

4 SIGAR OVERSIGHT



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A woman holds her child in a refugee tent at the Torkham border crossing, November 2023. (Photo by UN Women/Sayed Habib Bidell)

SIGAR OVERSIGHT ACTIVITIES

SIGAR's oversight was highlighted at two congressional hearings this quarter on the Biden administration's Afghanistan policy. At the first hearing, held on November 14, Inspector General John F. Sopko testified before the House Foreign Affairs Committee about the Taliban's continued aid diversion and interference with U.S. assistance to Afghanistan, and about SIGAR's ongoing work. At the second hearing, held on January 11, by the House Foreign Affairs Subcommittee on Middle East, North Africa, and Central Asia, Members of Congress questioned U.S. Special Representative for Afghanistan and Deputy Assistant Secretary for the Bureau of South and Central Asian Affairs Thomas West, U.S. Special Envoy for Afghan Women, Girls, and Human Rights Rina Amiri, and U.S. Agency for International Development (USAID) Assistant Administrator of the Bureau for Asia Michael Schiffer about SIGAR's work concerning the Taliban's diversion of aid, the Afghan Fund, and the State Department's lack of cooperation with SIGAR.

IG Sopko's testimony preceded SIGAR's Afghan Fund report issued this quarter in response to a congressional inquiry, which details how the more than \$3.5 billion Fund is managed. In December, two former Afghan government officials, Mir Rahman Rahmani and his son, Ajmal Rahmani, were sanctioned by the U.S. Treasury Department's Office of Foreign Assets Control (OFAC) for their widespread involvement in international corruption, following their nomination by SIGAR under the Global Magnitsky Human Rights Accountability Act. SIGAR continues to examine waste, fraud, and abuse from before and after the fall of the Afghan government.

Congress remains supportive of SIGAR's requests for information from the Department of State and USAID regarding the agencies' operations in Afghanistan and safeguarding of U.S. assistance. USAID has largely resumed cooperation with SIGAR, while State and SIGAR continue to discuss how best to resolve outstanding issues regarding State's full cooperation.

This quarter, SIGAR's work covers the oversight and vetting challenges of U.S.-funded assistance programming amid the Taliban's ongoing efforts to interfere with and divert this aid.

SIGAR issued 11 products this quarter, including this quarterly report. SIGAR also completed six financial audits of U.S.-funded projects in Afghanistan that identified \$540,756 in questioned costs as a result of internal-control deficiencies and noncompliance issues by U.S. government contractors.

SIGAR issued one performance audit report and one evaluation report, examining U.S. agency vetting of implementing partners and UN cash shipments to Afghanistan.

SIGAR's work to date has identified approximately \$3.97 billion in savings to the U.S. taxpayer.

SIGAR'S WORK FEATURED AT TWO CONGRESSIONAL HEARINGS

This quarter, SIGAR's work was featured at two congressional hearings, one held by the House Foreign Affairs Committee on November 14, 2023, and the other by the House Foreign Affairs Committee, Subcommittee on Middle East, North Africa, and Central Asia on January 11, 2024. At both hearings, Members of Congress highlighted SIGAR's work while raising questions about U.S. assistance to Afghanistan and called upon the State Department and USAID to cooperate with SIGAR.



Inspector General John Sopko testifies before the House Foreign Affairs Committee, November 14, 2023. (C-SPAN Photo)

At the first hearing, entitled “Examining the Biden Administration’s Afghanistan Policy Since the U.S. Withdrawal,” Inspector General John Sopko briefed the House Committee on Foreign Affairs on ongoing U.S. assistance to Afghanistan and previewed SIGAR’s preliminary findings to Chairman Michael McCaul’s (R-TX) March 2023 request that SIGAR examine whether and how U.S. funds have been provided to or diverted by the Taliban since the collapse of the Afghan government in August 2021. The committee, led by Chairman McCaul and Ranking Member Gregory Meeks (D-NY), inquired

about a number of issues, including best practices for avoiding interference in the delivery of U.S. assistance, the management of the \$3.5 billion Afghan Fund, and the status of Afghan refugees awaiting U.S. resettlement. In this hearing, IG Sopko expanded on his April 2023 testimony before the House Oversight and Accountability Committee discussing SIGAR’s continuous communication with the House of Representatives on protecting U.S. taxpayer dollars, SIGAR’s ongoing work, and recent developments in Afghanistan, in addition to a variety of SIGAR engagements with European policymakers and the Afghan diaspora in 2023.

IG Sopko emphasized that “the Taliban is diverting or otherwise benefiting from a considerable amount of U.S. assistance” to Afghanistan. He explained that Taliban officials routinely pressure U.S. partners to hire Taliban allies, insist that U.S. partners contract with Taliban-affiliated companies, dictate which Afghans should receive U.S. aid, demand payoffs from U.S. partners before a project can begin, divert U.S. food aid to Taliban soldiers, and tax recipients of aid once it is delivered.

IG Sopko shared data gathered by SIGAR about aid delivery and interference in Afghanistan:

- SIGAR interviewed 39 people with direct aid experience on the ground in Afghanistan since the collapse—including UN officials and Afghan and international partners. Of these, almost all recounted first-hand experiences with Taliban diversion of or interference in U.S. assistance.
- A survey of Afghan NGOs in seven provinces revealed a range of interference in U.S. assistance since the collapse—including extortion.
- In a questionnaire of Afghan NGOs, 37 of 58 respondents reported having paid a total of \$10.1 million in taxes, fees, duties, or payments for public utilities using U.S. taxpayer funds between August 2021 and May 2023.

As a result, IG Sopko stated “SIGAR’s work shows that there are no good choices for policymakers when providing humanitarian assistance in an environment like Afghanistan—only trade-offs.” He emphasized that as long as the U.S. provides aid for the benefit of the

Afghan people, it is paramount to utilize all available tools to reduce Taliban diversion and interference by strengthening compliance, vetting standards, and third-party monitoring. Precisely because of its importance, this quarter, SIGAR issued a performance audit that examined USAID's vetting practices for implementing partners in Afghanistan (summarized on pages 94–95); SIGAR is currently assessing State's vetting practices.

IG Sopko also provided preliminary findings from SIGAR's work about the \$3.5 billion Afghan Fund. These included how the Fund's Board of Trustees is still solidifying its operational procedures and has not yet approved any disbursements to support Afghanistan, and that the Fund's articles of association do not specify specific controls to ensure funds are not provided to the Taliban, although some general safeguards exist. IG Sopko said SIGAR's work raised questions and concerns about the Fund's longevity and vetting process for its trustees. SIGAR issued its Afghan Fund report on January 4, 2024, which can be found at www.sigar.mil.

IG Sopko also reported on the status of USAID and State's cooperation with SIGAR. USAID has largely resumed cooperation, while State has "delayed providing relevant information related to its actions to vet implementing partners, its ongoing programs to prevent and respond to gender-based violence in Afghanistan, and its oversight of programs it funds through public international organizations," all of which impact ongoing SIGAR products.

At the second hearing, U.S. Special Representative to Afghanistan and Deputy Assistant Secretary for the Bureau of South and Central Asian Affairs Thomas West, U.S. Special Envoy for Afghan Women, Girls, and Human Rights Rina Amiri, and USAID Assistant Administrator of the Bureau for Asia Michael Schiffer responded to questioning from the Subcommittee on Middle East, North Africa and Central Asia about the issues IG Sopko raised in his testimony, illustrating the continuing need for vigorous oversight of U.S. assistance by an independent oversight body.

Committee Chairman Michael McCaul, Vice Chair of the Subcommittee, Rep. Tim Burchett (R-TN), Rep. Rich McCormick (R-GA), and Rep. Mike Lawler (R-NY) asked Ambassador West about the Taliban's diversion of aid

and the State Department's failure to respond to some 30 outstanding requests for information from SIGAR. The information SIGAR requested affected four different SIGAR initiatives, including SIGAR's audit regarding the diversion of funds by the Taliban. Some of these information requests had been pending for more than a year and involve basic information, such as copies of funding awards made to the United Nations and nongovernmental organizations. Rep. McCormick said the State Department's failure to answer the requests suggested "a desire to obstruct SIGAR," adding that SIGAR represents "us the people, if you will" and that "if they're not satisfied, we're not satisfied."

Ambassador West said that he would personally look into the outstanding requests from SIGAR. Under persistent questioning from Rep. Lawler, he and Assistant Administrator Schiffer conceded that they knew of attempts by the Taliban to divert aid to their preferred populations, to pressure the UN and NGOs to hire Taliban members, relatives, and allies, and to pressure the UN and NGOs to partner with Taliban-affiliated NGOs, as SIGAR has reported. Rep. Lawler told them that given SIGAR's reports and IG Sopko's testimony before the committee, "it would actually behoove you to quickly get to the bottom of the discrepancies between you and he on what is actually happening with the Taliban."

Rep. Brian Mast (R-FL) and Rep. James Baird (R-IN) asked about the concerns SIGAR raised this quarter in its report on the Afghan Fund. Rep. Mast questioned Ambassador West about how one of the Afghan Fund board members, Shah Mehrabi, had in the past misrepresented his educational credentials, expressing incredulity when Ambassador West said State would still have appointed Mehrabi to the board even if they had known about his misrepresentations. Rep. Baird asked about that, and about why the Afghan Fund had not disbursed any funds and about possible conflicts of interest at the Fund.

IG Sopko's testimony before the committee was the 28th time he has testified before Congress since being appointed in 2012.

PERFORMANCE AUDITS AND EVALUATIONS

SIGAR conducts performance and financial audits of programs and projects connected to U.S. assistance in Afghanistan. SIGAR has nine ongoing performance audits and evaluations, and 45 ongoing financial audits, as shown in Appendix B of this report.

In the wake of the U.S. withdrawal and the collapse of the former Afghan government, SIGAR's independent and objective oversight of ongoing U.S. government funding and activities to support the people of Afghanistan is more vital than ever. In response to Afghanistan's changing environment, SIGAR's Audits and Inspections Directorate has adapted and re-prioritized its oversight work to meet emergent programming priorities and address areas of interest and concern to Congress and to the American taxpayer. These include U.S.-funded programs in Afghanistan across multiple key sectors that support girls' and women's rights, counternarcotics, food assistance, education, and internally displaced persons.

Additionally, SIGAR has long emphasized the need for verification of reports by third-party monitors, which remains relevant as U.S. implementing agencies continue to rely on third-party monitoring and evaluation for their in-country programming. Moreover, SIGAR has identified donor coordination as an area needing improvement, a particularly applicable concern given ongoing U.S. funding to international organizations. The Audits and Inspections Directorate maintains vigorous oversight in these areas to improve accountability and transparency, suggest process improvements, and generate lessons learned for other current and future overseas reconstruction and development efforts.

Performance Audit and Evaluation Reports Highlight Ongoing Monitoring Challenges

This quarter, SIGAR issued one performance audit report and one evaluation report.

Performance Audit 24-11-AR: Implementing Partner Vetting in Afghanistan: The USAID Mission to Afghanistan Complied with Vetting Requirements but USAID's Bureau for Humanitarian Assistance Did Not

Since 2001, USAID has awarded grants, cooperative agreements, contracts, and other funding to implement development and humanitarian assistance projects in Afghanistan. Federal laws and regulations require U.S. agencies to ensure that they do not fund or contract with prohibited countries, organizations, individuals, or terrorist groups, including those identified by the Department of Treasury's Office of Foreign Assets Control (OFAC). USAID's partner vetting process involves screening organizations that implement USAID activities overseas to determine whether they have ties to OFAC-prohibited entities. This audit assessed the extent to which USAID adhered

to applicable policies and procedures for vetting implementing partners of USAID-funded activities in Afghanistan.

SIGAR found that USAID's Mission to Afghanistan (Mission) followed USAID's partner vetting requirements in Afghanistan for nongovernmental organizations (NGOs) and **Category 1 public international organizations** (PIOs), or organizations composed of several member states. However, SIGAR found that from July 2021 through July 2022, USAID's Bureau for Humanitarian Assistance (BHA) did not comply with partner vetting procedures established in USAID Automated Directives System (ADS) Chapter 319. Both the USAID ADS and Mission Order 201.06 establish different vetting requirements, contingent upon whether the implementing partner's organizational type is (a) designated as an NGO, (b) designated as a Category 1 PIO, or (c) an "Exception to [ADS Chapter 319 on Partner Vetting] Policy" request is approved and cleared by USAID.

After reviewing several activities' supporting documents, SIGAR determined that the Mission complied with USAID's vetting requirements for NGOs because it followed ADS guidance by vetting non-domestic implementing partners, sub-awardees, and program beneficiaries. SIGAR also found that five PIOs were on USAID's list of approved Category 1 PIOs, indicating that USAID reviewed the organizations and found that they met funding requirements.

SIGAR also found that BHA, which conducted its programs separately from the Mission, did not comply with the partner vetting requirements for urgently needed humanitarian assistance from January 2021 to July 2022. SIGAR studied BHA's compliance with vetting requirements by testing supporting documentation provided by BHA on a sample of awards active from March 1, 2022, through November 30, 2022. SIGAR found that eight of BHA's implementing partners still required vetting by BHA because they were not designated as Category 1 PIOs.

While BHA began vetting implementing partners and their sub-awardees in Afghanistan on October 1, 2022, SIGAR found that BHA was not in compliance with vetting requirements from July 2021 to July 2022 because BHA did not adhere to ADS vetting requirements and did not have an approved Exception to Policy during this timeframe. BHA's noncompliance during the 18-month period after the publication of ADS 319's partner vetting requirements meant that it provided almost \$40 million to eight NGOs and their sub-awardees that could have been prohibited entities.

SIGAR made one recommendation to help improve USAID's BHA compliance with ADS partner vetting requirements. SIGAR recommended that USAID's Administrator ensure that Missions and Bureaus adhere to the ADS requirements to either vet implementing partners and sub-awardees or obtain an approval for an Exception to Policy for vetting activities prior to implementing an award. SIGAR is also conducting a performance audit that examines State's vetting of implementing partners for programs in Afghanistan. For more information on SIGAR's ongoing work, see Appendix B.

Category 1 public international organizations: are (1) generally major international agricultural research centers or international PIOs, (2) work closely and frequently with USAID, and (3) receive more USAID funding than Category 2 PIOs. Many of them are UN bodies and financial institutions like the World Bank and Asian Development Bank. Upon an organization's designation as a Category 1 PIO, USAID may rely on that organization to perform vetting functions on its behalf and self-report sanctions violations.

Source: USAID, List of Public International Organizations, A Mandatory Reference for ADS 308, Partial Revision Date: 12/4/2020.

Evaluation Report 24-12-IP: U.S. Cash Shipments to Afghanistan: The UN has Purchased and Transported More than \$2.9 Billion into the Country to Implement Humanitarian Assistance

After the Taliban overthrew the democratically elected government of Afghanistan in August 2021, the international community established various sanctions, such as freezing the Afghan central bank's (Da Afghanistan Bank or DAB) overseas reserves and other actions to isolate Afghanistan's banking sector. However, these sanctions, and the subsequent isolation, meant that implementing partners did not have reliable or sufficient cash-on-hand to purchase and deliver required goods and services throughout the country. As a result, the UN, in consultation with the U.S. Departments of State and Treasury, determined that it needed to transport U.S. cash into the country to pay for the operational and programming costs associated with delivering humanitarian assistance. Since August 2021, the UN has purchased, transported, and transferred at least \$2.9 billion for use in Afghanistan using international donor contributions. The United States is the largest international donor to Afghanistan, having appropriated about \$2.1 billion in funding to the UN, other public international organizations, and nongovernmental organizations operating in Afghanistan since August 2021.

This report responded, in part, to a March 2023 request from the Chairman of the U.S. House Foreign Affairs Committee, Michael McCaul, and examined (1) the amount of U.S. funding provided to Afghanistan through PIOs and NGOs since August 15, 2021, and how much of that amount was used to purchase U.S. cash; (2) how the UN, and other PIOs and NGOs as applicable, transport and transfer U.S. dollars to Afghanistan for humanitarian and development assistance; and (3) how the receiving private Afghan banks convert U.S. dollars into cash for humanitarian and development aid use in Afghanistan.

SIGAR found that the UN is the only organization known to be purchasing and transporting cash, of any type, for humanitarian assistance in Afghanistan. Since its first cash shipment in December 2021, the UN has made at least 80 purchases of U.S. dollars for transport to Afghanistan. It began purchasing and shipping U.S. cash because of Afghan banks' inability to participate in international wire transfers and Afghanistan's lack of domestic currency, the afghani (AFN), circulating throughout its economy. Once the U.S. dollars arrive in Kabul, SIGAR found that UN personnel inspect and count the money before transporting it to a private Afghan bank used by the UN.

SIGAR also found that the Taliban benefit from the cash shipments. UN entities and UN-partnered PIOs and NGOs receiving cash from the UN's cash shipments use either U.S. dollars or afghanis to fund their operations. When these groups require afghanis, they solicit bids from

private banks to convert the shipped-in U.S. cash. However, SIGAR found that many private banks do not typically maintain enough afghanis to exchange for large amounts of U.S. dollars. As a result, the bank typically uses UN-supplied U.S. dollars to purchase afghanis from the Taliban-controlled DAB through cash auctions. As a result, DAB, and thereby the Taliban, has accumulated a large supply of U.S. dollars.

Unless Afghanistan can overcome the consequences of sanctions, alleviate ongoing cash shortages, or develop sufficient internal controls and infrastructure to allow for digital transactions, it will remain dependent on UN shipments of U.S. cash to fund humanitarian operations. SIGAR did not make any recommendations in this report.

Financial Audits

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

SIGAR's financial audit program identifies **questioned costs** resulting from a contract or grant awardee's lack of, or failure to comply with, internal controls, or a failure to comply with applicable requirements. The results of SIGAR's financial audits, including any recommendations about questioned costs, are provided to the funding agencies to make final determinations on fund recovery. Since 2012, SIGAR's financial audits have identified more than \$534 million in questioned costs and \$366,718 in unpaid interest on advanced federal funds or other revenue amounts owed to the government.

This quarter, SIGAR completed six financial audits of U.S.-funded projects to rebuild Afghanistan. An additional 45 ongoing financial audits are reviewing \$480 million in auditable costs, as shown in Table 4.1. A list of completed and ongoing financial audits can be found in Appendix B 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. As of December 31, 2023, funding agencies had disallowed \$29.75 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 have

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).

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

TABLE 4.1

SIGAR'S FINANCIAL AUDIT COVERAGE (\$ BILLIONS)	
252 completed audits	\$9.62
45 ongoing audits	0.48
Total	\$10.10

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, 12/20/2023.

also identified and reported 779 compliance findings and 846 internal-control findings to the auditees and funding agencies.

Financial Audit Reports Issued

The six financial audits completed this quarter identified \$540,756 in questioned costs as a result of internal-control deficiencies and noncompliance issues.

Financial Audit 24-10-FA: USAID's Afghanistan's Measure for Accountability and Transparency Program

Audit of Costs Incurred by Management Systems International Inc.

On August 23, 2017, USAID awarded a \$31,986,588 combination contract to Management Systems International Inc. (MSI) to support the Afghanistan's Measure for Accountability and Transparency project. The project's objective was to support Afghan government efforts to reduce and prevent corruption in government public services. USAID modified the contract 10 times, but did not change the total award amount or the period of performance. The period of performance for this contract was from August 23, 2017, to March 11, 2022.

SIGAR's financial audit, performed by Conrad LLP, reviewed \$11,763,291 of costs charged to the contract from August 23, 2020, through March 11, 2022. Conrad identified one deficiency with MSI's internal controls and one instance of noncompliance with the terms of the contract and the U.S. Code of Federal Regulations. Because of the deficiencies in internal controls and instances of noncompliance, Conrad identified \$49,797 in questioned costs.

Financial Audit 24-09-FA: USAID's Integrated Lifesaving Health, Nutrition, Protection and Water, Sanitation, and Hygiene Program in Conflict-Affected Areas of Eastern Afghanistan

Audit of Costs Incurred by Première Urgence Internationale Services Inc.

On July 15, 2020, USAID awarded a \$4,500,000 grant to Première Urgence Internationale Services Inc. (PUI) to support an integrated emergency health, nutrition, protection, water, sanitation, and hygiene program in conflict-affected areas of eastern Afghanistan. The purpose of the grant was to provide basic health care through mobile health teams in targeted regions of Afghanistan and strengthen existing health facilities to ensure the sustainability and impact of the program. The period of performance for the grant was from October 1, 2020, through March 31, 2022. USAID modified the grant one time; the modification did not extend the period of performance or the total funding.

SIGAR's financial audit, performed by Conrad LLP, reviewed \$4,500,000 in costs charged to the grant from October 1, 2020, through March 31, 2022. Conrad identified one material weakness, two significant deficiencies, and one deficiency in PUI's internal controls and four instances of

noncompliance with the terms of the grant. Because of the deficiencies in internal controls and instances of noncompliance, Conrad identified \$410,991 in questioned costs.

Financial Audit 24-08-FA: Department of State’s Professional Program Evaluation and Review Development Program

Audit of Costs Incurred by Alutiiq Information Management LLC

On April 26, 2019, the State Department awarded a \$1,148,529 task order to Alutiiq Information Management LLC to support the Professional Program Evaluation and Review Development Program in Afghanistan. The goal of the task order was to provide project and program monitoring, evaluation, assessments, and planning on the use of third-party monitoring grants funded by State. State modified the task order nine times; the modifications extended the performance period from April 25, 2020, through April 25, 2023, and increased the total funding to \$3,150,366.

SIGAR’s financial audit, performed by Crowe LLP, reviewed \$2,532,498 in costs charged to the task order from April 26, 2019, through July 31, 2022. Crowe identified one material weakness and one deficiency in Alutiiq’s internal controls. The auditors also identified two instances of noncompliance with the terms of the task order. Crowe identified \$1,800 in questioned costs because of the deficiencies in internal controls and instances of noncompliance.

Financial Audit 24-06-FA: USAID’s Afghanistan Monitoring, Evaluation, and Learning Activity

Audit of Costs Incurred by Management Systems International Inc.

On March 13, 2019, USAID awarded a five-year \$39,848,003 Cost Plus Fixed Fee completion contract to Management Systems International Inc. (MSI) to support the Afghanistan Monitoring, Evaluation, and Learning Activity project. The project’s objective is to help ensure that USAID’s development programs in Afghanistan achieve the intended results. USAID has modified the contract 27 times. The modifications have not changed the total award amount or the period of performance. The period of performance for this contract is from March 13, 2019, to March 12, 2024.

SIGAR’s financial audit, performed by Conrad LLP, reviewed \$5,474,242 of costs charged to the contract from March 12, 2021, through April 1, 2022. Conrad identified one significant deficiency with MSI’s internal controls and one instance of noncompliance with the terms of the contract or the U.S. Code of Federal Regulations. Because of the deficiencies in internal controls and instances of noncompliance, Conrad identified \$65,117 in questioned costs.

Financial Audit 24-05-FA: Department of the Army's UH-60A Afghanistan Maintenance and Training Program**Audit of Costs Incurred by Science and Engineering Services LLC**

On September 20, 2018, the Department of the Army's Contracting Command awarded a 15-month, \$49,466,791 delivery order to Science and Engineering Services LLC (SES) to support the Aircraft Qualification Training program for the Army's Afghanistan Maintenance and Training requirement. The program's goal was to provide in-country UH-60A helicopter qualification training, flight operations support, and maintenance on UH-60A helicopters. The Army modified the delivery order 14 times; the modifications increased the total funding to \$159,979,762 and extended the period of performance from December 31, 2019, through November 30, 2022.

SIGAR's financial audit, performed by Crowe LLP, reviewed the delivery order's \$76,010,688 in incurred costs plus a fixed-fee balance of \$8,021,176 from October 1, 2019, through September 30, 2021. Crowe identified one material weakness and one deficiency in SES's internal controls, and one instance of noncompliance with the terms of the delivery order. Because of the deficiencies in internal controls and instances of noncompliance, Crowe identified \$13,051 in questioned costs.

Financial Audit 24-04-FA: Department of the Army's Support for the Afghan Air Force and Special Mission Wing UH-60 Fleet in Afghanistan**Audit of Costs Incurred by Amentum Services Inc.**

On December 14, 2020, the Department of the Army's Contracting Command awarded a \$15,408,600 task order with a 12-month base period to DynCorp International LLC to support the Afghan Air Force and Special Mission Wing UH-60 fleet in Afghanistan. DynCorp International LLC later merged with other entities to form Amentum Services Inc. The task order included a base year plus transition periods and options that covered five additional years. The goal of the task order was to provide logistics support for non-standard rotary wing aircraft in the Afghan air services, including sustainment engineering, supply support maintenance planning, aircraft modifications, technical data, training, and manpower. The Army modified the task order 10 times; the modifications extended the performance period through February 1, 2022, and increased the total funding to \$60,561,022.

SIGAR's financial audit, performed by Crowe LLP, reviewed \$23,438,642 in costs charged to the task order from December 14, 2020, through February 1, 2022. Crowe did not identify any material weakness or significant deficiencies in Amentum's internal controls, or any instances of noncompliance with the terms of the task order. Accordingly, the auditors did not find 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 13 recommendations contained in five performance audit, inspection, and financial audit reports. From 2009 through September 2023, SIGAR issued 477 audits, alert letters, and inspection reports, and made 1,318 recommendations to recover funds, improve agency oversight, and increase program effectiveness.

SIGAR has closed 1,243 of these recommendations, about 94%. 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 265 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. SIGAR works with agencies to obtain the sufficient, relevant information necessary to resolve recommendations. If documentation is insufficient or does not meet the intent of a recommendation, it remains open. This process continues until SIGAR receives the information necessary to close the recommendation.

This quarter, SIGAR continued to monitor agency actions on 86 open recommendations. Of these recommendations, 52 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.

LESSONS LEARNED

SIGAR's Lessons Learned Program was created to identify and preserve lessons from the U.S. reconstruction experience in Afghanistan, and to make recommendations to Congress and executive branch agencies on ways to improve current and future efforts. SIGAR's lessons-learned reports offer detailed and actionable recommendations to policymakers and respond to the needs of U.S. implementing agencies—both in terms of accurately capturing their past efforts and providing timely and actionable guidance for future efforts. To date, SIGAR's Lessons Learned Program has issued 18 reports, including three congressionally requested evaluations of the factors that led to collapses of the Afghan government and its security forces, and a 12-report series of comprehensive lessons learned reports. These reports have identified over 216 specific findings and lessons and made over 156 recommendations.

Afghan Fund Report Issued

SIGAR 24-07-LL: Afghan Fund Inquiry: Response to the U.S. House Foreign Affairs Committee

This quarter, SIGAR examined the operations, policies, and safeguards of the Afghan Fund, a charitable trust established for the benefit of the Afghan people. SIGAR found several areas of concern including a lack of specific safeguards to prevent Taliban diversion, ambiguity regarding potential conflicts of interest of Fund trustees, and the adequacy of the State Department's process for vetting trustees.

Announced in September 2022, the Afghan Fund aims to protect, preserve, and make targeted disbursements of \$3.5 billion in Afghan central bank (Da Afghanistan Bank or DAB) assets that were held in the United States prior to the Taliban takeover. The Fund's short-term goal is to promote monetary and macroeconomic stability; its long-term goal is to preserve unused monies for eventual return to DAB. The Fund is governed by a board of trustees consisting of a U.S. Treasury official, a Swiss government representative, and two Afghans with backgrounds in economics selected by State. SIGAR's report on the Fund was requested by the chairman of the House Foreign Affairs Committee in March 2023.

SIGAR found that after more than a year since being created, the Fund has made no disbursements for activities intended to benefit the Afghan people. SIGAR also found that Treasury and State are not currently willing to support a return of funds to the Afghan central bank, which is led by senior Taliban leaders under U.S. and UN sanctions. Additionally, SIGAR found that the Fund's requirement that all decisions be made by unanimous vote of its trustees could help prevent the Fund from engaging in risky activity.

Nonetheless, the report also identified several areas of concern. For example, State was unaware that one of the individuals it selected to be a fiduciary of DAB's assets was fired from a previous position for misrepresenting his credentials, raising questions about the adequacy of State's vetting process. State did not provide SIGAR with enough information to determine whether that process was sufficiently rigorous. Moreover, although efforts to operationalize the Fund could result in the establishment of additional controls, none of the Fund's current safeguards specifically address the issue of Taliban diversion.

Additionally, SIGAR noted that it was unclear how the Fund would handle conflicts of interest. In particular, the Fund's existing conflict-of-interest guidance specifies neither what might constitute a conflict of interest, nor who is responsible for adjudicating whether a conflict exists. These are not abstract questions because one of the Fund's trustees—Dr. Shah Mehrabi—is also an active member of DAB's governing body, the Supreme Council. In the absence of a clearer conflict of interest policy, it is unclear whether Dr. Mehrabi would be required to abstain from votes involving Afghanistan's

central bank, including any potential future vote on recapitalizing it with monies from the Fund. Furthermore, Dr. Mehrabi told SIGAR that the board had secured the services of an auditing firm he had recommended, and that he was “an alumnus” of it, but his recommendation was based on “cost and their extensive background.” It was not clear whether he had recused himself from a vote to hire this firm, or if that would be required by the Fund’s conflict-of-interest provision.

Among other matters, SIGAR suggested that Congress could consider requesting that State provide more details about how it selected the Fund’s Afghan trustees, including the names, titles, and total number of candidates who were considered. SIGAR also suggested that Congress could consider requesting that Treasury and State conduct a second assessment of DAB to determine the extent to which the central bank has met Treasury and State’s criteria for returning monies, and to encourage the Fund to develop a more robust conflict-of-interest policy.

The full report can be found at www.sigar.mil.

Ongoing Lessons Learned Program Work

SIGAR has two ongoing lessons-learned reports. The first report is examining the challenges faced by donors, the UN, and NGOs in getting aid to vulnerable people living under regimes that the United States and other donors do not recognize, otherwise known as politically estranged countries. While the report will focus on challenges in Taliban-controlled Afghanistan, in order to develop best practices, it will also examine similar efforts in other countries, including South Sudan, Sudan, Syria, and Yemen. The report will document how the United States and other donor countries, as well as multilateral organizations such as the UN and World Bank, respond to undemocratic regime changes in countries that receive significant aid. It will make recommendations about how donors, the UN, and NGOs can better understand and mitigate interference and diversion to make aid delivery more effective.

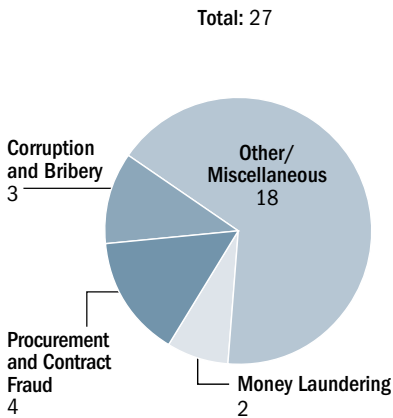
The second report is assessing the staffing of U.S. government personnel in positions relating to Afghanistan, with five key focus areas: recruitment/hiring, training, deployment, retention, and handover/backfilling. It will focus on the mechanisms of getting the right U.S. personnel into the right roles at the right times—both at headquarters and especially in the field—and the immense challenges U.S. agencies faced in these tasks over the past two decades.

INVESTIGATIONS

Following the U.S. withdrawal and the collapse of the former Afghan government, SIGAR continues its investigations and criminal inquiries into corruption-related theft of U.S. taxpayer monies spent in and on Afghanistan. SIGAR’s Investigations Directorate oversees and investigates

FIGURE D.1

**SIGAR INVESTIGATIONS:
NUMBER OF OPEN INVESTIGATIONS**
October 1–December 31, 2023



Source: SIGAR Investigations Directorate, 12/30/2023.

the misuse of reconstruction funds provided prior to and post-August 2021, and works with cooperating U.S. government partners to identify weaknesses in financial institutions that contribute to capital flight from Afghanistan and to access intelligence on illicit financial networks. To date, SIGAR investigations have resulted in a cumulative total of 169 criminal convictions. Criminal fines, restitutions, forfeitures, civil settlements, and U.S. government cost savings and recoveries total approximately \$1.67 billion.

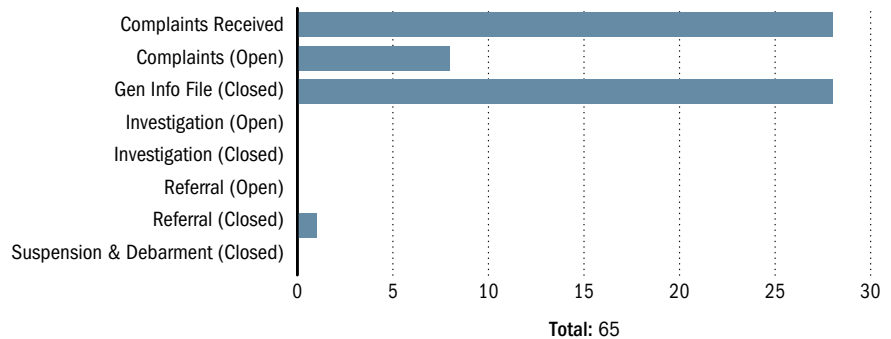
In a significant development this quarter, a SIGAR investigation resulted in the U.S. Treasury Department sanctioning two corrupt former Afghan officials. Additionally, SIGAR initiated two investigations and closed another, bringing the total number of ongoing cases to 27, as shown in Figure D.1.

SIGAR Hotline

The SIGAR Hotline (by e-mail: sigar.hotline@mail.mil; web submission: www.sigar.mil/investigations/hotline/report-fraud.aspx; phone: 866-329-8893 in the United States) received 28 complaints this quarter. In addition to working on new complaints, the Investigations Directorate continued work on complaints received prior to October 1, 2023. The directorate processed 65 complaints this quarter; most are under review or were closed, as shown in Figure D.2.

FIGURE D.2

STATUS OF SIGAR HOTLINE COMPLAINTS: OCTOBER 1–DECEMBER 31, 2023



Source: SIGAR Investigations Directorate, 1/4/2024.

U.S. TREASURY DEPARTMENT SANCTIONS TWO FORMER AFGHAN GOVERNMENT OFFICIALS FOR TRANSNATIONAL CORRUPTION FOLLOWING NOMINATION BY SIGAR

On December 11, 2023, two former Afghan government officials, Mir Rahman Rahmani and his son, Ajmal Rahmani, were sanctioned by the U.S. Treasury Department's Office of Foreign Assets Control (OFAC) for widespread involvement in international corruption, following their nomination by SIGAR under the Global Magnitsky Human Rights Accountability Act.

Initially signed in 2012 and expanded in 2016, the Global Magnitsky Act targets perpetrators of significant human rights abuses and corruption globally. Under the Global Magnitsky Act, the U.S. president can revoke and deny entry and place sanctions on individuals who are “responsible for extrajudicial killings, torture, or other gross violations of internationally recognized human rights,” or “foreign government official responsible for acts of significant corruption...”

The Rahmanis' involvement in fuel theft and other crimes was extensive and included: artificially inflating the price of fuel contracts to deliver fuel to the Afghan National Defense and Security Forces, fraudulently importing and selling tax-free fuel owed on their contracts, and bribing their way into seats in the Afghan Parliament, where they used their positions to perpetuate their corruption. The Rahmanis inflated fuel contract prices by fraudulently submitting contract bids from numerous companies to conceal their involvement. Their schemes involved bid rigging and eliminating competition on contracts funded by U.S. taxpayers. For example, in 2014, several families involved in the fuel business, including the Rahmanis, colluded to inflate fuel prices on U.S.-funded contracts by more than \$200 million and eliminate competitor bids. Representatives for the Rahmanis' fuel companies repeatedly gave cash to Afghan customs officials in what were seen as bribes for excess *maffinamas*, or letters allowing them to import a limited amount of goods tax-free. Fraudulent use of these letters by the Rahmanis is estimated to have deprived the Afghan government of millions of dollars in tax revenue. The Rahmanis also under-delivered on their companies' fuel contracts, enhancing their corrupt fuel profits. One of their companies—Secure Movement Logistics—bribed Afghan National Army personnel to

hide their non-delivery of fuel, allowing at least 11 million liters of fuel to go undelivered.

Before the October 2018 parliamentary elections, Ajmal Rahmani gave money and gifts to potential voters in exchange for their support, with promises of more compensation after the election. To ensure his election, Rahmani also paid \$1.6 million to some members of the Afghan Independent Election Commission, in exchange for inflating the results by thousands of votes.

Similarly, Mir Rahman Rahmani paid millions of dollars to several members of the Afghan Parliament in 2018 to secure their votes for his bid for Speaker of Parliament. Mir Rahman Rahmani was the speaker of the Afghanistan lower house of parliament and Ajmal Rahmani was a member of the Afghanistan lower house of the parliament, the Wolesi Jirga, until the fall of the Afghan government in August 2021.

While their corrupt activities occurred in Afghanistan, the Rahmanis maintained an international corrupt network. Treasury designated 41 entities under the Global Magnitsky Act for being owned or controlled by, or for having acted or purported to act for or on behalf of, directly or indirectly, Ajmal Rahmani. The entities included German, Cypriot, Emirati, Afghan, Austrian, Dutch, and Bulgarian companies. Additionally, two German companies were designated under the Global Magnitsky Act for being owned or controlled by, or for having acted or purported to act for or on behalf of, directly or indirectly, Ocean Properties GmbH, a Rahmani company. A Dutch company is also being designated under the Global Magnitsky Act for being owned or controlled by, or for having acted or purported to act for or on behalf of, directly or indirectly, RZ Group FZE, another Rahmani-operated firm.

As a result of the Treasury sanctions, all property and interests on property of the Rahmanis that are in the United States or in the possession or control of U.S. persons are blocked and must be reported to the OFAC. In addition, any entities that are 50% or more owned by one or more blocked persons, directly or indirectly and individually or in the aggregate, are also blocked. Unless authorized by a general or specific

(exemption) license issued by the OFAC, the OFAC's regulations generally prohibit all transactions by U.S. persons or within (or transiting) the United States that involve any property or interests on property of designated or otherwise blocked persons.

Further, financial institutions and other persons that engage in certain transactions or activities with the sanctioned entities and individuals may expose themselves to sanctions or be subject to an enforcement action. The prohibitions include the making of any contribution or provision of funds, goods, or services by, to, or for the benefit of any designated person, or the receipt of any contribution or provision of funds, goods, or services from any such person.

The sanctions signify that bad actors engaged in rampant corruption and abuse on a global scale have been brought to justice and made to suffer severe consequences. IG Sopko said, "The Rahmani case shows how fuel crimes enabled a corruption enterprise on a grand scale. Those fuel crimes provided the Rahmans the capital to bribe their way to high office, and to construct an international network of financial holdings. I am proud of SIGAR's investigators, whose dogged work exposed this corruption, and I'm grateful to Treasury's Office of Foreign Assets Control for their partnership with SIGAR in this matter."

As a result of SIGAR's successful nomination, the State Department concurrently designated the Rahmans and their immediate family members under Section 7031(c) of the annual Department of State, Foreign Operations, and Related Programs Appropriations Act for involvement in significant corruption as a public official.

Follow the Money and Capital Flight Initiatives

This quarter, SIGAR investigators continued pursuing several criminal investigations and lines of inquiry emanating from their Follow the Money and Capital Flight initiatives of those who may have been involved in the theft or fraudulent receipt of U.S. reconstruction funds. Follow the Money and Capital Flight initiatives include (1) identifying all financial institutions in Afghanistan that U.S. reconstruction funds were deposited into for an 18-month period prior to the collapse of the Afghan government; (2) working with financial agencies and law enforcement partners to identify monetary outflows from Afghanistan that may be connected to former Afghan government officials, politically connected individuals, and others involved in suspicious transactions, and identifying high value real estate purchased by such individuals in the United States or abroad for potential connection to capital flight and potential seizure; and (3) developing extensive networks and contacts to uncover the identity of individuals, entities, and shell corporations used by former Afghan government officials or politically connected individuals who may have benefited from the theft of reconstruction funds or capital flight from Afghanistan.

SIGAR P1/P2 Referral Initiative Update

In December 2023, SIGAR communicated with 26 of 69 of its P1/P2 principal applicants (PA) identified as being in Pakistan awaiting or undergoing case processing by the Resettlement Support Center Islamabad. Three SIGAR PAs, as well as their family members, were identified as having been forcibly deported from Pakistan to Afghanistan while awaiting case processing. An additional 23 PAs, including family members, were identified as not yet having been deported, but facing ongoing danger from Pakistani authorities. To date, 134 SIGAR PAs and family members have been impacted by Pakistani deportation efforts.

OTHER SIGAR OVERSIGHT ACTIVITIES

SIGAR Meets with Ambassador Thomas West

Inspector General Sopko, Deputy Inspector General Eugene Aloise, and General Counsel John Arlington met with U.S. Special Representative to Afghanistan and Deputy Assistant Secretary for the Bureau of South and Central Asian Affairs Thomas West and members of his staff on January 4, 2024. The group discussed terrorism, the diversion of humanitarian assistance, the rights of women and girls, and other issues pertaining to Afghanistan.

IG Sopko Participates in Stanford University Hoover Institute Roundtable

On November 30, 2023, IG Sopko was hosted by Stanford University's Hoover Institution in Palo Alto, California, for a roundtable discussion on lessons learned from 20 years of Afghanistan reconstruction. Former NATO Deputy Secretary General Rose Gottemoeller moderated the panel. Panelists included former Deputy Assistant Secretary of Defense for South and Southeast Asia, Dr. Joe Felter, former NATO Assistant Secretary General for Operations, Dr. John Manza, SIGAR's Deputy Inspector General Gene Aloise, and SIGAR's Director of Lessons Learned Program Joe Windrem. IG Sopko talked about how the United States had an inadequate understanding of Afghanistan and how U.S. institutions could create change there, and lacked the personnel and expertise needed to rebuild the



Inspector General John Sopko (center) speaks with former NATO Deputy Secretary General Rose Gottemoeller (left) and former NATO Assistant Secretary General for Operations Dr. John Manza, (right) 11/30/2023.

country. He also attributed the U.S. failure in Afghanistan to a general lack of preparation for reconstruction-type missions.

SIGAR Attends Geneva Centre for Security Sector Governance Event

On November 9–10, 2023, SIGAR Supervisory Analyst Jordan Kane represented SIGAR at a workshop co-hosted by the Geneva Centre for Security Sector Governance and Principles of Peace in Geneva. The topic of the conference was “How Can Security Sector Actors Support Peace?” and participants—ranging from UN agencies, the State Department, the International Committee of the Red Cross, and other NGOs—helped refine a Principles for Peace guide for security sector actors supporting peace-building processes. The conference featured a peace game, which highlighted the lack of investment in learning how best to end wars, compared to the well-funded war-gaming industry.

SIGAR Holds Meetings with European Counterparts on Lessons Learned

SIGAR Supervisory Research Analyst and Project Team Lead David Young met with the European Union, European Commission, and the European Parliament in Brussels. The premise of the meetings was to discuss with relevant European officials how lessons from Afghanistan should be learned and implemented in places like Ukraine, the Sahel, and Gaza. Across more than 10 meetings, Mr. Young briefed and/or met with nearly 150 European officials focused on violent conflict. Mr. Young also spoke at a public think tank event at the Egmont Institute about how lessons from security sector assistance in Afghanistan should be learned and applied in the Sahel. EU officials then described similar challenges they are facing in Ukraine, the Sahel, Gaza, and Somalia.

In subsequent discussions, Mr. Young helped the officials address these challenges, using Afghanistan’s lessons as a springboard. In the meetings with the European Parliament’s (EP) Foreign Affairs Committee, participants focused on lessons for Ukraine, primarily strategy development and anticorruption. EP staff argued that some of their corruption concerns for Ukraine would be addressed through the EU’s exhaustive accession plan, as the Government of Ukraine would have to check so many anticorruption boxes that it would naturally address much of the problem. However, they remained concerned that large-scale infrastructure could only be built by power brokers who were sufficiently corrupt and would cause problems.

Mr. Young suggested that they create certain checks in their contracts so that individuals with problematic pasts could not participate in those projects, but they said their procurement system does not legally permit that kind of hands-on management. Mr. Young advised that there were indirect ways of creating that same pressure, particularly funding Ukrainian civil

society organizations to better position them to hold their own government accountable for contracting with integrity. Additionally, the EP discussed post-collapse Afghanistan and touched on issues relating to Taliban diversion and interference, to which Mr. Young shared SIGAR's ongoing work, as discussed in IG Sopko's November testimony to the U.S. House Foreign Affairs Committee.

SIGAR Ukraine Meeting

On December 15, 2023, Deputy Assistant Inspector General for Audits and Inspections Chris Borgeson and LLP Supervisory Research Analyst and Project Team Lead David Young met with RISE Ukraine, a coalition of Ukrainian and international organizations, including government officials and civil society experts, working for Ukraine's Reconstruction Integrity, Sustainability and Efficiency. Mr. Borgeson and Mr. Young presented an overview of SIGAR's work in Afghanistan, as well as lessons learned from 16 years of oversight in a war zone.

Mr. Borgeson and Mr. Young provided the overarching structure of U.S. reconstruction efforts in Afghanistan, an overview of SIGAR's structure and mandate, SIGAR's unique legislative and personnel resources, how SIGAR conducts and coordinates its oversight, and what key mechanisms account for SIGAR's success. They also provided an assessment of the challenges U.S. reconstruction efforts faced, ways to overcome those challenges, and highlighted the importance of fighting corruption from the outset and at all levels. Mr. Borgeson and Mr. Young participated in a question-and-answer session where they discussed ways that SIGAR's experiences in Afghanistan could benefit the Ukrainian government and Ukrainian civil society.

The event was hosted by the Institute of Analytics and Advocacy, a Ukrainian think-tank working on civil society development, policy and data analysis, and development and implementation of innovative digital solutions.

SIGAR BUDGET

SIGAR is currently funded under H.R. 6363—Further Continuing Appropriations and Other Extensions Act, 2024, signed into law on November 16, 2023, providing appropriated funding for 77 days. SIGAR was previously funded under H.R. 2617, the Consolidated Appropriations Act, 2023, signed into law on December 29, 2022, which provided \$35.2 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 Lessons Learned Program.

SIGAR STAFF

With 117 employees on board at the end of the quarter, SIGAR had one fewer staff member than reported in the last quarterly report to Congress.

