

2 SIGAR OVERSIGHT



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Deputy Inspector General Gene Aloise speaks at a July 11 event in London sponsored by the UK government's Stabilisation Unit about SIGAR's recent lessons-learned report on stabilization efforts in Afghanistan. A panel of experts from the British government and SIGAR, and a question session, followed. (SIGAR photo by Paul Kane)

SIGAR OVERSIGHT ACTIVITIES

This quarter, SIGAR issued 16 products. SIGAR work to date has identified approximately \$2.1 billion in savings for the U.S. taxpayer.

SIGAR published two performance audit reports this quarter. These audits examined the Afghan government's commitment to developing and implementing a national-level anticorruption strategy and USAID's \$301 million Regional Agriculture Development Program.

SIGAR completed five financial audits of U.S.-funded contracts to rebuild Afghanistan. These financial audits covered a range of topics including the Department of the Army's freedom of maneuver project, USAID's mining investment and sustainability project, and the Department of Defense's Ministerial Development Program. These financial audits identified \$104,292 in questioned costs as a result of internal-control deficiencies and noncompliance issues. To date, SIGAR's financial audits have identified more than \$413.1 million in questioned costs.

SIGAR also published two inspection reports. These reports examined the construction, use, and maintenance of Wardak prison and the Afghan National Army's ground forces complex.

This quarter, SIGAR's Office of Special Projects issued five reports on a range of issues including the response to a Congressional request to calculate the total amount of waste, fraud, and abuse identified by SIGAR since 2008; construction of the Qeysar-to-Laman section of the Ring Road; and the status of U.S. support to the extractives sector in Afghanistan. Special Projects also issued one alert letter, one fact sheet, and one inquiry letter.

SIGAR also issued its fourth and fifth lessons-learned reports, *Stabilization: Lessons from the U.S. Experience in Afghanistan* and *Counternarcotics: Lessons from the U.S. Experience in Afghanistan*. The stabilization report draws important lessons from the U.S. experience with stabilization in Afghanistan from 2002 to 2017, with a special focus on the years after 2009 when most of the \$4.7 billion in stabilization funds were spent. The counternarcotics report draws important lessons from U.S. counternarcotics efforts in Afghanistan from 2002 to 2017, during which time the U.S. government spent roughly \$8.62 billion on counternarcotics activities there.

During the reporting period, SIGAR investigations resulted in one indictment, two criminal informations, three guilty pleas, one sentencing, and \$81,000 in cost savings to the U.S. government. SIGAR initiated six new cases and closed 25, bringing the total number of ongoing investigations to 180.

COMPLETED PERFORMANCE AUDIT REPORTS

- Audit 18-51-AR: Afghanistan's Anti-Corruption Efforts: The Afghan Government Has Begun to Implement an Anti-Corruption Strategy, but Significant Problems Must be Addressed
- Audit 18-65-AR: Regional Agriculture Development Program: Additional Evaluations and Assessments Could Improve the Performance and Sustainability of USAID/Afghanistan's \$301 Million Program

COMPLETED FINANCIAL AUDIT REPORTS

- Financial Audit 18-49-FA: USAID's Early Grade Reading Survey: Audit of Costs Incurred by Chemonics International Inc.
- Financial Audit 18-54-FA: Department of the Army's Freedom of Maneuver Project: Audit of Costs Incurred by PAE National Security Solutions LLC
- Financial Audit 18-56-FA: USAID's Mining Investment and Development for Afghan Sustainability Project: Audit of Costs Incurred by ECC Water & Power LLC
- Financial Audit 18-61-FA: USAID's Agricultural Credit Enhancement Project: Audit of Costs Incurred by Development Alternatives Inc.
- Financial Audit 18-62-FA: The Department of Defense's Ministerial Development Program for the Afghan Ministry of Defense, Audit of Costs Incurred by DynCorp International LLC

COMPLETED INSPECTION REPORTS

- Inspection Report 18-63-IP: Wardak Prison: Inadequate Government Oversight and Contractor Non-Compliance Have Increased Safety and Health Risks and Resulted in Wasted U.S. Funds
- Inspection Report 18-64-IP: Afghan National Army's Ground Forces Complex: Construction Generally Met Contract Requirements, But at Least \$406,000 May Have Been Wasted on the Project

COMPLETED SPECIAL PROJECTS REPORTS

- Report 18-55-SP: USAID Supported Health Facilities in Kandahar Province, Observations from Visits to Nine Facilities
- Report 18-57-SP: Construction of the Qeysar to Laman Section of the Afghan Ring Road: Review of 233 Kilometers of Ring Road Construction
- Report 18-58-SP: Status of U.S. Support to Develop Extractives Tenders in Afghanistan: DOD and USAID Efforts Yielded Limited Progress
- Report 18-59-SP: GPI Projects in Baghlan: Locations Were Accurate But Structural Damage Observed

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SIGAR OVERSIGHT ACTIVITIES

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- Report 18-60-SP: Congressional Request: Waste, Fraud, and Abuse, SIGAR Identified up to \$15.5 Billion in Waste, Fraud, and Abuse, and Failed Whole-of-Government Reconstruction Efforts

SPECIAL PROJECTS ALERT LETTER

- Alert Letter 18-50-SP: Structural Damage at Baghlan Bridge 2

SPECIAL PROJECTS FACT SHEET

- Fact Sheet 18-53-SP: USAID's Stability in Key Areas Program-Southern Region

SPECIAL PROJECTS INQUIRY LETTER

- Inquiry Letter 18-47-SP: Status of the Northeast Power System Project-Phase II

COMPLETED LESSONS LEARNED PROGRAM REPORTS

- SIGAR 18-48-LL: Counternarcotics: Lessons from the U.S. Experience in Afghanistan
- SIGAR 18-52-LL: Stabilization: Lessons from the U.S. Experience in Afghanistan

COMPLETED PERFORMANCE AUDITS

- Audit 18-51-AR: Afghanistan's Anti-Corruption Efforts: The Afghan Government Has Begun to Implement an Anti-Corruption Strategy, but Significant Problems Must be Addressed
- Audit 18-65-AR: Regional Agriculture Development Program: Additional Evaluations and Assessments Could Improve the Performance and Sustainability of USAID/Afghanistan's \$301 Million Program

This quarter, SIGAR's suspension and debarment program referred three individuals and two entities for suspension or debarment based on evidence developed as part of investigations conducted by SIGAR in Afghanistan and the United States. These referrals bring the total number of individuals and companies referred by SIGAR since 2008 to 900, encompassing 501 individuals and 399 companies to date.

AUDITS

SIGAR conducts performance audits and financial audits of programs and projects connected to the reconstruction effort in Afghanistan. Since its last report to Congress, SIGAR has issued two performance audits and five financial audits. This quarter, SIGAR has 10 ongoing performance audits and 42 ongoing financial audits.

Performance Audit Reports Published

SIGAR published two performance audit reports this quarter. These audits examined the Afghan government's commitment to developing and implementing a national-level anticorruption strategy and USAID's \$301 million Regional Agriculture Development Program.

Performance Audit 18-51-AR: Afghanistan's Anti-Corruption Efforts The Afghan Government Has Begun to Implement an Anti-Corruption Strategy, but Significant Problems Must Be Addressed

In the Consolidated Appropriations Act, 2017, Congress directed SIGAR to assess the implementation of the Afghan government's national anticorruption strategy and five ministries' action plans. Congress, in the Consolidated Appropriations Act, 2018, directed SIGAR to update that assessment, including whether the Afghan government is making progress toward achieving its anticorruption objectives.

At the Brussels Conference in October 2016, the Afghan government committed to developing and implementing new national-level anticorruption policies in 2017 through the revised Self-Reliance through Mutual Accountability Framework. Specifically, (1) the High Council on Rule of Law and Anti-Corruption (High Council) was to produce and endorse a whole-of-government anticorruption strategy in "the first half of 2017"; (2) the Afghan government was to initiate this strategy "in the second half of 2017"; and (3) the Ministries of Finance, Mines and Petroleum, Commerce and Industries, Communications and Information Technology, and Transport and Civil Aviation were to publicly report on their progress implementing anticorruption action plans in 2017.

SIGAR found that the Afghan government has created and begun implementing its anticorruption strategy and other reforms, but questions remain regarding its ability to fully implement the strategy and demonstrate a lasting commitment to combatting corruption.

SIGAR'S ASSESSMENT OF AFGHANISTAN'S ANTICORRUPTION EFFORTS

Congress directed SIGAR to conduct this audit in the explanatory statement of the Consolidated Appropriations Act, 2017, which instructed SIGAR to assess the implementation of the Afghan government's national anticorruption strategy and the five ministries' action plans.

At the Brussels Conference in October 2016, the Afghan government committed to developing and implementing new national-level anticorruption policies in 2017 through the revised Self-Reliance through Mutual Accountability Framework (SMAF). Specifically, (1) the High Council on Rule of Law and Anti-Corruption (High Council) was to produce and endorse a whole of government anticorruption strategy in “the first half of 2017”; (2) the Afghan government was to initiate this strategy “in the second half of 2017”; and (3) the Ministries of Finance, Mines and Petroleum, Commerce and Industries, Communications and Information Technology, and Transport and Civil Aviation were to publicly report on their progress implementing anticorruption action plans in 2017.

The objectives of this audit were to determine the extent to which the Afghan government: (1) met the anticorruption deliverables it agreed to under the SMAF; (2) created an anticorruption strategy that meets international anticorruption-strategy standards and best practices; (3) is implementing its commitments in the anticorruption strategy and benchmarks; and (4) has made progress or experienced challenges implementing anticorruption reforms.

SIGAR found that the Afghan government has created and begun implementing its anticorruption strategy and other reforms, but questions remain regarding its ability to fully implement the strategy and demonstrate a lasting commitment to combatting corruption. The High Council released the anticorruption strategy on October 12, 2017, achieving the first of its SMAF objectives, though it missed the mid-2017 deadline. President Ghani ordered the strategy's implementation on December 9, 2017, fulfilling the second SMAF objective. After receiving a draft of this report, the Afghan government demonstrated on April 22, 2018, that all five revenue-generating ministries have publicly reported on their progress implementing their anti-corruption action plans, thereby meeting the third SMAF objective.

While the strategy is a positive step, it has weaknesses, and it does not meet some international standards and best practices. Specifically, the strategy's authors did not fully engage Afghan ministries and civil-society organizations, even some of those who will be responsible for the strategy's implementation. In addition, the strategy's goals and benchmarks are not fully aligned. The strategy focuses primarily on 15 “priority” ministries, but



The SIGAR team who worked on the anticorruption audit waiting for their helicopter outside of the Anti-Corruption Justice Center. Pictured from left to right are John Schenk, Maggie Tiernan, and Christopher Borgeson (team member not pictured is Zachary Rosenfeld). (SIGAR photo)

leaves unclear the role of the Ministry of Defense, Afghanistan's largest ministry (by percentage of Afghanistan's national budget). The strategy also does not fully incorporate Afghanistan's other ongoing anticorruption initiatives. Moreover, the strategy fails to call for establishing a permanent and fully independent anticorruption organization to oversee, coordinate, and implement anticorruption initiatives.

As of February 28, 2018, the Afghan government had met its self-imposed deadlines for only two of the 20 anticorruption benchmarks due by that date. After receiving a draft of this report, the Afghan government completed an additional 12 benchmarks by May 14, 2018, bringing the total number of completed benchmarks to 14. Similarly, despite a presidential order mandating that approximately 58 Afghan government entities create anticorruption action plans, only 22 had done so as of February 2018. However, after receiving a draft of this report, the Afghan government showed that an additional 26 ministries had submitted action plans. Therefore, as of May 14, 2018, Afghan government entities had submitted 48 out of 58 anticorruption action plans to the High Council.

In addition to developing its anticorruption strategy, the Afghan government has reported progress in implementing anticorruption and transparency initiatives such as updating the Penal Code. However, SIGAR identified five major challenges that continue to limit the Afghan government's ability to combat corruption:

1. Key anticorruption institutions such as the Anti-Corruption Justice Center (ACJC) and Major Crimes Task Force (MCTF) lack the capacity, resources, or security they need to perform their functions.
2. Despite efforts by the Afghan government to clarify the law, Afghan officials have differing opinions about when the MCTF's detective role ends and when the Attorney General's Office's (AGO) investigative role begins, which has led to recurring conflict between these two organizations.
3. Afghanistan's law enforcement and judiciary often avoid investigating, prosecuting, and punishing powerful individuals.
4. Unqualified and potentially corrupt actors continue to operate in key Afghan anticorruption institutions. For example, while the Department of Defense and the Afghan government conducted polygraph examinations of 139 ACJC, MCTF, and Ministry of Interior employees, with 53 of these employees failing, the follow-up polygraph examinations that were planned had not been conducted. In response to a draft of this report, senior Afghan government officials expressed willingness to conduct follow-on polygraph examinations. However, U.S. Embassy officials expressed concerns that even if additional rounds of testing occur, the AGO has not committed to acting on the results. This, combined with reports of reprisals against reformers and whistleblowers, enables corrupt

actors to control anticorruption bodies and discourages those who would challenge them.

5. Finally, U.S., international, and Afghan officials all expressed skepticism about parliament's willingness to support anticorruption reforms.

SIGAR offered six matters for the Afghan Government to review and consider. To ensure the anticorruption strategy's implementation is in accordance with international standards and best practices, SIGAR recommends the Afghan government consider: (1) revising the anticorruption strategy to tie each goal to a precisely defined benchmark with a realistic deadline, and developing mechanisms to incorporate ministry and civil society feedback during this process; and (2) establishing independent anticorruption organizations in accordance with the United Nations Convention Against Corruption (UNCAC). Because the Ministry of Defense (MOD) accounts for more than 15 percent of the Afghan national budget, to ensure that the MOD continues to implement its anticorruption commitments, SIGAR recommends the Afghan government consider: (3) adding the MOD to the list of "priority ministries" required to submit an anticorruption action plan for the High Council's review. To make progress and address challenges to implementing anticorruption reforms, SIGAR recommends the Afghan government consider: (4) clarifying which government entity or entities will take over the High Office of Oversight and Anti-Corruption's education and public-awareness responsibilities; (5) providing the necessary resources and specialized staff, as well as the training that such staff may require to carry out their functions, to key anticorruption entities in accordance with the UNCAC; and (6) conducting a second round of polygraph tests, and annual follow-up rounds thereafter, for ACJC and MCTF personnel, and taking appropriate action against individuals who fail these tests. The Afghan government concurred with the first, third, fourth, and sixth matters for consideration; partially concurred with the fifth; and did not concur with the second.

As part of this report, SIGAR plans to follow up on concerns raised by Department of Justice, Drug Enforcement Agency, Bureau of International Narcotics and Law Enforcement, and others regarding key Afghan institutions such as the ACJC, Counternarcotics Justice Center (CNJC), and Attorney General's Office. Key issues include the lack of high level prosecutions at the ACJC and CNJC and the lack of polygraphs for ACJC prosecutors. Furthermore, SIGAR plans to review anti-corruption aspects of the Afghanistan Compact and their progress.

Congress directed SIGAR in the Joint Explanatory Statement for the Consolidated Appropriations Act, 2018, to conduct a follow-up assessment of the Afghan government's efforts to further implement its anticorruption strategy and related efforts to combat corruption. SIGAR plans to report its findings to Congress in mid-2019.

SIGAR OVERSIGHT ACTIVITIES

Performance Audit 18-65-AR: Regional Agriculture Development Program

Additional Evaluations and Assessments Could Improve the Performance and Sustainability of USAID/Afghanistan's \$301 Million Program

Since 2002, USAID has spent almost \$2.1 billion for more than 60 agriculture programs. In October 2013, USAID initiated its latest and one of its largest agriculture programs: the Regional Agriculture Development Program (RADP). This program consists of a group of four five-year contracts awarded by region, valued at over \$301 million. USAID awarded RADP-South and RADP-West to Chemonics, and RADP-North and RADP-South to Development Alternatives Inc. (DAI). RADP aims to expand sustainable agriculture and improve food and economic security for rural Afghans, in accordance with USAID's new approach to agricultural development in the country.

SIGAR found that USAID identified and incorporated lessons learned from past agriculture programs when designing RADP and oversaw DAI and Chemonics's completion of the contract deliverables. However, USAID has not consistently monitored or evaluated whether RADP is meeting its goals and mission objectives, and has yet to complete a required mid-term evaluation of the program. Furthermore, USAID partially met its requirements to incorporate sustainability into RADP's design, but did not conduct a mandatory sustainability analysis. SIGAR made three recommendations to USAID to conduct a mid-term performance evaluation, use its results to modify the program as appropriate, and conduct the required sustainability analysis.

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 duplication of effort. SIGAR has 42 ongoing financial audits with \$1.1 billion in auditable costs, as shown in Table 2.1.

This quarter, SIGAR completed five financial audits of U.S.-funded contracts to rebuild Afghanistan. These audits help provide the U.S. government and the American taxpayer reasonable assurance that the funds spent on these awards were used as intended. The audits question expenditures that cannot be substantiated or are potentially unallowable.

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.

TABLE 2.1

SIGAR'S FINANCIAL AUDIT COVERAGE (\$ BILLIONS)	
113 completed audits	\$6.86
42 ongoing audits	1.11
Total	\$7.97

Note: Numbers have been rounded. Coverage includes auditable costs incurred by recipients of U.S.-funded Afghanistan reconstruction contracts, grants, and cooperative agreements.

Source: SIGAR Audits and Inspections Directorate, as of 7/19/2018.

SIGAR OVERSIGHT ACTIVITIES

Since the program's inception, SIGAR's financial audits have identified more than \$413.1 million in **questioned costs** and \$363,244 in unremitted interest on advanced federal funds or other revenue amounts payable to the government. As of June 30, 2018, funding agencies had disallowed about \$25.5 million in questioned amounts, which are 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 communicated 374 compliance findings and 401 internal-control findings to the auditees and funding agencies.

A list of completed and ongoing financial audits can be found in Appendix C of this quarterly report.

Financial Audits Published

This quarter, SIGAR completed five financial audits of U.S.-funded contracts to rebuild Afghanistan. These financial audits identified \$104,292 in questioned costs as a result of internal-control deficiencies and noncompliance issues.

Financial Audit 18-49-FA: USAID's Early Grade Reading Survey Audit of Costs Incurred by Chemonics International Inc.

On July 27, 2015, USAID awarded a \$12,487,469 task order to Chemonics International Inc. (Chemonics) to implement the Early Grade Reading Survey project. The project's goal was to gather data on student literacy in primary and community-based schools in Afghanistan. USAID modified the task order four times, which extended the period of performance from March 26, 2017, to May 15, 2017.

SIGAR's financial audit, performed by Castro & Company LLC (Castro), reviewed \$11,380,760 in expenditures that Chemonics charged to the task order from July 27, 2015, through May 15, 2017. Castro identified one deficiency in Chemonics' internal controls and one instance of noncompliance with the terms and conditions of the task order and applicable regulations. Because of the internal-control deficiency and instance of noncompliance, Castro identified \$147 in total questioned costs.

Financial Audit 18-54-FA: Department of the Army's Freedom of Maneuver Project Audit of Costs Incurred by PAE National Security Solutions LLC

On September 28, 2012, the Army Contracting Command (ACC) awarded a one-year, \$18.3 million contract to A-T Solutions Inc. to fund the Freedom of Maneuver project. The project's objectives were to research and demonstrate solutions to counter the threat of improvised explosive devices in Afghanistan, and give those solutions to Afghan organizations responsible for combatting insurgents. ACC modified the contract nine times, increasing

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

Questioned costs: costs determined to be potentially unallowable. The two types of questioned costs are ineligible costs (violation of a law, regulation, contract, grant, cooperative agreement, etc., or an unnecessary or unreasonable expenditure of funds) and unsupported costs (those not supported by adequate documentation or proper approvals at the time of an audit).

COMPLETED FINANCIAL AUDITS

- Financial Audit 18-49-FA: USAID's Early Grade Reading Survey: Audit of Costs Incurred by Chemonics International Inc.
- Financial Audit 18-54-FA: Department of the Army's Freedom of Maneuver Project: Audit of Costs Incurred by PAE National Security Solutions LLC
- Financial Audit 18-56-FA: USAID's Mining Investment and Development for Afghan Sustainability Project: Audit of Costs Incurred by ECC Water & Power LLC
- Financial Audit 18-61-FA: USAID's Agricultural Credit Enhancement Project: Audit of Costs Incurred by Development Alternatives Inc.
- Financial Audit 18-62-FA: The Department of Defense's Ministerial Development Program for the Afghan Ministry of Defense, Audit of Costs Incurred by DynCorp International LLC

the total amount to \$48.5 million and extending the period of performance to June 27, 2015. In May 2015, Pacific Architects and Engineers (PAE) acquired A-T Solutions and assumed responsibility for the contract.

SIGAR's financial audit, performed by Crowe Horwath LLP (Crowe), reviewed \$27,494,779 in reimbursable costs charged to the contract from November 28, 2013, through June 27, 2015. Crowe identified one material weakness and five significant deficiencies in PAE's internal controls, and five instances of noncompliance with the terms and conditions of the contract. As a result of these internal-control deficiencies and instances of noncompliance, Crowe identified \$82,617 in total questioned costs.

Financial Audit 18-56-FA: USAID's Mining Investment and Development for Afghan Sustainability Project

Audit of Costs Incurred by ECC Water & Power LLC

On March 31, 2013, USAID awarded a four-year task order worth \$41.7 million to ECC Water & Power LLC (ECC) to implement the Mining Investment and Development for Afghan Sustainability project. The project's purpose was to provide technical support and assistance to strengthen the institutional capacity of the Afghan Ministry of Mines and Petroleum and private sector entities in extractive industries and energy development. The task order was modified 13 times, decreasing the total cost to \$38.7 million.

SIGAR's financial audit, performed by Castro & Company LLC (Castro), reviewed \$8,906,538 in expenditures charged to the contract from January 1, 2016, through March 31, 2017. Castro did not identify any material weaknesses or significant deficiencies in ECC's internal controls, or any instances of noncompliance with the terms and conditions of the task order. Accordingly, Castro did not identify any questioned costs.

Financial Audit 18-61-FA: USAID's Agricultural Credit Enhancement Project

Audit of Costs Incurred by Development Alternatives Inc.

On July 15, 2010, USAID awarded Development Alternatives Incorporated (DAI) a four-and-a-half-year, \$49.1 million contract task order to implement the Agricultural Credit Enhancement (ACE) project. USAID established the ACE project to manage all operations of the USAID Agricultural Development Fund (ADF), as well as provide technical assistance to strengthen agricultural value chains. After the initial award, 20 task-order modifications were executed, increasing the estimated cost to \$75.2 million and extending the period of performance by approximately one month.

SIGAR's financial audit, performed by Castro & Company LLC (Castro) reviewed \$70.3 million for the period from July 15, 2010, through February 25, 2015. Castro found two internal-control deficiencies and one instance of noncompliance with terms and conditions of the task order, resulting in \$21,374 of questioned costs.

Financial Audit 18-62-FA: The Department of Defense's Ministerial Development Program for the Afghan Ministry of Defense

Audit of Costs Incurred by DynCorp International LLC

On February 12, 2010, the U.S. Army Research, Development and Engineering Command awarded a two-year, \$232.4 million contract to DynCorp International LLC (DynCorp) to fund a ministerial development program for Afghanistan's Ministry of Defense (MOD). The purpose of the support was to assist the MOD in assuming full responsibility for its own security needs. Administration of the contract was assumed by Army Contracting Command (ACC), which modified the contract 33 times, increasing the total amount to \$274.7 million and extending the period of performance to September 30, 2015.

SIGAR's financial audit, performed by Crowe LLP (Crowe), reviewed \$33,104,542 in reimbursable costs charged to the contract from April 30, 2014, through September 30, 2015. Crowe identified two deficiencies in DynCorp's internal controls, and one instance of noncompliance with the terms and conditions of the contract. Because of the internal-control deficiencies and instance of noncompliance, Crowe identified \$154 in total questioned costs.

INSPECTIONS

Inspection Reports Published

This quarter, SIGAR published two inspection reports. These reports examined the construction, use, and maintenance of Wardak prison and the Afghan National Army's ground forces complex.

Inspection Report 18-63-IP: Wardak Prison

Inadequate Government Oversight and Contractor Non-Compliance Have Increased Safety and Health Risks and Resulted in Wasted U.S. Funds

In March 2006, the Department of State's Bureau of International Narcotics and Law Enforcement Affairs (INL) tasked Pacific Architects and Engineers (PAE) to design the Wardak prison. PAE subcontracted this work to Suraya Construction and Production Company. Based on the design package, INL sent the American Consulate General's Regional Procurement Support Office (RPSO), in Frankfurt, Germany, a statement of work to award a contract to build the prison. The Wardak prison consists of 38 buildings and pieces of supporting infrastructure, such as inmate housing, staff housing, family visitation buildings, guard towers, a security gate, and utilities. In September 2010, RPSO awarded a \$6.8 million firm-fixed-price construction contract to the Afghanistan Rehabilitation & Architecture Organized Company. RPSO modified the contract six times, increasing the contract's

COMPLETED INSPECTION REPORTS

- Inspection Report 18-63-IP: Wardak Prison: Inadequate Government Oversight and Contractor Non-Compliance Have Increased Safety and Health Risks and Resulted in Wasted U.S. Funds
- Inspection Report 18-64-IP: Afghan National Army's Ground Forces Complex: Construction Generally Met Contract Requirements, But at Least \$406,000 May Have Been Wasted on the Project



Broken toilet in the guard quarters building of Wardak Prison. (SIGAR photo)

value to \$7.6 million. On November 18, 2013, INL transferred the Wardak prison to the Afghan Ministry of Interior.

SIGAR found eight design and nine construction deficiencies that created health and safety risks for prison staff and inmates. SIGAR determined that the construction deficiencies resulted from RPSO not adhering to the contract requirements and technical specifications. SIGAR also found that most of the Wardak prison's facilities were being used. However, SIGAR found that two generators installed under the construction contract were not used because, according to prison officials, fuel was unaffordable. SIGAR made two recommendations to INL: (1) to address the safety deficiencies, and (2) to develop a comprehensive routine maintenance plan for the prison.

Inspection Report 18-64-IP: Afghan National Army's Ground Forces Complex Construction Generally Met Contract Requirements, But at Least \$406,000 May Have Been Wasted on the Project

In September 2011, the Combined Security Transition Command-Afghanistan (CSTC-A) directed the U.S. Army Corps of Engineers (USACE) to construct a combined Afghan National Army (ANA) Ground Forces Complex for 1,600 ANA personnel consisting of a Ground Forces Command (GFC), Garrison Support Unit (GSU), and the Army Support Command (ASC). On February 18, 2012, USACE awarded a \$19.7 million firm fixed price contract to Innovative Technical Solutions Incorporated, a U.S. company, to design and construct 92 facilities and supporting infrastructure for the ANA Ground Forces Complex at the Kabul International Airport.

USACE modified the contract 20 times, and as a result descope 37 buildings and facilities from the original contract. Within those contract modifications, on November 3, 2013, USACE terminated most of the ASC's portion of the construction contract for convenience, due to changes in the ANA's mission. In March 2014, USACE turned over 24 GFC, GSU, and ASC facilities, and 17 infrastructure improvements to CSTC-A, starting the one-year warranty period. CSTC-A transferred the facilities and infrastructure improvements to the ANA that same month.

SIGAR found that the contractor generally constructed the ANA ground forces complex facilities and infrastructure according to the contract requirements and technical specifications. However, SIGAR also found that due to USACE's incomplete record keeping, contract files and records did not include test results to allow SIGAR to determine whether the concrete and soil throughout the complex met compressive strength and density requirements, respectively.

Finally, SIGAR found that most of the complex facilities were being used. SIGAR made five recommendations in a draft of this report. Based on CSTC-A's and USACE's responses and actions taken in response to the draft, SIGAR closed all five recommendations as implemented.



Improperly sloped shower floor with mold in one officers' barracks. (SIGAR photo)

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 75 recommendations contained in 23 audit and inspection reports.

These reports contained recommendations that resulted in the recovery of \$45,762 in ineligible or unsupported contract costs paid by the U.S. government.

From 2009 through June 2018, SIGAR published 304 audits, alert letters, and inspection reports, and made 883 recommendations to recover funds, improve agency oversight, and increase program effectiveness.

SIGAR has closed 746 of these 883 recommendations, or over 84 percent. Closing a recommendation generally indicates SIGAR's assessment that the audited agency has either 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"; this quarter SIGAR closed 65 recommendations in this manner. In some cases, these recommendation will be the subject of follow-up audit or inspection work. SIGAR is also required to report on any significant recommendations from prior reports on which corrective action has not been completed. This quarter, SIGAR continued to monitor agency actions on 141 open recommendations. Forty-seven of these recommendations have been open more than 12 months; these remain open 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 because an agency has failed to act, see www.sigar.mil.

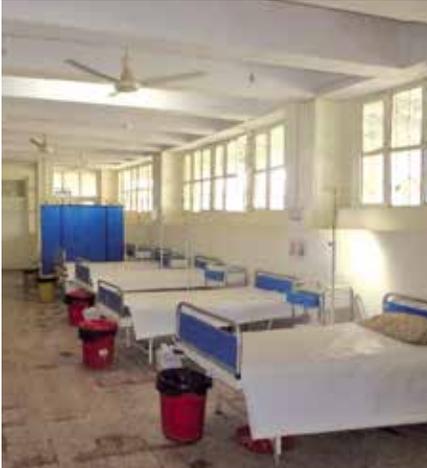
SPECIAL PROJECTS

SIGAR's Office of Special Projects was created to quickly obtain and assess information necessary to fulfill SIGAR's oversight mandates, examine emerging issues, and deliver prompt, actionable reports to federal agencies and the Congress. Special Projects reports and letters focus on providing timely, credible, and useful information to Congress and the public. The team conducts a variety of assessments, producing reports on all facets of Afghanistan reconstruction. The directorate is made up of a team of analysts supported by investigators, lawyers, subject-matter experts, and other specialists who can quickly and jointly apply their expertise to emerging problems and questions.

This quarter, SIGAR's Office of Special Projects issued five reports on a range of issues including USAID-supported health facilities in Kandahar Province, construction of the Qeysar-to-Laman section of the Ring Road, and the status of U.S. support to the extractives sector in Afghanistan.

COMPLETED SPECIAL PROJECTS REPORTS

- Report 18-55-SP: USAID Supported Health Facilities in Kandahar Province: Observations from Visits to Nine Facilities
- Report 18-57-SP: Construction of the Qeysar to Laman Section of the Afghan Ring Road: Review of 233 Kilometers of Ring Road Construction
- Report 18-58-SP: Status of U.S. Support to Develop Extractives Tenders in Afghanistan: DOD and USAID Efforts Yielded Limited Progress
- Report 18-59-SP: GPI Projects in Baghlan: Locations Were Accurate But Structural Damage Observed
- Report 18-60-SP: Congressional Request: Waste, Fraud, and Abuse, SIGAR Identified up to \$15.5 Billion in Waste, Fraud, and Abuse, and Failed Whole-of-Government Reconstruction Effort



A structurally sound and clean infirmary in Kandahar Province. (SIGAR photo)

Special Projects also issued one alert letter, one fact sheet, and one inquiry letter.

Report 18-55-SP: USAID Supported Health Facilities in Kandahar Province Observations from Visits to Nine Facilities

This is the eighth in a series of reports examining health facilities supported by USAID in Afghanistan. It contains the results of site inspections to verify the locations and operating conditions at nine USAID-supported public health facilities in Kandahar, Afghanistan. SIGAR found that all nine facilities were open and operational, but with substantial inaccuracies in the geospatial coordinates USAID provided for five of the facilities, including four facilities that were more than 10 kilometers away from the locations indicated by the coordinates USAID provided. SIGAR also found that not all facilities had access to reliable electricity and most had minor structural issues, including cracked walls and leaking roofs. SIGAR made one recommendation to USAID to help ensure that USAID support to provide medical services in Afghanistan delivers necessary services to intended communities. SIGAR found USAID's comments and reported actions to be responsive to our recommendation.

Report 18-57-SP: Construction of the Qeysar to Laman Section of the Afghan Ring Road Review of 233 Kilometers of Ring Road Construction

This report discusses the results of SIGAR's review of the construction of a 233-kilometer section of the Afghan Ring Road from Qeysar, in Faryab Province, to Laman, in Badghis Province, using Asian Development Bank (ADB) grants funded by the United States and other ADB members. SIGAR found that from 2006 until the most recent construction contract was terminated in late 2014, two issues clearly hindered project implementation: (1) security issues, and (2) contractor issues, including poor performance and a lack of communication between the contractors responsible for completing and overseeing the work.

From March 2014 through September 2017, no physical progress on the road was made, which almost certainly eroded much of the limited work that had been completed. As a result, after more than 12 years and \$249 million spent, very little physical progress was made on completing the 233-kilometer segment of the road.

Report 18-58-SP: Status of U.S. Support to Develop Extractives Tenders in Afghanistan

DOD and USAID Efforts Yielded Limited Progress

Since 2009, the Department of Defense's Task Force for Business and Stability Operations (TFBSO) and USAID have been the two main U.S. entities providing assistance to the Afghan government's efforts to develop its extractives sector. SIGAR has previously reported that despite the U.S. government investment aimed at supporting extractive tenders that could provide significant revenues to the Afghan government, TFBSO and USAID efforts yielded limited progress. This review determined the extent to which the three TFBSO and USAID programs, for which TFBSO and USAID spent \$125.4 million supporting extractive tender development, assisted the Afghan government in generating revenue. SIGAR found that none of the three programs achieved that goal, and not a single extractive tender that TFBSO or USAID supported resulted in a contract that is currently active. Since SIGAR's last update in January 2015, many of the tenders remain under ministerial review or have not progressed past negotiations. Several other tenders, for which a contract had been issued, have been suspended or cancelled.

Report 18-59-SP: Good Performers Initiative Projects in Baghlan

Locations Were Accurate, But Structural Damage Observed

The seven Good Performers Initiative (GPI) projects examined in this report were completed in Baghlan Province for approximately \$2.28 million. SIGAR's review showed that the INL-maintained location information for the seven infrastructure projects was accurate. In addition, three of the projects—Road Structures in Andarab District, the Provincial Conference Hall, and the Provincial Council Administrative Building—appeared to be



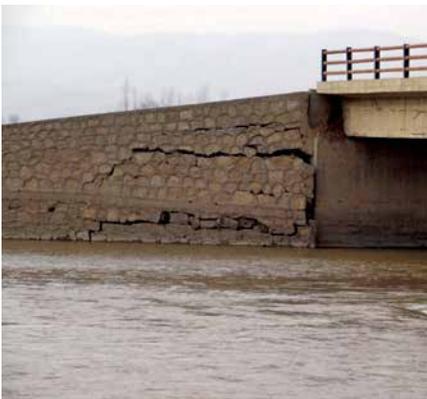
A suboptimal staircase installation in Baghlan Province. (SIGAR photo)

in generally good condition. However, SIGAR observed structural damage and other problems at the other four projects. Specifically, the sports stadium and grounds were in severe disrepair; a portion of the irrigation intake canal was destroyed; and both GPI-funded schools in Baghlan had serious construction design flaws, with one showing problems in electricity and water systems. To help protect INL's investment and ensure they are maintained and functioning as intended, SIGAR recommended that INL alert the appropriate Afghan ministries of the disrepair and lack of functioning systems SIGAR observed at the schools, sports stadium, and irrigation-intake canal.

**Report 18-60-SP:
Congressional Request: Waste, Fraud, and Abuse
SIGAR Identified up to \$15.5 Billion in Waste, Fraud, and Abuse,
and Failed Whole-of-Government Reconstruction Efforts**

In response to a Congressional request, SIGAR calculated the total dollar amount of waste, fraud, and abuse uncovered through SIGAR's work since 2008 through December 31, 2017. To do this, SIGAR reviewed 766 of its products and investigations. That body of work examined approximately \$52.7 billion of the \$126 billion that has been appropriated for Afghanistan reconstruction.

SIGAR identified up to \$15.5 billion in waste, fraud, and abuse, and failed whole-of-government reconstruction efforts (or 29 percent of the \$52.7 billion SIGAR examined). SIGAR used professional judgment to apply waste, fraud, and abuse categories defined by the U.S. Government Accountability Office to SIGAR's products and closed investigative cases. SIGAR's review of those products identified 643 instances of waste, fraud, and abuse valued at between \$2.2 billion and \$3.5 billion of the reconstruction dollars SIGAR examined. In addition, SIGAR found \$12 billion spent on two whole-of-government reconstruction efforts that appear to have failed and resulted in wasted U.S. taxpayer dollars.



Severe cracks in a Baghlan Bridge retaining wall. (SIGAR photo)

Alert Letter 18-50-SP: Structural Damage at Baghlan Bridge 2

On May 22, 2018, SIGAR sent a letter to the Commander of USFOR-A to alert him to a safety matter that warranted the attention of DOD and USFOR-A. Specifically, SIGAR found that a bridge currently in use in Baghlan Province, constructed using funds from the Commander's Emergency Response Program in 2008, seems to have been constructed using a poor design and poor-quality material. Exacerbating those issues, the workmanship appears poor, the bridge has not been maintained, and the retaining walls have suffered significant damage that now poses a risk to people on or near the bridge. During a visit to the bridge in December 2017, SIGAR observed extensive vehicle and pedestrian traffic traversing it. An Afghan government official stated that the bridge had no budget for repairs

and maintenance and has never been repaired. Unless needed maintenance is undertaken, continued use of this bridge poses a danger to users.

Fact Sheet 18-53-SP: USAID's Stability in Key Areas Program-Southern Region

This report is the second in a series that documents Stability in Key Areas (SIKA) program's reach throughout Afghanistan, and provides details about USAID's initiatives for the SIKA-South program. SIKA-South was one of four regional SIKA programs. In April 2012, USAID awarded AECOM International Development Inc. a \$58.8 million, 18-month contract to implement SIKA-South. USAID ultimately spent \$79.3 million to implement SIKA-South with 1,055 projects in 20 districts across Kandahar, Helmand, Nimroz, Uruzgan, and Zabol Provinces over the course of three years. Of the 1,055 projects, 30 percent, or 314, were located in Helmand.

SIGAR grouped SIKA-South projects into two main categories, "hard" and "soft." Hard projects consisted of infrastructure-focused activities, such as the construction of roads, culverts, and playgrounds. Soft projects consisted of capacity-building activities, such as vocational training, teacher training, education, and conflict resolution, and focused on reducing instability by building trust in local government. SIGAR found that 56 percent of the projects implemented in SIKA-South were soft projects, and 44 percent of the projects implemented in SIKA-South were hard projects.

Inquiry Letter 18-47-SP: Status of the Northeast Power System Project-Phase II

On May 8, 2018, SIGAR sent a letter to the Commanders of USFOR-A and USACE to request information regarding Phase II of the North East Power System (NEPS) project. During the course of SIGAR's inspection on NEPS Phase III, SIGAR contacted USACE, the Afghan Ministry of Energy and Water, and the Da Afghanistan Breshna Sherkat electric utility, to inquire whether NEPS Phase II was complete and operational. Based on the initial responses received regarding challenges in testing and commissioning transmission towers and substations due to land-acquisition problems, and in light of the problems SIGAR found during inspection of NEPS Phase III, SIGAR required additional information regarding the status and viability of NEPS Phase II. USACE responded to SIGAR's inquiry on May 21, 2018.

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 agencies on ways to improve efforts in current and future operations. The program has published five reports thus far and has three projects in development: U.S. and Coalition

SPECIAL PROJECTS ALERT LETTER

- Alert Letter 18-50-SP: Structural Damage at Baghlan Bridge 2

SPECIAL PROJECTS FACT SHEET

- Fact Sheet 18-53-SP: USAID's Stability in Key Areas Program-Southern Region

SPECIAL PROJECTS INQUIRY LETTER

- Inquiry Letter 18-47-SP: Status of the Northeast Power System Project-Phase II

COMPLETED LESSONS LEARNED PROGRAM REPORTS

- SIGAR 18-48-LL: Counternarcotics: Lessons from the U.S. Experience in Afghanistan
- SIGAR 18-52-LL: Stabilization: Lessons from the U.S. Experience in Afghanistan

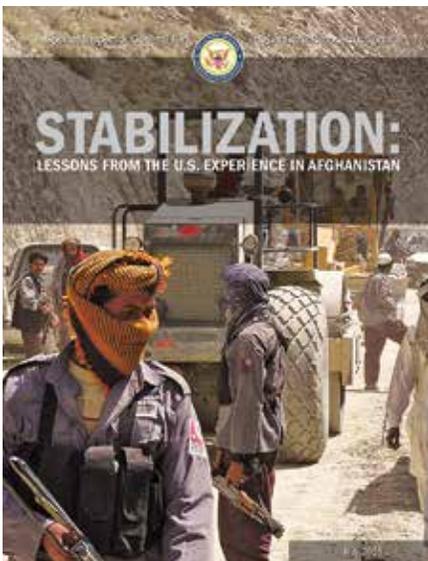
SIGAR OVERSIGHT ACTIVITIES

responsibilities for security sector assistance, U.S. support for elections, and reintegration. Following the release last quarter of a lessons learned report on private sector development and economic growth, SIGAR's Lessons Learned Program released two additional reports—one on stabilization and one on counternarcotics—this quarter. The full lessons-learned reports and their companion interactive versions are posted on SIGAR's website, www.sigar.mil.

Stabilization: Lessons from the U.S. Experience in Afghanistan

On May 24, SIGAR issued its fourth Lessons Learned Program report, *Stabilization: Lessons from the U.S. Experience in Afghanistan*. The report draws important lessons from the U.S. experience with stabilization in Afghanistan from 2002 to 2017, with a special focus on the years after 2009 when most of the \$4.7 billion in stabilization funds were spent.

SIGAR's analysis revealed the U.S. government greatly overestimated its ability to build and reform government institutions in Afghanistan as part of its stabilization strategy. SIGAR also found the stabilization strategy and the programs used to achieve it were not properly tailored to the Afghan context, and successes in stabilizing Afghan districts rarely lasted longer than the physical presence of coalition troops and civilians. As a result, by the time all prioritized districts had transitioned from Coalition to Afghan control in 2014, the services and protection Afghan forces and civil servants were able to provide often could not compete with a resurgent Taliban as it filled the void in newly vacated territory.



Cover of SIGAR's lessons-learned report on stabilization in Afghanistan.



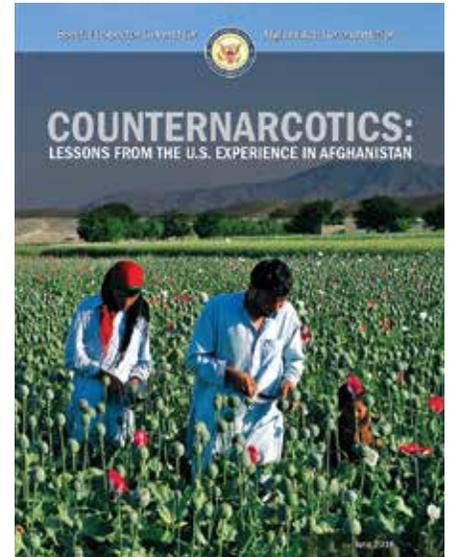
David Young, right, of SIGAR's Lessons Learned Program, joined in a panel at the Brookings Institution debut event for the new report on stabilization. (SIGAR photo by Lauren Mick)

SIGAR OVERSIGHT ACTIVITIES

Counternarcotics: Lessons from the U.S. Experience in Afghanistan

On June 14, SIGAR issued its fifth Lessons Learned Program report, *Counternarcotics: Lessons from the U.S. Experience in Afghanistan*. The report draws important lessons from U.S. counternarcotics efforts in Afghanistan from 2002 to 2017, during which time U.S. government spent roughly \$8.62 billion. Despite this investment, Afghanistan remains the world's largest opium producer, and opium poppy is the country's largest cash crop.

Stemming opium-poppy cultivation and drug production has been an important, though not primary, goal for the United States and its partners. The Afghan drug trade has undermined reconstruction and security, including by financing insurgent groups and fueling government corruption. SIGAR's analysis revealed that no counternarcotics program led to lasting reductions in poppy cultivation or opium production. Eradication efforts had no lasting impact, and eradication was not consistently conducted in the same geographic locations as development assistance. Alternative-development programs were often too short-term, failed to provide sustainable alternatives to poppy, and sometimes even contributed to poppy production. Sustained reductions in Afghan poppy cultivation and drug production will ultimately require improved security, governance, and economic growth.



Cover of SIGAR's lessons-learned report on counternarcotics in Afghanistan.

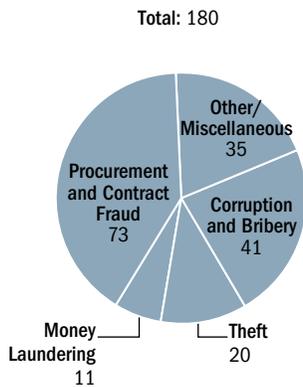


A panel at a June event at a New America meeting in Washington, DC, discusses SIGAR's new Lessons Learned Program report, *Counternarcotics: Lessons from the U.S. Experience in Afghanistan*. From left to right: Peter Bergen, New America; Kate Bateman, SIGAR Lessons Learned Program; retired U.S. Ambassador Ronald Neumann, American Academy of Diplomacy; Harold Wankel, former chief of operations, Drug Enforcement Administration; Matthieu Aikins, Southern New Hampshire University Fellow, New America. (New America photo)

SIGAR OVERSIGHT ACTIVITIES

FIGURE 2.1

SIGAR INVESTIGATIONS: NUMBER OF OPEN INVESTIGATIONS, AS OF JULY 11, 2018



Source: SIGAR Investigations Directorate, 7/11/2018.

INVESTIGATIONS

During the reporting period, SIGAR investigations resulted in one indictment, two criminal informations, three guilty pleas, one sentencing, and \$81,000 in cost savings to the U.S. government. SIGAR initiated six new cases and closed 25, bringing the total number of ongoing investigations to 180, as seen in Figure 2.1.

To date, SIGAR investigations have resulted in a cumulative total of 127 criminal convictions. Criminal fines, restitutions, forfeitures, civil settlements, and U.S. government cost savings and recoveries total over \$1.2 billion.

U.S. Contractor Pleads Guilty to Kickback Conspiracy

On April 9, 2018, in the Middle District of Florida, James Barber, the owner of Effects Analytics LLC, pleaded guilty to conspiracy to provide a kickback. Sentencing is scheduled for July 25, 2018.

In 2012, a \$249 million U.S. Army contract was awarded to Leonie Industries LLC (Leonie), for face-to-face public-opinion polling in Afghanistan. In exchange for confidential government information, Barber offered a \$25,000 kickback to an employee of Leonie, Jeremy Serna, who was assigned to work the contract. Serna stole the requested information and provided it to Barber, who used it to negotiate and obtain a subcontract award from Leonie. Additionally, Barber offered Serna employment with ORB International, a United Kingdom public-opinion polling company. Serna was sentenced for theft of government property on January 24, 2018.

The investigation was conducted by SIGAR, Defense Criminal Investigative Service (DCIS), and U.S. Army Criminal Investigation Division Command (USACID), with assistance from the Defense Finance and Accounting Service (DFAS).



Charles Hyacinthe, left, and Scott Harmon, right, meet with Deputy Minister of Defense Tamim Asey in Kabul. (Ministry of Defense photo)

Former U.S. Contractor Employee Sentenced for Accepting Kickbacks

On June 14, 2018, in the Northern District of Georgia, Christopher McCray was sentenced to five months' imprisonment, followed by five months' home confinement, three years' supervised release, and 200 hours of community service, and was ordered to pay a \$100 assessment.

McCray was the country manager for a subcontractor of a U.S. company responsible for moving cargo from Bagram Airfield to military bases throughout Afghanistan. McCray entered into an agreement with an Afghan trucking company whereby he received kickback payments worth 15 percent of the gross revenue earned on each contract. McCray received secret payments from December 2012 to May 2014. He was first paid in cash, then by wires sent to his bank account in Atlanta and by payments sent to his mother, who would deposit the funds into his accounts.

SIGAR, DCIS, USACID-MPFU, the FBI, and Air Force OSI investigated this matter.

Former U.S. Military Member Pleads Guilty to Bribery

On May 22, 2018, in the Eastern District of California, David A. Turcios pleaded guilty to one count of receiving and agreeing to receive bribes. Sentencing is scheduled for October 9, 2018.

Turcios is one of eight subjects of a major bribery investigation that focused on Afghan contractors paying bribes to U.S. military personnel in return for government contracts associated with the Humanitarian Aid Yard at Bagram Airfield. As part of the Commander's Emergency Response Program to meet humanitarian relief needs to Afghans, the Yard served as a storage-and-distribution facility for clothing, food, and other items purchased from local Afghan vendors. Investigators uncovered criminal activity affecting inventories, payments, and contract oversight, and confirmed that U.S. military personnel, stateside contacts, and local Afghans had conspired in bribery, kickbacks, and money-laundering schemes. Among other improper acts, U.S. personnel took bribes from vendors to steer business to favored vendors. The conspiracies at the Yard persisted for years.

Former Employee of U.S. Government Contractor Pleads Guilty to Transporting Stolen Money

On April 26, 2018, in the Southern District of Ohio, Frantz Florville pleaded guilty to a one-count criminal information filed April 5, 2018. Sentencing has not yet been scheduled.

Florville was a project specialist for the prime contractor on a \$7.9 million U.S. government contract. While working in Afghanistan, Florville became suspicious of a coworker, Nebraska McAlpine, who was taking illegal kickbacks from an Afghan subcontractor, and took steps to record conversations between McAlpine and the subcontractor. After the last

recorded meeting, Florville went into McAlpine's office, found a bag containing \$108,000 and took the bag. Florville admitted that he used \$25,000 of the stolen money to purchase nine diamonds. On a flight from Afghanistan to the United Arab Emirates, Florville hid \$79,000 in boots that were specifically purchased and altered to conceal the stolen money.

SIGAR Investigation Results in \$81,000 Cost Avoidance to U.S. Government

U.S. Army contracting officers issued a demand letter to Afghan Strong Group (ASG), an Afghan contractor, directing that ASG reconstruct a guard tower on the outer perimeter of Bagram Airfield. ASG complied and completed the reconstruction of the tower on May 16, 2018, resulting in cost avoidance of \$81,100.

The letter was issued after SIGAR launched an investigation when information was provided by contracting officials concerning substandard concrete used in constructing the tower. SIGAR requested compression-strength tests of core samples of the concrete from the tower. Samples from all four decks of the tower failed. Due to the inferior concrete, the potential for the collapse of the tower presented a significant safety and security risk resulting in the issuance of the demand letter.

Suspension: refers to an action taken by a federal agency to prohibit a person or entity from participating in federal government procurement contracts and covered nonprocurement transactions for a temporary period of time based on an immediate need to protect the interests of the government, in accordance with the provisions of Section 9.407 of the Federal Acquisition Regulations or 2 C.F.R. 208.700.

Debarment: refers to an action taken by a federal agency to prohibit a person or entity from participating in federal government procurement contracts and covered nonprocurement transactions for a defined period of time, generally three years, in accordance with the provisions of Section 9.406 of the Federal Acquisition Regulations or 2 C.F.R. 208.800.

Special Entity Designation: means an action taken by the Department of Defense to prohibit a person or entity from participating in federal government procurement contracts and covered nonprocurement transactions based on a findings of a vendor vetting determination, listing on the U.S. Treasury's Specially Designated Nationals and Blocked Persons List, or other determinations made pursuant to Section 841 of the Fiscal Year 2015 National Defense Authorization Act (P.L. 113-291) (2014).

Suspensions and Debarments

This quarter, SIGAR's **suspension** and **debarment** program referred three individuals and two entities for suspension or debarment based on evidence developed as part of investigations conducted by SIGAR in Afghanistan and the United States. These referrals bring the total number of individuals and companies referred by SIGAR since 2008 to 900, encompassing 501 individuals and 399 companies to date, as shown in Figure 2.2.

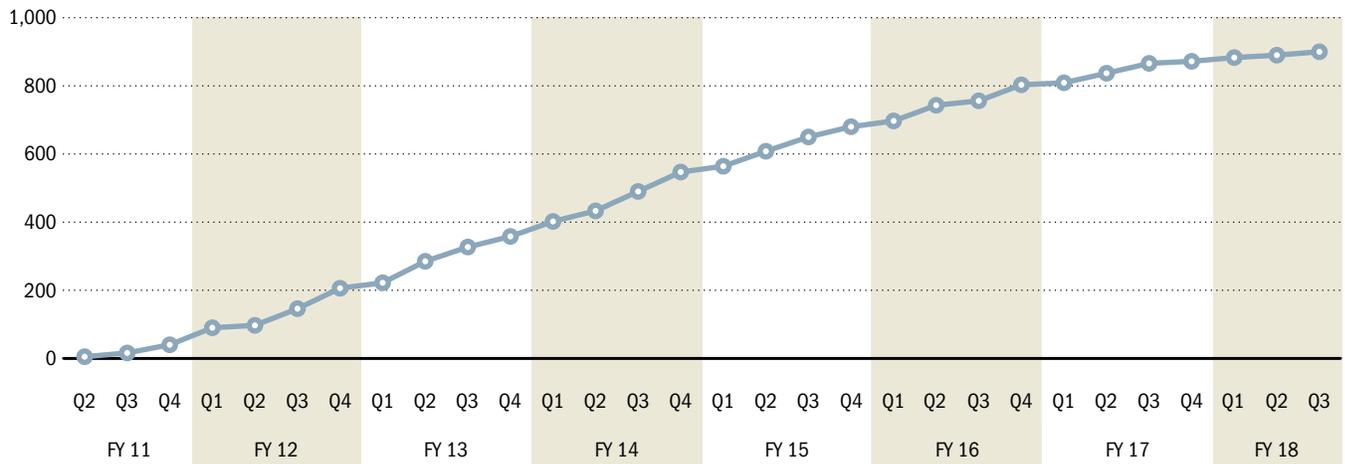
As of the end of June 2018, SIGAR's efforts to utilize suspension and debarment to address fraud, corruption, and poor performance in Afghanistan have resulted in 136 suspensions and 533 finalized debarments/**special entity designations** of individuals and companies engaged in U.S.-funded reconstruction projects. An additional 23 individuals and companies have entered into administrative compliance agreements with the U.S. government in lieu of exclusion from contracting since the initiation of the program. During the second quarter of 2018, SIGAR's referrals resulted in an additional finalized debarment. An additional 10 individuals and companies are currently in proposed debarment status, awaiting final adjudication of their debarment decisions.

Suspensions and debarments are an important tool for ensuring that agencies award contracts only to responsible entities. SIGAR's program addresses three challenges posed by U.S. policy and the contingency contracting environment in Afghanistan: the need to act quickly, the limited U.S. jurisdiction over Afghan nationals and Afghan companies, and the

SIGAR OVERSIGHT ACTIVITIES

FIGURE 2.2

SIGAR INVESTIGATIONS: CUMULATIVE REFERRALS FOR SUSPENSION AND DEBARMENT, Q2 FY 2011–Q3 FY 2018



Note: For a comprehensive list of finalized suspensions, debarments, and special entity designations, see Appendix D.
Source: SIGAR Investigations Directorate, 7/11/2018.

vetting challenges inherent in the use of multiple tiers of subcontractors. SIGAR continues to look for ways to enhance the Government’s responses to these challenges through the innovative use of information resources and investigative assets both in Afghanistan and the United States.

SIGAR makes referrals for suspensions and debarments—actions taken by U.S. agencies to exclude companies or individuals from receiving federal contracts or assistance because of misconduct—based on completed investigations that SIGAR participates in. In most cases, SIGAR’s referrals occur in the absence of acceptance of an allegation for criminal prosecution or remedial action by a contracting office and are therefore the primary remedy to address contractor misconduct. In making referrals to agencies, SIGAR provides the basis for a suspension or debarment decision by the agency as well as all of the supporting documentation needed for an agency to support that decision should it be challenged by the contractor at issue. Based on the evolving nature of the contracting environment in Afghanistan and the available evidence of contractor misconduct and/or poor performance, on occasion SIGAR has found it necessary to refer individuals or companies on multiple occasions for consideration by agency Suspension and Debarment Officials.

SIGAR’s emphasis on suspension and debarment is exemplified by the fact that of the 900 referrals for suspension and debarment that have been made by the agency to date, 873 have been made since the second quarter of 2011. During the 12-month period prior to June 30, 2018, referrals by

SIGAR's suspension and debarment program resulted in the exclusion of 37 individuals and companies from contracting with the government. SIGAR's referrals over this period represent allegations of theft, fraud, poor performance, financial support to insurgents and mismanagement as part of reconstruction contracts valued at \$307,797,527.

OTHER SIGAR OVERSIGHT ACTIVITIES

- Deputy Inspector General Aloise Speaks at Association of Government Accountants
- Inspector General Sopko Speaks at Army War College, Carlisle Barracks, Pennsylvania
- Deputy Inspector General Aloise Speaks at UK's Foreign and Commonwealth Office, London
- Inspector General Sopko Speaks at the Second Integrity Watch Afghanistan Volunteers Conference, Kabul
- SIGAR Peer Review of Policies and Procedures at Architect of the Capitol's Office of the Inspector General
- Inspector General Sopko Speaks at New America, Washington, DC
- Inspector General Sopko Speaks at an Event Hosted by the Levin Center at Wayne Law, Wayne State University, Washington, DC
- Deputy Inspector General Aloise Speaks at the North Atlantic Treaty Organisation's Building Integrity Lessons Learned Seminar, Lisbon
- Inspector General Sopko Speaks at the Brookings Institution, Washington, DC
- Inspector General Sopko Delivers Testimony Before the Homeland Security and Governmental Affairs Committee, Subcommittee on Federal Spending Oversight and Emergency Management, U.S. Senate, Washington, DC

OTHER SIGAR OVERSIGHT ACTIVITIES

Deputy Inspector General Aloise Speaks at Association of Government Accountants

On July 23, 2018, Deputy Inspector General Gene Aloise spoke at the Association of Government Accountants' conference. DIG Aloise participated in a panel entitled "Conducting Audits in Challenging Environments" along with AIG for Audits at the Peace Corps OIG, Judy Leonhardt and Deputy AIG for Middle East Operations at the Department of State OIG, Tinh Nguyen. DIG Aloise discussed the security and corruption environment in Afghanistan, and how that poses a significant challenge to SIGAR's ability to conduct oversight. Specifically he highlighted the need to adapt oversight methods, focus on outcomes over outputs, and the importance of an overall strategy as lessons learned from SIGAR's 10 years of oversight work. He also cited specific examples of SIGAR's audit and investigative work to illustrate the challenging environment in which SIGAR operates.

Inspector General Sopko Speaks at Army War College, Carlisle Barracks, Pennsylvania

On July 17, 2018, Inspector General John F. Sopko spoke at the Army War College on the subject of "Afghanistan: Lessons of the Long War." IG Sopko explained that SIGAR is in a unique position to produce lessons learned products because its jurisdiction crosses all agencies conducting reconstruction in Afghanistan. To date, SIGAR has produced five lessons-learned reports and the focus of IG Sopko's speech was on the common themes identified in all of the reports. These themes include faulty assumptions and the ongoing negative effect on security, uncontrolled spending and its relationship with corruption, the importance of comprehensive strategies, and the challenges of constant personnel rotations.

Deputy Inspector General Aloise Speaks at UK's Foreign and Commonwealth Office, London

On July 11, 2018, Deputy Inspector General Aloise delivered a keynote address at a conference hosted by the UK's Stabilisation Unit at the Foreign and Commonwealth Office in London. Deputy IG Aloise's remarks addressed the findings, lessons, and recommendations of SIGAR's recent lessons-learned report, *Stabilization: Lessons from the U.S. Experience*

SIGAR OVERSIGHT ACTIVITIES

in Afghanistan. David H. Young, the lead author of SIGAR's stabilization lessons-learned report, elaborated on SIGAR's findings while participating on a panel of experts from various UK ministries.

Inspector General Sopko Speaks at the Second Integrity Watch Afghanistan Volunteers Conference, Kabul

On June 30, 2018, IG Sopko spoke at the second Integrity Watch Afghanistan (IWA) volunteers' conference on the subject of "Promoting the Culture of Integrity in Afghanistan." IG Sopko noted SIGAR's close working relationship with IWA. He also emphasized Afghanistan's economic potential and the role that Afghan civil society organizations and Afghan media will need to play in preventing corruption during economic development.

SIGAR Peer Review of Policies and Procedures at Architect of the Capitol's Office of the Inspector General

On June 27, 2018, SIGAR's Office of Quality Control issued the results of its March–June modified peer review of the Inspections and Evaluations (I&E) unit in the Office of the Inspector General (OIG) for the Architect of the Capitol. The peer review team, led by SIGAR and assisted by the Pension Benefit Guaranty Corporation's Office of Inspector General, conducted this work as part of a new federal Council of the Inspectors General on Integrity and Efficiency (CIGIE) initiative to expand external peer reviews to include products issued in accordance with CIGIE's Quality Standards for Inspection and Evaluation (Blue Book). Since the Architect of the Capitol OIG had not issued any I&E products at the time of this review, the peer review was limited to assessing the extent to which their policies and procedures met seven CIGIE Blue Book standards. SIGAR found that policies and procedures for records maintenance and for report follow-up did not meet CIGIE standards. The OIG agreed with SIGAR's two recommendations and provided additional information on policies and procedures for records maintenance. Based on the OIG's response, one recommendation is now closed and one remains open.

Inspector General Sopko Speaks at New America, Washington, DC

On June 14, 2018, IG Sopko spoke at New America on the release of SIGAR's Lessons Learned Program's new report *Counternarcotics: Lessons from the U.S. Experience in Afghanistan*. IG Sopko emphasized that countering poppy cultivation in Afghanistan is a difficult task and that there is no "silver bullet." However, he noted that the \$8.6 billion dollars spent on counternarcotics initiatives have so far not succeeded. He concluded by noting that moving forward, the U.S. can outline a strategy of shared goals and priorities for different counternarcotics agencies and work within the demonstrated capabilities of Afghan counterdrug units.



IG Sopko, center, presents an award to representatives of the Integrity Watch Afghanistan NGO as members of SIGAR's Kabul staff observe. (SIGAR photo by Alexandra Hackbarth)

SIGAR OVERSIGHT ACTIVITIES



DIG Aloise delivers the keynote address at the North Atlantic Treaty Organisation's lessons-learned seminar.

Inspector General Sopko Speaks at Event Hosted by the Levin Center at Wayne Law, Wayne State University, Washington, DC

On June 13, 2018, IG Sopko spoke at an event hosted by the Levin Center at Wayne Law, Wayne State University at the Council on Foreign Relations in Washington, DC. The subject of his speech was "Forty Years of IGs Helping Congress Fight Waste and Protect the Taxpayer." IG Sopko noted that for Congress to conduct effective oversight, it must have experts looking into the matters of concern. Over the past four decades, this expertise has been furnished increasingly by inspectors general.

Deputy Inspector General Aloise Speaks at the North Atlantic Treaty Organisation's Building Integrity Lessons Learned Seminar, Lisbon

On May 25, 2018, Deputy Inspector General Aloise delivered the keynote speech at the North Atlantic Treaty Organisation's (NATO) first Lessons Learned Seminar on Building Integrity. James Cunningham of SIGAR's Lessons Learned Program participated in a panel focused on national experiences conducting lessons-learned research and analysis.

Inspector General Sopko Speaks at the Brookings Institution, Washington, DC

On May 24, 2018, IG Sopko spoke at the Brookings Institution on SIGAR's Lessons Learned Program's new report *Stabilization: Lessons from the U.S. Experience in Afghanistan*. IG Sopko defined stabilization as the process of building governance to the point at which the population prefers government rule to any alternatives. IG Sopko emphasized that this project was undertaken because the stabilization effort in Afghanistan was not the first that the U.S. government has undertaken and will not be the last. Overall, SIGAR's conclusion is that despite some heroic efforts, the stabilization effort between 2002 and 2017 has mostly failed.



IG Sopko and Laurel E. Miller, RAND Corporation, discuss the challenges of providing foreign assistance to Afghanistan.

Inspector General Sopko Delivers Testimony Before the Homeland Security and Governmental Affairs Committee, Subcommittee on Federal Spending Oversight and Emergency Management, U.S. Senate, Washington, DC

On May 9, 2018, IG Sopko delivered testimony before the U.S. Senate's Homeland Security and Governmental Affairs Committee, Subcommittee on Federal Spending Oversight and Emergency Management. IG Sopko made four overarching observations. First, SIGAR has reported many signs of progress in Afghanistan reconstruction but continues to document fraud, waste, and abuse. Second, SIGAR has identified more than \$2 billion in potential savings and has issued a number of recommendations, over 80 percent of which have been implemented or effectively addressed. Third,

SIGAR OVERSIGHT ACTIVITIES

SIGAR works closely with other U.S. government agencies including DOD, USAID, and the State Department to improve reconstruction efforts. Finally, IG Sopko noted that while the reconstruction effort has had serious flaws, it has not failed and its efforts have improved over time.

SIGAR BUDGET

SIGAR is fully funded through FY 2019 at \$54.9 million under the Consolidated Appropriations Act, 2018. The budget supports SIGAR's oversight activities and products by funding SIGAR's Audits and Inspections, Investigations, Management and Support, and Research and Analysis Directorates, as well as the Special Projects Team and the Lessons Learned Program.

SIGAR STAFF

SIGAR's staff count remained steady since the last report to Congress, with 192 employees on board at the end of the quarter: 27 SIGAR employees were at the U.S. Embassy in Kabul and two others were at Bagram Airfield. SIGAR employed five Afghan nationals in its Kabul office to support the Investigations and Audits Directorates. In addition, SIGAR supplements its resident staff with personnel assigned to short-term temporary duty in Afghanistan. This quarter, SIGAR had seven employees on temporary duty in Afghanistan for a total of 66 days.



IG Sopko, center, and Deputy IG Aloise, far right, gather with SIGAR student trainees. Back row left to right: Nolan Brahmey, Brian Tarpley, Robert Hill, Jordan Schurter, Ethan Whiting, Andrew Sartorious, IG, Michael White, Evan Ward, Lauren Helinski, McKenna Mallory, and DIG. Front row left to right: Bryce Rogers, Timothy Zaloznik, Samantha Hay, Danae Grant, Zion Lewis, Alyssa Boley, and Alexis Hughes. (SIGAR photo by Casey Chiu)

SIGAR Selects a New Director of Forward Operations

Lindy Savelle became SIGAR's new Director of Forward Operations in Kabul in June 2018. Her law-enforcement career spans nearly 30 years, beginning as a special agent with the Federal Bureau of Investigation and retiring as an Assistant Special Agent in Charge (ASAC) from the Defense Criminal Investigative Service before joining SIGAR in June 2013. Her previous assignments with SIGAR began in July 2013 as a Special Agent in Kandahar. She was then selected as the ASAC for Kabul and eventually the Special Agent in Charge for Investigations in Kabul before departing in 2015. Savelle was instrumental in establishing the excellent relationships SIGAR enjoys today with President Ghani, many prominent representatives of the Afghan government, as well as senior U.S. civilian and military officers and diplomats from the international community.



“I call this talking and fighting. As Defense Secretary Mattis has said, violence and progress can coexist, and that’s what we’re seeing.”

—*General John Nicholson Jr.*