

# 2 SIGAR OVERSIGHT



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Street scene in Nangarhar. (UNDP Afghanistan photo)

## SIGAR OVERSIGHT ACTIVITIES

This quarter, SIGAR issued 15 products. SIGAR work to date has identified approximately \$3.93 billion in savings for the U.S. taxpayer.

SIGAR's Lessons Learned Program issued its twelfth report, *Police in Conflict*, an in-depth examination of the 20-year U.S. and international mission to reconstruct the Afghan police. The report highlights the difficulty of fighting a heavily armed insurgency while trying to develop indigenous law enforcement and civilian policing capabilities.

SIGAR issued three performance audit reports and two interim evaluations this quarter. The first report found that the U.S. Agency for International Development (USAID) did not complete or maintain required documentation on eight of 11 terminated funds awards in Afghanistan. The second report found that the Department of Defense (DOD) has not fully implemented SIGAR recommendations from a 2013 audit intended to prevent U.S. contracting funds from going to persons or entities opposing the United States. The third report found that DOD did not use the Afghan Personnel and Pay System as intended to pay Afghan National Defense and Security Forces (ANDSF) salaries, bringing into question the accuracy of \$232 million in 2018–2021 salary payments.

The first interim evaluation, on the theft of funds from the presidential palace in Afghanistan by former senior Afghan officials, found that some cash was taken, but evidence indicates the sum was no more than between \$500,000 and \$1 million.

The second interim evaluation reported on the collapse of the ANDSF. It was issued in response to directives from the House Armed Services Committee and House Committee on Oversight and Reform and its Subcommittee on National Security. SIGAR found that the most important near-term factor in the collapse of the ANDSF was the U.S. decision to withdraw the U.S. military and its contractors from Afghanistan as called for in the February 2020 agreement with the Taliban. Other factors include the change in the U.S. military's level of support to the ANDSF; the ANDSF's inability to achieve self-sustainment; Afghan President Ashraf Ghani's frequent changes of ANDSF leaders and appointment of loyalists; the Afghan government's failure to take responsibility for security by implementing a national security strategy; and the Taliban military campaign's effective exploitation of ANDSF weaknesses.

### PERFORMANCE AUDIT REPORTS ISSUED

- SIGAR 22-34-AR: DOD's Salary Payments to the Afghan Ministry of Defense: DOD Did Not Use APPS as Intended and Internal Control Weaknesses Raise Questions About the Accuracy of \$232 Million in Salary Payments
- SIGAR 22-29-AR: DOD Has Not Fully Implemented Processes Intended to Prevent Payments to Enemies of the United States
- SIGAR 22-21-AR: Contracting in Afghanistan: USAID Did Not Complete or Did Not Maintain Required Documentation for Eight of its 11 Terminated Awards

### EVALUATION REPORTS ISSUED

- SIGAR 22-28-IP: Theft of Funds from Afghanistan: An Assessment of Allegations Concerning President Ghani and Former Senior Afghan Officials
- SIGAR 22-22-IP: Collapse of the Afghan National Defense and Security Forces: An Assessment of the Factors That Led to Its Demise

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# SIGAR OVERSIGHT ACTIVITIES

## FINANCIAL AUDIT REPORTS ISSUED

- Financial Audit SIGAR-22-33-FA: Audit of Costs Incurred by Management Systems International Inc.
- Financial Audit SIGAR-22-32-FA: Audit of Costs Incurred by DAI Global LLC
- Financial Audit SIGAR-22-31-FA: Audit of Costs Incurred by DAI Global LLC
- Financial Audit SIGAR-22-30-FA: Audit of Costs Incurred by ITF Enhancing Human Security
- Financial Audit SIGAR-22-27-FA: Audit of Costs Incurred by Norwegian People's Aid
- Financial Audit SIGAR-22-26-FA: Audit of Costs Incurred by Chemonics International Inc.
- Financial Audit SIGAR-22-25-FA: Audit of Costs Incurred by Roots of Peace
- Financial Audit SIGAR-22-24-FA: Audit of Costs Incurred by Davis Management Group Inc.

## QUARTERLY REPORT ISSUED

- 2022-QR-3: Quarterly Report to the United States Congress

## LESSONS LEARNED PROGRAM REPORT ISSUED

- SIGAR-22-23-LL: Police in Conflict: Lessons from the U.S. Experience in Afghanistan

SIGAR completed eight financial audits of U.S.-funded projects to rebuild Afghanistan that identified \$280,373 in questioned costs as a result of internal-control deficiencies and noncompliance issues. These financial audits identified a range of deficiencies in internal-control processes by USAID contractors in Afghanistan including Davis Management Group, Roots for Peace, Chemonics International, and DAI. SIGAR found no instances of noncompliance in audits of Norwegian People's Aid, ITF Enhancing Human Security, and Management Systems International Inc.

During the reporting period, SIGAR's criminal investigations resulted in one guilty plea, one sentencing, and \$33,222 in recovered funds for the U.S. government. SIGAR initiated four new cases and closed eight, bringing the total number of ongoing investigations to 39.

SIGAR also continued conducting interviews and analysis in support of five Congressionally requested assessments including reviewing the factors that led to the collapse of the ANDSF and the Afghan government, the current status of U.S. funds and of on-budget U.S. assistance, and the emerging risks to the Afghan people.

## AUDITS AND EVALUATIONS

SIGAR conducts performance and financial audits of programs and projects connected to the reconstruction effort in Afghanistan. This quarter, SIGAR has 14 ongoing performance audits and evaluations, and 53 ongoing financial audits. These reviews are required by SIGAR's authorizing statute; completing them, despite the fall of the internationally supported Afghan government in August 2021, will yield information about use of funds, agency performance, and reconstruction effectiveness. This information can improve accountability and transparency, suggest process improvements, and generate lessons learned for other current and future overseas reconstruction and development efforts.

## Performance Audit Reports Issued

This quarter, SIGAR issued three performance-audit reports. A list of completed and ongoing performance audits can be found in Appendix C of this quarterly report.

### **Performance Audit 22-21-AR: Contracting in Afghanistan USAID Did Not Complete or Did Not Maintain Required Documentation for Eight of its 11 Terminated Awards**

This audit examined USAID's termination of awards supporting reconstruction in Afghanistan between January 1, 2014, and December 31, 2020. Despite the August 2021 collapse of the former Afghan government, USAID continues to provide aid to Afghanistan, therefore the findings and recommendations contained in this report remain relevant. The objectives of this

# SIGAR OVERSIGHT ACTIVITIES

audit were to assess the extent to which (1) USAID terminated awards in compliance with applicable laws, regulations, and policies; and (2) award terminations affected intended programmatic outcomes in Afghanistan.

Between January 1, 2014, and December 31, 2020, USAID implemented 698 awards to support the reconstruction of Afghanistan. Of those awards, USAID terminated 11; all were terminated for convenience of the government. They had a cumulative value of over \$390 million, of which \$172 million was disbursed prior to the terminations.

SIGAR determined that USAID either did not maintain or did not complete all of the required termination documentation for eight of the 11 awards, or almost 73%. As a result, USAID did not comply with applicable sections of the Code of Federal Regulations (CFR), Federal Acquisition Regulation (FAR), and USAID's own Automated Directives System (ADS). For the three awards where USAID provided all of the required termination documentation, SIGAR determined that USAID terminated them in compliance with CFR, FAR, and ADS guidance.

SIGAR examined the 11 terminated awards to determine if their termination affected USAID's intended programmatic outcomes. Most of the awards were terminated due to changes in USAID's programming strategy or because the programs were not achieving their expected results. For each terminated award, SIGAR examined every subsequent award USAID issued within the same technical office to determine whether they contained the same or similar goals, objectives, and metrics. SIGAR determined that none of the 11 terminations affected USAID's programming outcomes because USAID implemented subsequent awards that either (1) had similar goals and objectives to the terminated awards, (2) took over the goals and objectives directly from the terminated award, or (3) had goals and objectives that aligned with changes in strategy.

SIGAR made two recommendations to help ensure that USAID maintains all required award-termination records in compliance with federal regulations and their own internal guidance. SIGAR recommended that the USAID/Afghanistan Mission Director and the mission's Director of the Office of Acquisition and Assistance (1) take appropriate action to remind or retrain contracting officers about the importance of existing documentation requirements for terminating awards, and (2) take action to help ensure that responsible officials follow internal controls related to the completion and storage of award files.

## **Performance Audit 22-29-AR: Contracting with the Enemy DOD Has Not Fully Implemented Processes Intended to Prevent Payments to Enemies of the United States**

Section 841 of the National Defense Authorization Act (NDAA) for fiscal year (FY) 2012 and Section 841 of the NDAA for FY 2015 directed DOD to take action to help prevent U.S. government contracting funds from

### PERFORMANCE AUDIT REPORTS ISSUED

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- SIGAR 22-29-AR: DOD Has Not Fully Implemented Processes Intended to Prevent Payments to Enemies of the United States
- SIGAR 22-34-AR: DOD's Salary Payments to the Afghan Ministry of Defense: DOD Did Not Use APPS as Intended and Internal Control Weaknesses Raise Questions About the Accuracy of \$232 Million in Salary Payments

# SIGAR OVERSIGHT ACTIVITIES

going to persons or entities opposing (hereafter referred to as “enemy” or “Section 841 designee”) U.S. or Coalition forces involved in a contingency operation. DOD subsequently established processes and controls to implement Section 841 requirements. In an April 2013 audit, SIGAR identified weaknesses in DOD’s processes and controls for implementing Section 841 of the FY 2012 NDAA.

The objectives of this audit were to (1) evaluate DOD’s actions to address SIGAR’s seven 2013 recommendations; and (2) determine the extent to which DOD’s policies and procedures for implementing the FY 2015 NDAA’s “Never Contract with the Enemy” provisions have enabled DOD to identify and prevent funds disbursed under its contracts from being provided to persons or entities identified as actively supporting an insurgency or opposing U.S. or Coalition forces in Afghanistan.

SIGAR found that DOD did not implement all seven recommendations from SIGAR’s 2013 report, leaving DOD vulnerable to providing funds to enemies of U.S. and Coalition forces. Subcontracts are particularly vulnerable to funds being diverted in support of the enemy. Additionally, SIGAR found weaknesses in DOD’s processes for implementing Section 841 provisions. Because Section 841 requirements, as amended, will remain in effect through at least December 31, 2023, and the Taliban returned to power in August 2021, DOD has ample reason and opportunity to strengthen its processes and controls to prevent contract funds from being diverted to enemies, not only in Afghanistan but in other contingency environments.

SIGAR made four recommendations in this report. SIGAR recommended that DOD’s Principal Director, Defense Pricing and Contracting (1) establish or enforce procedures to ensure that new Section 841-identified persons or entities are added to the federal System for Award Management (SAM) exclusions list upon determination by the appropriate heads of contracting activities (HCA) to restrict the identified persons or entities; (2) take steps to enforce the requirement that Defense Federal Acquisition Regulations Supplement Clauses 252.225.7993 (“Prohibition on Providing Funds to the Enemy”) and 252.225.7975 (“Additional Access to Contractor and Subcontractor Records”) be included in contracts, unless HCAs provide justification for exemption; (3) take steps, in coordination with the covered combatant command(s), to ensure that notifications concerning Section 841 designees, whether through an automated or manual process, are accurate and issued in a timely manner; and (4) direct the HCAs to require that prime contractors make a representation to the best of the contractor’s knowledge or belief that it does not have subcontracts with Section 841 designees, prior to awarding contracts valued over \$50,000.

## **Performance Audit 22-34-AR: DOD's Salary Payments to the Afghan Ministry of Defense**

### **DOD Did Not Use APPS as Intended and Internal Control Weaknesses Raise Questions About the Accuracy of \$232 Million in Salary Payments**

The United States provided more than \$3 billion annually to support the Afghanistan National Defense and Security Forces (ANDSF) through the Afghanistan Security Forces Fund (ASFF) from FY 2019 to FY 2020. Of this \$3 billion, more than \$750 million paid the salaries of personnel at the Ministries of Defense (MOD) and Interior Affairs, respectively. To address issues in the ANDSF payroll process, in January 2016, the Department of Defense's (DOD) Combined Security Transition Command-Afghanistan (CSTC-A) started to develop requirements for a software system that would integrate ANDSF payroll, time and attendance, and human resources information. DOD awarded a contract to Netlinks Ltd. in March 2016 to create a software system that would automatically generate payroll calculations and other data required to process ANDSF salary payments. This system, the Afghan Personnel and Pay System (APPS), was designed to reduce the opportunities for corruption and improve the transparency, accountability, and auditability of the ANDSF payroll process. DOD reported spending \$64.8 million for APPS.

The objective of this audit was to determine the extent to which DOD, from FY 2019 through May 2021, provided accountability and oversight of the funds DOD provided to the Afghan government to pay the salaries of MOD personnel. SIGAR chose this scope because previous oversight by the Department of Defense Office of Inspector General concluded in July 2018, before APPS was declared fully operational for the MOD in October 2019.

SIGAR found that DOD spent approximately \$232 million on questionable salaries for MOD personnel that were calculated outside of APPS, paid to suspicious units or non-existent object codes, or never delivered to the accounts of MOD personnel. Specifically, SIGAR found that CSTC-A disbursed at least \$191.9 million for salaries calculated outside of APPS, in addition to over \$40.1 million more for salaries than was supported by APPS documentation. This occurred because DOD did not use APPS to manage all aspects of the MOD payroll process, did not create or enforce internal controls, and did not use all of the authorities granted to it to oversee the distribution of salary funds.

SIGAR made no recommendations in the report because after the events of August 2021, including the collapse of the ANDSF, the United States ceased funding for the salaries of MOD personnel. However, DOD and Congress may wish to consider SIGAR's report findings for future salary-assistance activities, particularly in a hostile environment like Afghanistan.

## EVALUATION REPORTS ISSUED

- SIGAR 22-28-IP: Theft of Funds from Afghanistan: An Assessment of Allegations Concerning President Ghani and Former Senior Afghan Officials
- SIGAR 22-22-IP: Collapse of the Afghan National Defense and Security Forces: An Assessment of the Factors That Led to Its Demise

## Evaluation Reports Issued

This quarter, SIGAR issued two interim evaluation reports. The first reviewed the allegations of theft of funds from Afghanistan by former senior Afghan officials. The second, interim evaluation assessed the factors that led to the collapse of the ANDSF in August 2021.

### **Evaluation 22-28-IP: Theft of Funds from Afghanistan An Assessment of Allegations Concerning President Ghani and Former Senior Afghan Officials**

In June, SIGAR issued *Theft of Funds from Afghanistan: An Assessment of Allegations Concerning President Ghani and Former Senior Afghan Officials*. This interim evaluation assessed the validity of allegations that senior Afghan officials stole funds as the government collapsed. Although SIGAR found that some cash was taken from the grounds of the presidential palace and loaded onto helicopters, evidence indicates that the amount did not exceed \$1 million and may have been closer to \$500,000. Most of this money was believed to have come from several Afghan government operating budgets normally managed at the palace.

SIGAR also identified suspicious circumstances in which approximately \$5 million in cash was allegedly left behind at the presidential palace. The origins and purpose of this money are disputed, but it was supposedly divided among members of the Presidential Protective Service after the helicopters departed and before the Taliban captured the palace. SIGAR examined other examples of alleged theft by senior Afghan officials as the government collapsed, including tens of millions of dollars from the operating budget of the National Directorate of Security. More broadly, although there appears to have been ample opportunity and effort to plunder Afghan government coffers, at this time SIGAR does not have sufficient evidence to determine with certainty whether hundreds of millions of dollars were removed from the country by Afghan officials as the government collapsed or whether any stolen money was provided by the United States.

### **Evaluation 22-22-IP: Collapse of the Afghan National Defense and Security Forces**

#### **An Assessment of the Factors That Led to Its Demise**

In response to directives from the House Armed Services Committee and House Committee on Oversight and Reform and its Subcommittee on National Security, SIGAR issued *Collapse of the Afghan National Defense and Security Forces: An Assessment of the Factors That Led to Its Demise* as an interim report in May. The objectives of this evaluation were to (1) determine the factors that contributed to the ANDSF's collapse; (2) assess any underlying factors over the 20-year security sector assistance mission that contributed to the underdevelopment of important ANDSF

# SIGAR OVERSIGHT ACTIVITIES

capabilities and readiness; and (3) account for all U.S.-provided ANDSF equipment and U.S.-trained personnel, where possible. SIGAR plans to issue a final report in fall 2022, which will include an assessment of the relative successes and failures of the U.S. mission to reconstruct the ANDSF.

SIGAR found six factors that accelerated the ANDSF's collapse in August 2021. The single most important near-term factor in the ANDSF's collapse was the U.S. decision to withdraw the U.S. military and its contractors from Afghanistan as called for in the February 2020 U.S.-Taliban agreement, signed under the Trump Administration and confirmed by President Biden in an April 2021 address to the nation. Many Afghans thought the U.S.-Taliban agreement was an act of bad faith and a signal that the U.S. was handing over Afghanistan to the enemy as it rushed to exit the country; its immediate effect was a dramatic loss in ANDSF morale. Other factors contributing to the ANDSF's collapse included the change in the U.S. military's level of support to the ANDSF, the ANDSF never achieving self-sustainment, Afghan President Ashraf Ghani's frequently changing ANDSF leaders and appointing loyalists, the Afghan government's failing to take responsibility for Afghan security through an implementation of a national security strategy, and the Taliban's military campaign effectively exploiting ANDSF weaknesses. These six factors intertwined and worked together, ending with the ANDSF's collapse.

## Financial Audits

SIGAR launched its financial-audit program in 2012, after the 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 duplicative efforts.

This quarter, SIGAR completed eight financial audits of U.S.-funded projects to rebuild Afghanistan. An additional 53 ongoing financial audits are reviewing nearly \$655 million in auditable costs, as shown in Table 2.1 on the next page. 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 nearly \$521 million in **questioned costs** and \$366,718 in unpaid interest on advanced federal funds or other revenue amounts owed to the government.

**Questioned amounts:** the sum of potentially unallowable questioned costs and unpaid 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).

## FINANCIAL AUDIT REPORTS ISSUED

- Financial Audit SIGAR-22-33-FA: Audit of Costs Incurred by Management Systems International Inc.
- Financial Audit SIGAR-22-32-FA: Audit of Costs Incurred by DAI Global LLC
- Financial Audit SIGAR-22-31-FA: Audit of Costs Incurred by DAI Global LLC
- Financial Audit SIGAR-22-30-FA: Audit of Costs Incurred by ITF Enhancing Human Security
- Financial Audit SIGAR-22-27-FA: Audit of Costs Incurred by Norwegian People's Aid
- Financial Audit SIGAR-22-26-FA: Audit of Costs Incurred by Chemonics International Inc.
- Financial Audit SIGAR-22-25-FA: Audit of Costs Incurred by Roots of Peace
- Financial Audit SIGAR-22-24-FA: Audit of Costs Incurred by Davis Management Group Inc.

# SIGAR OVERSIGHT ACTIVITIES

TABLE 2.1

<b>SIGAR'S FINANCIAL AUDIT COVERAGE</b> (\$ BILLIONS)	
206 completed audits	\$9.15
53 ongoing audits	0.65
<b>Total</b>	<b>\$9.80</b>

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

Source: SIGAR Audits and Inspections Directorate.

As of June 30, 2022, funding agencies had disallowed nearly \$29 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 663 compliance findings and 729 internal-control findings to the auditees and funding agencies.

## Financial Audit Reports Issued

The eight financial audits completed this quarter identified \$280,373 in questioned costs as a result of internal-control deficiencies and noncompliance issues.

### Financial Audit 22-24-FA: USAID's Afghanistan Trade Show Support Activity

#### Audit of Costs Incurred by Davis Management Group Inc.

On June 7, 2018, USAID awarded a 30-month, time and materials contract worth \$3,999,174 to Davis Management Group Inc. (Davis) to support the Trade Show Support Activity in Afghanistan. The objective of the activity was to, among other things, organize, support, and facilitate trade shows, business events, exhibitions, or other forums where Afghan businesses could interact with potential buyers and importers. The contract had a period of performance from June 11, 2018, through December 12, 2020. USAID modified the contract four times, and increased the total funding to \$6,921,728. The contract's period of performance remained unchanged.

SIGAR's financial audit, performed by Conrad LLP, reviewed \$6,240,939 in costs charged to the contract from June 11, 2018, through December 12, 2020. The auditors identified three deficiencies in Davis' internal controls and three instances of noncompliance with the terms of the contract. Because of these issues, Conrad identified a total of \$247,081 in questioned costs.

### Financial Audit 22-25-FA: USAID's Agriculture Marketing Program in Afghanistan

#### Audit of Costs Incurred by Roots of Peace

On January 28, 2020, USAID awarded a three-year cooperative agreement to Roots of Peace to support the Agriculture Marketing Program in Afghanistan. The objective of the program is to improve the livelihoods of Afghan exporters and farmers by expanding the number of export products and developing new markets for Afghan exports. The initial obligated amount for the agreement was \$5,000,000; after three modifications, the total obligation increased to \$15,000,000. The agreement's period of performance is ongoing and spans from January 28, 2020, through January 27, 2023.

# SIGAR OVERSIGHT ACTIVITIES

SIGAR's financial audit, performed by Conrad LLP, reviewed \$6,006,035 in costs charged to the agreement from January 28, 2020, through January 31, 2021. Conrad identified four significant deficiencies in Roots of Peace's internal controls and four instances of noncompliance with the terms of the cooperative agreement. Because of these issues, Conrad identified a total of \$20,653 in questioned costs.

## **Financial Audit 22-26-FA: USAID's Capacity Building Activity for the Afghan Ministry of Education**

### **Audit of Costs Incurred by Chemonics International Inc.**

On February 1, 2017, USAID awarded a five-year, \$23,212,617 contract to Chemonics International Inc. (Chemonics) to implement a capacity-building activity for the Afghan Ministry of Education. The activity supported the ministry's goal of preparing skilled, competent citizens to sustain Afghanistan's socioeconomic development and social cohesion by improving systems related to education management information, teacher recruitment, payroll, internal audits, and resource planning and allocation. USAID modified the contract nine times; the total award amount and period of performance, ending January 31, 2022, did not change.

SIGAR's financial audit, performed by Conrad LLP, reviewed \$4,624,804 in costs charged to the contract from January 1, 2020, through January 31, 2021. Conrad identified three deficiencies in Chemonics' internal controls, two of which were significant, and three instances of noncompliance with the terms of the contract. Because of these issues, Conrad identified a total of \$12,639 in questioned costs.

## **Financial Audit 22-27-FA: Department of State's Third-Party Monitoring and Oversight of Its Conventional Weapons Destruction Program in Afghanistan**

### **Audit of Costs Incurred by Norwegian People's Aid**

On September 27, 2017, the U.S. Department of State (State) awarded a \$1,000,000 cooperative agreement to Norwegian People's Aid (NPA) to support the third-party monitoring and oversight of State's Conventional Weapons Destruction (CWD) program in Afghanistan. The program's objectives were to provide personnel, resources, supplies, and grant management and advisory services to 15 or more of State's CWD projects. State modified the contract nine times; the total award amount increased to \$11,505,605, and the period of performance extended from August 31, 2018, to July 15, 2022.

SIGAR's financial audit, performed by Davis Farr LLP (Davis Farr), reviewed \$8,827,764 in costs charged to the agreement from September 27, 2017, through July 15, 2021. Davis Farr found no material weaknesses or significant deficiencies in NPA's internal controls, or any instances

# SIGAR OVERSIGHT ACTIVITIES

of noncompliance with the terms and conditions of the agreement. Accordingly, the auditors identified no questioned costs.

## **Financial Audit 22-30-FA: Department of State’s Capacity Support to Mine Action Coordination in Afghanistan**

### **Audit of Costs Incurred by ITF Enhancing Human Security**

On September 27, 2017, the U.S. Department of State (State) awarded a \$1,000,000 cooperative agreement to ITF Enhancing Human Security (ITF) to strengthen the Afghan government’s capacity to coordinate mine action activities. The agreement required ITF to support the Afghanistan National Disaster Management Agency’s Directorate for Mine Action Coordination and, among other things, provide quality assurance, post-demining impact assessments, and surveys of land contaminated with explosive remnants of war. State modified the agreement seven times; the total award amount increased to \$6,538,708, and the period of performance extended from September 30, 2018, through June 30, 2022.

SIGAR’s financial audit, performed by Davis Farr LLP, reviewed \$3,700,924 in costs charged to the agreement from October 1, 2018, through July 31, 2021. Davis Farr found no material weaknesses or significant deficiencies in ITF’s internal controls, or any instances of noncompliance with the terms and conditions of the agreement. Accordingly, the auditors identified no questioned costs.

## **Financial Audit 22-31-FA: USAID’s Value Chains–High Value Crops Activity**

### **Audit of Costs Incurred by DAI Global LLC**

On August 2, 2018, USAID Mission to Afghanistan awarded a five-year, \$54,958,860 cost-plus-fixed-fee contract to DAI Global LLC (DAI) to implement the Afghanistan Value Chains–High Value Crops Activity. The purpose of this activity is to, among other things, drive growth, create jobs within high-value horticulture, and increase spice and medicinal crop value chains. USAID modified the contract nine times; the total award amount and period of performance, ending August 1, 2023, did not change.

SIGAR’s financial audit, performed by Castro & Company (Castro), reviewed \$17,961,641 in costs charged to the contract from December 1, 2019, through July 31, 2021. Castro identified one deficiency in DAI’s internal controls, which Castro also categorized as an instance of noncompliance with the terms of the contract. Castro identified no questioned costs connected to these issues.

## **Financial Audit 22-32-FA: USAID’s Value Chains–Livestock Activity**

### **Audit of Costs Incurred by DAI Global LLC**

On June 9, 2018, USAID Mission to Afghanistan awarded a five-year, \$55,672,170 cost-plus-fixed-fee contract to DAI Global LLC to implement

the Afghanistan Value Chains–Livestock Activity. The purpose of the activity is to provide support for poultry, livestock, and dairy product value chains. USAID modified the contract eight times; the total award amount and period of performance, ending June 9, 2023, did not change.

SIGAR’s financial audit, performed by Castro & Company LLC, reviewed \$16,560,893 in costs charged to the contract from December 1, 2019, through July 31, 2021. Castro identified two deficiencies in DAI’s internal controls, which Castro also categorized as instances of noncompliance with the terms of the contract. Castro identified no questioned costs connected to these issues.

### **Financial Audit 22-33-FA: USAID’s Afghanistan Monitoring, Evaluation, and Learning Activity**

#### **Audit of Costs Incurred by Management Systems International Inc.**

On March 13, 2019, USAID’s Mission to Afghanistan awarded a five-year, \$39,848,003 cost-plus-fixed-fee contract to Management Systems International Inc. (MSI) in support of the Afghanistan Monitoring, Evaluation, and Learning Activity. The purpose of the activity is to strengthen the implementation of the Mission’s development programs in Afghanistan. Although USAID modified the contract 20 times, the total award amount and the program’s end date of March 12, 2024, did not change.

SIGAR’s financial audit, performed by Castro & Company LLC, reviewed \$5,123,142 in costs charged to the contract from July 1, 2020, through March 12, 2021. Castro found no material weaknesses or significant deficiencies in MSI’s internal controls, or any instances of noncompliance with the terms and conditions of the contract. Accordingly, the auditors identified no questioned costs.

### **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 four recommendations contained in three performance-audit, inspection, and financial-audit reports.

From 2009 through June 2022, SIGAR issued 445 audits, alert letters, and inspection reports, and made 1,251 recommendations to recover funds, improve agency oversight, and increase program effectiveness.

SIGAR has closed 1,137 of these recommendations, about 91%. 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”; SIGAR closed a total of 243 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 114 open recommendations. Of these recommendations, 61 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](http://www.sigar.mil).

## LESSONS LEARNED PROGRAM REPORT ISSUED

- SIGAR-22-23-LL: Police in Conflict: Lessons from the U.S. Experience in Afghanistan

## LESSONS LEARNED

SIGAR's Lessons Learned Program was created to identify lessons and make recommendations to Congress and executive branch agencies on ways to improve current and future reconstruction efforts. The program has issued 12 lessons learned reports to date, including one report this quarter.

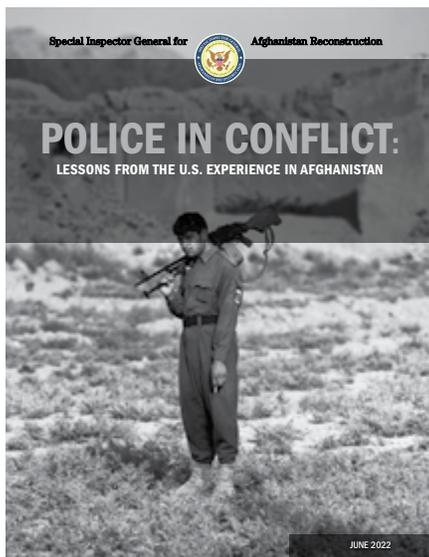
### Lessons Learned Program Report Issued

#### Police in Conflict: Lessons from the U.S. Experience in Afghanistan

This quarter, the Lessons Learned Program issued *Police in Conflict*, an in-depth examination of the 20-year U.S. and international mission to reconstruct the Afghan police. The report highlights the difficulty of fighting a heavily armed insurgency while trying to develop indigenous law enforcement and civilian policing capabilities.

As the Taliban-led insurgency gained inroads into southern and eastern Afghanistan in 2004 and violence escalated, the United States and the international community transitioned from a civilian-led to a military-led police assistance mission. The result of this policy shift was that the Afghan police force became increasingly militarized, and its focus became fighting insurgents rather than arresting common criminals and gangsters—many of whom were members of or closely affiliated with the Afghan government—who threatened the everyday lives of Afghan citizens.

This militarization, along with the U.S. focus on counterinsurgency operations, ended up empowering and supporting warlords-turned-police chiefs who were tactically proficient in fighting, but were also known to be human-rights abusers and criminals. Police advisors often faced a moral dilemma: whether to partner with corrupt and abusive, yet militarily effective police officials who had the support of key portions of the local population, or refuse and risk rising instability, the loss of support for the U.S. intervention, and the reduction of the United States' ability to target and disrupt terrorist cells.



**Police in Conflict** Lessons Learned Program report cover.

# CONGRESSIONALLY DIRECTED ASSESSMENTS

*This quarter, SIGAR continued work on five evaluations directed by Congress to assess what led to last summer's events in Afghanistan and their repercussions.*

## **1 Collapse of the Afghan Government**

SIGAR is evaluating the factors that contributed to the collapse of the Afghan government in August 2021, including chronic challenges to Afghan state authority and legitimacy since 2002, and the relative success or failure of U.S. reconstruction efforts to build and sustain Afghan governing institutions. SIGAR has so far collected testimony from a diverse assortment of Afghan, American, and international interviewees who shared their insight on the downfall of the former Afghan government.

## **2 Collapse of the Afghan National Defense and Security Forces**

SIGAR is identifying the factors that contributed to the collapse of the Afghan National Defense and Security Forces in August 2021. SIGAR is accomplishing this task by assessing the ANDSF's performance from February 2020 to August 2021, as well as the factors that contributed to the ANDSF's rapid dissolution. SIGAR is also documenting the underlying causes that contributed to the underdevelopment of important ANDSF capabilities over the 20-year security assistance mission, and providing an accounting—where possible—of the status of U.S.-supplied equipment and U.S.-trained ANDSF personnel. SIGAR conducted numerous interviews with senior Afghan and U.S. officials to gain insights into ANDSF weaknesses and to learn about what unfolded during the last 18 months of the U.S. mission in Afghanistan. In May 2022, SIGAR issued an interim report concluding the U.S. military withdrawal was an important factor in the collapse of the ANDSF as the decision to withdraw changed the calculus and behaviors of the United States, Afghan government, and the Taliban.

## **3 Current Status of U.S. Funds**

SIGAR continues to conduct fieldwork to determine the status of U.S. funding appropriated for the reconstruction of Afghanistan through all modalities, including on-budget, off-budget, multilateral trust funds, and U.S. government agencies. Last quarter, SIGAR issued a report on the current status of U.S. funds with data from USAID, State, DOD, U.S. Agency for Global Media, DEA, and the U.S. International Development Finance Corporation. SIGAR continues to review data received from U.S. agencies on the status of U.S. funding appropriated for the reconstruction of Afghanistan for an additional forthcoming assessment.

## **4 On-Budget U.S. Assistance**

SIGAR is performing fieldwork to evaluate the extent to which the Taliban has access to U.S. on-budget assistance; U.S. equipment, vehicles, property, and assets abandoned in Afghanistan; and U.S.-funded equipment and defense articles previously provided to the Afghan government and the ANDSF. This assessment also seeks to evaluate any mechanisms the U.S. government is using to recoup or recapture this funding and equipment. The scope of this assessment covers February 2020—the start of a signed commitment between the U.S. government and the Taliban—to the present. SIGAR has submitted requests for information to DOD, State, and USAID, and has interviewed Afghan and U.S. government officials knowledgeable of the events surrounding the U.S. withdrawal and the collapse of the Afghan government.

## **5 Risks to the Afghan People**

SIGAR has completed fieldwork and is drafting a report on the status of, and potential risks to, the Afghan people and civil society organizations resulting from the Taliban's return to power. The assessment's scope covers February 2020—the start of a signed commitment between the U.S. government and the Taliban—to the present. To date, SIGAR has primarily conducted interviews with personnel identified as facing risks across five sectors: Afghan women and girls, journalists, educational institutions, health-care operations, and nongovernmental institutions.

## Lessons Learned Program Briefings

### **Briefing for the UK Independent Commission for Aid Impact**

In June, the UK Independent Commission for Aid Impact (ICAI) requested a series of meetings with SIGAR's Lessons Learned Program to help understand U.S. lessons as the UK government conducts its own analysis about aid effectiveness to Afghanistan since 2015. Over the course of the month, the program hosted five meetings on topics including subnational governance, support to women and girls, economic development, and security sector assistance.

### **Briefing for DOD's Peacekeeping and Stability Operations Institute**

Lessons Learned team lead David Young traveled to Carlisle, Pennsylvania, to brief DOD's Peacekeeping and Stability Operations Institute on best practices in DOD support to stabilization efforts.

### **Briefing for the Libyan External Office**

In March of 2022, the Tunisia-based Libyan External Office, as the U.S. Embassy in Tripoli is known, asked SIGAR to provide feedback on the draft Global Fragility Act Strategic Framework for that country. The Global Fragility Act, passed in December 2019 as part of the FY 2020 Consolidated Appropriations Act (Title V of Div J, Pub. L. No. 116-94), is an effort to transform the way the U.S. government approaches conflict prevention and stabilization. In April, the Biden administration announced four countries (including Libya) and one region where the new approach will be piloted over a 10-year period. The Global Fragility Act mandates fixes for a number of the stabilization challenges identified by SIGAR's 2018 *Stabilization*, 2021 *Risk of Doing the Wrong Thing Perfectly*, and 2021 *What We Need to Learn* reports.

## INVESTIGATIONS

During the reporting period, SIGAR's criminal investigations resulted in one guilty plea, one sentencing, and \$33,222 in recovered funds for the U.S. government. SIGAR initiated four cases and closed eight, bringing the total number of ongoing investigations to 39.

To date, SIGAR investigations have resulted in a cumulative total of 164 criminal convictions. Criminal fines, restitutions, forfeitures, civil settlements, and U.S. government cost savings and recoveries total approximately \$1.65 billion.

# SIGAR OVERSIGHT ACTIVITIES

## Former Company Executive Officer Pleads Guilty to False Claims

On May 19, 2022, in the Northern District of Alabama, Paul Daigle pleaded guilty to false claims in connection to his involvement in a scheme to defraud the U.S. government.

Daigle and co-conspirator Keith Woolford were executives for AAL USA, a Department of Defense subcontractor engaged in the repair and maintenance of aircraft in Afghanistan under contracts issued from Redstone Arsenal, in Huntsville, Alabama. Chief Executive Officer Daigle and Chief Financial Officer Woolford perpetrated a scheme to fill contract-labor positions with employees who did not meet the education requirements, and in some cases, with employees who were not actually assigned work on the contract. To satisfy the requirements of the labor categories contained in the statement of work for a U.S. government contract, they instructed employees to obtain fake college degrees from an online diploma mill. As a result of the scheme, false invoices were created and passed to the prime contractor, and then on to the U.S. government for payment.

As previously reported, Woolford pleaded guilty to conspiracy in 2020. Through prime contractor Lockheed Martin, he submitted multiple invoices for payment, including one for approximately \$1,872,280. He knew the invoice contained materially false information because it incorporated inflated hourly rates for nonqualifying labor, and contained a false certification that the billed services had been performed.

The investigation is being conducted by SIGAR, the Defense Criminal Investigative Service (DCIS), and the U.S. Army Criminal Investigations Division Major Procurement Fraud Unit.

## Former Employee of U.S. Government Subcontractor Sentenced for Fraud

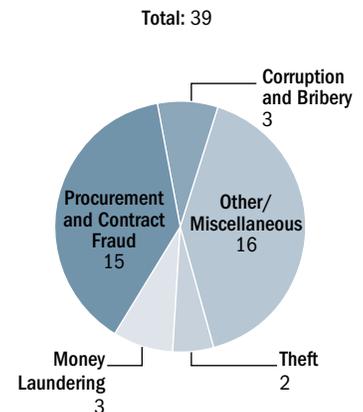
On May 25, 2022, in U.S. District Court, District of Columbia, Kenneth O. Coates was sentenced to one year of supervised probation after pleading guilty to one count of major fraud against the United States.

Coates was employed as regional recruitment manager by a U.S. government subcontractor to recruit candidates for positions as language interpreters working with the U.S. military. He and his co-conspirators 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 co-conspirators obtained financial bonuses from their employer based on the number of candidates hired through their efforts.

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

FIGURE 2.1

SIGAR INVESTIGATIONS:  
NUMBER OF OPEN INVESTIGATIONS



Source: SIGAR Investigations Directorate, 7/11/2022.

## **Investigative Assessment Results in \$33,222 Recovery for the U.S. Government**

During 2018, SIGAR initiated an investigative assessment of the Defense Base Act (DBA) insurance industry due to the escalating rise in the cost of DBA insurance required by contractors working overseas, including Afghanistan. Following the assessment, the Department of Justice Civil Division opened an inquiry to determine if Civil False Claims Act violations relating to DBA insurance had occurred. In July 2020, SIGAR served 19 Inspector General subpoenas for a variety of documents to DBA insurance brokers, DBA carriers and U.S. contractors, including Reed International, a U.S. Department of Defense contractor. During the process of subpoena production, Reed International's retained counsel informed the investigative team that Reed had discovered \$33,222 in DBA premium refunds that should have been remitted to the U.S. government.

During the course of an insurance cycle, initial DBA premiums are computed based upon the estimated payroll. If a contractor's estimated payroll is greater than its actual payroll, the contractor receives a refund which is subsequently returned to the U.S. government. In this instance, Reed had received \$33,222 in refunds that had not been returned to the U.S. government.

In coordination with the Defense Finance and Accounting Service (DFAS) and Reed International, SIGAR helped determine the best method to return the funds and in May 2021, DFAS confirmed that the U.S. Treasury had been issued the refund of \$33,222.

To ensure due diligence by Reed, SIGAR obtained assistance from the Defense Contract Audit Agency (DCAA) office of Investigative Support to conduct an audit of Reed's records. Upon its completion in July 2022, the audit found no discrepancies and no evidence of intent to withhold the refunds to the U.S. government.

## **OTHER SIGAR OVERSIGHT ACTIVITIES**

### **Inspector General Sopko Speaks at Mid-Coast Forum on Foreign Relations**

On July 11, Inspector General Sopko was the featured speaker at the Mid-Coast Forum on Foreign Relations in Rockland, Maine. His remarks, "Afghanistan: Lessons Unlearned," emphasized the importance of establishing rigorous oversight of foreign and security assistance efforts from the initiation of U.S. engagement; the need to take all available steps to ensure that assistance provided in a conflict environment does not exacerbate corruption in the host nation; and highlighted the need for better interagency cooperation, particularly between civilian and military agencies, as well as the need to reform policies that encourage frequent personnel rotations

# SIGAR OVERSIGHT ACTIVITIES

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and excessive risk-aversion that inhibit civilian personnel from effectively doing their jobs. Overall, IG Sopko emphasized the need to learn the lessons SIGAR and others have identified from the 20-year effort in Afghanistan and apply those lessons to future international assistance endeavors. His remarks were later broadcast on Maine Public Radio.

## **SIGAR BUDGET**

For fiscal year 2022, SIGAR is funded under H.R. 2471, the Consolidated Appropriations Act, 2022, signed into law on March 15, 2022. The Act provides \$40 million to support SIGAR's oversight activities and products by funding SIGAR's Audits and Inspections, Investigations, Management and Support, and Research and Analysis Directorates, and the Lessons Learned Program.

## **SIGAR STAFF**

With 157 employees on board at the end of the quarter, SIGAR's staff count was unchanged from the last quarterly report to Congress. No SIGAR employees worked in Afghanistan during this reporting period. SIGAR's employee count is expected to total 149 as of July 30.

“Once again, we reiterate our call to the Taliban to reverse these restrictions on education, employment, and movement ... The contribution of women will allow Afghanistan to prosper in the years ahead; but the exclusion of women and girls will erase the possibility of stability and economic gains in Afghanistan.”

— *Ambassador Linda Thomas-Greenfield*