

# 2 SIGAR OVERSIGHT



## U.S. AGENCIES REFUSE TO ANSWER SIGAR'S DATA REQUESTS REGARDING U.S. SPENDING FOR AFGHANISTAN

The United States remains Afghanistan's single largest donor, providing more than \$1.1 billion in assistance to support the Afghan people since the Taliban takeover in August 2021. However, SIGAR, for the first time in its history, is unable this quarter to provide Congress and the American people with a full accounting of this U.S. government spending due to the non-cooperation of U.S. agencies.

The United States Agency for International Development (USAID), which administers the vast majority of current U.S. funding for Afghanistan, and the Treasury Department, refused to cooperate with SIGAR in any capacity, while the State Department was selective in the information it provided pursuant to SIGAR's quarterly data requests, sharing funding data but not details of agency-supported programs in Afghanistan.\* This in direct violation of Section 1229(h)(5)(A) of the NDAA for FY 2008 (requiring the agencies to provide information and assistance upon request) and Section 6(c)(1) of the Inspector General Act of 1978, as amended.

Additionally, after more than a decade of cooperation, State, and USAID have for months now refused to provide SIGAR with information and assistance needed for several audits and Congressionally mandated reviews including those pertaining to:

1. the collapse of the U.S.-backed government in Afghanistan;
2. risks to the Afghan people;
3. State and USAID compliance with laws and regulations prohibiting the transfer of funds to the Taliban; and
4. ongoing humanitarian and development programs supporting the Afghan people.

In response to SIGAR data requests, State and USAID challenged SIGAR's jurisdiction, claiming without basis that U.S. programming in Afghanistan is unrelated to reconstruction activities, and is instead "humanitarian and development assistance." SIGAR rejects this claim, noting that there is little to no substantive difference between assistance referred to as "reconstruction" and assistance referred to as "development" or "humanitarian." Most of the State and USAID programs outlined in this quarterly report are continuations of activities performed prior to August 2021, and State and USAID have not articulated how these programs have changed in practice.

Congress was clear when it granted SIGAR jurisdiction in its 2008 enabling legislation over all reconstruction spending in Afghanistan, including development and humanitarian aid. In the context of this legislation, reconstruction assistance is the broadest term, subsuming both development and humanitarian assistance. In letters sent on May 6 and June 22, 2022, SIGAR's Office of General Counsel reminded State and USAID of the broad scope of SIGAR's existing jurisdiction as stated in both the plain text of SIGAR's authorizing statute and its legislative history. Per the National Defense Authorization Act for FY 2008, § 1229(i)(2), SIGAR's authorizing statute provides that SIGAR has jurisdiction to audit, investigate, and report on projects and programs using: "any . . . funding mechanism" that supports "any of the following purposes:

- (A) To build or rebuild physical infrastructure of Afghanistan.
- (B) To establish or reestablish a political or societal institution of Afghanistan. [and]
- (C) To provide products or services to the people of Afghanistan."

Congress was also clear when it required State and USAID to provide SIGAR with information and assistance upon request, and when it unambiguously prohibited agency officials from refusing to cooperate with SIGAR's work.

SIGAR's authorizing statute provides that, "Upon request of the Inspector General for information or assistance from any department, agency, or other entity of the Federal Government, the head of such entity shall, insofar as is practicable and not in contravention of any existing law, furnish such information or assistance to the Inspector General, or an authorized designee."

SIGAR also notes that State and USAID's failure to provide information and assistance to SIGAR violates the December 3, 2021, guidance from the Office of Management and Budget regarding cooperation with federal inspectors general, which states that, "It is the President's expectation that executive departments and agencies will restore and respect the integrity and independence of their respective agency inspectors general (IGs) and work with the Congress to ensure that IG offices can exercise their vital oversight role."

A State official has informed SIGAR that department staff have received internal direction to not engage with or speak to SIGAR without prior clearance from State legal counsel. This direction is at odds with Section 7 of the Inspector General Act and other legal protections related to whistleblowers, as well as SIGAR's authorizing statute, which states that, "no officer of the Department of Defense, the Department of State, or the United States Agency for International Development shall prevent or prohibit

the Inspector General from initiating, carrying out, or completing any audit or investigation related to amounts appropriated or otherwise made available for the reconstruction of Afghanistan."

Consistent with the plain text of SIGAR's authorizing legislation, SIGAR has reported on humanitarian and development assistance programs in Afghanistan since 2008. For example, all 57 of SIGAR's quarterly reports to the United States Congress discuss humanitarian and development assistance within the broader context of Afghanistan reconstruction. No federal agency has challenged SIGAR's authority to conduct oversight of such programs until now. USAID and State legal counsels' claim that SIGAR's jurisdiction does not include such matters is not only contrary to the law, but a gross deviation from over 14 years of precedent set by three prior Administrations.

\*State cooperated with data call responses related to appropriation, obligation, and disbursement information on all accounts that fund, or funded, Afghanistan reconstruction, as are reported in the Status of Funds section of this report. SIGAR's legislative mandate, Pub. L. No. 110-181, as amended, requires the production of Quarterly Reports that present obligations and expenditures of appropriated funds for Afghanistan reconstruction under Section 1229 (i)(1)(A).

Source: USAID press release, "The United States has provided more than \$1.1 billion to respond to humanitarian crisis in Afghanistan since August 2021," 9/23/2022; State Department/Bureau of South and Central Asian Affairs, response to SIGAR data call, 9/20/2022; State Department/Bureau of Population, Refugees, and Migration, response to SIGAR data call, 9/20/2022; USAID/Afghanistan, response to SIGAR data call, 9/2/2022; USAID/Bureau of Humanitarian Assistance, response to SIGAR data call, 9/1/2022; Joint letter from the State and USAID Offices of General Counsel to SIGAR's Office of General Counsel, 4/25/2022; Letter from the SIGAR Office of General Counsel to the State and USAID Offices of General Counsel, 5/6/2022; Joint letter from the State and USAID Offices of General Counsel to SIGAR's Office of General Counsel, 7/8/2022; SIGAR letter to Secretary of State Antony Blinken, 6/22/2022; SIGAR letter to Congress, Department of State, and USAID on State's and USAID's refusal to provide information and assistance requested by SIGAR, 6/22/2022.

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## SIGAR OVERSIGHT ACTIVITIES

This quarter, SIGAR issued 11 products, including this quarterly report. SIGAR work to date has identified approximately \$3.96 billion in savings for the U.S. taxpayer.

SIGAR issued two performance audit reports and two evaluations this quarter. The first report found that the U.S. Department of State did not complete required oversight and evaluation of its Antiterrorism Assistance Program in Afghanistan. The second report found that the U.S. Agency for International Development generally met federal and internal requirements for noncompetitive awards, but did not maintain some of the required documents resulting in a lack of complete and accurate records for all award activities.

The first evaluation reviewed 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.

A second, Congressionally requested evaluation assessed the risks to the Afghan people and civil society organizations resulting from the Taliban's takeover. SIGAR found that women and girls now face significant risks including reduced access to education and healthcare; loss of empowerment, including the ability to be economically and otherwise independent; and heightened personal safety and security risks. The media, healthcare, and education sectors have also faced acute risk under Taliban rule. SIGAR concluded that the current conditions Afghans face are similar to those under the Taliban in the 1990s.

SIGAR completed six financial audits of U.S.-funded projects to rebuild Afghanistan that identified \$10,668,026 in questioned costs as a result of internal-control deficiencies and noncompliance issues. These financial audits identified a range of deficiencies by U.S. government contractors including Raytheon Company, International Legal Foundation, Albany Associates, Amentum Services Inc., and FHI 360. An additional audit of Virginia Polytechnic Institute and State University did not find any material weaknesses or internal deficiencies.

### PERFORMANCE AUDIT REPORTS ISSUED

- SIGAR 23-01-AR: Department of State Anti-Terrorism Assistance Program in Afghanistan: Security Concerns Prevented State from Fully Monitoring and Evaluating the Program, and Up to \$32 Million in Assets May Be in the Taliban's Possession
- SIGAR 22-41-AR: Contracting in Afghanistan: USAID Generally Met Requirements for Noncompetitive Awards, But Did Not Complete or Did Not Maintain Some Required Documents

### EVALUATION REPORTS ISSUED

- SIGAR 23-02-IP: Afghan Civil Society: The Taliban's Takeover Risks Undoing 20 Years of Reconstruction Accomplishments
- SIGAR 22-35-IP: Theft of Funds from Afghanistan: An Assessment of Allegations Concerning President Ghani and Former Senior Afghan Officials

*Continued on the next page*

# SIGAR OVERSIGHT ACTIVITIES

## FINANCIAL AUDIT REPORTS ISSUED

- Financial Audit SIGAR-22-42-FA: Audit of Costs Incurred by Amentum Services Inc.
- Financial Audit SIGAR-22-40-FA: Audit of Costs Incurred by FHI 360
- Financial Audit SIGAR-22-39-FA: Audit of Costs Incurred by Raytheon Company
- Financial Audit SIGAR-22-38-FA: Audit of Costs Incurred by International Legal Foundation
- Financial Audit SIGAR-22-37-FA: Audit of Costs Incurred by Albany Associates International Ltd.
- Financial Audit SIGAR-22-36-FA: Audit of Costs Incurred by Virginia Polytechnic Institute and State University.

## QUARTERLY REPORT ISSUED

- 2022-QR-4: Quarterly Report to the United States Congress

During the reporting period, SIGAR's criminal investigations resulted in two criminal informations, two guilty pleas, five sentencing, and over \$10.3 million in criminal restitutions and forfeitures. SIGAR initiated one case and closed five, bringing the total number of ongoing investigations to 35.

SIGAR also continued conducting interviews and analysis in support of Congressionally requested assessments including reviewing the factors that led to the collapse of the Afghan National Defense and Security Forces (ANDSF) and the Afghan government, and the status of on-budget U.S. assistance. SIGAR also initiated an additional evaluation of the education sector in Afghanistan this quarter.

## AUDITS AND EVALUATIONS

SIGAR conducts performance and financial audits of programs and projects connected to the reconstruction effort in Afghanistan. This quarter, SIGAR has 10 ongoing performance audits and evaluations, and 47 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 two performance-audit reports. A list of completed and ongoing performance audits can be found in Appendix C of this quarterly report.

### **Performance Audit 23-01-AR: Department of State Anti-Terrorism Assistance Program in Afghanistan**

#### **Security Concerns Prevented State from Fully Monitoring and Evaluating the Program, and Up to \$32 Million in Assets May Be in the Taliban's Possession**

SIGAR issued an audit of the U.S. Department of State's (State) Antiterrorism Assistance (ATA) program in Afghanistan, which spent \$95.5 million in U.S. taxpayer funds from January 2018 to August 2021. The objectives of this audit were to (1) assess the extent to which State conducted required oversight of ATA activities in Afghanistan and measured progress in meeting program goals and objectives; (2) identify the extent to which State designed and made adjustments to the program, when necessary, based on challenges, if any, it faced in implementing and sustaining the program in Afghanistan; and (3) assess the extent to which State has accounted for undisbursed program funding or assets in Afghanistan at the time of the U.S. government's withdrawal.

# SIGAR OVERSIGHT ACTIVITIES

SIGAR found that State did not complete all the required oversight and evaluation of the ATA program, including measuring its performance and impact. For example, State produced a strategy for the Afghanistan ATA program, but did not collect all required monitoring and performance information necessary to determine the extent to which the ATA program met performance indicators and fulfilled strategic goals. SIGAR also found that prior to the Taliban takeover of Kabul in August 2021, State transferred an estimated \$28–32 million in program assets to Afghan government partners. However, State has not provided a full accounting for all the transferred assets, and cannot confirm the current custodian of these assets, which is presumed to be the Taliban regime. Finally, State estimated that \$11.3 million of the obligated funds remained undisbursed at the time of the program’s closure in August 2021. State officials said that contractors were reviewing and preparing requests for either claims of lost items or expenses, so the amount of unspent funding may change. The remaining funding will then be reprogrammed.

SIGAR is not making any recommendations in this report because State terminated Afghanistan’s ATA program following the August 2021 collapse of the former Afghan government and the U.S. government’s withdrawal from the country. However, the findings of this report may be useful to State as it implements the ATA program in other high-risk and strategically important countries.

## **Performance Audit 22-41-AR: Contracting in Afghanistan USAID Generally Met Requirements for Noncompetitive Awards, But Did Not Complete or Did Not Maintain Some Required Documents**

From February 2002 through April 2022, the U.S. Agency for International Development (USAID) obligated \$21.16 billion to support Afghanistan’s reconstruction through various award types, including contracts, grants, cooperative agreements, and interagency agreements. This audit examined the extent to which USAID, from January 1, 2017, through December 31, 2020, followed applicable federal and internal guidance when awarding non-competitive contracts, grants, cooperative agreements, and other assistance agreements for Afghanistan reconstruction.

SIGAR found that USAID complied with the Federal Acquisition Regulation data element publishing requirements for each of four non-competitive contracts. SIGAR found that, as required, USAID accurately logged each contract into the Federal Procurement Data System–Next Generation, a computer-based system for collecting and disseminating procurement data.

USAID and Office of Management and Budget policies also require USAID to synopsise and post grants and cooperative agreements opportunities on the Grants.gov website. In addition to the synopsis, USAID is required to publish information on the amount of funding

### PERFORMANCE AUDIT REPORTS ISSUED

- SIGAR 23-01-AR: Department of State Anti-Terrorism Assistance Program in Afghanistan: Security Concerns Prevented State from Fully Monitoring and Evaluating the Program, and Up to \$32 Million in Assets May Be in the Taliban’s Possession
- SIGAR 22-41-AR: Contracting in Afghanistan: USAID Generally Met Requirements for Noncompetitive Awards, But Did Not Complete or Did Not Maintain Some Required Documents

# SIGAR OVERSIGHT ACTIVITIES

available, expected number of awards, eligibility criteria, and other data points. SIGAR found that USAID met these requirements. However, USAID either did not complete or did not properly maintain all required documentation for the awards it made without full and open competition. For example, USAID did not complete or properly maintain the documents required to justify the decision not to compete two of the awards, the action memorandum for one interagency agreement, transmittal letters for three interagency agreements, and selection instrument justifications for one contract and one cooperative agreement.

As a result of incomplete or missing documents, USAID does not have complete and accurate records for all its award activities. Adhering to federal regulations and internal guidance for providing award documents is important because without those documents, USAID is not certain that it is obtaining the necessary commodities and services at the lowest possible price or at the best value to the government. SIGAR is not making any recommendations in this report because in response to a May 2022 SIGAR report, USAID issued an administrative notice to address the documentation completion and retention issues identified in this report.

## Evaluation Reports Issued

This quarter, SIGAR issued two evaluation reports. The first evaluation reviewed the allegations of theft of funds from Afghanistan by former senior Afghan officials. The second assessed the risks to Afghan civil society from the Taliban takeover in August 2021.

### **Evaluation 22-35-IP: Theft of Funds from Afghanistan An Assessment of Allegations Concerning President Ghani and Former Senior Afghan Officials**

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 *Theft of Funds from Afghanistan: An Assessment of Allegations Concerning President Ghani and Former Senior Afghan Officials*. This 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 purposes of this money are disputed, but it was supposedly divided by members of the Presidential Protective Service after the helicopters departed and before the Taliban captured the palace. SIGAR examined

#### EVALUATION REPORTS ISSUED

- SIGAR 23-02-IP: Afghan Civil Society: The Taliban's Takeover Risks Undoing 20 Years of Reconstruction Accomplishments
- SIGAR 22-35-IP: Theft of Funds from Afghanistan: An Assessment of Allegations Concerning President Ghani and Former Senior Afghan Officials

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 23-02-IP: Afghan Civil Society**

### **The Taliban's Takeover Risks Undoing 20 Years of Reconstruction Accomplishments**

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 *Afghan Civil Society: The Taliban's Takeover Risks Undoing 20 Years of Reconstruction Accomplishments* in October 2022. In this report SIGAR (1) identified the risks to the Afghan people and civil society organizations, including Afghan women and girls, journalists, educational institutions, healthcare operations, and NGOs resulting from the Taliban's takeover; and (2) assessed the extent to which the U.S. government is mitigating these risks and the impact they may have on future U.S. assistance.

SIGAR found women and girls now again face significant risks including reduced access to education and healthcare; loss of empowerment, including the ability to be professionally, socially, and economically independent; and heightened personal safety and security risks—a return to a life similar to that under the Taliban in the 1990s. The Taliban takeover also placed the media and its members at acute risk of violence and censorship, as was the case under 1990s Taliban rule. In addition, the Taliban have issued new education policies restricting who can attend school and what can be studied. Afghanistan's healthcare system has also faced crisis due to a significant reduction in financial, human, and physical resources; collapsing infrastructure; concerns about personal safety; and an increase in healthcare demand, including the prevalence of communicable diseases. Moreover, the NGO community has significantly shrunk because of security concerns, lack of funding, and Taliban policies.

## **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

# SIGAR OVERSIGHT ACTIVITIES

TABLE 2.1

<b>SIGAR'S FINANCIAL AUDIT COVERAGE</b> (\$ BILLIONS)	
222 completed audits	\$9.22
47 ongoing audits	.59
<b>Total</b>	<b>\$9.81</b>

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.

**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).

inspector-general community to maximize financial-audit coverage and avoid duplicative efforts.

This quarter, SIGAR completed six financial audits of U.S.-funded projects to rebuild Afghanistan. An additional 47 ongoing financial audits are reviewing \$586 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 \$532 million in **questioned costs** and \$366,718 in unpaid interest on advanced federal funds or other revenue amounts owed to the government. As of September 30, 2022, funding agencies had disallowed almost \$30 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 677 compliance findings and 744 internal-control findings to the auditees and funding agencies.

## Financial Audit Reports Issued

The six financial audits completed this quarter identified \$10,668,026 in questioned costs as a result of internal-control deficiencies and noncompliance issues.

### Financial Audit 22-39-FA: Department of the Army's Afghanistan Air Force Aircraft Maintenance Training Program Audit of Costs Incurred by Raytheon Company

On July 10, 2019, the Army Contracting Command (ACC) awarded a three-year, \$31,704,840 combination cost-reimbursement and firm-fixed price task order under the Enterprise Training Services Contract to Raytheon Company in support of the Afghanistan Air Force Aircraft Maintenance Training program. The objectives of the program were to, among other things, provide fixed and rotary wing maintenance training and English language lessons. ACC modified the contract 13 times, increasing the total award amount to \$45,543,462. ACC terminated the contract for convenience, reducing the period of performance end date from July 9, 2022, to October 29, 2021. SIGAR's financial audit, performed by Conrad LLP (Conrad) reviewed \$40,726,261 in costs charged to the contract from July 10, 2019, through July 9, 2021. Conrad identified three deficiencies in Raytheon's internal controls, including one significant deficiency and one material weakness. Conrad also identified three instances of noncompliance with the terms of the contract. Because of these issues, the auditors identified \$10,275,498 in total questioned costs.

## **Financial Audit 22-37-FA: State’s Support of Strategic Communications of the National Unity Government of Afghanistan**

### **Audit of Costs Incurred by Albany Associates International Ltd.**

On September 22, 2017, the U.S. Department of State awarded a \$1,176,958 grant agreement to Albany Associates International Ltd. (Albany) to develop the capacity of the Afghan National Unity Government’s strategic communications. The objective of the agreement was to, among other activities, support reform and capacity building in Afghan government institutions, so that they could communicate in a more effective, transparent, and coherent way with the Afghan people. State modified the contract four times, increasing the total award amount to \$3,375,365 and extending the period of performance from September 30, 2018, through December 31, 2020.

SIGAR’s financial audit, performed by Crowe LLP (Crowe), reviewed \$3,365,165 in costs charged to the agreement from October 1, 2017, through December 31, 2020. Crowe identified eight deficiencies in Albany’s internal controls and seven instances of noncompliance with the terms of the grant agreement. Because of these issues, Crowe identified a total of \$363,658 in questioned costs.

## **Financial Audit 22-38-FA: State’s Access to Justice through Legal Aid Program in Five Provinces of Afghanistan**

### **Audit of Costs Incurred by International Legal Foundation**

On September 25, 2017, the U.S. Department of State awarded a \$1,340,000 grant agreement to International Legal Foundation (ILF) to improve access to justice by providing legal aid in five Afghan provinces. The purpose of the agreement, among other program goals, was to support strategic litigation and out-of-court advocacy to achieve systemic change and strengthen the rule of law. State modified the contract three times, increasing the total award amount to \$5,350,000 and extending the period of performance from September 25, 2019, to September 30, 2022.

SIGAR’s financial audit, performed by Crowe LLP, reviewed \$2,905,908 in costs charged to the agreement from September 25, 2017, through February 28, 2021. Crowe identified three significant deficiencies in ILF’s internal controls and three instances of noncompliance with the terms of the agreement. Because of these issues, the auditors identified a total of \$27,930 in questioned costs.

## **Financial Audit 22-42-FA: Department of the Army’s Security Ministries of Afghanistan Advisory Program**

### **Audit of Costs Incurred by Amentum Services Inc.**

On August 21, 2019, the Army Contracting Command (ACC) awarded a four-year, \$32,753,836 combination type contract to DynCorp International to implement the Security Ministries of Afghanistan Advisory program.

### **FINANCIAL AUDIT REPORTS ISSUED**

- Financial Audit SIGAR-22-42-FA: Audit of Costs Incurred by Amentum Services Inc.
- Financial Audit SIGAR-22-40-FA: Audit of Costs Incurred by FHI 360
- Financial Audit SIGAR-22-39-FA: Audit of Costs Incurred by Raytheon Company
- Financial Audit SIGAR-22-38-FA: Audit of Costs Incurred by International Legal Foundation
- Financial Audit SIGAR-22-37-FA: Audit of Costs Incurred by Albany Associates International Ltd.
- Financial Audit SIGAR-22-36-FA: Audit of Costs Incurred by Virginia Polytechnic Institute and State University

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The objective of the program was to help the Afghan Ministries of Interior and Defense assume full responsibility for Afghanistan's self-sustainable security needs through training, advice, and assistance. ACC modified the contract 28 times, including the acknowledgement of Amentum's acquisition of DynCorp and revision of the start date to December 19, 2019. The total award amount was increased to \$43,580,655. ACC terminated the contract for the convenience of the government effective August 31, 2021.

SIGAR's financial audit, performed by Conrad LLP, reviewed \$17,797,470 in costs charged to the contract from December 19, 2019, through August 31, 2021. Conrad identified one deficiency in Amentum's internal controls, and one instance of noncompliance with the terms of the contract. Because of these issues, the auditors identified \$940 in total questioned costs.

## **Financial Audit 22-36-FA: USAID's Catalyzing Afghan Agricultural Innovation Program**

### **Audit of Costs Incurred by Virginia Polytechnic Institute and State University**

On May 20, 2018, USAID's Mission to Afghanistan awarded a five-year, associate cooperative agreement worth \$8,000,000 to Virginia Polytechnic Institute and State University (VA Tech) to implement the Catalyzing Afghan Agricultural Innovation program. The objective of the program was, among other activities, to improve capacity in agricultural education and promote new roles for educators and researchers by building their relationships with the private sector. The agreement had a period of performance from May 18, 2018, through May 27, 2023. USAID modified the agreement seven times, reducing the period of performance to February 28, 2022. The total award amount of the agreement remained unchanged.

SIGAR's financial audit, performed by Castro & Company (Castro), reviewed \$1,787,503 in costs incurred under the agreement from January 1, 2020, through May 27, 2021. Castro did not find any material weaknesses or significant deficiencies in VA Tech's internal controls, or any instances of noncompliance with the terms and conditions of the agreement. Accordingly, the auditors did not report any questioned costs.

## **Financial Audit 22-40-FA: USAID's Goldozi Project**

### **Audit of Costs Incurred by FHI 360**

On April 5, 2018, the U.S. Agency for International Development awarded a four-year, \$9,718,763 cooperative agreement to FHI 360 in support of its Goldozi Project. The purpose of the project was to help Afghan women generate revenue and sustainable jobs by increasing the commercial potential of embroidered products. USAID modified the agreement five times. The total award amount remained unchanged, but the period of performance end date was reduced from April 4, 2022, to January 31, 2022.

SIGAR's financial audit, performed by Castro & Company LLC, reviewed \$1,950,949 in costs incurred under the agreement from October 1, 2020,

# SIGAR OVERSIGHT ACTIVITIES

through September 30, 2021. Castro did not find any material weaknesses or significant deficiencies in FHI 360's internal controls, or any instances of noncompliance with the terms and conditions of the agreement. Accordingly, the auditors did not report any 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 18 recommendations contained in 8 performance-audit, inspection, and financial-audit reports.

From 2009 through October 2022, SIGAR issued 451 audits, alert letters, and inspection reports, and made 1,268 recommendations to recover funds, improve agency oversight, and increase program effectiveness.

SIGAR has closed 1,155 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 113 open recommendations. Of these recommendations, 59 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

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.

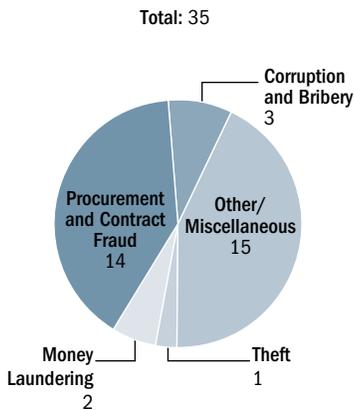
### Lessons Learned Program Activities

#### Association of Government Accountants Panel

On September 21, LLP team lead David Young spoke on a panel at the annual Association of Government Accountants titled, "Fraud and Corruption in International Development: Lessons from Abroad."

FIGURE 2.1

**SIGAR INVESTIGATIONS:  
NUMBER OF OPEN INVESTIGATIONS**



Source: SIGAR Investigations Directorate, 10/05/2022.

## Irregular Warfare Podcast Discussion

On September 12, LLP team lead James Cunningham appeared on the “Irregular Warfare” podcast, a collaboration between the Modern War Institute at West Point and Princeton’s Empirical Studies of Conflict Project. He discussed whether, in the year following the U.S. withdrawal, the United States and its allies had sufficiently reflected on lessons learned from the war.

## INVESTIGATIONS

During the reporting period, SIGAR’s criminal investigations resulted in two criminal informations, two guilty pleas, five sentencings and over \$10.3 million in criminal restitutions and forfeitures. SIGAR initiated one case and closed five, bringing the total number of ongoing investigations to 35.

To date, SIGAR investigations have resulted in a cumulative total of 167 criminal convictions. Criminal fines, restitutions, forfeitures, civil settlements, and U.S. government cost savings and recoveries total approximately \$1.66 billion.

### Investment Firm Vice President Sentenced for Running Multimillion-Dollar Ponzi Scheme

On July 27, 2022, in the United States District Court for the Southern District of New York, Naim Ismail was sentenced to 70 months of incarceration with credit for time served domestically. Credit was not granted for time served while detained in the United Arab Emirates. Additionally, Ismail was ordered to pay a forfeiture to his victims in the amount of \$10.2 million.

Ismail participated in various investment schemes that defrauded victims of over \$15 million. From February 2007 through July 2016, he 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 that these funds would be used in an investment strategy and in several real estate development projects. He offered 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 he repay many of his victims. Instead, he used investor funds to pay the so-called interest payments due to earlier investors in the scheme, as well as for his own personal expenses and investments.

SIGAR and Homeland Security Investigations (HSI) jointly conducted the investigation.

# CONGRESSIONALLY DIRECTED ASSESSMENTS

This quarter, SIGAR continued work on three evaluations directed by Congress to assess what led to the Taliban takeover in Afghanistan and its 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 collected testimony from a diverse assortment of Afghan, American, and international interviewees who shared their insight on the downfall of the previous 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 has 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 withdrawal changed the calculus and behaviors of the United States, Afghan government, and the Taliban. A final report will be issued by the end of this year.

## 3 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.

## **Former U.S. Defense Contractor Executive Pleads Guilty to Charges of Tax Evasion**

On August 25, 2022, in the U.S. District Court for the District of Columbia, Zachary A. Friedman pleaded guilty to tax evasion. A criminal information was filed against Friedman on August 1, 2022.

Friedman worked in the United Arab Emirates as a senior executive for Red Star/Mina Petroleum, a U.S. Department of Defense fuel supply contractor based in Kyrgyzstan, Afghanistan, and Dubai. From 2013 until 2015, Friedman evaded taxes he owed to the IRS by providing false information to his tax preparer, thereby underreporting the income he earned for each of the three years. In total, Friedman concealed approximately \$530,000 of income, causing a tax loss to the U.S. government of more than \$207,000.

Friedman is the fourth defendant associated with Red Star/Mina Petroleum to plead guilty. He faces a maximum penalty of five years in prison, a period of supervised release, and monetary penalties. SIGAR initiated the investigation at the request of the Department of Justice Tax Division and worked concurrently with the IRS-CI International Tax and Financial Crimes Group. The Joint Chiefs of Global Tax Enforcement (J5)—comprising the taxing authorities of Australia, Canada, Netherlands, United Kingdom, and the United States—assisted.

## **Two Former Company Executive Officers Sentenced for Fraud**

On July 29, 2022, in the Northern District of Alabama, Paul Daigle was sentenced to three years of probation with six months of home confinement and was ordered to pay \$52,968 in restitution. On July 29, 2022, Daigle's co-conspirator, Keith Woolford, was also sentenced to three years' probation with six months' home confinement and was ordered to pay \$52,968 in restitution.

Daigle and 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 Red Stone 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. As part of the fraud, they instructed employees to obtain fake college degrees from an online diploma mill in order to satisfy the requirements of the labor categories contained in the statement of work for a U.S. government contract. 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.

The investigation was conducted by SIGAR, Defense Criminal Investigative Service (DCIS), and the U.S. Army Criminal Investigation Division (CID)-Major Procurement Fraud Unit.

## **Former U.S. Military Member Forfeits \$52,000 to U.S. Government**

On September 9, 2022, former U.S. Army Warrant Officer Barrington Bernard and his counsel signed a SIGAR letter indicating Bernard's intent to forfeit \$52,000 to the U.S. government via the Defense Finance and Accounting Service (DFAS). Bernard received bribe payments in the amount of \$52,000 from an Afghan trucking company from 2007 to 2009, while he was assigned to Bagram Air Force Base, Afghanistan.

A joint investigation was initiated by SIGAR and the U.S. Army CID after a witness reported allegations of bribery involving Bernard. In a subsequent interview, Bernard admitted to having received approximately \$52,000 in bribe money and he voluntarily agreed to forfeit the money as allowed by law and regulation. SIGAR and CID referred the matter to the DFAS to facilitate disposal of the funds to the U.S. Treasury.

## **Former Employees of U.S. Government Contractor Sentenced for Fraud Scheme**

On July 20, 2022, in U.S. District Court, District of Columbia, Mustafa Neghat was sentenced to 12 months of supervised probation after pleading guilty to one count of conspiracy to commit offenses against the United States.

On September 22, 2022, in the U.S. District Court, District of Columbia, Abdul A. Qurashi was sentenced to 12 months of unsupervised probation after pleading guilty to one count of conspiracy to commit offenses against the United States.

Neghat and Qurashi were employed by a U.S. government contractor to recruit candidates for positions as language interpreters working with the U.S. military. They 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. Both 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.

# SIGAR OVERSIGHT ACTIVITIES

## OTHER SIGAR OVERSIGHT ACTIVITIES

### **IG Sopko Speaks at Joint SIGAR-NATO Conference**

On October 20, 2022, Special Inspector General Sopko gave the keynote address at an event entitled “Police in Conflict: Lessons from the U.S. Experience in Afghanistan.” The conference, co-hosted by SIGAR and the NATO Stability Policing Center of Excellence was held at the Carabinieri Officer School in Rome, Italy. The conference was held to discuss lessons identified in SIGAR’s “Police in Conflict” lessons learned report, published in June 2022. Inspector General Sopko’s remarks focused on the importance of understanding the history of policing in a country where international donors are trying to rebuild a police force; the need for donors to maintain a deployable police assistance unit that has both the required resources and required specialized expertise; the dangers of militarizing the nascent police force if soldiers, rather than civilians, are responsible for building the new police force; and ultimately, how the failure to build a credible Afghan civilian police force, free from corruption, undermined the legitimacy of the Afghan government and was a factor in the Taliban’s return to power in August 2021. The jointly-sponsored conference builds on over five years of collaboration between SIGAR and NATO’s Stability Policing Center of Excellence.

### **SIGAR Social Media Impact**

Using traditional and social media, SIGAR continues to update and inform the public on events leading up to the collapse of the ANDSF and Afghan government, the aftermath of the collapse, and the current situation on the ground in Afghanistan. Since last August, SIGAR’s Twitter account has grown to over 150,000 followers, underscoring the fact that the American people, as well as individuals around the globe, are looking for answers and explanations about the U.S. experience in Afghanistan.

## **SIGAR BUDGET**

SIGAR is currently funded under H.R. 6833, the fiscal year 2023 Continuing Appropriations and Ukraine Supplemental Appropriations Act, that was signed into law on September 30, 2022. SIGAR was previously funded under H.R. 2471, the Consolidated Appropriations Act, 2022, which provided \$40 million to support SIGAR’s oversight activities and products by funding SIGAR’s Audit and Inspections, Investigations, Management and Support, Research and Analysis Directorates, and the Lessons Learned Program.

## **SIGAR STAFF**

With 139 employees on board at the end of the quarter, SIGAR had ten fewer staff members than at the time of the last quarterly report to Congress. There were no SIGAR employees in Afghanistan during this reporting period.



“Let me be clear that the United States has not turned our backs on Afghanistan... we have continued to provide essential assistance to the Afghan people, and we are working closely with the international community, with partners to support the establishment of mechanisms that will protect, preserve, and disburse on a limited basis Afghan central bank assets for the benefit of the Afghan people.”

—*U.S. Ambassador Linda Thomas-Greenfield*