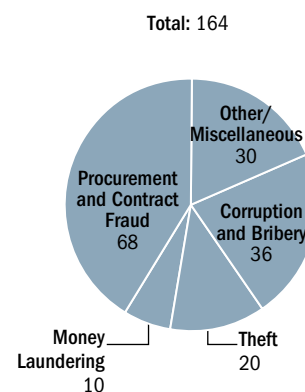
On November 27, 2018, in the District of Columbia, Abul Huda Farouki, his brother Mazen Farouki, and Salah Maarouf, were each charged with two counts of major fraud, one count of conspiracy to violate the restrictions on doing business with Iran, four counts of substantive violations of those restrictions, and one count of conspiracy to commit international money laundering. On November 29, 2018, all three individuals were arrested in Washington, DC, by SIGAR and Homeland Security Investigations (HSI) agents.

Abul Huda Farouki was the chief executive officer of ANHAM FZCO, a defense contractor based in the United Arab Emirates (UAE). Mazen Farouki was president and founder of Unitrans International Inc., an international logistics company with close ties to ANHAM FZCO. Salah Maarouf operated a company that procured goods and services for ANHAM FZCO.

According to the indictment, DOD awarded ANHAM FZCO an \$8 billion contract in 2012 to provide food and supplies to U.S. troops in Afghanistan. As part of the bidding process, the subjects allegedly caused ANHAM FZCO to represent that it would build two warehouses in Afghanistan to provide supplies to U.S. forces. They schemed to defraud DOD in connection with the Subsistence Prime Vendor for Afghanistan food-service contract by submitting bids that contained knowingly false estimates of the completion dates for the warehouses and by providing the government with misleading photographs intended to convey that ANHAM FZCO’s progress on the

FIGURE 2.1

SIGAR INVESTIGATIONS: NUMBER OF OPEN INVESTIGATIONS, AS OF JANUARY 9, 2019



Source: SIGAR Investigations Directorate, 1/9/2019.

warehouses was further along than it actually was. Specifically, in February 2012, the three subjects and others caused ANHAM FZCO employees to transport equipment and materials to the proposed site of one of the warehouse complexes to create the false appearance of an active construction site. They photographed the site, provided the photographs to DOD, and then largely dismantled the staged construction site.

According to the indictment, rather than ship trucks to supply the U.S. military in Afghanistan using legal routes, the three defendants also conspired to cut costs by transporting construction material through Iran, in violation of economic sanctions imposed by the United States prohibiting the shipping of goods through Iranian ports to locations in Afghanistan and elsewhere in Asia.

U.S. Government Contractor Indicted for Language Interpreter Fraud Scheme

On November 7, 2018, in the U.S. District Court of Maryland, Abdul Saboor Aman was indicted for conspiracy to commit mail and wire fraud, and major fraud against the United States. On November 8, 2018, Aman self-surrendered to the U.S. Marshals Service in Baltimore, MD, and made his initial appearance before a federal magistrate judge, entering a plea of not guilty.

As a recruiter for a U.S. government contractor, Aman allegedly circumvented procedures designed to ensure candidates for jobs as language interpreters for the U.S. military met proficiency standards, which resulted in unqualified interpreters being hired and later deployed alongside U.S. military combat forces in Afghanistan. Aman's employer was a subcontractor on a multimillion-dollar DOD contract to supply qualified language interpreters to support U.S. and Coalition operations in Afghanistan. To carry out the fraud, Aman arranged for an associate to take language-proficiency tests on behalf of candidates he knew could not meet minimum proficiency standards.

SIGAR and U.S. Army Criminal Investigation Command (CID) are investigating the matter.

Investigation Results in Over \$1 Million Savings for U.S. Government

In February 2018, SIGAR met with representatives of Afghan civil society and members of the U.S. military, CSTC-A, Counter Corruption Advisory Group (CCAG), and Resolute Support, in Kabul, regarding an assessment and information received relating to corruption at the procurement section at the Ministry of Interior, Information and Communications Technology (MOI-ICT). At the time, SIGAR's hotline also received related information.

SIGAR and members of CCAG identified a number of witnesses and sources that corroborated the information previously received, including significant evidence of procurement fraud related to the implementation of

tens of millions of dollars in contracts for technical equipment at the MOI-ICT. SIGAR worked closely with officials at CCAG in gathering evidence related to the ongoing fraud.

In early 2018, the MOI-ICT initiated a procurement action to purchase additional technical equipment in the amount of \$1,176,000 which was denied due to the findings of the investigation, resulting in \$1,176,000 in savings to the U.S. government.

Former U.S. Army Soldier Pleads Guilty to Unlawful Possession of Illegal Firearms

On November 19, 2018, in the Eastern District of North Carolina, former U.S. Army Special Forces member Joseph Russell Graff pleaded guilty to one count of unlawful possession of illegal firearms. This was count 30 of a 33-count indictment previously reported. Sentencing is currently scheduled for February 19, 2019.

Graff 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 U.S. 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.

U.S. Government Contractor Sentenced for the Theft, Sale, and Illegal Transport of U.S. Government Property

On November 13, 2018, in the District of Arizona, Michael Dale Gilbert was sentenced to a five-month prison term for one count of theft of government property; two counts of unauthorized sale, conveyance and disposition of government property; and one count of interstate transportation of stolen property. Five-month prison terms for each of the four counts are to run concurrently, followed by five months of home confinement. Additionally, Gilbert was sentenced to supervised release for a term of 36 months for each count, to run concurrently, and ordered to pay restitution of \$33,371.

Gilbert was an employee of PAE, a U.S. government contractor, and served as an escort for the State Department at Kandahar Air Field (KAF). Gilbert also served as the point of contact for the State Foreign Excess Property program, through which usable government property no longer needed by the original user was reallocated to other government users.

Gilbert stole and shipped approximately 40 boxes of government property from KAF to relatives in Florida. While on home leave in Arizona, Gilbert drove to Florida to transfer the items to his home and shipped

additional boxes of government-owned items directly to his home. Some of the items were sold for personal gain.

SIGAR and State OIG investigated this matter.

Former Employee of U.S. Government Contractor Sentenced for Transporting Stolen Money

On October 11, 2018, in the Southern District of Ohio, Frantz Florville was sentenced to 10 months' home confinement, three years' probation, a forfeiture of \$104,000, and a special assessment of \$100, after pleading guilty to one count of transportation of stolen money.

Florville was a project specialist for the prime contractor on a \$7.9 million U.S. government contract. While working in Afghanistan, Florville became suspicious of a coworker, Nebraska McAlpine, who was taking illegal kickbacks from an Afghan subcontractor, and took steps to record conversations between McAlpine and the subcontractor. After the last recorded meeting, Florville entered McAlpine's office, found a bag containing \$108,000 and took the bag. Florville admitted that he used \$25,000 of the stolen money to purchase nine diamonds. On a flight from Afghanistan to the United Arab Emirates, Florville hid \$79,000 in boots that were specifically purchased and altered to conceal the stolen money.

SIGAR, Defense Criminal Investigative Service (DCIS), and Army CID-MPFU investigated this matter.

Retired U.S. Military Member Sentenced for Bribery

On October 23, 2018, in the Eastern District of California, David A. Turcios, a retired U.S. Air Force staff sergeant, was sentenced to 12 months' probation and ordered to pay a \$1,000 fine and \$500 forfeiture, after pleading guilty to receiving and agreeing to receive a bribe.

Turcios is one of eight subjects of a major bribery investigation that focused on Afghan contractors paying bribes to U.S. military personnel in return for government contracts associated with the Humanitarian Aid Yard (Yard) at Bagram Airfield. As part of the Commander's Emergency Response Program to meet humanitarian relief needs of Afghans, the Yard served as a storage-and-distribution facility for clothing, food, and other items purchased from local Afghan vendors. Investigators uncovered criminal activity affecting inventories, payments, and contract oversight, and confirmed that U.S. military personnel, stateside contacts, and local Afghans had conspired in bribery, kickbacks, and money-laundering schemes. Among other improper acts, U.S. personnel took bribes from vendors to steer business to favored vendors. The conspiracies at the Yard persisted for years.

SIGAR, FBI, DCIS, Army CID-MPFU, and Air Force OSI investigated this matter.

U.S. Government Contractor Indicted for Fraudulent Scheme

On December 12, 2018, in the District of South Carolina, former U.S. government contractor Antonio Jones was charged in an indictment for his alleged role in selling falsified resumes and counterfeit U.S. government training certificates to individuals seeking employment on U.S. government contracts in Afghanistan between 2012 and 2015. Jones was charged with one count of conspiracy to defraud government contractors and the United States, nine counts of wire fraud, and three counts of false statements.

Jones allegedly falsified his clients' resumes and manufactured counterfeit U.S. government training certificates for his clients to make them appear more qualified than they were. Jones and his clients then used the falsified documents in job applications submitted to U.S. government contractors. At least two U.S. government contractors, one based in South Carolina, working on a multibillion dollar DOD contract, hired personnel allegedly based on false documents that Jones created and supplied or caused to be supplied to them.

Investigation Yields \$1 Million Savings for U.S. Government

On October 16, 2018, it was confirmed that a SIGAR investigation had resulted in a \$1,024,075 savings to the U.S. government.

In 2016, SIGAR received eight complaints alleging the International Development Law Organization (IDLO) Justice Training Transition Program (JTTP) had mismanaged funds. An investigation was initiated, focusing largely on interviews of former and current JTTP employees.

As a result of an investigation into the JTTP program, information was passed to the State Department's Bureau of International Narcotics and Law Enforcement Affairs (INL) about problems that had been reported in the JTTP program. Additionally, INL was advised that a separate investigation conducted by the Netherlands government had suspended \$16 million in unrestricted funding to IDLO due to IDLO mismanagement. As a result, INL decided not to extend the JTTP program; in February 2018, the program ended with an unexpended balance of \$1,024,075.

Suspensions and Debarments

This quarter, SIGAR's suspension and debarment program referred 10 individuals and 13 entities 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 928, encompassing 515 individuals and 413 companies to date, as shown in Figure 2.2 on the next page.

As of the end of December 2018, SIGAR's efforts to utilize suspension and debarment to address fraud, corruption and poor performance in Afghanistan have resulted in a total of 141 suspensions and 542 finalized debarments/special entity designations of individuals and companies

engaged in U.S.-funded reconstruction projects. An additional 23 individuals and companies have entered into administrative compliance agreements with the U.S. government in lieu of exclusion from contracting since the initiation of the program. During the first quarter of FY 2019, SIGAR's referrals resulted in five suspensions and four finalized debarments. An additional 26 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 continues to look for ways to enhance the government's responses to these challenges through the innovative use of information resources and investigative assets both in Afghanistan and the United States.

SIGAR makes referrals for suspensions and debarments—actions taken by U.S. agencies to exclude companies or individuals from receiving federal contracts or assistance because of misconduct—based on completed investigations that SIGAR conducts or participates in. In most cases, SIGAR's referrals occur in the absence of acceptance of an allegation for criminal prosecution or remedial action by a contracting office and are therefore the primary remedy to address contractor misconduct.

In making referrals to agencies, SIGAR provides the basis for a suspension or debarment decision by the agency as well as all of the supporting documentation needed for an agency to defend 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.

Suspension of ANHAM USA and ANHAM FZCO Based on the Indictment of Three Senior Executives

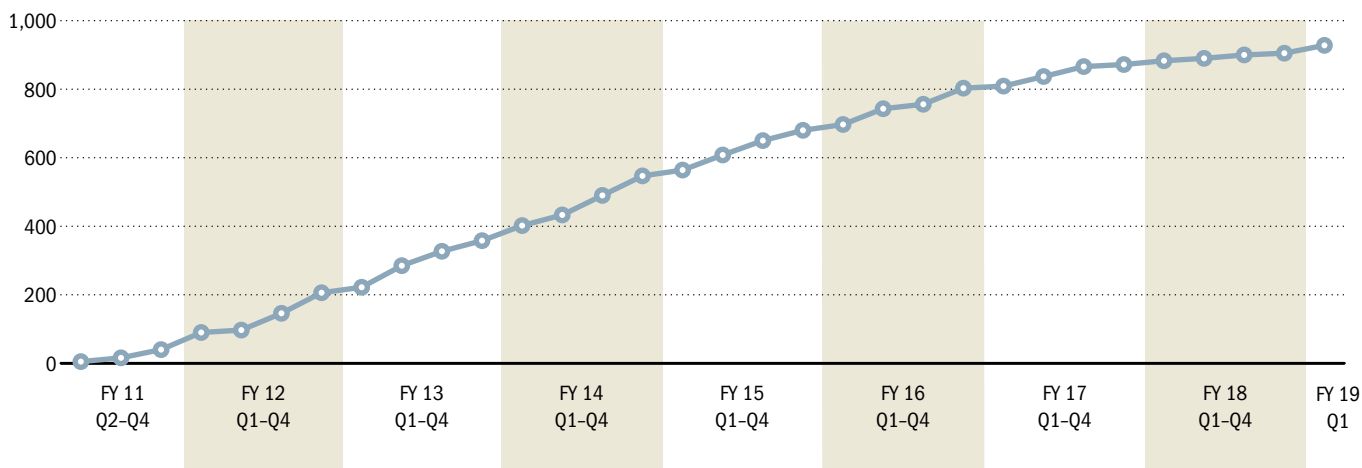
On December 27, 2018, resulting from a SIGAR investigation, the Defense Logistics Agency (DLA) suspended ANHAM USA and ANHAM FZCO based on the November 27, 2018, indictment of Abul Huda Farouki, his brother Mazen Farouki, and Salah Maarouf in the U.S. District Court for the District of Columbia on charges of major fraud against the United States, conspiracy to violate the International Emergency Economic Powers Act, and conspiracy to launder money.

The indictment alleged that, between December 2011 and February 2012, as part of their efforts to have ANHAM FZCO awarded the Subsistence Prime Vendor for Afghanistan (SPV-A) food-service contract, Abul Huda

SIGAR OVERSIGHT

FIGURE 2.2

SIGAR INVESTIGATIONS: CUMULATIVE REFERRALS FOR SUSPENSION AND DEBARMENT, Q2 FY 2011–Q1 FY 2019



Note: For a comprehensive list of finalized suspensions, debarments, and special entity designations, see Appendix D.
 Source: SIGAR Investigations Directorate, 1/4/2019.

Farouki, Mazen Farouki, and Salah Maarouf made multiple material misrepresentations to DLA contracting officers regarding its intent to build climate-controlled warehouses for frozen and dry-goods in the vicinity of Bagram Airfield, Afghanistan. The object of this alleged deception was to deceive DLA contracting personnel with false assurances that ANHAM FZCO was capable of successfully performing the SPV-A contract in accordance with the statement of work.

In addition, ANHAM FZCO allegedly utilized ports in Iran to move materials for the staged warehouse site as well as vehicles and equipment in order to facilitate its performance of the National Afghan Trucking contract, a transportation contract that had also been awarded to ANHAM FZCO by DOD for the movement of fuel and dry cargo in support of operations within Afghanistan. The use of these Iranian ports constituted a violation of economic sanctions imposed by the United States prohibiting the shipping of goods through Iranian ports to locations in Afghanistan and elsewhere in Asia.

The three defendants allegedly utilized multiple subsidiary companies and bank accounts in the United States, Turkey, Afghanistan, Bahrain, and the United Arab Emirates in order to conceal these payments from detection by law enforcement, including accounts belonging to ANHAM FZCO and ANHAM USA. Based upon the information in the indictment and the existence of adequate evidence that the misconduct occurred with the knowledge, approval, or acquiescence of ANHAM USA and ANHAM FZCO,

the DLA suspension and debarment official determined that the allegations against the three defendants could be imputed to both companies, providing a cause for suspension. Furthermore, due to the ownership and control exhibited by the three defendants over ANHAM USA and ANHAM FZCO, the companies could also be suspended as their affiliates.

In a separate determination, Abul Huda Farouki, Mazen Farouki, and Salah Maarouf were all individually suspended by DLA on December 17, 2018, based upon their November 27, 2018, indictment.

OTHER SIGAR OVERSIGHT ACTIVITIES

- Human Trafficking Bill Endorses SIGAR Recommendations from Report on Child Sexual Assault in Afghanistan
- SIGAR Impact on FY 2019 Defense Authorization Law

OTHER SIGAR OVERSIGHT ACTIVITIES

Human Trafficking Bill Endorses SIGAR Recommendations from Report on Child Sexual Assault in Afghanistan

On January 8, 2019, President Donald J. Trump signed into law H.R. 2200, the Frederick Douglass Trafficking Victims Prevention and Protection Reauthorization Act of 2018. The enacted bill includes provisions related to SIGAR's congressionally requested evaluation of child sexual assault by Afghan security forces.

In particular, the bill requires the Departments of State and Defense to report, within 90 days, on the status of their implementation of the recommendations made in SIGAR's report entitled *Child Sexual Assault in Afghanistan: Implementation of the Leahy Laws and Reports of Assault by Afghan Security Forces* (SIGAR 17-47-IP).

The bill also provides that recommendations from that SIGAR report should be fully implemented, and directs the Secretaries of State and Defense to report on the status of interagency efforts to establish effective, coherent, and discrete reporting by United States personnel on child sexual abuse by Afghan security forces with whom they train or advise or to whom they provide assistance.

SIGAR Impact on FY 2019 Defense Authorization Law

On August 13, 2018, President Trump signed the National Defense Authorization Act (NDAA) for fiscal year 2019 into law. The NDAA contains provisions based on recommendations from SIGAR's Lessons Learned Program report *Reconstructing the Afghan National Defense and Security Forces: Lessons from the U.S. Experience in Afghanistan* (SIGAR 17-62-LL).

One provision of the NDAA requires that during the development and planning of a program to build the capacity of the national security forces of a foreign country, the Secretary of Defense and Secretary of State shall jointly consider political, social, economic, diplomatic, and historical factors, if any, of the foreign country that may impact the effectiveness of the program.

Another provision modifies existing law regarding assessing, monitoring, and evaluating security-cooperation programs to require incorporating lessons learned from any security-cooperation programs and activities of the Department of Defense carried out on or after September 11, 2001.

SIGAR BUDGET

SIGAR is funded through September 30, 2019, under the Consolidated Appropriations Act, 2018, H.R. 1625, which provides the agency full funding based on the FY 2018 amount of \$54.9 million. The budget supports SIGAR's oversight activities and products by funding SIGAR's (1) Audits and Inspections, (2) Investigations, (3) Management and Support, and (4) Research and Analysis Directorates, as well as the Office of Special Projects and the Lessons Learned Program.

SIGAR STAFF

SIGAR's staff count remained steady since the last report to Congress, with 186 employees on board at the end of the quarter: 25 SIGAR employees were at the U.S. Embassy 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 21 employees on temporary duty in Afghanistan for a total of 321 days.

“The Afghan National Defense and Security Forces remain in control of most of Afghanistan’s population centers and all of the provincial capitals, while the Taliban control large portions of Afghanistan’s rural areas, and continue to attack poorly defended government checkpoints and rural district centers. . . . The intensity of the fighting and level of bloodshed on both sides has risen as both sides vie for leverage at the negotiating table.”

—*Department of Defense*