

2 SIGAR OVERSIGHT



SIGAR OVERSIGHT CONTENTS

Audits	13
Inspections	23
Special Projects	24
Lessons Learned	28
Investigations	28
SIGAR Budget	36
SIGAR Staff	36
2020 Council of Inspectors General on Integrity and Efficiency (CIGIE) Awards for SIGAR Work	37
SIGAR Featured in International Review of Afghanistan Development Activity	38

Photo on previous page

Empty playground at Pamir police headquarters, inspected by SIGAR in 2020. (SIGAR photo)

SIGAR OVERSIGHT ACTIVITIES

This quarter, SIGAR issued 15 products. SIGAR work to date has identified approximately \$3.79 billion in savings for the U.S. taxpayer.

SIGAR issued two performance-audit reports reviewing steps to curb corruption in the Afghan Air Force and Special Mission Wing, and the facilities constructed by the Department of Defense (DOD) to support women in the Afghan National Defense and Security Forces, and one evaluation report reviewing the status of SIGAR recommendations made to the Department of State in the past five years. SIGAR also issued one inspection report reviewing the wastewater-treatment facility at Pol-i-Charkhi Prison.

SIGAR completed seven financial audits of U.S.-funded projects to rebuild Afghanistan that identified \$30,184,128 in questioned costs as a result of internal-control deficiencies and noncompliance issues. These financial audits covered a range of topics including the Department of State's efforts to develop and sustain Afghanistan's drug treatment program, the Department of the Army's military helicopter storage program, and the U.S. Agency for International Development's (USAID) Afghan Children Read Program.

This quarter, SIGAR's Office of Special Projects issued three review reports examining the USAID-supported Kabul Carpet Export Center, USAID's Afghanistan Drip Irrigation Demonstration Project, and the amount of waste, fraud, and abuse uncovered through SIGAR's oversight work between January 1, 2018, and December 31, 2019.

During the reporting period, SIGAR criminal investigations resulted in one indictment, four guilty pleas, two sentencing, and two arrests. SIGAR initiated two new cases and closed nine, bringing the total number of ongoing investigations to 118.

AUDITS

SIGAR conducts performance and financial audits of programs and projects connected to the reconstruction effort in Afghanistan. This quarter, SIGAR has 20 ongoing performance audits and 30 ongoing financial audits.

COMPLETED PERFORMANCE AUDITS

- SIGAR 21-03-C-AR: Afghan Air Force and Special Mission Wing Vetting for Corruption [Classified]
- SIGAR 21-04-AR: Facilities to Support Women in the Afghan Security Forces: Better Planning and Program Oversight Could Have Helped DOD Ensure Funds Contributed to Recruitment, Retention, and Integration

COMPLETED EVALUATION

- SIGAR 21-02-IP: Department of State Implemented Approximately Half of the Recommendations from SIGAR Audits and Inspections but Did Not Meet All Audit Follow-up Requirements

COMPLETED FINANCIAL AUDITS

- Financial Audit 20-48-FA: Department of State's Afghanistan Flexible Implementation and Assessment Team Program: Audit of Costs Incurred by TigerSwan LLC
- Financial Audit 20-49-FA: Department of the Army's Military Helicopter Storage, Maintenance, and Pilot Training Programs in Afghanistan: Audit of Costs Incurred by Science and Engineering Services LLC
- Financial Audit 20-51-FA: U.S. Army Contracting Command's Integration of Anti-Missile Protection Systems on Mi-17 Helicopters in Afghanistan: Audit of Costs Incurred by Redstone Defense Systems
- Financial Audit 20-52-FA: USAID's Efforts to Improve Education through the Afghan Children Read Program: Audit of Costs Incurred by Creative Associates International
- Financial Audit 20-54-FA: Department of State's Efforts to Develop and Sustain Afghanistan's Drug Treatment System: Audit of Costs Incurred by the Colombo Plan

Continued on the next page

Continued from the previous page

- Financial Audit 20-55-FA: Department of State's Introducing New Vocational Education and Skills Training in Kandahar Program: Audit of Costs Incurred by Mercy Corps
- Financial Audit 21-01-FA: Department of State's Humanitarian Demining and Conventional Weapons Destruction Programs in Afghanistan: Audit of Costs Incurred by The HALO Trust and The HALO Trust (USA) Inc.

COMPLETED INSPECTION

- Inspection Report 21-06-IP: Pol-i-Charkhi Prison Wastewater Treatment Facility: Project Was Generally Completed According to Requirements, but the Contractor Made Improper Product Substitutions and Other Construction and Maintenance Issues Exist

COMPLETED SPECIAL PROJECTS

- Review 20-50-SP: Kabul Carpet Export Center: Progress Made Towards Self Sufficiency, But Critical Sales, Revenue, and Job Creation Targets Are Not Met
- Review 20-53-SP: USAID'S Afghanistan Drip Irrigation Demonstration Project: Most Demonstration Plots that SIGAR Inspected Were Not Being Used as Intended
- Review 21-05-SP: Update on the Amount of Waste, Fraud, and Abuse Uncovered through SIGAR's Oversight Work between January 1, 2018, and December 31, 2019

COMPLETED QUARTERLY REPORT

- SIGAR 2020-QR-4: Quarterly Report to the United States Congress, October 30, 2020

Performance Audit Reports Issued

This quarter, SIGAR issued two performance-audit reports: a classified report reviewing steps to curb corruption in the Afghan Air Force and Special Mission Wing; and a report on the status of facilities constructed by DOD to support women in the Afghan National Defense and Security Forces, and one evaluation report reviewing the status of SIGAR recommendations made to the Department of State in the past five years. A list of completed and ongoing performance audits can be found in Appendix C of this quarterly report.

Performance Audit 21-03-C-AR: Afghan Air Force and Special Mission Wing Vetting for Corruption [Classified]

Unclassified summary: According to DOD's December 2019 *Enhancing Security and Stability in Afghanistan* report, corruption undermines ANDSF readiness and combat power. NATO Resolute Support has focused advising efforts on trusted partners who demonstrate desire, will, and a bias toward taking action against corruption, and Combined Security Transition Command-Afghanistan (CSTC-A) has identified countering corruption as one of the "Top 10 Challenges and Opportunities" in Afghanistan. In addition, the United States and Coalition forces have identified the Afghan air forces, comprised of the Afghan Air Force (AAF) and the Special Mission Wing (SMW), as critical capabilities. The AAF serves as the primary air enabler for the Afghan National Army and the Afghan Special Security Forces (ASSF) by providing aerial fire and lift support to ground and special operations forces across Afghanistan. The SMW is a special operations aviation wing that provides operational reach for the ASSF during counterterrorism and counternarcotics missions designed to disrupt insurgent and narcotics networks in Afghanistan.

Preventing and rooting out corruption in critical ANDSF units, such as the air forces, is important to protect the multi-billion dollar U.S. investment in those units from waste, fraud, and abuse, and to ensuring the forces are operationally effective and sustainable. This classified report examined the extent to which the Afghan Ministry of Defense vets AAF and SMW recruits for corruption, and identified areas for improvement. It contained two recommendations. SIGAR received comments from the Deputy Assistant Secretary of Defense for Afghanistan, Pakistan, and Central Asia, CSTC-A, and Train Advise Assist Command-Air (TAAC-Air). The Deputy Assistant Secretary concurred with one of the recommendations; CTSC-A concurred with one recommendation, and partially concurred with the second; and TAAC-Air concurred with both recommendations and identified actions it would take to implement them.

SIGAR OVERSIGHT ACTIVITIES



Afghan women working in the Ministry of Interior headquarters. (SIGAR photo)

COMPLETED PERFORMANCE AUDITS

- SIGAR 21-03-C-AR: Afghan Air Force and Special Mission Wing Vetting for Corruption [Classified]
- SIGAR 21-04-AR: Facilities to Support Women in the Afghan Security Forces: Better Planning and Program Oversight Could Have Helped DOD Ensure Funds Contributed to Recruitment, Retention, and Integration

Performance Audit 21-04-AR: Facilities to Support Women in the Afghan Security Forces

Better Planning and Program Oversight Could Have Helped DOD Ensure Funds Contributed to Recruitment, Retention, and Integration

In every annual National Defense Authorization Act (NDAA) since fiscal year 2014, Congress has required the U.S. Department of Defense (DOD) to support women in the Afghan National Defense and Security Forces (ANDSF), by placing conditions on DOD's use of the Afghanistan Security Forces Fund. The NDAA's have required DOD to spend at least \$10 million annually to support women in the ANDSF.

One way that DOD supports women in the ANDSF and satisfies the NDAA requirement is by constructing facilities for female Afghan police and military troops. From July 2015 through December 2017, CSTC-A funded the construction or renovation of 29 facilities and compounds, costing \$44.6 million, for this purpose, including barracks, administration buildings, and childcare and fitness centers. A CSTC-A official said every region of Afghanistan needs women serving in the ANDSF, and without facilities like the ones DOD is constructing, women will never have the same opportunities as men in the ANDSF.

Multiple policies and regulations require CSTC-A to develop and maintain justifications or needs assessments for its projects. However, DOD could only provide SIGAR with documentation for two of the 29 construction projects it funded for women in the ANDSF. DOD did not provide need assessments for the remaining 27 projects, nor documentation of project funding approvals for any of the 29 projects. Without these documents, SIGAR could not determine why CSTC-A decided there was a need for and approved these particular projects to construct facilities for women in the ANDSF.

SIGAR OVERSIGHT ACTIVITIES



Unused fitness center at Marshal Fahim National Defense University. (SIGAR photo)

Although guidance exists for measuring the success of programs, DOD could not provide SIGAR with requested documentation showing that it developed any such metrics related to the facilities constructed to support women in the ANDSF. CSTC-A told SIGAR that it measured success based on project completion, rather than whether the facility was being used for its intended purpose and actually supporting women in the ANDSF. DOD told SIGAR that, going forward, it intends to measure the success and use of facilities designed to support women's integration and participation in the ANDSF.

Following the initiation of this audit, CSTC-A began an internal review of the facilities it constructed to support women in the ANDSF. CSTC-A provided SIGAR the findings of its review in December 2019, which stated that the command identified five lessons:

1. Receive buy-in and commitment from Ministry of Interior (MOI) or Ministry of Defense (MOD) officials before commencing facilities projects.
2. Conduct continual research and planning throughout the procurement process.
3. Centralize budgeting and approval processes.
4. Centralize accountability processes.
5. Develop female human capital in addition to facilities projects.

SIGAR selected 17 of 29 projects for site visits because they each cost more than \$750,000 or were co-located with projects costing more than \$750,000. During its site visits, SIGAR found that only three projects were mostly being used as intended. Of the remaining 14 projects, six were completely unused, five were mostly unused, and three were not used as intended. Men in the ANDSF, rather than women, were using the facilities for the three projects that were not being used as intended. SIGAR

identified multiple reasons why facilities intended for women were not being used, including Afghan cultural hostility to women training in some areas where the projects were located, the absence of necessary utilities such as water and electricity, and the Afghan government's failure to procure needed equipment and furniture in a timely manner.

CSTC-A's internal review of its funding used to support ANDSF gender-based facilities stated that for unused and misused projects, CSTC-A will train, advise, and assist the MOI and MOD to encourage proper use of the projects. The review also stated that CSTC-A and the Resolute Support Gender Office were working with MOI and MOD to create and execute remediation plans to support proper use, which could include repairing, properly outfitting, or appropriately staffing the facilities.

CSTC-A also reported that the Resolute Support Gender Office was working with the ANDSF to update usage and reporting guidelines, which in some cases could mean repurposing facilities for men in the ANDSF. Lastly, in February 2019, CSTC-A developed a form that must be completed before new facilities projects supporting women in the ANDSF can be approved. This form not only contains questions that encourage greater research and planning during the design process, but also requires performance measures for determining how the facility will be used after completion.

SIGAR made three recommendations in the report. To help protect U.S. investment in Afghan facilities funded and constructed to support the recruitment, retention, and integration of women in the ANDSF, SIGAR recommended that the CSTC-A Commander (1) coordinate with senior MOI and MOD officials to finalize remediation plans that will ensure proper use or repurposing of existing unused or misused facilities identified in this report; and (2) develop a policy to incorporate the five lessons learned from CSTC-A's 2019 internal review into the selection process for future facilities intended to support women in the ANDSF. To help ensure DOD expenditures fulfill Congressional intent, SIGAR recommended the Secretary of Defense (3) determine whether the construction or renovation of facilities was helpful in recruiting, retaining, and integrating women in the ANDSF, and report the results to Congress.

Evaluation 21-02-IP: Department of State Implemented Approximately Half of the Recommendations from SIGAR Audits and Inspections but Did Not Meet All Audit Follow-up Requirements

This evaluation is a follow-up to SIGAR's July 2014 report that examined the status of recommendations SIGAR made to the Department of State (State) in performance audits, financial audits, and inspections issued between January 2008 and March 2014. This evaluation provides information on the status of SIGAR recommendations made to State from April 2014 through April 2020.

COMPLETED EVALUATION

- SIGAR 21-02-IP: Department of State Implemented Approximately Half of the Recommendations from SIGAR Audits and Inspections but Did Not Meet All Audit Follow-up Requirements

SIGAR OVERSIGHT ACTIVITIES

Over the six-year period since the 2014 report, SIGAR's Audits and Inspections directorate made 118 recommendations in 45 reports to State. Of the 118 recommendations, State took necessary action to implement 60, 33 were open, and 25 were closed as not implemented because the department had not taken sufficient action.

Of the 85 closed recommendations, 61% were intended to enhance contract oversight and 16% were intended to improve program effectiveness. Those recommendations called for State to review and recoup, as appropriate, more than \$24 million in questioned program costs. Other recommendations called for State to hold contractors accountable for completing required work and improving safety conditions for infrastructure projects.

Office of Management and Budget (OMB) Circular A-50 requires executive agencies to establish a system to track and store the resolution of recommendations and appoint a top-level audit follow-up official to oversee the implementation of recommendations. The State Department designated its Office of Management Controls to serve as the liaison for SIGAR, including answering all of SIGAR's requests, monitoring the implementation of SIGAR recommendations, and ensuring that State takes corrective actions. SIGAR found that State established a system to track recommendations and appointed a top-level audit follow-up official. However, State did not meet all audit follow-up requirements because supporting documentation for recommendation resolutions was not stored in the designated system.

In addition, the Federal Acquisition Streamlining Act of 1994 requires agencies to take corrective action on recommendations and directs them to resolve the recommendations within 12 months after the issuance of a final report. SIGAR found that State took less than 12 months to resolve 65 of the 85 closed recommendations and more than 12 months to resolve the other 20. SIGAR also found that State's internal policy does not mirror requirements in the Federal Acquisition Streamlining Act because the policy does not state that recommendations must be resolved within 12 months after a report is issued.

SIGAR made two recommendations in the report. To comply with OMB requirements and ensure that State's recommendation tracking system has a complete record of actions taken to resolve recommendations, SIGAR recommends that the Director of the Office of Management Controls update its policy to require the top-level audit follow-up official to maintain accurate records regarding the status of recommendations throughout the entire resolution process, including storing recommendation-resolution supporting documentation in the designated system. To comply with federal law and ensure that State resolves recommendations within 12 months, SIGAR recommended that the Director of the Office of Management Controls update its policy to be in accordance with the 12-month recommendation-resolution timeline required by the Federal Acquisition Streamlining Act of 1994.

SIGAR OVERSIGHT ACTIVITIES

Financial Audits

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

This quarter, SIGAR completed seven financial audits of U.S.-funded projects to rebuild Afghanistan, in addition to 30 ongoing financial audits with over \$676 million 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.

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 \$472 million in **questioned costs** and \$364,907 in unremitted interest on advanced federal funds or other revenue amounts payable to the government. As of September 30, 2020, funding agencies had disallowed more than \$27.5 million in questioned amounts, which are thereby 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 also have identified and reported 553 compliance findings and 598 internal-control findings to the auditees and funding agencies.

Financial Audits Issued

The seven financial audits completed this quarter identified \$30,184,128 in questioned costs as a result of internal-control deficiencies and noncompliance issues.

Financial Audit 20-54-FA: Department of State's Efforts to Develop and Sustain Afghanistan's Drug Treatment System

Audit of Costs Incurred by the Colombo Plan

State awarded nine letters of agreement to the Colombo Plan for Cooperative Economic and Social Development in Asia and the Pacific to help State and the Afghan government develop and sustain a drug treatment system. Although the letters did not explicitly include a defined period of performance, they were signed on October 30, 2014, and included November 25, 2020, as the end of the performance period. The letters

TABLE 2.1

SIGAR'S FINANCIAL AUDIT COVERAGE	
(\$ BILLIONS)	
173 completed audits	\$8.28
30 ongoing audits	0.68
Total	\$8.96

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

Source: SIGAR Audits and Inspections Directorate, 10/06/2020.

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 (1) ineligible costs (violation of a law, regulation, contract, grant, cooperative agreement, etc. or an unnecessary or unreasonable expenditure of funds); and (2) unsupported costs (those not supported by adequate documentation or proper approvals at the time of an audit).

COMPLETED FINANCIAL AUDITS

- Financial Audit 20-54-FA: Department of State's Efforts to Develop and Sustain Afghanistan's Drug Treatment System: Audit of Costs Incurred by the Colombo Plan
- Financial Audit 20-48-FA: Department of State's Afghanistan Flexible Implementation and Assessment Team Program: Audit of Costs Incurred by TigerSwan LLC

Continued on the next page

SIGAR OVERSIGHT ACTIVITIES

Continued from the previous page

- Financial Audit 21-01-FA: Department of State's Humanitarian Demining and Conventional Weapons Destruction Programs in Afghanistan: Audit of Costs Incurred by The HALO Trust and The HALO Trust (USA) Inc.
- Financial Audit 20-49-FA: Department of the Army's Military Helicopter Storage, Maintenance, and Pilot Training Programs in Afghanistan: Audit of Costs Incurred by Science and Engineering Services LLC
- Financial Audit 20-51-FA: U.S. Army Contracting Command's Integration of Anti-Missile Protection Systems on Mi-17 Helicopters in Afghanistan: Audit of Costs Incurred by Redstone Defense Systems
- Financial Audit 20-55-FA: Department of State's Introducing New Vocational Education and Skills Training in Kandahar Program: Audit of Costs Incurred by Mercy Corps
- Financial Audit 20-52-FA: USAID's Efforts to Improve Education through the Afghan Children Read Program: Audit of Costs Incurred by Creative Associates International

obligated up to \$51,826,653. State did not modify the letters during the period SIGAR reviewed.

SIGAR's financial audit, performed by Williams, Adley & Company-DC LLP, reviewed \$39,338,326 in costs charged to the letters from October 30, 2014, through December 31, 2018. The auditors identified six material weaknesses, two significant deficiencies, and two other deficiencies in Colombo's internal controls and eight instances of noncompliance with the terms of the letters. Williams Adley identified \$23,133,847 in questioned costs charged to the letters related to these issues.

Financial Audit 20-48-FA: Department of State's Afghanistan Flexible Implementation and Assessment Team Program Audit of Costs Incurred by TigerSwan LLC

State's Bureau of International Narcotics and Law Enforcement Affairs awarded two task orders to TigerSwan LLC to support the Afghanistan Flexible Implementation and Assessment Team program. The first task order, valued at \$4,587,943, included a period of performance from November 4, 2015, through November 3, 2016. After eight modifications, the total funding increased to \$5,373,449, and the end date extended to November 3, 2019. The second task order, valued at \$953,752, included a period of performance from December 15, 2015, through December 14, 2016. After 20 modifications, the total funding increased to \$4,073,638, and the end date extended to December 14, 2019.

SIGAR's financial audit, performed by Crowe LLP, reviewed \$6,051,619 in total costs charged to the task orders from November 4, 2015, through December 14, 2018. The auditors identified three material weaknesses in TigerSwan's internal controls and three instances of noncompliance with the terms of the task orders. Crowe identified \$3,850,658 in questioned costs charged to the task orders related to these issues.

Financial Audit 21-01-FA: Department of State's Humanitarian Demining and Conventional Weapons Destruction Programs in Afghanistan

Audit of Costs Incurred by The HALO Trust and The HALO Trust (USA) Inc.

State's Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement, awarded a series of 11 grants totaling \$15,366,756 in support of humanitarian demining and conventional weapons destruction programs. Two of the grants were awarded directly to The HALO Trust (HALO), based in the United Kingdom, and the other nine were awarded to its U.S. affiliate, The HALO Trust (USA) Inc., identifying HALO as the sub-recipient. The grants' objectives were to enhance security, prevent injury, and protect lives by clearing land mines and taking ammunition out of circulation. State made 15 modifications to four of the grants, increasing total

funding to \$22,294,590 and extending the period of performance through April 30, 2020.

SIGAR's financial audit, performed by Williams, Adley & Company-DC LLP, reviewed \$20,763,700 in costs charged to the grants from September 1, 2015, through March 31, 2019. The auditors identified two material weaknesses in HALO's internal controls and two instances of noncompliance with the terms of the grants. Williams Adley identified \$2,804,634 in questioned costs charged to the grants related to these issues.

Financial Audit 20-49-FA: Department of the Army's Military Helicopter Storage, Maintenance, and Pilot Training Programs in Afghanistan

Audit of Costs Incurred by Science and Engineering Services LLC

The Army awarded Science and Engineering Services LLC two cost-plus-fixed-fee delivery orders to provide various support services for the UH-60 helicopter platform in Afghanistan. The first order was initially valued at \$4,521,155 and its period of performance was from November 4, 2014, through November 6, 2018. After 34 modifications, the end date changed to August 15, 2019, and funding increased to \$22,587,341. The second order, initially valued at \$13,369,114, had the period of performance from June 30, 2017, through May 31, 2019. After seven modifications, funding for the second order increased to \$46,301,575, while the period of performance remained the same.

SIGAR's financial audit, performed by Crowe LLP, reviewed \$45,477,884 in costs incurred from November 4, 2014, through August 15, 2019, for both orders. The auditors found three material weaknesses and two significant deficiencies in SES's internal controls, and three instances of noncompliance with the terms of the delivery order. Crowe identified \$266,981 in questioned costs charged to the orders related to these issues.

Financial Audit 20-51-FA: U.S. Army Contracting Command's Integration of Anti-Missile Protection Systems on Mi-17 Helicopters in Afghanistan

Audit of Costs Incurred by Redstone Defense Systems

The U.S. Army Contracting Command awarded a \$6,317,726 cost-plus-fixed-fee delivery order to Redstone Defense Systems to provide program management and integration support for the installation of Anti-Missile Protection Systems on Mi-17 helicopters used by the Afghan National Defense and Security Forces. The initial period of performance extended from September 29, 2017, through May 30, 2019. After five modifications, the end date was extended to November 29, 2019, while the total cost of the delivery order remained the same.

SIGAR's financial audit, performed by Crowe LLP, reviewed a total of \$4,880,670 in costs charged to the delivery order from September 29, 2017,

SIGAR OVERSIGHT ACTIVITIES

through November 29, 2019. The auditors identified one material weakness and three significant deficiencies in RDS's internal controls, and three instances of noncompliance with the terms of the delivery order. Crowe identified \$98,418 in questioned costs charged to the delivery order related to these issues.

Financial Audit 20-55-FA: Department of State's Introducing New Vocational Education and Skills Training in Kandahar Program Audit of Costs Incurred by Mercy Corps

State's Bureau of Population, Refugees, and Migration commenced the first of four consecutive cooperative agreements to Mercy Corps totaling \$5,616,210 in support of the Introducing New Vocational Education and Skills Training in Kandahar program. The objectives of the program were to reintegrate internally displaced people into their communities and expand economic opportunities. State modified the agreements six times, which decreased the total funding to \$5,437,739 but did not change the end date of June 30, 2018.

SIGAR's financial audit, performed by Williams, Adley & Company-DC LLP, reviewed \$5,412,478 in costs charged to the agreements from September 1, 2014, through June 30, 2018. The auditors identified one material weakness and two deficiencies in Mercy Corps' internal controls and four instances of noncompliance with the terms of the agreements. Williams Adley identified \$29,590 in questioned costs charged to the agreements related to these issues.

Financial Audit 20-52-FA: USAID's Efforts to Improve Education through the Afghan Children Read Program

Audit of Costs Incurred by Creative Associates International

USAID awarded a cost-plus-fixed-fee task order for \$69,547,810 to Creative Associates International to support the Afghans Read program (subsequently renamed Afghan Children Read). The task order included a period of performance from April 6, 2016, through April 5, 2021. USAID modified the task order four times, but did not change the budget or period of performance.

SIGAR's financial audit, performed by Davis Farr LLP, reviewed \$13,048,489 in costs charged to the task order from October 1, 2017, through September 30, 2018. The auditors did not identify any material weaknesses or significant deficiencies in the auditee's internal controls, or any instances of noncompliance with the terms and conditions of the contracts. Accordingly, the auditors did not identify any questioned costs.

SIGAR OVERSIGHT ACTIVITIES

INSPECTIONS

Inspection Report Issued

SIGAR issued one inspection report this quarter. A list of completed and ongoing inspections can be found in Appendix C of this quarterly report.

Inspection Report 21-06-IP: Pol-i-Charkhi Prison Wastewater Treatment Facility

Project Was Generally Completed According to Requirements, but the Contractor Made Improper Product Substitutions and Other Construction and Maintenance Issues Exist

This report discusses the results of SIGAR's inspection of the new wastewater treatment facility at the Pol-i-Charkhi prison in Kabul. In April 2018, the Department of State's Bureau of International Narcotics and Law Enforcement Affairs (INL) awarded a \$6.9 million firm-fixed-price contract to Biltek Organizasyon Muhendislik Basın Emlak Reklam Turizm İn (Biltek), a Turkish company, to design and build the facility, which was designed to collect and treat sewage generated by 15,000 people. The contract required the construction of four aeration ponds, two settling ponds, two sludge drying beds, influent and effluent lift stations, aeration equipment, lighting, and other auxiliary components. INL and Biltek modified the contract 10 times, increasing the award amount by approximately \$4.4 million, increasing the facility's treatment capacity to accommodate 20,000 people, and extending the completion date from July 21, 2019, to December 28, 2019.

During site visits in June, July, and August 2020, SIGAR inspectors found that Biltek generally constructed the facility according to design requirements. However, the inspection identified eight construction deficiencies, consisting of two instances of improper product substitution and six instances of equipment not installed as required under the design or

COMPLETED INSPECTION

- Inspection Report 21-06-IP: Pol-i-Charkhi Prison Wastewater Treatment Facility: Project Was Generally Completed According to Requirements, but the Contractor Made Improper Product Substitutions and Other Construction and Maintenance Issues Exist



Temporary septic tank in use outside Pol-i-Charkhi Prison. (SIGAR photo)



Detached pond liner air vent at wastewater treatment facility. (SIGAR photo)

SIGAR OVERSIGHT ACTIVITIES

contract requirements. SIGAR inspectors also found that the facility was being used. However, the inspection found safety and maintenance issues, including contaminated drinking water, detached pond-liner air vents, and aerators that were either not running or not properly submerged.

SIGAR made two recommendations in this report that the Assistant Secretary for INL (1) direct Biltek to correct the eight construction deficiencies identified in the report before the one-year warranty on the wastewater-treatment facility expires on December 31, 2020; and (2) advise the current operation and maintenance contractor, Kabul Cummins Technical Services Co., of the six remaining safety and maintenance issues—detached pond-liner air vents, usage of the temporary septic tank, contaminated drinking water, lack of personal protective equipment, inadequate lighting in the bar screen chamber, and improperly working aerators—so it can take whatever action it deems appropriate to correct them.

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 nine recommendations contained in seven performance-audit, inspection, and financial-audit reports.

From 2009 through September 2020, SIGAR issued 394 audits, alert letters, and inspection reports, and made 1,103 recommendations to recover funds, improve agency oversight, and increase program effectiveness.

SIGAR has closed 956 of these recommendations, about 87%. Closing a recommendation generally indicates SIGAR's assessment that the audited agency either has 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 no 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 147 open recommendations. Of these recommendations, 92 have been open for more than 12 months 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 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

COMPLETED SPECIAL PROJECTS

- Review 21-05-SP: Update on the Amount of Waste, Fraud, and Abuse Uncovered through SIGAR's Oversight Work between January 1, 2018, and December 31, 2019
- Review 20-50-SP: Kabul Carpet Export Center: Progress Made Towards Self-Sufficiency, But Critical Sales, Revenue, and Job Creation Targets Are Not Met
- Review 20-53-SP: USAID'S Afghanistan Drip Irrigation Demonstration Project: Most Demonstration Plots that SIGAR Inspected Were Not Being Used as Intended

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 on all facets of Afghanistan reconstruction. The directorate comprises 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 three review reports. A list of completed special projects can be found in Appendix C of this quarterly report.

Review 21-05-SP: Update on the Amount of Waste, Fraud, and Abuse Uncovered through SIGAR's Oversight Work between January 1, 2018, and December 31, 2019

This report updates SIGAR's findings from a similar July 2018 report and provides information on the \$3.5 billion total amount of waste, fraud, and abuse identified in 111 SIGAR-issued products and 55 closed investigations between January 1, 2018, and December 31, 2019. In total, SIGAR has identified \$19 billion in waste, fraud, and abuse between May 2009 and December 31, 2019.

On July 17, 2018, SIGAR responded to a Congressional request seeking information about the amount of waste, fraud, and abuse SIGAR had identified through its oversight work. In that report, SIGAR identified \$15.5 billion of waste, fraud, and abuse that SIGAR had uncovered in published reports and closed investigations between May 2009 and December 31, 2017. Of this total, SIGAR identified approximately \$12 billion in failed whole-of-government efforts related to U.S. spending on counternarcotic and stabilization programs in Afghanistan. SIGAR believes funds for these efforts were wasted because the programs did not achieve their intended purpose.

This report update adds nearly \$3.5 billion of waste, fraud, and abuse to the previously reported amount based on the review of SIGAR's published products and closed investigations. Of this total, SIGAR specifically identified approximately \$1.5 billion in taxpayer funds that were wasted, \$300 million that were lost to fraud, and \$34 million that were lost to abuse. The remaining \$1.6 billion was spent on counternarcotic efforts that were likely wasted.

As of December 31, 2019, Congress appropriated nearly \$134 billion since FY 2002 for Afghanistan reconstruction. Of that amount, SIGAR reviewed approximately \$63 billion and concluded that a total of approximately \$19 billion or 30% of the amount reviewed was lost to waste, fraud, and abuse.

During the two-year period covered, SIGAR made 167 recommendations to address the problems discussed in this report. No additional recommendations were made during this review.

Review 20-50-SP: Kabul Carpet Export Center: Progress Made Towards Self-Sufficiency, But Critical Sales, Revenue, and Job Creation Targets Are Not Met

This report assesses the USAID's progress toward establishing an operational Kabul Carpet Export Center (KCEC). The KCEC project aimed to develop a self-sufficient Afghan company to connect Afghanistan's carpet manufacturers with international buyers. Impact Carpet Associates LLC (ICA), the implementing partner, was tasked with establishing a fully operational carpet export center and meeting certain sales, revenue, and job creation targets.

SIGAR found that ICA successfully met most benchmarks associated with establishing the KCEC, such as registering it as a local company in Afghanistan, developing work and monitoring-and-evaluation plans, conducting a baseline stakeholder survey, and establishing product-tracking capabilities. However, ICA has not developed a secure e-commerce capability on its website, which limits buyers' ability to initiate orders online, and has not engaged with the Afghan government to address burdensome air-freight policies as required in the grant agreement.

In addition, ICA's efforts to develop a financing program to help weavers finance raw-material purchases did not adequately consider Afghans' refusal to accept interest-bearing loans due to religious beliefs. This oversight undermined a key goal of the project, to provide Afghan carpet manufacturers the capital that would help free them from reliance on Pakistani intermediaries.

In addition, KCEC has not achieved its sales, revenue, and job-creation targets. Despite receiving a six-month extension (from May 31, 2019, to November 30, 2019), the KCEC could not meet its first-year targets of \$714,286 in sales and \$48,000 in revenue and the creation of 5,715 new jobs. The second-year target is to double sales and revenue, and create an additional 5,715 new jobs. As of April 1, 2020, KCEC has reported that it has generated \$717,030 in sales, \$41,836 in revenue, and created 8,825 new jobs. With three months until the end of the second year (extended to June 30, 2020) and the COVID-19 pandemic causing trade shows to be canceled, there is little chance to achieve these targets, thereby placing KCEC's ability to become self-sufficient by June 5, 2021, in jeopardy.

SIGAR made three recommendations to improve KCEC's chances for greater self-sufficiency as a viable commercial enterprise: that the USAID Mission Director or his designee (1) direct ICA to immediately update KCEC's current website to include an HTTPS security protocol and a comprehensive and secure public e-commerce capability for all current and potential clients; (2) in conjunction with ICA, establish new targets for performance and job creation and assess KCEC ability to achieve financial self-sufficiency by June 2021. The assessment should include a reevaluation of KCEC's marketing, sales, and operational strategies; and (3) reassess the

SIGAR OVERSIGHT ACTIVITIES

financing program and consider setting up a system that conforms to prevailing lending norms of the Afghan carpet industry.

USAID agreed with SIGAR's first two recommendations. USAID reported that, prior to issuing their agency response, they issued a modification to the grant that canceled KCEC's loan portfolio and reprogrammed the funds to provide financial assistance to carpet weavers and traders, fund more training sessions for the Afghan carpet industry stakeholders, and sponsor new trade shows. Therefore, the third recommendation in the draft report was closed as implemented and removed from the report.

Review 20-53-SP: USAID'S Afghanistan Drip Irrigation Demonstration Project: Most Demonstration Plots that SIGAR Inspected Were Not Being Used as Intended

This report shows the results of SIGAR inspections of selected drip irrigation and canal construction projects completed as part of the Strengthening Watershed and Irrigation Management (SWIM) program, a USAID-supported initiative to build up Afghanistan's water-resource management capacity and increase agricultural water productivity.

SIGAR inspected 25 of the 72 installed drip irrigation demonstration plots and found that 23, or 92%, either were no longer installed or were not being used as intended. Afghan farmers told SIGAR inspectors that they were not using the drip irrigation system for various reasons, including lack of water, damaged system components, and lack of fuel for the generator to operate the irrigation system.

SIGAR inspected six of the eight irrigation canals under construction and found that four were progressing according to schedule and appeared structurally sound. Construction of one canal was stopped in August 2019 because of subcontractor nonperformance and, as of May 2020, implementing partner DT Global was still obtaining bids to award a new subcontract. Another canal had structural damage caused by the installation of a water line that broke through the canal wall, which compromised the integrity of the canal. Specifically, SIGAR recommended that the USAID Mission Director for Afghanistan take the appropriate oversight actions, including site visits, to ensure that the irrigation demonstration plots are being used as intended; and conduct an engineering evaluation of the water pipeline intersecting the Jalal Abad irrigation canal to determine what steps should be taken to maintain the integrity of both the canal and the water pipeline.

USAID agreed with SIGAR's two recommendations. For the first recommendation USAID stated it would (1) continue conducting follow-up site visits to demonstration plot locations which began in September 2019 and will continue this practice for the remainder of the project; and (2) request the Afghanistan Monitoring, Evaluation and Learning Activity to conduct a third-party assessment of the demonstration plots to fully understand the reasons the plots are no longer being utilized. For the second



Strengthening Watershed and Irrigation Management (SWIM)-supported irrigation piping in Qezel Kend District, Balkh Province. (SIGAR photo)

SIGAR OVERSIGHT ACTIVITIES



Strengthening Watershed and Irrigation Management (SWIM)-supported irrigated field in Aka Khel District, Kapisa Province. (SIGAR photo)

recommendation, USAID stated that an engineering evaluation and assessment were completed at the two points where the water pipeline bisected the canal, and the structural issues at the two locations were addressed to protect the integrity of the canal and the water pipeline.

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 seven reports. Four reports are currently in development on U.S. government support to elections, monitoring and evaluation of reconstruction contracting, efforts to advance and empower women and girls, and a report on police and corrections.

INVESTIGATIONS

During the reporting period, SIGAR's criminal investigations resulted in one indictment, four guilty pleas, two sentencings, and two arrests. SIGAR initiated two new cases and closed nine, bringing the total number of ongoing investigations to 118.

To date, SIGAR investigations have resulted in a cumulative total of 155 criminal convictions. Criminal fines, restitutions, forfeitures, civil settlements, and U.S. government cost savings and recoveries total over \$1.6 billion.

Vice President of Investment Firm Arrested for Running Multimillion-Dollar Ponzi Scheme Targeting Afghanistan-Based Bank

On July 22, 2020, based on an outstanding arrest warrant from the Southern District of New York, with assistance from Customs and Border Protection (CBP) officers, and special agents from Immigration and Customs Enforcement's Homeland Security Investigations (HSI), Naim Ismail was arrested upon entering the U.S. from Dubai, UAE through Los Angeles International Airport. On July 23, 2020, a U.S. magistrate judge in the Central District of California ordered Ismail to be detained and returned to the charging judicial district.

Ismail, a U.S. citizen, was arrested in connection with various investment schemes. According to the 2018 indictment, from February 2007 through July 2016, Ismail fraudulently induced individual and corporate victims—including the New York-based subsidiary of an Afghanistan-based bank—to loan large sums of money to entities operated by Ismail and others. Ismail did so by claiming these funds would be used in a particular investment strategy as well as several real-estate development projects. Ismail promised investors a generous fixed annual rate of return and promised to return the investors' principal on a specified timeline.

Ismail and his companies did not invest these funds as promised, nor did Ismail repay many of his victims. Instead, he used investor funds to pay the so-called interest payments due to earlier investors in the Ponzi scheme, as well as for his own personal expenses and investments. During the course of the fraudulent scheme, Ismail deprived the scheme's victims of over \$15 million. Numerous additional victims have been coming forward since the press release of his arrest, so the amount of money defrauded from the victims is expected to increase.

Prominent Afghan Official Sentenced for Theft of Public Money

On August 31, 2020, in the District Court of San Diego, California, Ahmad Yusuf Nuristani was sentenced to three years' probation and six months' home confinement for theft of public money.

Nuristani received over \$100,000 in government benefits by concealing foreign travel and residency between July 2015 and December 2018. He applied for Supplemental Security Income (SSI) from the Social Security Administration in July 2015. In violation of SSI recipient requirements, he repeatedly lied to the Social Security Administration about his foreign travel and residency. He also received \$27,492 in SSI payments causing a loss of \$73,090 to the State of California for healthcare payments and services as a result of his fraud.

Nuristani has been a prominent politician in Afghanistan for decades, previously serving as governor of Herat Province and chairman of the Independent Election Commission of Afghanistan during the

last presidential election. In September 2018, President Ashraf Ghani appointed Nuristani to the Meshrano Jirga, the upper body of parliament in Afghanistan. Nuristani served as both the head of Afghanistan's Independent Election Commission and as an Afghan senator even as he received supplemental-security income payments from the U.S. Social Security Administration at his claimed address in El Cajon, California.

The investigation was conducted by the Social Security Administration Office of Inspector General and the United States Attorney's Office for the Southern District of California, with significant assistance provided by SIGAR.

Former Employee of U.S. Government Contractor Pleads Guilty to Conspiracy

On September 14, 2020, in the U.S. District Court, District of Columbia, David Shah pleaded guilty to a one-count **criminal information** charging conspiracy to commit offenses against the United States.

Shah was employed by a U.S. government contractor to recruit candidates for positions as language interpreters working with the U.S. military. He and his coconspirators circumvented procedures designed to ensure candidates met minimum proficiency standards, which resulted in unqualified language interpreters being hired and later deployed alongside U.S. combat forces in Afghanistan. To carry out this scheme, they conspired with others to commit wire fraud and major fraud against the United States. The coconspirators obtained financial bonuses from their employer based on the number of candidates hired through their efforts.

To date, five coconspirators have pleaded guilty as a result of the SIGAR-led investigation.

Former Employees of U.S. Government Contractor Prosecuted for Theft Scheme

On July 8, 2020, in the Eastern District of Virginia, Norfolk Division, Larry Green pleaded guilty to conspiracy to defraud the United States and to commit theft of property of value to the United States, theft of property of value to the United States, and false statements.

On July 9, 2020, also in the Eastern District of Virginia, Norfolk Division, Varita V. Quincy was indicted on one count of conspiracy to defraud the United States and to commit theft of property of value to the United States; one count of theft of property of value to the United States; and one count of false statements. On August 7, 2020, Quincy surrendered herself for arrest at the U.S. Federal Courthouse in Atlanta, Georgia.

During 2015, Green and Quincy participated in an organized theft ring responsible for the theft of equipment, including generators and vehicles, from Kandahar Airfield, Afghanistan. They carried out the theft during the course of their duties while employed by a U.S. government contractor. In

Criminal information: a sworn, formal accusation by a prosecutor of a criminal offense, as distinct from an indictment by a grand jury.

furtherance of the scheme, they caused fraudulent official documents to be filed with the U.S. military at Kandahar Airfield.

Former U.S. Special Forces Member Sentenced for Embezzlement Scheme

On July 7, 2020, in the Eastern District of North Carolina, former U.S. Army Special Forces Sergeant First Class William Todd Chamberlain was sentenced to three years' probation and ordered to pay \$80,000.

Chamberlain was part of a conspiracy involving former U.S. Army soldiers Cleo Autry, Jeffrey Cook, Deric Harper, and Barry Walls. Between 2008 and 2012, they were all deployed with a Special Forces Group under the Combined Joint Special Operations Task Force at Forward Operating Base Fenty in Jalalabad, Afghanistan. During their deployment, they conspired to embezzle funds from the Commander's Emergency Response Program and from funds used by Special Forces Groups to support counterterrorism operations. Over time, they stole cash, purchased a substantial number of \$1,000 money orders, and sent the funds to their spouses, to electronic bank accounts, or to various vendors.

Purchasing Agent and Spouse Plead Guilty to Conspiracy and Embezzlement

On September 14, 2020, in the Eastern District of North Carolina, Morris Cooper pleaded guilty to stealing government money, conspiracy, and as a public official, receiving bribes. His spouse, Beverly Cooper, pleaded guilty to conspiring to steal government property and aiding and abetting her spouse.

Morris Cooper was a purchasing agent assigned to the Operations and Maintenance Division, Directorate of Public Works (DPW), at Fort Bragg, North Carolina, and was entrusted to purchase HVAC parts for DPW's HVAC maintenance section. From 2011 into 2019, Cooper used his position as a purchasing agent to conspire with vendors to steer contracts for supplies to specific vendors in return for cash payments and gifts, and to inflate prices on supplies, increasing both the profits to the vendor and the cash payment made to Cooper and/or his wife.

Tentatively set for sentencing in January 2021, Morris Cooper faces a maximum penalty of 180 months in prison; Beverly Cooper faces a maximum penalty of 60 months in prison. Both agreed to pay \$6,300,000 jointly and severally in restitution.

SIGAR Provides Oversight to the Special Operations Forces Community

SIGAR's criminal investigations of the fraud, waste, and abuse of reconstruction funds for war-torn Afghanistan have exposed numerous and extensive systemic weaknesses that have appropriately been reported to Congress.

SIGAR OVERSIGHT ACTIVITIES

In 2013, the SIGAR Investigations Directorate initiated an assessment to ensure that mission related funds used by the U.S. Special Forces community were being used in accordance with the policies set forth by the U.S. Special Operations Command (SOCOM). Many of the military services share in the responsibility to provide overt and covert military support throughout the world, including in Afghanistan. These include the U.S. Navy SEALs, U.S. Army Special Forces Groups, U.S. Marine Corps Special Operations Command, and U.S. Air Force Special Operations Command.

The preliminary results of the SIGAR investigative assessment identified numerous instances of suspicious cash flows of U.S. currency between Afghanistan and the United States by U.S. military members using various means such as electronic wire transfers and U.S. postal money orders. Historically, the majority of military members who are deployed to Afghanistan seldom have a personal need for large amounts of cash there. Their pay is direct-deposited and their lodging and meals are primarily provided. Other than minor personal purchases or souvenir items, one of the few occasions where soldiers would possess a large amount of cash is during the course of their official duties with Afghan contractors and/or laborers. In those instances, only certain soldiers are designated to make payments for contract work performed on military bases (e.g., buildings constructed/repaired, or construction of irrigation wells).

Formal investigations conducted by SIGAR special agents found that many questionable U.S. postal money orders and Western Union wire transfers were originated by U.S. military members in Afghanistan and sent to their spouses, friends, parents, and others in the United States. These investigations concluded that a number of U.S. Special Forces members and those that support those teams engaged in illegal enterprises. These crimes included receipt of the proceeds realized from the sale of U.S. military-appropriated fuel on the Afghan black market. Other illicit funds received by U.S. military members included bribe payments in exchange for preferential selection of Afghan contractors for construction projects in Afghanistan. Other military members were found to have stolen U.S. military-appropriated property that was later sold to Afghan nationals or and/or sold on the Afghan black market.

In some instances, members of the U.S. Special Forces embezzled funds intended for classified covert military missions.

One notable investigation concerned a five-man team of the elite U.S. Army Special Forces who conspired to falsify receipts for expenditures associated with their mission while deployed in Afghanistan. The falsification of the receipts enabled them to steal over \$250,000 of operational funds entrusted to them. In furtherance of their theft, the team members used postal money orders to transfer a portion of these stolen funds back to the United States while secreting remaining funds in their personal belongings upon their return. Each member of the team was convicted in the United

States of felony violations and ordered to pay fines and restitutions of \$80,000 each.

To date, SIGAR's efforts in this arena have resulted in the federal prosecution of over 30 members of the U.S. military Special Forces communities and those that support the Special Forces missions. Prosecuted crimes have included theft of government property, bribery, conspiracy, money laundering, kickbacks, and bulk cash smuggling. The prosecutions of these individuals led, cumulatively, to about 973 months (81 years) incarceration, restitutions in excess of \$32 million dollars, and fines of over \$15,000. The majority of these actions were the result of a multi-agency task force established at Fort Bragg in Fayetteville, North Carolina; SIGAR is an active member of the task force.

A recent letter by Commanding General Richard Clarke announced a comprehensive review of some of the integrity issues that have plagued the Special Forces community. SIGAR has paired with SOCOM to provide support for the fact-finding team to best address the integrity issues of the Special Forces community. SIGAR is committed to participate in the development of the comprehensive program to help educate members of the Special Forces community. In October 2020, a SIGAR special agent created and piloted a presentation for the senior enlisted students of the elite career-education program of the Joint Special Operations University.

Attendees at SIGAR's initial presentation participated virtually from their current assignments around the world. The ultimate goal of this program is to provide the Special Forces audience with case-specific examples as "lessons learned" intended to educate the audience on the pitfalls and vulnerabilities that face some military members while deployed in Afghanistan. SIGAR expects to continue providing assistance and working closely with SOCOM in these career-education programs.

Suspensions and Debarments

This quarter, SIGAR's suspension and debarment program referred 12 individuals and five companies for debarment based on evidence developed as part of investigations conducted by SIGAR in Afghanistan and the United States. These referrals bring the total number of individuals and companies referred by SIGAR since 2008 to 1,023, encompassing 563 individuals and 460 companies to date.

As of October 1, 2020, 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 582 finalized debarments/special entity designations of individuals and companies engaged in U.S.-funded reconstruction projects. An additional 31 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

SIGAR OVERSIGHT ACTIVITIES

program. During the fourth quarter of 2020, SIGAR's referrals resulted in 12 finalized debarments.

SIGAR makes referrals for suspensions and debarments—actions taken by U.S. agencies to exclude companies or individuals from receiving federal contracts or assistance because of misconduct—based on completed investigations that SIGAR participates in. In most cases, SIGAR's referrals occur in the absence of acceptance of an allegation for criminal prosecution or remedial action by a contracting office and are therefore the primary remedy to address contractor misconduct. In making its referrals to agencies, SIGAR provides the basis for a suspension or debarment decision, as well as supporting documentation in case the contractor challenges the decision. As SIGAR is an oversight agency without contracting responsibility, SIGAR does not have its own suspension and debarment official. Instead, SIGAR refers all suspensions and debarments to other agencies for adjudication, resulting in a high degree of interagency coordination. This operational necessity to work with other agencies fosters information-sharing and coordination, enhancing SIGAR's program.

SIGAR's suspension and debarment 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. To address these issues, in 2011, SIGAR embedded two attorneys experienced with suspensions and debarments within its Investigations Directorate to provide oversight over case development and guidance on the use of the suspensions and debarments. This integration enables them to identify individuals, organizations, and companies accused of criminal activity or poor performance at an early stage of an investigation, resulting in the development of detailed referral packages.

Integration within the Investigations Directorate also allows attorneys to assess whether follow-up actions, using suspension and debarment remedies, are needed when other targets are identified during an investigation or audit. It also has allowed for travel by SIGAR suspension and debarment attorneys to Afghanistan to conduct training, provide guidance for investigations, and to meet with counterparts in the Afghan government.

Finally, SIGAR's suspension and debarment program has another unique element: unlike other criminal investigative organizations, all of SIGAR's investigations are required to be reviewed for potential suspension and debarment action immediately prior to closing. This maximizes the number of cases referred for suspension and debarment and helps ensure that agencies award contracts only to responsible entities.

SIGAR's suspension and debarment referrals constitute the basis for the majority of suspension and debarment actions taken by all agencies in Afghanistan. SIGAR's use of suspension and debarment has previously been

recognized by the Council of Inspectors General on Integrity and Efficiency through recognition by a Special Act Award for Excellence in October 2014 and identification as an agency “best practice” during SIGAR’s peer review in 2017. Going forward, SIGAR will continue to use suspension and debarment referral opportunities to maintain the integrity of the acquisition process and protect U.S. taxpayers’ investment in Afghanistan from waste, fraud, and abuse.

Exclusions of Former ANHAM Executives and Affiliated Companies for False Claims and Violation of Iranian Sanctions

On August 13, 2020, the Defense Logistics Agency (DLA) entered into an agreement with multiple individuals and companies associated with ANHAM USA and ANHAM FZCO, resulting in their exclusion from contacting with the U.S. Government for a period of three years, ending on December 1, 2021. This three-year period of exclusion includes the nine months following the original settlement agreement and the conclusion of negotiations regarding the status of the parties.

The exclusions of Abul Huda Farouki, Mazen Farouki, Salah Maarouf, Financial Instrument and Investment Corporation (d.b.a. “FIIC”), Unitrans International Inc., and American International Services are part of an agreement entered into between the excluded parties, DLA, and the Department of Justice on December 2, 2019. The basis for this agreement was the November 27, 2018, indictment of A.H. Farouki, M. Farouki, and Maarouf in the U.S. District Court for the District of Columbia on charges of major fraud against the United States (18 U.S.C. 1031(a)), conspiracy to violate the International Emergency Economic Powers Act (50 U.S.C. §§ 1705(a) and (c)) and conspiracy to launder money, in violation of 18 U.S.C. §§ 1956(a)(2) (A) and (h).

The indictment stated that between December 2011 and February 2012, as part of their efforts to obtain the award of the Substance Prime Vendor–Afghanistan food service contract to ANHAM FZCO, A.H. Farouki, M. Farouki, and Maarouf made multiple material misrepresentations to DLA contracting officers regarding their intent to build climate-controlled warehouses for frozen and dry goods in the vicinity of Bagram Airfield, Afghanistan.

In addition, ANHAM FZCO allegedly utilized ports in the Islamic Republic of Iran to move materials for the staged warehouse site as well as vehicles and equipment to facilitate its performance of the National Afghan Trucking contract, a transportation contract that had also been awarded to ANHAM FZCO by the Department of Defense 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 transshipping of goods through Iranian ports to locations in Afghanistan and elsewhere in Asia.

SIGAR OVERSIGHT ACTIVITIES

A.H. Farouki, M. Farouki, and Maarouf utilized Financial Instrument and Investment Corporation, Unitrans International Inc., and American International Services to conceal payments made as part of this scheme. The exclusions of A.H. Farouki, M. Farouki, Maarouf, Financial Instrument and Investment Corporation, Unitrans International Inc., and American International Services carry the same effect as debarment determinations made pursuant to Section 9.406 of the Federal Acquisition Regulation. In a separate settlement, ANHAM USA and ANHAM FZCO entered into an administrative agreement with DLA on May 21, 2019, following the removal of A.H. Farouki, M. Farouki, and Maarouf from their ownership and participation in the operation of those companies.

SIGAR BUDGET

SIGAR is funded through December 11, 2020, under H.R. 8337, the Continuing Appropriations Act, 2021 and Other Extensions Act, which was signed into law on October 1, 2020. The Act provides for SIGAR to receive a prorated portion of its fiscal year 2020 appropriation of \$54.9 million through December 11, 2020. 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 its Office of Special Projects and the Lessons Learned Program.

SIGAR STAFF

SIGAR's staff count has remained steady since the last report to Congress, with 191 employees on board at the end of the quarter. Fifteen SIGAR employees are assigned to the U.S. Embassy Kabul. Because of the COVID-19 pandemic, all but two of SIGAR's employees had left the country and returned to the United States on Authorized Departure. Two SIGAR staff members remained in Kabul during the pandemic. This quarter, eight employees have returned to Kabul, raising the current staff there to 10. The remaining five employees will return when the Embassy in Kabul determines that conditions are safer.

SIGAR also employed six Afghan nationals in its Kabul office to support the Forward Operations, Investigations, and Audits Directorates. Due to the COVID-19 pandemic and travel restrictions imposed by Departments of Defense and State, SIGAR was not able to supplement its resident staff this quarter with personnel on short-term temporary duty in Afghanistan.

SIGAR OVERSIGHT ACTIVITIES

2020 Council of Inspectors General on Integrity and Efficiency (CIGIE) Awards for SIGAR Work

Award for Excellence, Evaluations, Afghan Power Section Evaluation Team—Abdul Rashidi, Chelsea Cowan, Farid Akrami, Javed Khairandish, Robert Rivas, Steve Houghton, William Shimp, Yogin Rawal—in recognition of significant outcomes related to Afghanistan’s power sector.

Award for Excellence, Investigations, Afghanistan Investigations Team—Brian Persico, Chip Curington, Kevin Naylor, Leif Strand, Marie Acevedo, Tom Browning, and eight non-SIGAR staff—in recognition of excellence in investigations resulting in a \$45 million settlement and \$45,000 in fines.

Award for Excellence, Special Act, Lessons Learned Team—Joe Windrem, Mariam Jalalzada, Matthew Rubin, Nikolai Condee-Padunov, Samantha Hay, Tracy Content, Vong Lim, Zachary Martin, Ashley Schortz, Brian Tarpley, Brittany Gates, James Cunningham, Jordan Schurter, Kate Bateman—in recognition of identifying lessons learned.



Screen shot of team during the virtual CIGIE awards ceremony.

Award for Excellence, Audit, Afghan Anticorruption Strategy Team—Chris Borgeson, Margaret Tiernan, Luis Vertiz, and Anthony Warren—in recognition of excellence in assessing the implementation of the Afghan government’s national anticorruption strategy and ministries’ action plans.

Award for Excellence, Audit, Afghanistan UH-60s Procurement Audit Team—Carole Coffey, Jeffrey Brown, Jerry Clark, Robert Vainshtein—in recognition of exemplary audit work and saving over \$460 million in the UH-60 helicopter program.

SIGAR FEATURED IN INTERNATIONAL REVIEW OF AFGHANISTAN DEVELOPMENT ACTIVITY

SIGAR’s oversight work in Afghanistan featured prominently in a recent academic review of international development activity in Afghanistan and in a follow-up September video conference of expert observers sponsored by the German government.

The program review was led by Professor Christoph Zuercher of the University of Ottawa, Canada. He and other project researchers created a *Meta-Review of Evaluations of Development Assistance to Afghanistan, 2008–2018*, which selected, analyzed, and summarized 148 studies on development assistance in Afghanistan.¹

Zuercher said the study—commissioned by the Federal Ministry for Economic Cooperation and Development (BMZ) in preparation for a 2022 review of Germany’s development programs²—is “probably the most extensive systematic overview of international efforts in Afghanistan currently available.”³ Germany has been an active participant in Afghanistan reconstruction since 2002, providing more than 5,300 soldiers at one point, conducting police training, and other projects, and contributing nearly \$3 billion to multilateral aid programs.⁴

The meta-review encompasses data published in five companion reports.⁵ One of the five companion volumes is a summary of SIGAR oversight of development work in Afghanistan. According to Zuercher, “We searched all available SIGAR reports for relevant information (primarily: relevance, efficiency, effectiveness, sustainability and impacts of programs, contextual factors) relating to the sectors of governance, sustainable economic development, education, energy, water, infrastructure, gender, health, and stabilization,” and selected 51 SIGAR products comprising Lessons Learned Program reports, Office of Special Projects, performance audits, and quarterly reports.⁶

Observations from the *Meta-Review* and SIGAR Volume

The volume on SIGAR notes that SIGAR always focuses on two of the evaluation criteria used by the international Organization for Economic Cooperation and Development, to which the United States belongs: efficiency and effectiveness. “SIGAR is by default not a harbinger of good news—SIGAR writes about things which do not work well,” Zuercher and a co-author write.⁷

The report summarized some of SIGAR’s findings about “things which do not work well”:⁸

- The sheer number of programs and projects overburdened the institutional absorption capacity of the Afghan government.
- The U.S. government routinely overestimated the institutional, regulatory, and infrastructure capacity of the Afghan government.
- High-level corruption, high staff turnovers, and lack of qualified personnel exacerbated the problems.
- Many programs lacked a tailored approach to the context of Afghanistan and aid funds were spent too quickly, fostering “an environment of impunity, weakening the rule of law and [inviting] corruption.”
- U.S. agencies also lacked the oversight capacity and robust monitoring and evaluation mechanisms that would have enabled clear, concise assessments of program performance.
- Most important among the many adverse factors were pervasive corruption, a lack of political will on the part of Afghan partners, and the lack of security.

The report reviewed 51 SIGAR products. “The big lesson that emerges from a close reading of SIGAR reports,” Zuercher told the conference, “is that aid only

has a fair chance of being effective in Afghanistan when programs are modest, rather small than large, do not assume unrealistic partner capacities, are aware of the cultural context, do not spend aid money too fast, do not spend aid money in insecure regions, and are equipped with solid performance measurements and the means to track these with baselines and follow-up data.”⁹

The review acknowledged there have been notable successes in some aspects of Afghanistan development—access to basic health care and education, drinking water and electricity, roads and bridges, basic government services, and basic infrastructure—but added that much less progress has been made in more ambitious goals like institution building or fostering economic growth.¹⁰

Based on SIGAR’s work and other material consulted in preparing his meta-review, Zuercher highlighted three recommendations for the international donor community in the report:

Firstly, I recommend a call for modesty in interventions. This requires looking at what really works and avoid being too ambitious.

Secondly, I urge persistency. This includes staying [in Afghanistan] and continuing to implement interventions.

Finally, I would recommend reducing engagement in insecure regions. Evidence shows that interventions in insecure regions are not effective.¹¹

Supplemental Comments from SIGAR

On September 8, 2020, Assistant Inspector General for Audits and Inspections Matt Dove represented SIGAR at a BMZ-sponsored online conference to discuss the Zuercher meta-review. Other panelists were a director of the German Institute for Development and Evaluation, a BMZ senior advisor, and a senior operations officer for the World Bank and the Afghanistan Reconstruction Trust Fund. More than 80 representatives of bilateral and multilateral donors to Afghanistan development efforts joined the online event.¹²

Dove concurred with the meta-review’s findings, then added some reinforcing observations. Dove discussed SIGAR’s longstanding concern with on-budget funding and the use and oversight of trust funds in the reconstruction mission. Concerns include a long-standing inability to verify payroll data for the Afghan security forces, lack of performance reporting and donor oversight for projects, unwillingness of Afghan ministries to enforce established conditions for funding, and Afghan government efforts to change baselines when they are established.

Dove also cited difficulties in anticorruption programs in Afghanistan, and noted that SIGAR is preparing a third Congressionally mandated assessment of the Afghan government’s progress in that area. He told the meeting that a forthcoming Lessons Learned Program report will cover SIGAR’s continuing concern with problems in reconstruction contracting in Afghanistan.

Other SIGAR concerns, Dove said, include project quality and sustainability, and current and potential threats to the rights of Afghan women and girls. He said these and other threats to reconstruction success like insecurity, underdeveloped civil policing, narcotics, and reintegration of ex-combatants will be detailed in an early 2021 third edition of the SIGAR *High-Risk List*.¹³

“With the start of intra-Afghan negotiations, we are entering a new phase of the Afghan-led and Afghan-owned peace process.”

—*NATO Secretary General Jens Stoltenberg*