

4 SIGAR OVERSIGHT



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An Afghan woman embroiders in Balkh Province. (Photo by UNAMA/Ashiqullah Mandozai)

SIGAR OVERSIGHT ACTIVITIES

This quarter, Inspector General John Sopko recommended to the Office of Management and Budget in SIGAR's FY 2026 budget submission that SIGAR cease oversight operations on September 30, 2025, reflecting the changing geopolitical realities of the Taliban takeover and the concurrent reduction in U.S. assistance to Afghanistan. SIGAR's work to date has identified approximately \$3.97 billion in savings to the U.S. taxpayer.

SIGAR issued nine products this quarter, including this quarterly report. SIGAR issued one performance audit examining the United States Agency for International Development's (USAID) ongoing water, sanitation, and hygiene program in Afghanistan. SIGAR completed seven financial audits of U.S.-funded projects in Afghanistan that identified \$2,083,317 in questioned costs as a result of internal-control deficiencies and noncompliance issues by U.S. government contractors. SIGAR's criminal investigations resulted in one sentencing. SIGAR has 24 ongoing cases.

PERFORMANCE AUDITS AND EVALUATIONS

SIGAR conducts performance and financial audits, and evaluations of programs and projects connected to U.S. assistance in Afghanistan. SIGAR has six ongoing performance audits and evaluations, and 22 ongoing financial audits, as shown in Appendix B of this report.

In response to the 2021 U.S. withdrawal and the collapse of the Afghan government, 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, water, sanitation, and hygiene, demining, and internally displaced persons.

Additionally, SIGAR has long emphasized the need for third-party verification of reports, 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 Reports

SIGAR issued one performance audit this quarter.

Performance Audit 25-01-AR: Rural Water Supply, Sanitation, and Hygiene in Afghanistan: USAID is Meeting Programming Goals but Could Be Providing Better Oversight

In 2014, Congress passed the Senator Paul Simon Water for the World Act of 2014 (Water Act) in recognition of the importance of water, sanitation, and hygiene (WASH) to human life, and the United States' commitment to being a global leader that provides sustainable access to WASH for the world's most vulnerable populations. The Act designated officials within the Department of State and USAID to coordinate a U.S. Global Water Strategy, a single, government-wide strategy for communicating to Congress how the agencies intend to implement WASH programs authorized by the Act.

Since 2001, the United States has spent \$334 million on Afghanistan WASH programming. USAID's \$35.8 million Rural Water Supply, Sanitation, and Hygiene (Ru-WASH) activity is the only ongoing Water Act-authorized program in Afghanistan with a period of performance from June 2020 to June 2025. SIGAR assessed the extent to which USAID (1) met the goals and objectives for its WASH projects in Afghanistan; (2) conducted oversight of the Afghanistan WASH projects; and (3) identified and documented the challenges encountered during implementation.

SIGAR found that USAID designed Ru-WASH to comply with the Water Act's long-term sustainability and maximum impact requirements. However, following August 2021, Afghanistan's new operating environment prevents Ru-WASH from meeting those requirements. Specifically, Ru-WASH cannot ensure the sustainability of its programming since it cannot engage with Afghanistan's host government or its national-level institutions, which are strategies and best practices for ensuring WASH sustainability. SIGAR also found that the Taliban's policies discriminating against women have undermined Ru-WASH's ability to promote women's access to water and sanitation resources, diminishing the program's ability to achieve the Act's maximum impact.

Despite these challenges, SIGAR found that Ru-WASH has met, or is on track to meet, its nine performance indicator targets. Additionally, while USAID met its oversight and adaptive management requirements, it did not increase its oversight on Ru-WASH programming. USAID's oversight responsibilities for Ru-WASH only require it to receive bi-annual and annual progress reports from its implementing partner, thus simply receiving these reports fulfills USAID's oversight requirement. However, SIGAR conducted site visits and found issues not included in the implementer's reporting. If USAID had conducted site visits, it could have identified these deficiencies and taken corrective actions. 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 \$539 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 seven financial audits of U.S.-funded projects in support of the Afghan people. An additional 22 ongoing financial audits are reviewing \$249 million in auditable costs, as shown in Table S.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 September 30, 2024, funding agencies had disallowed \$29.89 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 also identified and reported 837 compliance findings and 908 internal-control findings to the auditees and funding agencies.

Financial Audit Reports Issued

The seven financial audits completed this quarter identified \$2,083,317 in questioned costs as a result of internal-control deficiencies and noncompliance issues. Due to the current security situation in Afghanistan, the names and other identifying information of some implementing partners and programs have been withheld at State and USAID's requests.

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 S.1

SIGAR'S FINANCIAL AUDIT COVERAGE	
(\$ BILLIONS)	
275 completed audits	\$9.8
22 ongoing audits	0.3
Total	\$10.1

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, 9/15/2024.

Financial Audit 24-39-FA: USAID's Strengthening Education in Afghanistan Program

Audit of Costs Incurred by The Asia Foundation

On May 19, 2014, USAID's Mission to Afghanistan awarded a five-year, \$29,835,920 cooperative agreement to The Asia Foundation to support the Strengthening Education in Afghanistan program. The objectives of the program were to improve the capacity, operations, management, and programming of educational institutions and civil society organizations in Afghanistan. USAID modified the agreement 19 times, extending the period of performance from May 18, 2019, through December 31, 2023, and increasing the total award amount to \$49,828,942.

SIGAR's financial audit, performed by Castro & Company LLC, reviewed \$7,896,916 in costs incurred under the agreement from October 1, 2020, through December 31, 2023. Castro identified one deficiency in the Foundation's internal controls and one instance of noncompliance with the terms of the cooperative agreement. Castro did not identify any questioned costs.

Financial Audit 24-38-FA: USAID's Afghanistan Value Chains—Crops Activity

Audit of Costs Incurred by DAI Global LLC

On August 2, 2018, USAID's Mission to Afghanistan awarded a cost-plus-fixed-fee contract to DAI Global LLC to implement the Afghanistan Value Chains—Crops activity. The contract provided support for local anchor firms to reverse market failures, strengthen backward and forward linkages, drive growth, create jobs within high-value horticulture, and increase spices and medicinal crop value chains. The contract included a three-year base period and a two-year option period. The period of performance for the three-year base period was August 2, 2018, through August 1, 2021, and the option period was August 2, 2021, to August 1, 2023. USAID modified the contract 12 times. The modifications did not increase the contract value or extend the contract end date.

SIGAR's financial audit, performed by Castro & Company LLC, reviewed \$27,936,849 in costs and fixed fees charged to the contract from August 1, 2021, through August 1, 2023. Castro identified three significant deficiencies in DAI's internal controls and three instances of noncompliance with the terms of the contract. Castro did not identify any questioned costs.

Financial Audit 24-37-FA: State's Weapons and Ammunition Disposal Program in Afghanistan

Audit of Costs Incurred by The HALO Trust USA Inc.

On August 10, 2016, the U.S. Department of State's Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement awarded a three-year, \$1,250,000 grant to The HALO Trust USA Inc. in support of its Weapons and Ammunition Disposal program in Afghanistan. The grant

intended to assist the government and people of Afghanistan by enhancing security through the detection, removal, and disposal of unwanted ammunition, with the overall objective to seek and destroy 300 metric tons of ammunition. State modified the grant seven times. The modifications increased the grant amount to \$6,236,207 and extended the period of performance through March 31, 2021.

SIGAR's financial audit, performed by Conrad LLP, reviewed \$2,500,000 in costs charged to the grant from April 1, 2019, through the closeout period ending February 23, 2022. Conrad identified two material weaknesses, two significant deficiencies, and two deficiencies in HALO's internal controls, and six instances of noncompliance with the terms of the grant. Because of these issues, Conrad questioned a total of \$335,256 in costs charged to the grant.

Financial Audit 24-36-FA: USAID's [redacted] Program Audit of Costs Incurred by [redacted]

On May 26, 2018, USAID awarded a four-year, \$9,491,153 cooperative agreement to [redacted] in support of the [redacted] program. USAID modified the agreement nine times. The modifications increased the award amount to \$18,481,505, and revised the period of performance to August 1, 2018, through August 1, 2023.

SIGAR's financial audit, performed by Crowe LLP, reviewed \$4,569,329 in costs charged to the agreement from January 1, 2021, through July 31, 2022. Crowe identified three material weaknesses in [redacted] internal controls and two instances of noncompliance with the terms of the agreement. As a result, Crowe questioned a total of \$26,511 in costs charged to the agreement.

Financial Audit 24-35-FA: USAID's Afghanistan Value Chains– Livestock Activity

Audit of Costs Incurred by DAI Global LLC

On June 9, 2018, USAID's Mission to Afghanistan awarded a cost-plus-fixed-fee contract to DAI Global LLC to implement the Afghanistan Value Chains–Livestock activity, which provided support for poultry, livestock, and dairy product value chain activities. The contract included a three-year base period and a two-year option period, with a period of performance from June 9, 2018, through June 9, 2023. USAID modified the contract 13 times. The modifications increased the contract value from \$55,672,171 to \$75,672,171 and extended the contract end date to June 8, 2025.

SIGAR's financial audit, performed by Castro & Company LLC, reviewed \$21,677,174 in costs and fixed-fees charged to the contract from August 1, 2021, through May 31, 2023. Castro identified two deficiencies in DAI's internal controls and two instances of noncompliance with the terms of the contract or Federal Acquisition Regulations. Castro did not identify any questioned costs.

Financial Audit 24-34-FA: Department of State’s Embassy Scholars Program

Audit of Costs Incurred by [redacted]

On August 4, 2016, the Department of State awarded two cooperative agreements totaling [redacted] to [redacted] to support its Embassy Scholars Program. The agreements sought to provide scholarships to students in the Youth Solidarity and English Language, the Youth Exchange Study, the Afghan University Student Exchange, and the English Access Micro-Scholarship programs. State modified the agreements seven times, which extended their combined period of performance from December 31, 2021, through July 31, 2023, but did not change the total funding.

SIGAR’s financial audit, performed by Conrad LLP, reviewed a total of \$6,858,019 in costs charged to the agreements from August 4, 2016, through August 31, 2022. Conrad identified one material weakness and four significant deficiencies in [redacted] internal controls, and five instances of noncompliance with agreement terms. As a result, Conrad questioned a total of \$1,721,550 in costs charged to the agreements.

Financial Audit 24-33-FA: USAID’s Afghanistan Competitiveness of Export-Oriented Businesses Activity

Audit of Costs Incurred by DAI Global LLC

On January 27, 2020, USAID’s Mission to Afghanistan awarded a cost-plus-fixed-fee contract to DAI Global LLC to implement the Afghanistan Competitiveness of Export-Oriented Businesses Activity. Its objectives were to enhance the competitiveness of export-oriented businesses in Afghanistan and promote sustainable economic growth. The contract included a three-year base period and a two-year option period. The period of performance for the three-year base period was from January 27, 2020, through January 26, 2023. The period of performance for the two-year option period is from January 27, 2023, to January 26, 2025. USAID modified the contract eight times. The modifications increased the total estimated cost-plus-fixed-fee from \$65,141,235 to \$105,722,822 and extended the period of performance to January 26, 2025.

SIGAR’s financial audit, performed by Castro & Company LLC, reviewed \$56,287,958 in costs and fixed fees charged to the contract from February 1, 2021, through June 30, 2023. Castro identified one deficiency in DAI’s internal controls and one instance of noncompliance with the terms of the contract. Castro did not identify 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 28 recommendations contained in 10 performance audit, inspection, and financial audit reports. From 2009 through September 2024, SIGAR issued 502

audits, alert letters, and inspection reports, and made 1443 recommendations to recover funds, improve agency oversight, and increase program effectiveness.

SIGAR has closed 1,329 of these recommendations, about 93%. 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 292 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 114 open recommendations. Of these recommendations, 49 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 collapse 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.

Ongoing Lessons Learned Program Work

SIGAR has two ongoing lessons learned projects. The first 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

project is focusing on challenges in Taliban-controlled Afghanistan, in order to develop best practices, it is also examining 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.

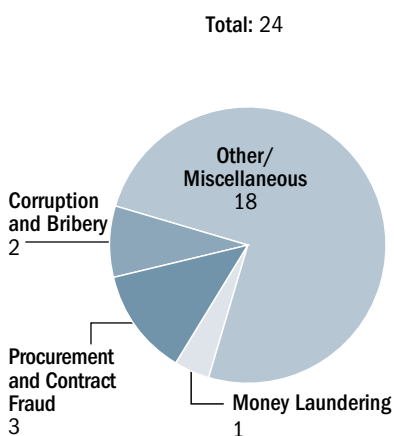
The second project is assessing the staffing of U.S. government personnel in positions relating to Afghanistan, with five key focus areas: recruitment/hiring, training, deployment, retention, and handover/backfilling. It is focusing on the mechanisms of getting the right U.S. personnel into the right 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 two decades.

SIGAR White Paper for the Department of State

The State Department’s Office of Foreign Assistance asked SIGAR’s Lessons Learned Program to write a white paper on building consensus across the department around evidence-based decision-making. Using business management literature and LLP’s extensive reporting on how State operates, the white paper detailed how to accelerate State’s embrace of evidence, emphasize its importance or absence during deliberations, and cultivate champions for evidence across offices and bureaus.

FIGURE S.1

**SIGAR INVESTIGATIONS:
NUMBER OF OPEN INVESTIGATIONS**
July 1–September 30, 2024



Source: SIGAR Investigations Directorate, 10/1/2024.

INVESTIGATIONS

Following the U.S. withdrawal and the collapse of the 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 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 169 criminal convictions. Criminal fines, restitutions, forfeitures, civil settlements, and U.S. government cost savings and recoveries total approximately \$1.67 billion.

During the reporting period, SIGAR’s criminal investigations resulted in one sentencing. No new cases were initiated. There are 24 ongoing investigations, as shown in Figure S.1.

Follow the Money and Capital Flight Initiatives

Over the last four quarters, the SIGAR Investigation Directorate’s analytical group reviewed millions of lines of financial data related to monetary transactions following the collapse of the Afghan government. The review focused

on uncovering suspicious transactions and identifying occurrences of theft or fraudulent receipt of U.S. reconstruction funds. As a result, SIGAR opened multiple criminal inquiries and have two ongoing investigations.

SIGAR's analytical team is advancing this initiative by reevaluating processes that could illuminate additional suspicious transactions to identify 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. The data may also identify Afghan financial institutions and other entities which may have been involved in the diversion of funds. SIGAR is particularly focused on destinations with low barriers for international individuals to access high end luxury real estate markets, where secrecy and anonymity is prioritized, and transnational monetary movements to enter the markets are less scrutinized.

SIGAR P1/P2 Referral Initiative Update

This quarter, a former Afghan government official, who worked closely with SIGAR and the U.S. government on anti-corruption initiatives, arrived in the United States with his family. This individual assisted SIGAR by obtaining records and coordinating with Afghan officials in the investigation of cases related to U.S. reconstruction funds provided to Afghanistan.

To date, SIGAR has referred 291 P1 and P2 applicants for resettlement in the United States. SIGAR also continues to work with the Department of State Diplomatic Security Service, the Defense Criminal Investigative Service, and other U.S. entities in response to an increase in Special Immigrant Visa fraud investigations.

Former Construction Specialist Sentenced for Visa Fraud Scheme

On August 22, 2024, in the U.S. District Court, District of New Hampshire, Mike Baum was sentenced to one year probation for visa fraud.

The Afghan Allies Protection Act of 2009 authorized the issuance of Special Immigrant Visas (SIVs) to Afghan nationals who worked with the U.S. Armed Forces in Afghanistan as interpreters or translators. Among other requirements, an Afghan national applying for a SIV under this program had to submit a letter of recommendation from a person associated with the U.S. government in a specified supervisory or senior position. The State Department National Visa Center, located in Portsmouth, New Hampshire, was responsible for reviewing SIV applications. As part of its procedures for processing a SIV application, it was practice for State to request verification from the recommender.

During 2020 and 2021, Baum, a former construction specialist residing in California, knowingly presented to State a document required by the immigration laws and regulations that contained a false statement. Specifically,

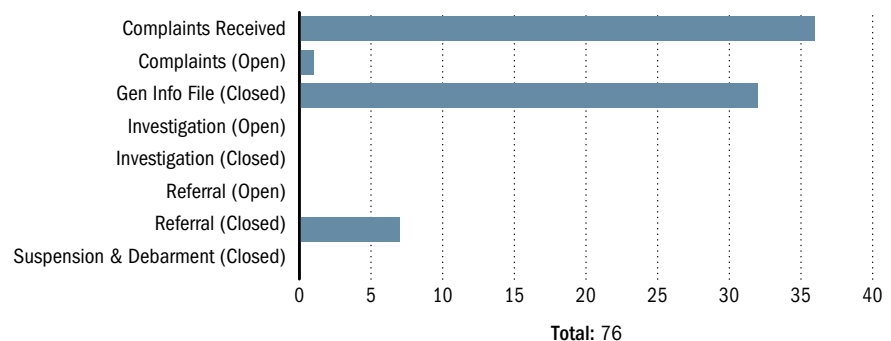
in exchange for monetary payments, Baum signed multiple letters of recommendation in support of SIV applications for Afghan nationals whom Baum falsely claimed to have supervised while deployed to Afghanistan. After the applications were submitted, Baum falsely verified the authenticity of the letters in response to inquiries from the National Visa Center.

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 36 complaints this quarter. In addition to working on new complaints, the Investigations Directorate continued work on complaints received prior to July 1, 2024. The directorate processed 76 complaints this quarter; most are under review or were closed, as shown in Figure S.2.

FIGURE S.2

STATUS OF SIGAR HOTLINE COMPLAINTS: JULY 1-SEPTEMBER 30, 2024



Source: SIGAR Investigations Directorate, 10/10/2024.

OTHER SIGAR OVERSIGHT ACTIVITIES

SIGAR Submits Sunset Recommendation to OMB

Inspector General Sopko recommended that SIGAR cease oversight operations on September 30, 2025, in his FY 2026 budget request to the Office of Management and Budget (OMB). In his letter, IG Sopko said his recommendation “reflects the geopolitical realities of the Taliban takeover and the concomitant reduction in U.S. assistance to Afghanistan.” Since the Taliban takeover, U.S. funds appropriated for Afghanistan have declined by 82%, from \$6.68 billion on June 30, 2021, to \$1.21 billion on September 30, 2024. IG Sopko said the State and USAID inspectors general can adequately oversee these funds following FY 2025. However, Congress has not yet approved

the recommendation, so SIGAR will continue to carry out its statutory mandate until the pipeline of U.S. reconstruction funds falls to less than \$250 million or SIGAR is directed to close by Congress.

SIGAR BUDGET

SIGAR is currently funded under H.R. 9747, Continuing Appropriations and Extensions Act, 2025 (Pub. L. No. 118-83), signed into law on September 26, 2024. SIGAR was previously funded under H.R. 2882, Further Consolidated Appropriations Act, 2024 (Pub. L. No. 118-47), providing \$24.8 million to support SIGAR's oversight activities and products by funding SIGAR's Audits and Inspections, Investigations, Management and Support, Research and Analysis Directorates, and Lessons Learned Program.

SIGAR STAFF

With 111 employees on board at the end of the quarter, SIGAR had one fewer staff member than reported in its last quarterly report to Congress.

