



Prepared Remarks of  
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Thank you for that introduction and I want to express my appreciation to the Association of Certified Fraud Examiners for inviting me to discuss the issue of detecting fraud in challenging environments.

We have quite a bit of experience on the subject because we conduct our audits and investigations in the midst of the longest war in the history of the United States – one of the most challenging environments imaginable.

For nearly seven years, I have had the privilege to lead the office of the Special Inspector General for Afghanistan Reconstruction, commonly referred to by that tobacco-flavored acronym, SIGAR.

In spite of -- or perhaps because of -- the challenges we face daily, I actually think it is the best job I have ever had – which, after this presentation, may give you an idea about some of the other government positions I've held.

But before I get into the details of how SIGAR combats the waste, fraud, and abuse of American taxpayer dollars supporting Afghanistan's reconstruction, let me first provide some background on my agency, our authorities and responsibilities, and our operating environment.

### **SIGAR 101**

The United States Congress established SIGAR in 2008, seven years after the attacks of September 11<sup>th</sup> led our country to invade Afghanistan, and after the U.S. had already spent billions of dollars rebuilding Afghanistan.

By 2008, Congress felt it needed an independent oversight office focused solely on protecting the billions of dollars being spent on Afghanistan's reconstruction in light of reports that much of the money was being spent with little accountability or monitoring.

Afghanistan is the most expensive reconstruction project in U.S. history – more expensive than the entire Marshall Plan to rebuild western Europe after World War II.

The amount that the United States devotes to Afghanistan's reconstruction each year is more than the amount of foreign assistance we provide to Israel, Egypt, and Jordan combined.

The U.S. has spent \$132 billion on reconstruction to date, and we anticipate that the American taxpayer will continue to contribute an additional \$5-7 billion each year for as long as the situation in Afghanistan remains fundamentally unchanged.

As an office of Inspector General, SIGAR has both audit and criminal investigative authorities much like the other 72 federal Inspectors General. However, SIGAR is quite different than any other IG office in a number of ways.

First, we are wholly independent. Unlike every other federal inspector general office, we are not housed within any federal agency. We file our reports with Congress and the Secretaries of Defense and State, but we are answerable to the President and Congress.

Second, SIGAR is the only U.S. agency that exclusively focuses on reconstruction programs in Afghanistan, which include training and equipping the Afghan security forces; constructing schools and clinics; funding counternarcotics programs; and training and providing salaries for Afghan civil servants, teachers, health care workers, among many others.

Third, SIGAR has cross-agency jurisdiction. Unlike other federal inspectors general who can only look at the activities of the agency they are housed within, SIGAR has jurisdiction over any federal entity that spends a cent on Afghanistan's reconstruction.

While most of our work has focused on the U.S. Agency for International Development and Departments of Defense and State, we also look at programs funded by agencies not normally associated with such missions, like the Departments of Agriculture and Commerce.

Finally, unlike all but one other IG office, SIGAR is temporary. We will shut down 180 days after the amount of unexpended funds for Afghanistan's reconstruction drops below \$250 million.

Our temporary status means that time is of the essence for us, a fact our nearly 200 auditors, analysts, engineers, criminal investigators, and other professionals are constantly mindful of.

Over thirty members of my staff are permanently stationed in Afghanistan, working in a very difficult and challenging environment far from their families.

## **SIGAR's Operating Environment**

SIGAR has one of the toughest oversight tasks of any agency within the U.S. government. Even after nearly 18 years of U.S. and coalition military support and financial largess, Afghanistan remains one of the poorest, least educated, and most corrupt countries in the world, as well as one of the most violent. Of more immediate consequence, the deterioration of security in Afghanistan in recent years has raised new complications in our efforts to prevent and combat waste, fraud, and abuse.

As of SIGAR's latest Quarterly Report to Congress, the Defense Department reported to us that the Afghan government controls or influences only 53.8% of Afghanistan's districts. This covers roughly 64% of Afghanistan's population – the rest live in districts either under Taliban control or influence, or in districts contested between the two sides.

Afghan security force and civilian casualties are at or near all-time highs, and insider attacks against U.S. forces are also a persistent challenge – as we were all reminded when the commanding general of U.S. forces narrowly escaped an attack at the governor's office in Kandahar last fall. To date, over 2,200 U.S. service members have died in Afghanistan.

In addition to the Taliban threat, there may be as many as 20 terrorist groups operating in the Afghanistan/Pakistan region, the most notable of which is the so-called Islamic State, which has claimed responsibility for horrible mass casualty attacks on Afghan civilians.

To maintain our aggressive oversight efforts in the face of these dangers, SIGAR has augmented our staff in-country with satellite imagery, retained the services of Afghan non-governmental organizations (whose work we verify), and have hired Afghan nationals who can travel at less personal risk than more-obvious foreigners accompanied by massive security details. But even with these additional resources, some places in Afghanistan remain inaccessible.

And as if the daily threat of violent attack isn't enough to deal with, SIGAR also faces the challenge of working in one of the most corrupt countries on the planet. Afghanistan ranks 172<sup>nd</sup> out of 180 countries on Transparency International's most recent Corruption Perception Index, and nearly 70 percent of Afghans surveyed state that corruption is a problem in their daily lives.

## **SIGAR's Accomplishments**

Despite the challenges we face in our work, SIGAR's accomplishments have been significant. Our audits and inspections directorate has issued over 300 products,

made over 900 recommendations to U.S. government agencies, and identified nearly \$1 billion in savings to the U.S. taxpayer.

Our investigations directorate has conducted over 1,000 investigations, made 129 arrests and secured 133 convictions.

In addition to putting people in jail, SIGAR's investigations directorate has secured roughly \$1.5 billion in criminal fines, restitutions, forfeitures, civil settlements, and other savings and recoveries for the government.

These numbers would be considerably higher if the U.S. had an extradition treaty with Afghanistan which, sadly, we do not.

We also devote significant resources to pursuing suspension and debarment of contractors who defraud the U.S. government, securing nearly 700 suspensions and debarments to date. Every single one of our cases is reviewed to see if the parties involved are candidates for referral to suspension and debarment authorities. Even when we are unable to pursue criminal or civil charges, the evidence we've collected often leads to contractors being suspended or permanently banned from receiving future government contracts.

Likewise, we employ specialized experts with decades of experience to review every single case to identify assets for forfeiture and any possible violations of money laundering statutes.

While conducting audits and investigations are the two primary missions of inspectors general, SIGAR also has some specialized offices, such as our Office of Special Projects, which is relatively unique among the federal inspector general community.

I created our Special Projects office because audits and investigations often take a significant amount of time -- time that we cannot always afford if we're trying to correct a critical problem in the midst of a war.

Accordingly, we needed a group within SIGAR to examine serious matters identified by our auditors and investigators that required government agencies to respond quickly to rectify safety, security, or financial accountability threats.

SIGAR's Research and Analysis Directorate's mission is to produce our Congressionally-mandated quarterly report on the status of the reconstruction effort. It is the most comprehensive document produced on the status of U.S. and coalition efforts in Afghanistan and is widely read and cited by government officials, Congressional members and staff, the press, and the public.

We are also the only inspector general office with the authority to conduct “whole of government” lessons learned reports that look at the at the entirety of the U.S. experience in Afghanistan.

Our lessons learned reports are unlike any other reports that SIGAR issues. Most take at least two years to complete, are the result of comprehensive reviews of thousands of federal records – many of which are not publicly available – as well as interviews of former and current U.S. government personnel. The reports are peer reviewed by independent, external subject matter experts, and provided to the relevant agencies involved for comment prior to publication.

SIGAR has issued comprehensive lessons learned reports on U.S. anti-corruption efforts in Afghanistan; reconstructing the Afghan national security forces; private sector development efforts; stabilization activities; and counternarcotics.

So that is who we are, what we do, and where we do it. Let me now turn to the question of “how” we conduct our work investigating allegations of waste, fraud, and abuse in spite of the challenges we face operating in Afghanistan.

Basic investigative approaches, at their core, are well known. Some of what I’m about to talk about – such as “following the money” are concepts you are all aware of, and methods I used 40 years ago as a young federal prosecutor targeting organized crime in Cleveland, Ohio.

The challenge for SIGAR, and the subject of my talk today, is how to apply tried and true investigative approaches to an environment as challenging as Afghanistan’s while continually developing and utilizing innovative and creative approaches to problems that investigators face everywhere but which are exacerbated in a war zone.

### **Innovative Techniques To Address Limited Accessibility**

I’ll start with the most basic challenge SIGAR faces in Afghanistan – accessibility.

For the vast majority of investigators and auditors throughout the world, they can simply get on a plane or in their car to knock on someone’s door and conduct an interview, or safely sit outside a location conducting surveillance. Due to the security situation in Afghanistan, we usually do not have the same freedom of movement and are forced to compensate for it in other ways.

To give you some idea of how we have been forced to adjust, when I became the SIGAR in 2012, we had agents in seven offices throughout Afghanistan, located everywhere from small forward operating bases to the largest U.S. military bases and the U.S. Embassy in Kabul. They traveled widely and actually did surveillances and

interviews with Afghan police and prosecutors.

However, since the military drawdown from 140,000 to 22,000 coalition personnel began, our operational footprint has been significantly reduced and our investigators, auditors, and inspectors are no longer at liberty to drive around the country. In fact, for the past several years all U.S. civilian personnel arriving in Afghanistan have been required to fly via government helicopter between the international airport and the U.S. Embassy -- a distance of just three kilometers, because those three kilometers of road in downtown Kabul have been deemed too dangerous for routine vehicle travel, even with a security convoy.

Our challenge was to find ways to maintain our presence throughout Afghanistan – or as much of it as we could – even if our agents could only get outside the U.S. Embassy on a limited basis and even more rarely outside of Kabul.

If our staff was limited in its ability to get out to get information we knew we had to get people to bring information to us.

One of the most successful approaches we have taken may be one of the simplest on its face. We developed a telephone and email Hotline for individuals – whether U.S. civilians, military, or Afghan citizens – to report information or file complaints about matters they want us to look into, and they can report them anonymously. I will admit, even in Afghanistan, we do get our share of calls from dating services and vacuum cleaner salesmen, but the Hotline has been a key source of investigative tips for our agents.

Most Afghans do not speak English, so we employ Dari and Pashtu speakers to monitor the calls and emails that we receive via the Hotline. To date, we have received over 3,220 complaints via the Hotline, and our staff has responded to each individual who provided us with a way to contact them.

Of course, the Hotline wouldn't bring any information in if Afghans didn't know about it. So we have advertised it heavily on our Facebook page, on our website, on billboards in Dari and Pashtu, through fliers distributed to Afghan ministries, by placing ads in the magazines of airlines that fly into Kabul, by attending Afghan diaspora events in the United States to spread the word, as well as by advertising in U.S. military publications such as *Stars and Stripes*.

One positive development in Afghanistan has been the adoption and growth of social media and we spread the word through that medium as well. Because of all of this, SIGAR is better known in Afghanistan than it is in the United States. These efforts have paid off, as you'll see when I discuss some of our more prominent cases, many of which came through the Hotline.

SIGAR's Hotline also serves as a deterrent. Despite generally weak rule of law in Afghanistan, some individuals may be deterred from committing crimes if they know they can quickly, easily, and anonymously be reported to our agents – and that we WILL follow through.

Anonymity for a source is always a vital tool but it is particularly important in a country infested by corruption and where running afoul of the local warlord or wrong government official can have devastating – and sometimes lethal – consequences.

Providing an avenue for Afghans and U.S. and coalition personnel to contact us with information helps to bridge the gap created by the limits on SIGAR's mobility and though the ability to contact us anonymously, encourage those who would otherwise not come forward because of the very real threat of retribution.

### **Best Sources = Best Cases**

An old saying in U.S. law enforcement is "Best Sources; Best Cases." A good source can make a case for you and lead to a smooth investigation and prosecution.

While the Hotline and our other outreach programs are vital tools, we place a great deal of emphasis on nurturing and expanding our already extensive network of sources within Afghanistan and the United States to compensate for the difficulty we have in moving around Afghanistan.

Given SIGAR's special hiring authorities, nearly all of our law enforcement agents have already had long, distinguished careers at other federal or local law enforcement agencies – with over 870 total years of law enforcement experience, they know how to develop sources and they hit the ground running the minute they join SIGAR.

Again, using sources is hardly a new investigative technique. But consider the population SIGAR generally deals with: U.S. military personnel who often are reluctant to turn their comrades in arms in to an inspector general's office; U.S. civilian personnel who know their stay in Afghanistan will be a year or less and have little incentive to get wrapped up in an investigation; and Afghan contractors and government officials who often feel well protected by the corrupt Afghan judicial system and the lack of an extradition treaty between the United States and Afghanistan.

Realistically, there are few incentives for individuals to work with SIGAR as undercover sources. Nevertheless, some of our best cases have succeeded through the use of high-placed sources that SIGAR has painstakingly developed and nurtured. Part of this is because of SIGAR's strong branding and reputation in Afghanistan for fairness and incorruptibility. When U.S. government personnel or Afghan citizens see

nothing but people taking advantage of the system, but want to do the right thing, they have heard of SIGAR and they know we will take their claims seriously and protect them.

In addition to developing confidential sources, SIGAR investigators maintain robust outreach programs to Afghan government officials. Because of our jurisdictional limitations over domestic Afghan matters, the personal relationships our staff in Kabul has been able to build with Afghan government officials has allowed us to make progress in cases that we might not otherwise have achieved if we had to rely purely on formal legal mechanisms.

One of our better-known cases would not have developed or had a successful outcome without both a good tip from a human source and SIGAR's relationship with the Afghan government.

The case centered on a \$1 billion contract for fuel issued in 2014 by the Afghan Ministry of Defense. Although it was an Afghan government contract, the U.S. was paying for the fuel. Six companies were on the shortlist to submit bids to the Ministry. Four of the six companies submitted their bids on time. Of the two that did not, one was on his way to submit his bid when his vehicle was hit by a truck, and the other was detained by the notoriously-corrupt Afghan police for a traffic violation on his way to submit his bid.

One of the two contractors prevented from submitting their bid on time complained to various Afghan and international agencies that his company's bid was \$200 million lower than that of the four companies who didn't run into any unexpected trouble on their way to submit their bids. He believed the fact his bid was considerably lower was the reason he was physically prevented from delivering his proposal to the ministry.

SIGAR was the only Afghan or U.S. agency that followed up on the complaint and when we examined the bids, we found that the four submitted proposals all matched – to the fourth decimal place; the odds of the numbers matching so closely by pure coincidence were estimated to have been one in one trillion.

Further digging by our agents discovered that during the bid preparation period a meeting outside the country had been attended by representatives from all six companies. One of the firms suggested that they divide up the contract and submit six matching bids. One company representative walked out of the meeting, refusing to participate in the scheme – unsurprisingly, his firm was one of the two prevented from submitting their bid on time.

Later, that same firm was approached by a member of the Afghan parliament

and offered a bribe to not submit their cheaper bid, and when that failed, offered another significant bribe to not report the matter to the Afghan Ministry of Finance.

Once we were able to corroborate the allegations, we briefed Afghan President Ashraf Ghani on the bid-rigging scheme. He promptly cancelled the contract, fired a number of officials involved, and overhauled the entire Afghan government procurement system. In addition, the U.S. military returned to issuing their own fuel contracts rather than allowing the Afghan ministries to issue them.

Ultimately, the tip from the Afghan contractor and SIGAR's investigation saved the U.S. government over \$250 million on this contract and countless millions on future fuel contracts.

The bravery of the individual that came forward with the information was key to the investigation, but without strong relationships with the highest levels of the Afghan government and U.S. military, we may not have been able to do anything about the bid-rigging. After all, it was a member of the Afghan legislature that attempted to bribe the contractor.

It would have been all too easy for the Afghan government to look the other way, but because the President and his advisors trusted us and we were able to present a strong case to them, they, as well as our military, took action that benefitted the American taxpayer and prevented further corrupt activity.

The case I just discussed shows how rough and tumble Afghanistan can be. But while I would never downplay the weak state of rule of law in Afghanistan, unfortunately many of SIGAR's cases have dealt with a small subset of U.S. military and civilian personnel serving in Afghanistan who wish to enrich themselves before they return to the United States.

While it may seem counterintuitive that an average Afghan citizen may feel comfortable reporting to SIGAR on a member of the world's most powerful military, the truth is that many Afghans – already upset by the corruption that their own leaders have struggled to rectify – are equally incensed when they see Americans or other coalition personnel taking advantage of the financial support that is meant to rebuild Afghanistan.

For example, in 2010, SIGAR received a tip from a confidential Afghan source in the fuel industry that one of his competitors was bribing U.S. service members at a forward operating base near Jalalabad. The source alleged that bribes were being paid in exchange for service members looking the other way while hundreds of thousands of gallons of U.S. military fuel was stolen.

While our investigation was ongoing, a U.S. Army Captain came forward to report

attempts to bribe him. SIGAR initiated a covert operation for the captain to receive bribe payments from the Afghan employee of the trucking company involved in the fuel theft that led the Afghan subjects to believe the captain was depositing the illicit proceeds of the fuel theft into his own business.

During a series of meetings monitored by SIGAR between the Afghan suspect and the Army Captain, the Afghan identified other U.S. military personnel he had previously bribed.

Drawing on SIGAR's strong working-level relationship with the Afghan government, our agents worked with the Afghanistan Financial Intelligence Unit, known as FINTRACA, to obtain bank records of the Afghan suspect. The records revealed wire transfers of the illicit proceeds to an account in the Philippines. By working with the Financial Intelligence Unit in the Philippines, SIGAR was able to identify the recipient of the transfers as the wife of a U.S. Army service member who had previously been deployed to Jalalabad overseeing – you guessed it -- military fuel.

The U.S. service member who the Afghan suspect had unwittingly given up was charged and pled guilty to violations of U.S. federal bribery statutes. Overall, as a result of the investigation, five U.S. service members were sentenced to prison and millions of dollars in restitution was ordered.

Human sources were vital to this investigation, but as with the bid-rigging scheme, it was also important for SIGAR to have the relationships to allow us to work with the financial crime unit in Afghanistan, as well as with the U.S. military and the Army Captain, that allowed us to set up and run the undercover operation.

No investigation in Afghanistan is simple, but building and maintaining strong professional relationships with Afghan and U.S. government entities enables us to successfully pursue cases we otherwise would not be able to.

### **Follow The Money**

I learned early on at SIGAR that no self-respecting Afghan or American crook wants to keep their ill-gotten gains in Afghanistan. Accordingly, that old investigative cliché about “following the money” really is important. For U.S. civilian and military personnel, as well as contractors, it is very difficult to spend ill-gotten gains in Afghanistan.

In addition, the vast majority of U.S. government personnel are deployed to Afghanistan for a year or less, so they need to get their illicit funds back to the United States or to a third country.

I knew that following the money was especially important in the Afghan context, so when I became the SIGAR, I directed our agents to focus on money flowing out of Afghanistan. SIGAR's agents utilize a vast network of criminal, financial, open source, and government contracting databases including the U.S. network – FINCEN, and the Afghan network – FINTRACA, to gather financial intelligence. Our agents and analysts proactively review FINCEN and FINTRACA reports, including Suspicious Activity Reports.

They also file Egmont requests and proactively review wire service records from the U.S. Postal Service, Western Union, and other providers.

One SIGAR investigation began when an agent reviewed FINCEN reports suggesting a contractor in Afghanistan appeared to be structuring cash deposits by keeping them below the \$10,000 reporting threshold. Further analysis of bank records and FINCEN reports uncovered a contractor's scheme to launder bribes they had received. Our agents tracked the laundered payments from Afghanistan to the U.S., via Dubai. The contractor admitted to taking large bribes from an Afghan trucking contractor in exchange for assigning extra trucking missions to them.

She pled guilty to violations of U.S. bribery statutes. The case was initiated and investigated almost entirely through document review conducted from our headquarters near Washington, D.C.

We did not need to get into Taliban controlled areas or even outside of Kabul to identify this scheme, nor were we waiting by the phone waiting for a tip – we were actively searching records of money moving out of Afghanistan. As important as our Hotline and well-placed sources are, it is possible to go out and find evidence of crimes simply by digging into records to see what you might find. It may not be the most exciting work, but it has paid off multiple times for our agency.

Since most U.S. service members operate in a cashless environment in Afghanistan, large cash sums sent back home are often an indicator that something illegal may be taking place.

A SIGAR investigator, during a routine review of wire transfers, spotted records of a U.S. service member making several cash transactions to purchase expensive vehicles in the United States while he was still deployed in Afghanistan.

That wire transfer review led to an investigation that identified four service members who conspired to defraud the U.S. by falsifying military transportation movement requests in exchange for kickbacks from Afghan contractors who, as a result of the fraudulent movement requests, transported and sold U.S.-government fuel to the Afghan contractor's co-conspirators, who then sold the fuel on the black market at a

loss to the U.S. taxpayer of approximately \$10 million.

The service members implicated were sentenced to prison time and responsible for restitution between \$1 million and \$10 million all because one of our agents was savvy enough to recognize that a soldier on a military salary sending money back from Afghanistan to purchase expensive cars seemed out of the ordinary.

If SIGAR had not been proactively reviewing those records, in all likelihood that fuel theft ring may have operated for many years. There was nothing in the wire transfers that would have sounded alarm bells in the traditional financial system, but our agents knew what to look for. We did not need to be embedded on a military base or infiltrate the Afghan underworld to uncover the scheme, we just needed to proactively review wire transfers.

Unfortunately, if ill-gotten gains stay inside Afghanistan and aren't transferred outside the country it is generally much harder for SIGAR to track and investigate them. The United States does not have a Mutual Legal Assistance Treaty, or MLAT, with Afghanistan, so SIGAR cannot simply serve up a subpoena seeking financial records from banks in Afghanistan.

That does not mean that we throw up our hands and give up, however. SIGAR has had some success in recent years in obtaining Afghan bank records, including in a case that resulted in the conviction on twenty felony counts of the former owner of an Afghan marble mine.

The Overseas Private Investment Corporation (OPIC), a U.S. government entity, loaned the owner of the mine \$16 million in an effort to aid the Afghan economy. SIGAR received a tip that the money OPIC had loaned was not being used by the recipient for its intended purpose. But our agents needed access to the borrower's Afghan bank records if they were going to pursue the case.

As opposed to the 30 to 60 days it would take to get the records in the United States, it took two years to get them in Afghanistan and required me to speak personally with Afghan President Ghani. Even he had to issue a presidential decree just to get his government to cooperate with our investigation. And it still took another year to get the records.

But once we did get the records, the fraud was immediately evident.

There was another wrinkle, however, and that was that we needed documents and interviews from an Italian firm the borrower had submitted false invoices from. The Italian company agreed to be interviewed and testify – but only if they could do so from Italy. SIGAR's case agent, two prosecutors from the U.S. Department of Justice, and

the borrower's attorney traveled to Italy. The Italian businessmen testified and were cross-examined in an Italian courtroom while the defendant was watching and communicating with his legal team from the U.S. via video link.

None of this is easy. Our cases are often complex, time-consuming, and to be honest, not that "sexy" to prosecutors and law enforcement agencies.

They usually involve a less-than cooperative U.S. government agency and employees scattered around the world, as well as Afghan contractors or sub-contractors, and oftentimes an international entity located in neither the U.S. or Afghanistan.

To help address all these legal obstacles, in another unique and innovative approach, SIGAR pays the salaries of prosecutors at the U.S. Department of Justice whose only job is to prosecute cases that SIGAR brings before them. As I noted, our cases are complex – as complex as the reconstruction effort itself – and the advantage of having prosecutors who are familiar with the crimes we investigate and obstacles we face has been invaluable.

### **Eyes and Ears/Kicking the Tires**

As effective as all of the methods I have mentioned so far have been, sometimes there is simply no substitute for getting one's eyes and ears on the target – or if you prefer the American idiom -- getting out and kicking the tires. Physical presence IS important, even though our mobility in Afghanistan has increasingly been limited.

There is a great deal to uncover if you keep your eyes open and ask the uncomfortable questions that no one else seems to want to.

Perhaps the priciest single waste of taxpayer funds SIGAR has come across was literally spotted with my own two eyes. I travel to Afghanistan roughly once ever quarter. After my first few trips I could not help but notice the 16 hulking gray transport aircraft sitting off to the side of the main airport in Kabul, with weeds growing in between them.

After a little digging, we found that they were 16 of 20 planes that the U.S. Defense Department had purchased for \$486 million.

The planes had been retired by the Italian Air Force and were collecting dust when the U.S. Defense Department purchased them for the Afghan Air Force. We found that the Department of Defense Inspector General had looked into the aircraft, but only into an associated maintenance and parts contract. Unfortunately, there was a disaster yet to be uncovered that their staff missed.

Mind you, these planes were sitting in plain sight three kilometers from the U.S. Embassy and NATO headquarters and right across the tarmac from the main terminal of the Karzai International Airport. For years, every U.S. Ambassador and embassy staff member flying into Kabul saw them. Maybe one of these planes is easy to miss, but overlooking sixteen of them stacked side-by-side is impossible. Yet apparently no one asked why they were just sitting there on the tarmac for years.

Finally, on one trip, I decided to walk over to take a look at the planes and was stopped by a U.S. service member who would not let me get any closer. So, I calmly told him that when I came back on my next trip I was going to walk over to see those aircraft – and they could arrest me if they wanted, but if they did, to be prepared to read about it in the *New York Times*.

Unsurprisingly, on my next trip the military escorted me over to the planes. I knew something was amiss when a senior U.S. officer, pointing to the aircraft, flat out told me “We’re never going to do something like this ever again.”

I soon found out why. After the planes had been purchased from the Italians, they needed major refurbishment at significant cost. Despite the refurbishment, the aircraft suffered from fuel leaks, mid-flight engine shutdowns, electronic component failures, and numerous other problems. In fact, test pilots had to fly the aircraft into Afghanistan – regular military pilots reportedly refused.

The aircraft – which were never designed to fly in Afghanistan’s high altitudes in the first place – flew only 234 of 4,500 planned flight hours during a nine-month period. American pilots we spoke to described them as “death traps.” The program was cancelled even before all 20 planes were delivered to Afghanistan.

The 16 planes that did make it to Afghanistan sat on that runway in Kabul until we issued our public report. Shortly after its release, the U.S. military spent \$188,000 to demolish the planes, selling the remaining scrap metal to local Afghan firms for \$32,000. Not exactly the best return on investment.

Other than the sheer incompetence and stupidity associated with this project, the key point is that both the planes and the amount spent on them were simply numbers on ledgers. Hardly any questions were raised about them even though they were sitting in plain sight. Sometimes an inquisitive nature is more effective than all the fancy satellite imagery and fraud analysis tools available.

There is another example that is just as egregious. In 2006, OPIC agreed to loan funds to construct a hotel right next to the U.S. Embassy in Kabul. The proposal was submitted by a Jordanian citizen and a U.S. sponsor. Marriott International agreed to manage the hotel, but later withdrew from its agreement.

OPIC estimated that the hotel and its use by foreign investors would produce \$80 million in foreign exchange earnings to the Afghan government annually. The project was supposed to be completed by the end of 2010, and OPIC issued just under \$60 million in loans.

In 2010, even though the hotel was far from complete, the same Jordanian and a different U.S. sponsor submitted a proposal to OPIC for the construction of an apartment building next to the hotel, to be known as the Kabul Grand Residences. OPIC approved this project as well, agreeing to loan an additional \$27 million.

SIGAR received a Hotline tip that the borrowers receiving the OPIC loans for the hotel and apartments were not paying their Afghan contractors. By this point, OPIC had disbursed nearly \$85 million. We found that in April 2013, the loan recipients reported to OPIC that the hotel would be completed by that December.

But in May, multiple news outlets reported that construction of the hotel had been halted due to security concerns in Kabul. Oddly, the next month, the loan recipients provided OPIC with a progress report stating that contracts had nevertheless been issued for the procurement of furniture, fixtures, and other equipment. Based on that progress report – and despite the contrary news reports – OPIC approved the final loan disbursement that same month.

Not surprisingly, following receipt of the final disbursement, the loan recipients notified OPIC that they were stopping all work on the project. Since then, the U.S. Embassy has assumed responsibility for securing the site, at its own cost, due to the security threat posed by an unfinished hotel looking over the U.S. Embassy compound.

When SIGAR inspectors entered the hotel in 2016 – three years after OPIC had received its last project update – it was instantly clear that the hotel was nowhere near as complete as the loan recipients had led OPIC to believe. OPIC, for its part, never sent anyone out to the site to verify the recipients' claims even as it continued to disburse tens of millions of dollars. OPIC claimed it was too dangerous to send someone – but the hotel is, after all, right across from the U.S. Embassy. Surely someone could have taken a look inside.

Our inspectors found structural cracks in the walls and the roof; damaged fireproofing on steel beams and columns; demolished wall sections; incomplete electrical, elevator, communications, fire prevention and suppression, sewer, heating, ventilation, and air conditioning systems; uninstalled doors and windows; and many other problems.

I've stayed in some bad hotels over the years, but this one takes the cake.

As for the adjacent apartment building, it was in no better shape than the hotel. OPIC again failed to conduct any on-site verification, and following the final wire transfer was notified by the loan recipients that they were stopping all work on the project, just as had happened with the hotel.

The individuals who defaulted on the loans and submitted blatantly false paperwork to OPIC did make one smart decision. They created a modern-day Potemkin Village. While the inside of the hotel was in shambles, the two external walls facing the Embassy made it appear that construction was proceeding apace. That is one reason it took so long for anyone to question what was actually going on INSIDE the hotel.

As for the apartments, there were two model apartments set up – nice enough for the brochure, but none of the pictured fixtures were connected to water, power, or anything else of use; they were as fraudulent as everything else about the project. This is a classic example of why you need to get out and kick the tires.

Even in a challenging environment like Afghanistan you can usually at least get down the street, so the fact that no one from OPIC made an effort to get inside a decade-long project right next to the embassy is inexcusable.

## **Fraud Kills**

I have discussed a few of the ways we manage to conduct our work in one of the world's most challenging environments, but let me close by explaining WHY we go to all this effort.

Every gallon of fuel that is stolen or airplane that cannot fly, or military officer who changes orders because they were bribed, endangers our country's broader mission in Afghanistan – and more importantly, endangers the people carrying out that mission – the vast majority of whom are doing the right thing.

One disturbing example of this involves a U.S. contract that was issued to Afghan firms to install culvert denial systems in Afghanistan. Culvert denial systems are rebar and concrete-enforced metal grates designed to cover culvert openings under roads.

The culverts are there to help prevent flooding, but the area underneath the roadway makes a perfect location for improvised explosive devices, or IEDs, to blow up military convoys traveling over those roads.

Tragically, two separate IED explosions that led to the deaths of two U.S. service members and injured others took place on roadways that were supposed to have been

protected by culvert denial systems installed by Afghan contractors.

Following the two incidents, a contracting officer visited the sites and saw that not only were some of the culvert denial systems incomplete, but in some areas, no system had been installed at all, even though the prior contracting officer had signed off on paperwork stating the contractor had fulfilled the contract.

Our investigation determined that prior contracting officers had never visited the work sites to verify that the culvert denial systems had been installed. SIGAR agents examined photos that the contractor submitted with his firm's invoices, and we found that not only did the contractor alter some of the photos, but that three culvert denial systems supposedly installed at different locations had identical latitude and longitude coordinates.

The new contracting officer ordered a review of the 125 locations where the denial systems were supposed to be installed and found that a significant number were never installed. Plotting all 125 locations on Google Earth, SIGAR's agents found that some of the locations the contractor had cited in his invoices were not even on or near a road.

The failure of U.S. government personnel to conduct proper oversight of the contractor led to the deaths of two service members and injuries to others – deaths and injuries that may have been prevented had someone taken the time to verify the contractor's work. Quite simply, this case demonstrates that fraud can – and does – kill.

## **Conclusion**

It is a somber note to end on, but it is a reminder that no matter how challenging the environment, fraud is about more than dollars and cents. It can be about winning and losing wars. And it can be about living and dying.

No matter how many challenges SIGAR faces in Afghanistan, we will continue to address them with creativity and determination, because we know that if we do not – no one else will.

On a final note, if you are interested in learning more about us or any of our reports, you can visit our website at [www.sigar.mil](http://www.sigar.mil). Thank you for your attention and I'm happy to take any questions.