

OFFICE OF THE SPECIAL INSPECTOR GENERAL FOR AFGHANISTAN RECONSTRUCTION

# Better Planning and Oversight Could Have Reduced Construction Delays and Costs at the Kabul Military Training Center



**October 26, 2011**



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This report discusses the results of the Office of the Special Inspector General for Afghanistan Reconstruction's audit of U.S. Air Force Center for Engineering and the Environment (AFCEE) infrastructure projects at the Kabul Military Training Center (KMTC). The report includes four recommendations. These include two recommendations to the Commanding General, Combined Security Transition Command-Afghanistan (CSTC-A), to strengthen the planning process and two recommendations to the Director, AFCEE, to strengthen contract administration and to seek reimbursement from one of the contractors for the cost of electrical repairs related to poor performance by its Afghan subcontractors.

When preparing the final report, we considered comments from CSTC-A and AFCEE. These comments are reproduced in appendices II and III, respectively. CSTC-A concurred with both recommendations made to the CSTC-A Commanding General. AFCEE stated that it has taken steps to implement the first recommendation regarding contract administration, but disagreed with the recommendation to seek reimbursement from the contractor because the contractor had not willfully avoided its responsibility or acted in bad faith. Contract performance, including work of the subcontractors, is the responsibility of the prime contractor, irrespective of the prime contractor's conduct. Therefore, we are retaining the recommendation.

A summary of this report is on page ii. We conducted this performance audit under the authority of Public Law No. 110-181, as amended; the Inspector General Act of 1978; and the Inspector General Reform Act of 2008.

A handwritten signature in black ink, appearing to read "Steven J Trent".

Steven J Trent  
Acting Special Inspector General  
for Afghanistan Reconstruction



# SIGAR

Special Inspector General for Afghanistan Reconstruction

SIGAR Audit-12-2

October 2011

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### What SIGAR Reviewed

A key objective of the coalition efforts in Afghanistan is to build the country's capacity to provide for its own security by housing, training, equipping, and sustaining the Afghan National Security Forces. The Combined Security Transition Command–Afghanistan (CSTC-A) provided \$140 million to the Air Force Center for Engineering and the Environment (AFCEE) to support construction of facilities at the Kabul Military Training Facility (KMTC), Afghanistan's primary training base for new recruits into the Afghan National Army (ANA). KMTC is a critical component of CSTC-A's training mission and the overall strategy to transition security to Afghan security forces. It is being built in phases. AFCEE has awarded three task orders, one for each phase. The task orders for Phases I and II were awarded to AMEC Earth and Environmental, Inc. (AMEC) and the task order for Phase III was awarded to ECC International (ECC). AFCEE officials were responsible for providing contract oversight of construction activities. This report examines (1) construction at KMTC, including changes in cost and schedule, the reasons for changes, and whether construction met contract requirements, (2) construction oversight and the completeness of contract files, and (3) plans for sustaining KMTC facilities once constructed. To accomplish these objectives, we reviewed relevant contract files; performed site inspections at KMTC; and interviewed officials from CSTC-A and AFCEE, among others. We conducted our work at AFCEE headquarters in San Antonio, Texas; Kabul, Afghanistan; and Washington, D.C., among other places from December 2010 to October 2011, in accordance with generally accepted government auditing standards.

### What SIGAR Found

KMTC has experienced both cost growth and schedule delays. Cost for Phases I and II grew by a total of \$12.5 million—\$3.3 million for Phase I and \$9.2 million for Phase II. Phase I was completed August 31, 2009, 1 year and 6 months late. Phase II, which ran concurrently with Phase I, was completed on January 9, 2010, nearly 2 years late. The cost growth and delays occurred due to a variety of factors, including additional work, poor contractor performance, and inaccurate site information. Overall, AFCEE data show that the KMTC schedule delays are not unique because the large majority of AFCEE projects for CSTC-A—80 percent—experienced similar delays. Oversight weaknesses occurred in Phases I and II at KMTC; however, AFCEE has strengthened oversight of Phase III. Although the quality assurance contractor identified electrical problems as early as June 2008, AFCEE did not address the problems until fires began to occur at the end of that year. Two key factors contributed to the electrical problems—an acceleration of the construction schedule without a commensurate increase in oversight and the use of substandard and counterfeit supplies. AFCEE has paid more to repair the electrical damage than required under the terms of the contracts—as much as \$4.3 million. SIGAR also found that, although the Federal Acquisition Regulation directs that contract files contain sufficient documentation to constitute a complete history of the transaction, the KMTC task order files contained incomplete or contradictory information as to the reasons for modifying the contract. Therefore, it was not possible always to ascertain the reasons for increases in costs or schedule.

Sustainment of completed KMTC construction has been transferred to an operations and maintenance contract that covers the sustainment of multiple Afghan National Security Forces facilities, including KMTC. However, the funding under this contract is being expended faster than anticipated. SIGAR has an ongoing audit of the implementation of two operations and maintenance contracts for the sustainment of these facilities.

### What SIGAR Recommends

SIGAR is making two recommendations to the Commanding General, CSTC-A, in coordination with the Director, AFCEE, to strengthen the planning process. CSTC-A concurred with both recommendations. SIGAR is also making two recommendations to the Director, AFCEE, to strengthen contract administration and to seek reimbursement from one of the contractors for the cost of electrical repairs related to poor performance by its Afghan subcontractors. AFCEE stated that it has taken steps to implement the first recommendation regarding contract administration. However it disagreed with the second recommendation stating that AMEC had not willfully avoided its responsibility. Irrespective of AMEC's conduct, contract performance, including work of the subcontractors, is the responsibility of the prime contractor. Therefore, we are retaining the recommendation.

For more information contact: SIGAR Public Affairs at (703) 602-8742 or [PublicAffairs@sigar.mil](mailto:PublicAffairs@sigar.mil)

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## ABREVIATIONS

AFCEE	Air Force Center for Engineering and the Environment
AMEC	AMEC Earth and Environmental, Inc.
ANA	Afghan National Army
ANSF	Afghan National Security Forces
CO	Contracting Officer
COR	Contracting Officer's Representative
CSTC-A	Combined Security Transition Command - Afghanistan
DNC	Discrepancy and Non-Compliance
DPW	Department of Public Works
ECC	ECC International
FAR	Federal Acquisition Regulation
ITAG	Installation Training Advisory Group
KMTC	Kabul Military Training Center
NATO	North Atlantic Treaty Organization
SIGAR	Special Inspector General for Afghanistan Reconstruction



## **Better Planning and Oversight Could Have Reduced Construction Delays and Costs at the Kabul Military Training Center**

One objective of coalition efforts in Afghanistan is to build the country's capacity to provide for its own security by training and equipping the Afghan National Security Forces (ANSF).<sup>1</sup> A key part of this mission is the training of new recruits into the Afghan National Army (ANA). Between fiscal years 2005 and 2011, the U.S. Congress appropriated about \$39.5 billion for the Afghanistan Security Forces Fund, which provides the funding to train and equip the ANSF. All U.S. funding for ANSF goes through the Combined Security Transition Command-Afghanistan (CSTC-A). CSTC-A's mission includes developing the ANA as a self-sustaining, standing army.

The Kabul Military Training Center (KMTC) is Afghanistan's primary training base for new recruits into the ANA. At the time the first plan for developing KMTC was developed in 2006, the size of the ANA was set at 70,000 personnel, but is now planned to grow to approximately 195,000 by December 2013. Since 2006, the plans for KMTC have changed three times to accommodate the ANA's planned growth. The number of recruits at KMTC has grown from 4,000-6,000 in November 2006 to almost 11,000 in May 2011. As a result of these increases, through August 2011, \$140 million has been obligated for construction to expand KMTC.

Between fiscal years 2006 and 2010, CSTC-A funded three task orders through the Air Force Center for Engineering and the Environment (AFCEE) to support construction at KMTC. Construction includes barracks, classrooms, administration buildings, training facilities, and associated utilities including power generation and wastewater treatment. Construction for Phases I and II is complete and the facilities are being used by the ANA. A task order was awarded September 29, 2010, for Phase III construction. Planning is underway for additional phases. In addition to the \$140 million already obligated, CSTC-A plans to spend \$20 million more for KMTC expansion through fiscal year 2012.

This report is part of a series of performance audits by the Special Inspector General for Afghanistan Reconstruction (SIGAR) examining contract outcomes, costs, and oversight. This report examines (1) construction at KMTC, including changes in cost and schedule, the reasons for changes, and whether construction met contract requirements; (2) construction oversight and the completeness of contract files; and (3) plans for sustaining KMTC facilities once constructed.

To accomplish these objectives, we reviewed relevant contract files, including the statements of work, modifications, available construction plans and specifications, and quality assurance plans and reports. We examined criteria and guidance defined in the Federal Acquisition Regulation (FAR), as well as AFCEE's final and draft policies. We conducted a site visit to KMTC, where we viewed completed and ongoing construction, and we interviewed officials from AFCEE headquarters in San Antonio, Texas; AFCEE-Afghanistan; CSTC-A; U.S. Army Corps of Engineer Afghanistan; AMEC Earth and Environmental, Inc. (AMEC); and ECC International (ECC). We also interviewed officials from Versar, responsible for quality assurance at KMTC, and MACTEC, responsible for site conceptual master planning, each under

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<sup>1</sup>ANSF includes the Afghan National Army and the Afghan National Police.

separate contracts with AFCEE. We conducted our work at AFCEE headquarters in San Antonio, Texas; Kabul, Afghanistan; Washington, D.C.; AMEC's corporate office in Plymouth Meeting, Pennsylvania; Versar's office in Westminster, Colorado; and MACTEC's office in Kennesaw, Georgia, from December 2010 to October 2011, in accordance with generally accepted government auditing standards. A more detailed discussion of our scope and methodology is in appendix I.

## BACKGROUND

KMTC is a former Soviet military training base built in the 1980s. KMTC provides the ANA with individual training for soldiers, noncommissioned officers, and officers to supply the ANA with personnel capable of conducting successful military operations in defense of the Islamic Republic of Afghanistan. As stated in the conceptual master plan, KMTC facilities include classrooms and barracks, among other facilities, for personnel stationed there. Training ranges support the full range of live-fire training required for all ANA weapons. Maneuver training areas support unit training up to kandak<sup>2</sup> level. Vehicle training areas permit operator training on all vehicles used by the ANA.

AFCEE performs construction contracting services on behalf of CSTC-A. A memorandum of agreement, dated August 8, 2006, between AFCEE and CSTC-A delineates the services and the costs of those services that AFCEE will provide to CSTC-A, including contracting for real property construction and quality assurance services. In accordance with the memorandum of agreement, AFCEE established an in-country contracting officer's representative (COR) and provided contract administration and technical support.

Through April 2011, AFCEE has obligated approximately \$140 million for construction at KMTC for three task orders under an indefinite-delivery indefinite-quantity contract:<sup>3</sup> Phase I at \$41 million, Phase II at \$28 million, and Phase III at \$71 million. AFCEE awarded cost-plus-fixed-fee task orders for Phases I and II to AMEC and a firm-fixed-price task order for Phase III to ECC.<sup>4</sup> Work required under these task orders included planning, design, and construction. AFCEE decided to shift from using cost-plus contracts to a firm-fixed-price contract in response to the lessons it learned from Phases I and II. Specifically, AFCEE found in 2010 that site conditions were known, security conditions were relatively stable, suppliers were available, and the scope of work was reasonably defined.

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<sup>2</sup>A training kandak is an ANA military training unit of about 1,200 soldiers.

<sup>3</sup>Indefinite-delivery indefinite-quantity contracts provide for an indefinite quantity of services during a fixed period of time. They are used when the government cannot predetermine, above a specified minimum, the precise quantities of supplies or services that will be required during the contract period. The government places delivery orders (for supplies) or task orders (for services) against a basic contract for individual requirements. Minimum and maximum quantity limits are specified in the basic contract as the number of units (for supplies) or as dollar values (for services).

<sup>4</sup>Under cost-plus contracts the government agrees to pay all costs associated with the work under a contract or task order that are reasonable, allowable under the FAR, and allocable to the contracted work. The government bears the risk of any increase in costs. Under firm-fixed-price contracts the contractor agrees to provide the contracted goods or services at an agreed upon price and bears the risk of any increased costs. However, if costs increase due to unanticipated conditions or incomplete information provided by the government the contractor can request an equitable adjustment to cover its increased costs.

Construction at KMTC consists of student barracks, classrooms, administrative office buildings, and other training support facilities as follows. Specifically,

- Phase I, awarded to AMEC, included the planning and construction of four 600-person student barracks and two administrative buildings, a 2,736 square meter dining facility, a 6,000 square meter multi-purpose gymnasium, and extensive related utility and site work.
- Phase II, also awarded to AMEC, included the planning and construction of two student battalion administration buildings, four additional 600-person student barracks, six classroom/student support buildings, and one Military Police Compound, along with associated work such as potable water provision and distribution, storm water management, and asphalt roads.
- Phase III, awarded to ECC, included the planning and construction of six barracks buildings, two office buildings, an obstacle and training course, post exchange/bank, laundry facility, 40 classrooms for literacy, a fire station plus other structures, and renovation and modifications of existing facilities.

Photos 1 and 2 show some of the KMTC facilities.

**Photo 1: KMTC Phases I and II Completed Construction of Barracks Buildings**



Source: SIGAR, March 12, 2011



**Photo 2: KMTC Phase III Ongoing Construction**



Source: SIGAR, March 12, 2011

### **AFCEE Selects Contractors Through a Two-Tiered Approach**

AFCEE uses a two-tiered approach to select contractors for its construction projects. First, under its Heavy Engineering, Repair, and Construction business model, AFCEE solicits bids, selects contractors, and awards multiple contracts, in accordance with the FAR, to provide heavy construction and engineering activities worldwide. Second, AFCEE headquarters requests proposals covering potential heavy construction and engineering projects exclusively from the Heavy Engineering, Repair and Construction prime contractors. Contractors interested in competing for the work provide proposals. The AFCEE contracting officer (CO) located in San Antonio, Texas, determines which contractor will provide the best value for the dollar, and the selected contractor is awarded the task order.<sup>5</sup> The task orders for all three phases at KMTC were competitively awarded.

### **AFCEE Outsources Quality Assurance, but the Contracting Officer is Ultimately Responsible for Contractor Oversight**

AFCEE engages engineering contractors to provide quality assurance for its construction projects, but the AFCEE CO has final responsibility for monitoring contractor performance and holding the contractor accountable for its actions. The CO for KMTC, located in San Antonio, Texas, delegates day-to-day oversight to a deployed COR based in Kabul and a COR based in San Antonio, Texas, who administer the contracts. Quality assurance services for all phases at KMTC were awarded under contract to Versar, Inc.<sup>6</sup> The contract was awarded first to Versar, Inc., and subsequently to Jacobs Government Services Company. Versar continued to perform the quality assurance function for the project sites at KMTC as Jacobs' subcontractor after Jacobs assumed the role as the primary quality assurance contractor.

<sup>5</sup>A task order is an order for services placed against an established contract, in this case the Heavy Engineering, Repair, and Construction contract.

<sup>6</sup>This was a time-and-materials task order. According to the FAR, a time-and-materials contract provides for the acquisition of supplies or services on the basis of direct labor hours at fixed hourly rates and actual costs of materials. The task order covers quality assurance services at multiple AFCEE construction projects, including KMTC.

AFCEE's COR in Kabul is, in turn, supported by the quality assurance contractor, Versar, which maintains personnel on-site at KMTC. Versar works with and reports its observations to AFCEE's COR. AFCEE's COR for KMTC is not located on-site and is responsible for multiple projects, which results in Versar's personnel serving as the government's continual on-site monitors for the project. Versar acts as AFCEE's eyes and ears at the construction site and reports regularly to the COR. Versar's quality assurance activities include, but are not limited to, monitoring contractor performance; reviewing building designs; inspecting and testing construction materials; analyzing contractor cost and schedule performance; and inspecting construction quality through routine, pre-final, and final project assessments. Versar documents and provides to the AFCEE COR the results of its oversight activities in daily and weekly activity reports, construction deficiency logs, and contractor non-compliance logs, and it provides AFCEE recommendations on approval of designs and materials. AFCEE, in turn, reviews Versar's reporting and adds its observations as comments to the Weekly Activity Report. It is the COR's responsibility to act on any concerns identified by Versar. Versar has no authority to direct the contractor; it is up to AFCEE to act on Versar's reporting.

### **AFCEE Also Contracts for Site Planning**

In 2006, CSTC-A tasked AFCEE with awarding a prime contract to develop and update a master planning document for ANSF facilities. AFCEE awarded a time-and-materials contract<sup>7</sup> to MACTEC in April 2006. The contract states that MACTEC would develop planning documents for facilities related to CSTC-A's mission as identified by CSTC-A's Combined Joint-Engineering Office. As of July 2011, MACTEC had been paid more than \$85.8 million to design ANSF facilities, including conducting site surveys, meeting with Afghan military and police officials, and developing the requirements for new facilities, such as the type of housing for military and police personnel, the primary purpose of the facility, and the types of supplies needed. As part of that contract, MACTEC developed the conceptual master plan for KMTC.

### **CONSTRUCTION AT KMTC IS TAKING LONGER THAN PLANNED AND COSTING MORE THAN ORIGINALLY BUDGETED**

Both KMTC Phases I and II experienced cost growth and took longer than originally scheduled due to a variety of factors. These factors included added work, poor contractor performance, and inaccurate site information. Phase III is also beginning to experience some schedule delays due to unanticipated site conditions. The planning process failed to identify important site conditions, which, in turn, led to delays and higher costs. CSTC-A did not bring together all pertinent information, such as topography and location of utility lines, before contractors were invited to bid on work. Therefore, contractors awarded the work had limited knowledge of the site conditions until they prepared the detailed construction plans. Our review of AFCEE data for all its construction projects in Afghanistan showed that KMTC is not unique because most AFCEE construction projects for CSTC-A have experienced schedule delays.

### **KMTC Experienced Cost Growth and Schedule Delays**

Construction at KMTC cost more than originally budgeted and has taken longer than originally planned. Work at KMTC is being done in phases under individual task orders. Each task order includes the dollar value of the work to be done and a period of performance during which the work is to be completed.

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<sup>7</sup>This was a time-and-materials task order. According to the FAR, a time-and-materials contract provides for the acquisition of supplies or services on the basis of direct labor hours at fixed hourly rates and actual costs of materials.

Phase I, originally scheduled to be completed on March 11, 2008, and was not completed until August 31, 2009, nearly 1 year and 6 months late. Phase II, which ran concurrently with Phase I, was originally scheduled to be completed on January 24, 2008, but was not completed until nearly 2 years later, January 9, 2010. Cost for Phases I and II grew by a total of \$12.5 million—\$3.3 million for Phase I and \$9.2 million for Phase II. Because Phases I and II were constructed under cost-plus task orders, CSTC-A paid all the additional costs. Phase III, scheduled to be completed by May 22, 2011, is now projected to be completed January 29, 2012, which will be 8 months late.

Delays and cost growth were due to a variety of factors, including additional work added to the task orders, unanticipated site conditions at the time the task orders were awarded, contractor performance problems, and security. Inadequate planning and oversight contributed to the problems encountered. Table 1 outlines the cost, schedule, and scope changes for the Phase I construction. As shown in table 1, Phase I had eight modifications, one for a ceiling price increase, one for both a ceiling price increase and a task order completion extension, five for task order completion date extensions and one for administrative changes.

**Table 1: Contract FA8903-06-D-8507, Task Order 05 (Phase I, Cost-Plus-Fixed-Fee) and Modifications**

Award	Date	Purpose	Cost/Schedule Change
Basic Contract	Nov. 8, 2006	Construction of the student barracks, dining facility, and gymnasium for KMTC.	Originally for \$37.6 million.
Modification (Mod) 1	Feb. 2, 2007	Expanded scope to include additional work, including a new site plan, unexploded ordnance removal/demining operations, scrap removal, and installation of four additional buildings with all associated electrical and heating and cooling work.	Cost increased by \$1.8 million.
Mod 2	Oct. 24, 2007	Extended task order date.	Task order completion date extended from March 11, 2008 to July 11, 2008.
Mod 3	Apr. 18, 2008	Revised statement of work and made administrative changes.	
Mod 4	Apr. 30, 2008	Extended task order date.	Task order completion date extended from July 11, 2008 to November 1, 2008.
Mod 5	Sep. 3, 2008	Extended task order date and made administrative changes.	Task order completion date extended from November 1, 2008 to January 31, 2009.

<b>Award</b>	<b>Date</b>	<b>Purpose</b>	<b>Cost/Schedule Change</b>
Mod 6	Dec. 2, 2008	Extended task order date and made administrative changes.	Task order completion date extended from January 31, 2009 to March 30, 2009.
Mod 7	Jan. 12, 2009	Extended task order date.	Task order completion date extended from March 30, 2009 to June 30, 2009.
Mod 8	Jan. 20, 2010	Added funds for electrical repairs caused by faulty construction, completion of heating and air conditioning for the gymnasium, storm drain work, and shower drain replacement in two buildings; extended task order date.	Cost increased by \$1.5 million. Task order completion date extended from June 30, 2009 to August 31, 2009.

Source: SIGAR analysis of Contract FA8903-06-D-8507, Task Order 05, dated November 8, 2006 and all task order modifications.

Phase I contract cost grew 9 percent, from \$37.6 million to \$40.9 million through two increases. Specifically, modification 1 in February 2007, added \$1.8 million in work and modification 8 in January 2010, added \$1.5 million in work.

Phase I also included modifications that extended the task order date, but did not add funds (for example, modifications 6 and 7.) According to an AFCEE official, these modifications occur because under cost-plus task orders, the contractor continues to perform as long as funds remain available. Sometimes work progresses more slowly than expected and the contractor incurs costs at a slower pace. Consequently, the task order ending date will be reached before the task order fund ceiling is reached. In those cases, AFCEE extends the task order dates to allow the work to continue. Factors that led to Phase I task order date extensions included unanticipated site conditions; the failure of a subcontractor to pay its workers, leading to a shortage of workers; severe weather; and some building redesign.

As shown in Table 2, Phase II had 13 modifications, three for a ceiling price increases, five for both a ceiling price increase and a task order completion extensions, three for task order completion date extensions and two for administrative changes. The extensions were due to the same reasons as in Phase I—the contractor’s progress and spending were slower than expected.

**Table 2: Contract FA8903-06-D-8507, Task Order 06 (Phase II, Cost-Plus-Fixed-Fee) and Modifications**

<b>Award</b>	<b>Date</b>	<b>Purpose</b>	<b>Cost/Schedule Change</b>
Basic Contract	Mar. 2, 2007	Construct and renovate student barracks, dining facility, and gymnasium for KMTC.	Originally for \$19.6 million.
Modification (Mod) 1	Mar. 9, 2007	Corrected task order dates and made administrative changes.	Task order completion date extended from January 24, 2008 to January 27, 2008.
Mod 2	Aug. 3, 2007	Increased ceiling price to allow movement of power lines, removal of hazardous materials, and construction of additional unnamed facilities.	Cost increased by \$388,921.
Mod 3	Oct. 17, 2007	Expanded scope to include electrical services to four emergency warehouses, as well as wastewater plant modifications; extended task order date.	Cost increased by \$2.3 million. Task order completion date extended from January 27, 2008 to July 31, 2008.
Mod 4	Oct. 23, 2007	Administrative correction.	
Mod 5	Feb. 11, 2008	Expanded scope to include additional wastewater work and addition of two generators to the power supply system; extended task order date.	Cost increased by \$2.8 million. Task order completion date extended from July 31, 2008 to January 3, 2009.
Mod 6	Apr. 3, 2008	Incorporated revised statement of work dated February 29, 2008 and made administrative changes.	
Mod 7	May 30, 2008	Expanded scope to renovate two buildings, one to add a wall dividing large open area into two smaller areas and the other to add a series of interior walls to change one large open area into multiple smaller rooms.	Cost increased by \$173,286.

<b>Award</b>	<b>Date</b>	<b>Purpose</b>	<b>Cost/Schedule Change</b>
Mod 8	Sep. 23, 2008	Expanded scope to add walls to one building to convert two large rooms into 12 smaller rooms better suited for classrooms and to add hand wash troughs to laundry rooms in eight barracks; extended task order date.	Cost increased by \$606,732. Task Order completion date extended from January 3, 2009 to January 24, 2009.
Mod 9	Dec. 2, 2008	Extended task order date and made administrative changes.	Task order completion date extended from January 24, 2009 to March 24, 2009.
Mod 10	Apr. 1, 2009	Extended task order date.	Task order completion date extended from March 24, 2009 to June 30, 2009.
Mod 11	Jan. 15, 2010	Expanded scope to construct a storm water management system to protect the military police garrison building footings and sidewalks from water seepage and soil erosion; extended task order date.	Cost increased by \$102,139. Task order completion date extended from June 30, 2009 to September 30, 2009.
Mod 12	Jan. 25, 2010	Increased ceiling to complete electrical repairs and for costs associated with extending task order dates; extended task order date.	Cost increased by \$2.2 million. Task order completion date extended from September 30, 2009 to January 9, 2010.
Mod 13	Aug. 16, 2011	Increased ceiling for previously completed electrical repairs.	Cost increased by \$641,272.

Source: SIGAR analysis of Contract FA8903-06-D-8507, Task Order 06, dated March 2, 2007, and all task order modifications.

Phase II contract cost grew 47 percent, from \$19.6 million to \$28.8 million through eight increases in the ceiling price. The principal reason for the cost increases was work added to the task order as additional funds became available to CSTC-A and were provided to AFCEE, allowing Phase II to proceed with unforeseen construction required by the expanding size of the ANA. For example, modification 3 in October 2007 had an increase of \$2.3 million to allow construction of four emergency warehouses, as well as wastewater plant modifications. Modification 5 in February 2008, had an increase of \$2.8 million for additional wastewater work and additions of two generators to the power supply system. Other modifications increasing price were to allow the contractor to correct issues that had not been apparent prior to the start of work due to unanticipated site conditions, such as buried older foundations, resulting from a lack of detailed site surveys or failure to repair earlier work. According to AFCEE officials, because the Phase I and II work was done under a cost plus task order, CSTC-A was responsible for paying for repairs to earlier work as long as the costs were within the scope of the contract. Photo 3 illustrates the use of a gymnasium for housing to deal with the expanding number of recruits.

**Photo 3: Gymnasium Used as Barracks**



Source: SIGAR, March 12, 2011

Phase III, awarded on September 29, 2010, is also experiencing schedule delays. The initial award was for \$74.6 million and completion was scheduled for May 22, 2011. The schedule delays are due to site conditions that were not apparent prior to the start of work resulting from a lack of detailed site surveys. For example, two buildings had to be relocated due to unacceptable terrain slope. The new location had poles for power lines located in the middle of a barracks location, which then had to be removed concurrent with construction. Photo 4 shows the poles located inside the perimeter of the barracks building. At the same time, as discussed below, the contract value was reduced by \$3.8 million to reflect the removal of some work.

**Photo 4: KMTCC Phase III Construction Site**



Poles for power lines located middle of barracks

Source: SIGAR, March 12, 2011

ECC, the Phase III contractor, submitted a proposed modification to AFCEE in January 2011. The proposed modification included removing some of the original work from the task order; a request for equitable adjustment for the costs associated with the unanticipated site conditions; and a time

extension also for the unanticipated site conditions. The proposed time extension was for 62 days or through July 2011. On July 5, 2011, AFCEE awarded modification 1 to ECC's task order. Due to a reduction in the amount of work to be done in Phase III, the modification removed \$3.8 million from the contract. Although Phase III is a firm-fixed-price task order, a contractor is allowed to request equitable adjustments (price increases) if it encounters problems beyond its control. Because the proposed modification included removing some work from the task order that resulted in an overall credit back to AFCEE as well as the increased cost for some of the other work, there was a net reduction in contract value.

Further delays are possible. In AFCEE's Weekly Activity Report for the period May 1-7, 2011, AFCEE expressed growing concern with schedule and pace of progress. It stated that the latest contractor report indicated a construction completion date of January 19, 2012. AFCEE also noted that although the contractor was on double shifts, productivity had not increased enough to compensate for the schedule delays.

Security is also affecting schedule. According to ECC officials, interruptions to construction workers' access to the KMTC site, materials deliveries, ECC staff, and Versar staff are common due to the fact that the area surrounding the site remains a prime target for insurgent activities. In April 2011, access to KMTC was sharply limited due to demonstrations and a bombing near the main KMTC gate. AFCEE's Weekly Activity Report for May 1-7, 2011 also noted that the KMTC security posture remained high and that stringent security measures were affecting labor hours and the delivery of material. Security issues along Afghan supply routes and within Pakistan also created challenges and delays in the delivery of equipments and materials. The majority of deliveries of the construction materials and equipment have to be shipped via supply routes from Pakistan or former Soviet Union countries, and then reach Kabul via the "Ring Road".<sup>8</sup> It is not uncommon for key materials to be delayed, including at the border awaiting customs clearance.

### **Construction Quality Met Contract Standards, but a Questionable Construction Practice was Observed**

Other than electrical problems discussed later in this report, the quality of construction at KMTC met and is meeting contract standards for Phases I, II, and III. Our engineer inspected KMTC in May 2011, and found that the buildings were constructed within contract specifications based on the criteria described in the contract statement of work and related technical specifications.

Most of the KMTC Phase III buildings were under construction at the time of our visit. However, underground utilities were just getting started. Constructing vertical structures first is a questionable construction practice. With open trenches around buildings, it can become difficult (and even dangerous) for the building construction workers to access the site and move construction materials into the structures. Additionally, in some cases, open trenches close to buildings may cause structural failures in the building itself. Nevertheless, as stated above, the quality of construction at KMTC met contract standards.

In commenting on a draft of this report, CSTC-A stated that contractors frequently plan construction activities in parallel to drive down the overall schedule, even though individual elements may take longer. CSTC-A added that, in the case of KMTC Phase III, the structural features of work was part of the

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<sup>8</sup>Highway 1 or A01, formally called the Ring Road, is a 2,200 kilometer nationwide highway network circulating Afghanistan, connecting Kabul, Ghazni, Kandahar, Farah, Herat, and Mazar-e-Sharif. It has extensions that also connect Jalalabad, Delaram, Islam Qala, and several other cities.



critical path and needed to start immediately. As such, utility and site work ran in parallel with the structural features during some period of time. According to CSTC-A, risks were assessed, mitigation strategies were implemented, and the contractor moved forward re-evaluating the risks as construction progressed.

### **CSTC-A's Failure to Integrate Site Information Contributed to Schedule Delays and Cost Growth**

CSTC-A's and AFCEE's current planning process failed to identify important site conditions, which, in turn, led to delays and higher costs. Facility master planning requires detailed site information. Typically, for U.S. military facilities the military services have a Department of Public Works (DPW) at each facility that integrates site information, such as the location of existing buildings, topography, and utility lines. CSTC-A currently does not provide a capability comparable to a DPW, but is attempting to build a public works capability to improve Afghan oversight. In the interim, CSTC-A has a two-phase process for planning at KMTC. The first phase is the conceptual master plan. The second phase is the detailed plan prepared by the construction contractor. The construction contractors bid on the KMTC task orders based on the information contained in the conceptual master plan and a limited tour of the construction location. The construction task order then required the construction contractor to provide a detailed plan.

- Conceptual master planning at KMTC had been done by MACTEC through a contract funded by CSTC-A and awarded and administered by AFCEE. The KMTC conceptual master plan is a high-level plan showing the broad outline of how KMTC will be built. Rather than show specific geographic coordinates for building locations, the plan shows "bubbles" where certain types of buildings, including barracks, offices, and classrooms will be located. Although MACTEC's contract was sufficiently broad to allow it to provide more in-depth planning, CSTC-A did not ask MACTEC to complete a detailed site survey. Instead, CSTC-A, through AFCEE direction, had MACTEC conduct a limited survey that mainly consisted of "windshield surveys"<sup>9</sup> of the areas at KMTC where the facilities were to be developed. AFCEE officials said that the initial site survey, which affected Phase I and II planning, was limited because of existing insurgent activity and because the site had not been demined. To expedite work at KMTC, demining and site planning were done simultaneously.
- Although the conceptual master plan is a high-level plan, and as such does not contain the level of detail required for actual construction, it does incorporate certain basic geotechnical information, such as detailed maps of the area and survey data. The construction task orders required the construction contractors to develop the detailed plans. Like MACTEC, the contractors competing for the KMTC construction work were afforded limited site visits to KMTC as part of the bidding process. Based on this limited information, the competing contractors submitted their bids. After contract award, the contractor selected for the construction conducted detailed site surveys as required by its task order.

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<sup>9</sup>A "windshield survey" is a visual inspection generally conducted from a vehicle or cursory walk around the building site that does not involve any soil testing, other physical examination of existing buildings, or any other more detailed activities.

During detailed site survey work for Phases I and II, AMEC found numerous previously unknown features that directly affected construction, including:

- large buried concrete foundations from destroyed Soviet-era buildings and underground storage tanks, both of which had to be removed before construction could begin;
- unsuitable building locations because the terrain on which buildings were to be constructed was too steep for the selected type of building, requiring the building site to be relocated; and
- an existing overhead power line that ran through the middle of the site was assumed during the solicitation process to be abandoned, but was subsequently found to be active and resulted in a significant delay to the project while ownership was determined and approval to move the line was obtained.

ECC, the construction contractor for Phase III, also found previously unknown features in conducting detailed site surveys, including large buried foundations (see photo 5) and power lines that had to be relocated. Consequently, both AMEC and ECC experienced schedule delays.

**Photo 5: KMTC Phase III Construction – Previously Unknown Buried Soviet-era Foundation (see arrows)**



Source: SIGAR, March 12, 2011

The lack of a DPW-like capability to integrate site information before requests for proposals are released contributed to the planning shortfalls identified above. CSTC-A officials told us that in January 2010, CSTC-A established a new organization called the Installation Training Advisory Group (ITAG), which they viewed as the answer to the problem. These officials indicated that ITAG has a DPW-like capability and needs continued support and resources. In commenting on our April 2011 report on ANA facilities at Mazar-e-Sharif and Herat, CSTC-A stated that it had recently activated ITAG in order to develop facility sustainment capability of the Afghan Army and Police.<sup>10</sup> It further stated that this capability is at initial operating capacity (six sites) and is waiting for the deployment of additional personnel to expand to additional sites. In a May 2011 update, CSTC-A told us that the Department of Defense had provided 26 engineers to assist with establishing ITAG. Two requests for forces totaling 116 ITAG personnel were

<sup>10</sup>SIGAR Audit-11-9, *ANA Facilities at Mazar-e-Sharif and Herat Generally Met Construction Requirements, but Contractor Oversight Should Be Strengthened*, April 25, 2011.

in the process of being filled as of August 2011. The full complement is expected to arrive no later than November 2011.

### **Schedule Delays Appears to be a Systemic Issue**

Schedule delays are not unique to KMTC. In addition to assessing the cost, schedule, and outcomes of the task orders for work at KMTC, we reviewed an AFCEE analysis of all its construction projects in Afghanistan to see if delays were a more widespread problem. Our review showed that the large majority of all construction projects for CSTC-A experienced schedule delays. Specifically, AFCEE data showed that 80 percent of AFCEE construction projects for CSTC-A, 33 of 41 in total between 2006 and 2010, experienced schedule delays. The delays ranged from less than 1 month to 24 months and averaged 10 months. As discussed earlier, delays occurred due to a variety of factors, including additional work added to task orders, unanticipated site conditions at the time task orders were awarded, contractor performance problems, difficulties in delivering materiel, and security concerns. Based on meetings with contractors, CSTC-A, AFCEE, and ANA officials, we concluded that aggressive schedules driven by mission needs did not take factors that cause delays into account. This sets the stage for projects to take longer than initially scheduled.

We discussed the AFCEE analysis with both AFCEE and CSTC-A officials, who were well aware that delays were common on the majority of all CSTC-A construction projects. AFCEE officials told us that they try to manage expectations by advising CSTC-A on how long they think it will realistically take to complete construction. At the same time, they recognize the key to the transition of security to the ANA is meeting its mission needs. CSTC-A tracks project delays and knows which delays are tolerable and which are not. CSTC-A said that it is a difficult balancing act to be realistic, but at the same time not give the contractors too much time as it could further delay project completions. AFCEE told us that if contractors are given more time to construct, they will take the time. Schedules are purposely aggressive to push the contractors to complete construction in the shortest time possible so that the overall mission is successful.

### **QUALITY ASSURANCE SHORTFALLS IN PHASES I AND II CONTRIBUTED TO ELECTRICAL PROBLEMS, BUT OVERSIGHT HAS IMPROVED IN PHASE III**

Contract oversight was weak in Phases I and II, contributing to electrical problems, but AFCEE has strengthened oversight in Phase III. In Phases I and II, the construction contractor (AMEC) and AFCEE, failed to provide adequate quality control and quality assurance. For example, although the quality assurance contractor (Versar) identified electrical problems as early as June 2008, AFCEE did not address them until after fires occurred in November and December of that year. Repairing the electrical problems increased the time to complete Phase I and II construction and cost as much as \$4.3 million. Improvements have been made as a result of these problems and have been incorporated into Phase III construction oversight. In addition to reviewing oversight, we assessed whether the task order files were complete. We found that the large majority of required documents were in the files, but the task orders files contained incomplete and inconsistent information as to the reasons for modifications.

### **AFCEE Delayed Responding to Indications of Electrical Problems**

Versar identified electrical issues at KMTC, but AFCEE officials did not address them until after fires occurred. When AMEC submitted the as-built drawings in June 2008, Versar determined the work was not in compliance with the National Electrical Code, as required by the contract. Versar also noted electrical problems on June 17, 2008, in the Discrepancy and Non-Compliance (DNC) log, stating that

electrical panel boards installed at buildings 138, 139 and 140 had no approved submittals. In all, Versar logged eight electrical discrepancies for Phase II construction between June and December 2008.

However, AFCEE did not take action on the electrical issues until after five electrical fires occurred in four separate buildings at KMTC. Between mid-November and mid-December 2008, electrical fires occurred in buildings 138, 139, 140, and 141. Building 138 had a complete burnout of the main electrical panel box. On December 16, 2008, an AFCEE COR in Kabul wrote an email to AMEC stating that “every time we think we have a resolution we have another fire.” He also stated that “we need to continue to take deliberate steps to correct what I believe are systemic problems throughout the project site before someone is seriously hurt or worse.”

In January and August 2009, AFCEE’s CO advised AMEC of AFCEE’s concerns regarding the electrical work.

- On January 15, 2009, AFCEE’s CO stated in a memorandum to AMEC that visual inspections of conditions at KMTC by AFCEE personnel indicated there were serious electrical problems in designated facilities, two of which were barracks housing roughly 600 ANA soldiers each. The CO also noted that AMEC had conducted an independent third-party audit that showed an alarming lack of quality control by the contractor. The CO stated that the level of craftsmanship was completely unacceptable and advised AMEC that it should be preparing a comprehensive corrective action plan for AFCEE’s review with a timeline to correct deficiencies that incorporates the results of the electrical reviews. The comprehensive corrective action plan that AMEC subsequently prepared is discussed below.
- On August 21, 2009, AFCEE’s CO issued a letter of concern<sup>11</sup> to AMEC regarding KMTC Phases I and II. It stated that site visits to KMTC by AFCEE personnel indicated insufficient progress had been made toward completing the latest corrective action plan briefed to AFCEE on July 13, 2009. This plan was the third received for the Phases I and II work. The July 2009 plan indicated an overall completion date of September 12, 2009, but a related memo noted that Versar predicted a completion date of January 1, 2010. The CO stated that the schedule delay was a serious concern of AFCEE and must be remedied by AMEC immediately. AFCEE also told AMEC that the project was significantly behind schedule and over budget and that AMEC’s unfavorable performance had a negative impact on completing the work.

In discussing why they delayed taking action until December 2008, AFCEE officials stated that the problems initially identified in June 2008 were not serious deficiencies, but, rather, were typical of nearly all construction projects, and that it was not until the electrical fires occurred that the magnitude of the issue became apparent. AFCEE officials also told us that the initial installation of the electrical work looked sufficient and even had the correct specification requirements stamped on the supplies. Finally, they stated that deficiencies were not identified until the electrical components began to fail.

### **Limited Oversight and Substandard Supplies Contributed to Electrical Problems**

Two key factors contributed to the electrical problems going undetected before the fires. One was an effort to make up for schedule delays without a commensurate increase in oversight. Delays to the start of construction resulting from foundation problems and the need to relocate overhead power lines had put the work 4 months behind schedule. In an attempt to get back on schedule, CSTC-A, through AFCEE, instructed AMEC to shorten the time planned in its catch-up schedule to 2 months due to urgent mission

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<sup>11</sup>Letters of concern are informal communications between AFCEE and its contractors.

requirements of the expanding ANA. To shorten the time to 2 months, AMEC went from one shift to three shifts. When AMEC went to three shifts, it did not bring on additional quality control personnel. AMEC stopped detailed inspection of its subcontractors' work and only did spot checks instead. The COR, the only AFCEE COR in Afghanistan at the time, allowed AMEC to move to three shifts without increasing quality control staff to meet the new completion date. Versar officials told us in a January 2011 meeting that AMEC's quality control staffing and lack of subject matter experts (licensed electricians) contributed to problems since AMEC often did not have a quality control person on site to verify that the Afghan subcontractors understood and complied with National Electrical Code requirements.

When AMEC went to three shifts, Versar requested additional personnel funding to allow for more robust oversight through hiring additional electrical specialists. Versar, however, was not given additional funding and, therefore, was unable to increase its staff when AMEC went from one to three shifts. This resulted in limited review of AMEC's subcontractor testing of material prior to acceptance and no Versar quality assurance inspections on two of the three shifts as work was underway. The existing funding provided for only one ex-patriot person (a U.S. citizen working outside the United States) for 15 projects underway in Afghanistan. By way of comparison, according to Versar, similar projects in Iraq were staffed with 21 ex-patriot persons to oversee 27 projects.<sup>12</sup> As a result, Versar's day-to-day service on Phases I and II was provided by three local nationals and one third-country national.

A second factor that contributed to the electrical problems was that some electrical supplies were substandard or counterfeit. AMEC's quality control plan included preparatory inspections. The preparatory inspections included verifying that all material and equipment were available, ensuring that conforming documentation was submitted and approved, and physically examining required materials and equipment to ensure that they conformed to the plans and were stored properly. AMEC's quality control processes did not detect that its Afghan subcontractors working on fixed-price contracts were substituting counterfeit or mislabeled equipment. AFCEE officials told us that the problem resulted from CSTC-A's request to accelerate the construction schedule, which led AMEC to deviate from the normal supply chain. These suppliers had not been used before and are no longer being used by AMEC. While the subcontractors' use of counterfeit or otherwise noncompliant equipment raises significant questions about AMEC's oversight of its subcontractors, it also suggests fraud. AFCEE has decided not to pursue the possibility of fraud because AMEC is no longer using these suppliers. Regardless of supplier, however, if AMEC had followed its quality control plan, it would have physically examined required equipment to ensure that they conformed to the plans.<sup>13</sup>

### **CSTC-A has Paid More for the Electrical Work than Necessary**

CSTC-A, which funded Phases I and II work at KMTC through AFCEE, may end up paying for the electrical work three times—more than required under the terms of its contract with AMEC. CSTC-A has already paid as much as \$4.3 million for electrical repairs and may pay more in the future under facility maintenance contracts to the extent further repairs are needed.

- CSTC-A initially paid for the original electrical work as part of Phases I and II construction.

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<sup>12</sup>Ex-patriots generally have more training and experience with western construction standards than do third-country and local national personnel and, therefore, provide expertise not otherwise available.

<sup>13</sup>This matter was referred to SIGAR's Investigations Directorate for further review.

- To address the electrical repairs for Phase I construction, AFCEE added as much as \$1.5 million to the Phase I task order for, among other things, completing electrical repairs in the barracks buildings and the electrical distribution system; testing following repairs to determine that cables, insulation, and connections for power distribution lines were installed properly and did not have ground faults; and performing additional electrical design reviews and revisions to respond to Versar's comments to the building electrical repair work plans. All these items relate directly to repair of the original substandard electrical work. This modification also involved non-electrical work, but did not identify the amount of funds allocated for the various work elements. Therefore, we could not determine how much of the \$1.5 million was for the electrical repairs.
- To address the electrical repairs for Phase II construction, AFCEE added \$2.8 million to complete electrical repairs.
- The electrical repairs were never completed. AMEC's task order modifications for the electrical repairs were eventually canceled by AFCEE due to security issues, the ANA's decision to occupy the building as is, and unauthorized electrical modifications being made by the ANA at the same time. CSTC-A took delivery of KMTC Phase I and II construction on December 24, 2010.
- Facilities built for KMTC Phases I and II were then transferred to a facility maintenance contract. Under this separate contract, the U.S. Army Corps of Engineers is providing operations and maintenance for all ANA facilities. As construction projects are completed, they are transferred to the maintenance contract. According to AFCEE officials, to the extent further electrical problems emerge, repairs will be paid under this facility maintenance contract. This may result in the CSTC-A paying yet again for electrical problems resulting from design flaws or improper materials under Phase I and II construction.

AFCEE's decision to pay for the electrical repairs was inappropriate. Although AMEC was awarded cost-reimbursable task orders, it, in turn, awarded firm, fixed-price subcontracts for virtually all the construction work. Under firm-fixed-price subcontracts, the subcontractor commits to performing the work at the agreed-upon price and has to absorb any increased cost unless it relates to factors outside the subcontractor's control. At KMTC, the increased costs were due to poor subcontractor performance and AMEC quality control. Therefore, AMEC should have demanded that its subcontractors pay the cost of the electrical repairs, rather than requesting that AFCEE pay the costs. In discussing this matter with AFCEE officials, they said that they lacked the personnel to pursue the matter. They added that the government shared the responsibility for what happened, as it directed AMEC to make up for schedule delays without providing for increased oversight and that, at the time, AFCEE was focused on supporting the troop surge in Iraq.

In further discussing the results of our work with AFCEE officials, they agreed in principle that CSTC-A should not have had to pay for the repairs, but were uncertain as to how they could recoup funds since the task orders were complete. In addition, they stated that the Afghan subcontractors lacked the financial resources to pay for any repairs, leaving AMEC to cover the costs. Because AMEC's contract with AFCEE is cost-plus-fixed-fee, the AFCEE officials asserted that they had no choice but to provide the additional funds to AMEC to cover the cost of the electrical repairs.

However, the completion of the task orders does not necessarily prevent AFCEE from recovering excess payments it made to AMEC because the government is never bound to accept fraudulent work. Furthermore, AFCEE is not required to pay for the same work more than once, even under a cost-plus-fixed-fee contract, because it was AMEC's responsibility to ensure that the work performed under the contract, including the work of its subcontractors, met the terms of the contract. Contractors may only

request and receive additional funds from the government under cost-plus-fixed-fee contracts for work beyond what was called for under the original contract or because of conditions beyond the contractor's control. In the case of KMTC, neither of these conditions applied.

### **AFCEE Strengthened Contract Oversight for Phase III Construction**

Although we identified quality control and quality assurance shortfalls in Phases I and II, we found that oversight of Phase III has been extensive. We reviewed daily and weekly activity reports, construction deficiency logs, and contractor non-compliance logs and found that they contain considerable information on a variety of topics, including quality, status, and key events. An AFCEE official also told us that they have learned a number of lessons from the electrical problems experienced in Phases I and II. As a result, according to AFCEE, it has changed its procedures to require that construction contractors have a full time quality control individual on site and subject matter experts on each construction site to oversee the more complicated construction aspects of each project. It is also reportedly providing funding for a robust quality assurance presence. We asked for documentation identifying these changes and were told that it was an iterative process communicated through individual task orders rather than through a single document. In touring KMTC construction in March 2011, we observed a number of Versar officials on site.

### **Contract Files Did Not Always Explain Reasons for Modifications**

Although our review of the KMTC contract files showed that they were largely complete, we also found that they did not clearly document the reasons for modifying the contract. According to FAR Subpart 4.8, contract files shall contain documentation sufficient to constitute a complete history of the transaction. This documentation serves to provide a basis for informed decisions, to support actions taken, to provide information for reviews and investigations, and to furnish essential facts in the event of litigation or congressional inquiries. To that end, the FAR lists 42 items that are normally included in the contract file, as applicable. AFCEE expands on that list in its contract file checklist, which listed 107 items that, if applicable, should be included in the contract file. Applicable items included the purchase request or procurement directive, the acquisition plan, the price negotiation memorandum, and staff judge advocate coordination.

We reviewed AFCEE's official contract file for all phases of KMTC construction to determine the extent to which items required by the checklist were included in the file. Our review showed that as of April 25, 2011, the files were largely complete. However, although FAR Subpart 4.8 directs that contract files contain sufficient documentation to constitute a complete history of the transaction, the KMTC task order files contained incomplete or contradictory information as to the reasons for modifying the contract. The reasons for changes are a key part of the task order history. The modifications simply noted the value of ceiling price increases or changes to task order dates. We were able to identify the reasons for some of the modifications from a review of other file documentation, particularly the price negotiation memorandums, technical evaluations, and email traffic. However, sometimes these documents contained contradictory information. Modification 8 to KMTC task order 5, for Phase I construction, illustrates the lack of clarity, as follows:

- The modification itself, dated January 20, 2010, states that it was to increase the ceiling price and extend the task order dates.
- The November 10, 2009, technical evaluation for the modification cost proposal states that the AMEC proposal was for additional funding and time required to undertake a number of specific activities, including completing the gymnasium heating and air conditioning system and

additional storm water grading, as well as completing electrical repairs and performing additional electrical design reviews and revisions.

- The January 12, 2010, post negotiation memorandum describes the entire modification as an estimate for completion because of electrical problems with the buildings constructed by AMEC due to faulty construction by local contractors. The overall \$1.5 million cost increase provided through the modification is broken down by major cost elements, such as labor, subcontracts, and indirect costs, but is not allocated to the specific activities identified in the technical evaluation.

## **KMTC IS NOT SUSTAINABLE WITHOUT CONTINUED U.S. ASSISTANCE**

CSTC-A funded contracts to sustain KMTC, as well as other ANSF facilities, but the funding under these contracts is being expended faster than anticipated, according to U.S. Army Corps of Engineer officials. The Afghan government is ultimately responsible for sustaining U.S. funded facilities without U.S. assistance. However, the Afghan government does not have the financial or technical capacity to sustain KMTC or other ANSF facilities once they are completed. In the interim, the United States and the international community have provided funding to sustain ANA facilities, including KMTC, and to train Afghans to do so.

CSTC-A, using Afghanistan Security Forces Funds, provided the U.S. Army Corps of Engineers with funding to award two sustainment contracts for ANSF facilities. In July 2010, the U.S. Army Corps of Engineers awarded two contracts— consisting of 1 base year plus 4 optional years—one for \$457 million to cover facilities in northern Afghanistan and one for \$357 million for facilities in southern Afghanistan. The contracts' fourth option year may be exercised if all the ANSF facilities are not transferred to the Afghans by 2014. Both contracts were awarded to ITT Corporation. KMTC facilities are covered under the contract for northern Afghanistan and were transferred on a timely basis. This is an improvement over prior practices, where we found that AFCEE did not arrange for the facilities at Mazar-e-Sharif and Herat to be added to the sustainment contract for CSTC-A funded facilities in Afghanistan in a timely manner.<sup>14</sup>

U.S. Army Corps of Engineer officials told us in March 2011 that both sustainment contracts will reach their fund ceilings earlier than anticipated, and options for continuing sustainment are under consideration. These officials said that in June 2012, they will have to begin the acquisition process to award new contracts. In discussing the results of our work with CSTC-A officials, they confirmed that in spring 2012 they will take action to ensure continued sustainment of ANA facilities, including KMTC.<sup>15</sup>

## **CONCLUSION**

As the U.S. military transfers responsibility to the ANA to provide for its own security, KMTC is a critical component of CSTC-A's training mission and the overall strategy to transition security to Afghan security forces. However, we identified a number of specific problems with KMTC, and there is a need to ensure that the problems we identified at KMTC do not recur in ongoing and future projects. Construction at KMTC has taken longer than originally planned and costs more than originally budgeted due to a variety

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<sup>14</sup>SIGAR Audit-11-9, *ANA Facilities at Mazar-e-Sharif and Herat Generally Met Construction Requirements, but Contractor Oversight Should Be Strengthened*, April 25, 2011.

<sup>15</sup>SIGAR has initiated an audit of the implementation of the two operations and maintenance contracts for the sustainment of ANA and ANP facilities.



of factors. These included, among other things, work added to the original task orders and unanticipated site conditions. The current planning process failed to identify important site conditions, which, in turn, led to delays and higher costs. We also found that AFCEE has paid as much as \$4.3 million for electrical repairs that AMEC's subcontractors should have been responsible for covering through their own funds. Finally, we found that the KMTC task order files contained incomplete or contradictory information as to the reasons for modifying the contract. Without complete and consistent information it is not possible to ascertain what happened over the life of the work at KMTC.

## RECOMMENDATIONS

To strengthen construction planning for future work at KMTC and future construction projects in support of the ANSF, ensure appropriate use of government funds, and strengthen contractor oversight, we are making two recommendations to the Commanding General, CSTC-A, in coordination with the Director, AFCEE, to:

1. Direct that site surveys done in conjunction with the KMTC conceptual master plan be more detailed, including topography and location of existing utilities, so that a more complete picture of additional construction projects can be provided to bidders, thus allowing contract proposals to more accurately reflect reality. We support CSTC-A's efforts to develop the organic capability to do this and in the interim recommend that CSTC-A, in concert with AFCEE, use existing planning contracts to provide the integration function.
2. Ensure that conceptual master plans for future construction projects in support of the ANSF contain more detailed information, including topography and the location of existing utilities, to facilitate the preparation of more accurate contract proposals.

To strengthen contractor oversight and ensure appropriate use of government funds, we are making two recommendations to the Director, AFCEE, to:

3. Ensure that, in the future, KMTC contract and task order files contain complete and consistent information regarding reasons for modifications to the contract and task orders.
4. Seek reimbursement from the Phase I and II contractor, AMEC, for the cost of electrical repairs related to poor performance by its Afghan subcontractors.

## COMMENTS

CSTC-A and AFCEE provided comments on a draft of this report, which are included in appendices II and III, respectively. They also provided technical comments, which we incorporated, as appropriate.

CSTC-A concurred with our first recommendation to strengthen conceptual master planning at KMTC, stating that detailed master planning for KMTC is in progress. CSTC-A also noted that because the size of the ANA is now capped at 195,000, "throughput" should be more easily defined and future requirements limited. CSTC-A concurred with our second recommendation, indicating that it is currently developing a comprehensive detailed master plan for KMTC via a contractor and that it is actively pursuing robust geotechnical and existing utility information, where available. CSTC-A also provided general comments, some of which provided updated information. We have reflected these comments in the report, as appropriate.

AFCEE responded to our third recommendation by stating that the KMTC task order file has been updated and that the file will be reviewed after each modification to ensure that it is complete and accurate. In response to our fourth recommendation, AFCEE stated that it will not seek reimbursement from AMEC because this was not a case where the prime contractor was willfully avoiding its responsibility or acting in bad faith. AFCEE further stated that several other contractors were experiencing the same issue with counterfeit parts and that it would be fruitless for AMEC to go after the subcontractors because there is no bonding of work in Afghanistan. As a result of AFCEE's decision, the contractor will not be held financially accountable for poor contract performance, and the U.S. government will pay the bill. We disagree with this decision. AFCEE is not required to pay for the same work more than once, even under a cost-plus-fixed-fee contract. It is AMEC's responsibility to ensure that all work performed under the contract, including the work of its subcontractors, meets the terms of the contract. Therefore, we are retaining the recommendation.

## APPENDIX I: SCOPE AND METHODOLOGY

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This report provides the results of the Office of the Special Inspector General for Afghanistan Reconstruction's (SIGAR) review of three construction task orders at the Kabul Military Training Center (KMTC). These task orders were funded by the Combined Security Transition Command-Afghanistan (CSTC-A) and implemented by the Air Force Center for Engineering and the Environment (AFCEE). KMTC construction includes barracks, classrooms, and administration buildings, training facilities, and associated utilities including power generation and wastewater treatment. This report is part of a series of performance audits by SIGAR examining contract outcomes, costs, and oversight. This report (1) examines construction at KMTC, including changes in cost and schedule, the reasons for changes, and whether construction met contract requirements; (2) assesses construction oversight and the completeness of contract files; and (3) evaluates plans for sustaining KMTC facilities once constructed.

To examine whether contract modifications and construction at KMTC met the terms of the task orders, SIGAR met with officials from AFCEE headquarters in San Antonio, Texas; AFCEE-Afghanistan; CSTC-A; the two construction contractors—AMEC Earth and Environmental, Inc. (AMEC) and ECC International; the quality assurance contractor, Versar, Inc., and MACTEC, the contractor responsible for site conceptual master planning. We reviewed the contract documentation, including statements of work, modifications, email documents, and contracting officer correspondence. We conducted a site inspection in March 2011, and our engineer inspected the site again in May 2011. During our site visits, we inspected the interior and exterior of all buildings, as well as the grounds within the perimeter of the construction sites. Site inspections were documented with photography. We also reviewed electronic files and correspondence from AFCEE-Afghanistan and CSTC-A. We did not rely on computer-processed data to determine construction status. We obtained documentation available on the prime and quality assurance contractor Web sites (designed and provided in accordance with AFCEE contracts).

To assess construction oversight, we met with officials from AFCEE, AFCEE-Afghanistan, Versar, Inc., and CSTC-A. We reviewed criteria and guidance in the Federal Acquisition Regulation, the quality assurance reports, and AFCEE guidance for construction to determine if the contracting process and oversight of the contracts met AFCEE regulations and contract requirements. Additionally, we reviewed AFCEE guidance to determine the roles and responsibilities for AFCEE and AFCEE-Afghanistan personnel.

To examine plans for sustaining constructed facilities, we held discussions with officials from AFCEE San Antonio, AFCEE-Afghanistan, and the U.S. Army Corps of Engineers. We obtained information on the terms of the sustainment contracts and plans for future contracts when the current ones expire.

We assessed internal controls over contract administration and oversight procedures through interviews with contracting officials and reviews of relevant contract files. The results of our assessment are included in the body of this report.

We conducted work at AFCEE headquarters in San Antonio, Texas; AMEC's Corporate Office in Plymouth Meeting, Pennsylvania; Versar's office in Westminster, Colorado; MACTEC's office in Kennesaw, Georgia; Kabul, Afghanistan; and Washington, D.C., from December 2010 to October 2011, in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This audit was conducted by the office of the Special Inspector General for Afghanistan Reconstruction under the authority of Public Law 110-181, as amended; the Inspector General Act of 1978; and the Inspector General Reform Act of 2008.

**APPENDIX II: COMMENTS FROM THE NATO TRAINING MISSION-AFGHANISTAN/COMBINED SECURITY TRANSITION COMMAND-AFGHANISTAN**

**DRAFT REPORT - SIGAR 11-19  
"Better Planning and Oversight Could Have Reduced Construction Delays and Costs at the  
Kabul Military Training Center"**



REPLY TO  
ATTENTION OF

**NTM-A/CSTC-A  
GENERAL COMMENTS ON THE REPORT  
HEADQUARTERS  
NATO TRAINING MISSION - AFGHANISTAN  
COMBINED SECURITY TRANSITION COMMAND - AFGHANISTAN  
KABUL, AFGHANISTAN  
APO AE 09356**

NTM-A/CSTC-A

1 Oct 2011

**MEMORANDUM THRU**

United States Forces - Afghanistan (CJIG), APO AE 09356  
United States Central Command (CCIG), MacDill AFB, FL 33621

**MEMORANDUM FOR**

Office of the Special Inspector General for Afghanistan Reconstruction, 400 Army Navy Drive,  
Arlington, VA 22202

**SUBJECT: NTM-A/CSTC-A Response to the Draft Report "Better Planning and Oversight  
Could Have Reduced Construction Delays and Costs at the Kabul Military Training Center"  
(SIGAR Audit 11-19, Contractor Performance and Oversight / Kabul Military Training Center)**

1. Reference: Draft Report, dated October 2011, Special Inspector General for Afghanistan Reconstruction (SIGAR), subject as above.
2. The purpose of this memorandum is to provide comments and respond to the SIGAR's draft report.
3. Point of contact for this action is Capt David Jones at DSN 237-0011, email: david.w.jones1@afghan.swa.army.mil.

A handwritten signature in black ink, appearing to read "Mario A. Trevino".

MARIO A. TREVINO, COL, USA  
NTM-A / CSTC-A, CJ ENG  
Deputy Director

**DRAFT REPORT - SIGAR 11-19**  
**“Better Planning and Oversight Could Have Reduced Construction Delays and Costs at the  
Kabul Military Training Center”**

**NTM-A/CSTC-A**  
**GENERAL COMMENTS ON THE REPORT**

1. Page 1, the Report states:

At the time the first plan for developing KMTC was developed in 2006, the size of the ANA was set at 70,000 personnel, but is now planned to grow to approximately 198,000 by December 2012.

**Should Read:**

At the time the first plan for developing KMTC was developed in 2006, the size of the ANA was set at 70,000 personnel, but is now planned to grow to approximately 195,000 by December 2013.

2. Page 1, the Report states:

In addition to the \$140 million already obligated, CSTC-A plans to spend \$30 million more for KMTC expansion through fiscal year 2012.

**Should Read:**

In addition to the \$140 million already obligated, CSTC-A plans to spend \$20 million more for KMTC expansion through fiscal year 2012.

3. Page 3, Section “Background” the Report states:

Phase I, awarded to AMEC, included the planning and construction of four 600-person student barracks and two administrative buildings, a 4,400 square meter dining facility, a 6,000 square meter multi-purpose gymnasium, and extensive related utility and site work.

**Should Read:**

Phase I, awarded to AMEC, included the planning and construction of four 600-person student barracks and two administrative buildings, a 2,736 square meter dining facility, a 6,000 square meter multi-purpose gymnasium, and extensive related utility and site work.

**DRAFT REPORT - SIGAR 11-19**  
**“Better Planning and Oversight Could Have Reduced Construction Delays and Costs at the  
Kabul Military Training Center”**

**NTM-A/CSTC-A**  
**GENERAL COMMENTS ON THE REPORT**

4. Page 10, Section “KMTC Experienced Cost Growth and Schedule Delays” the Report states:

The schedule delays are due to unanticipated site conditions that were not apparent prior to the start of work resulting from a lack of detailed site surveys. For example, two buildings had to be relocated due to unacceptable terrain slope and power poles in the middle of a barracks location.

*NTM-A/CSTC-A Response:*

There are numerous differing site conditions and unknowns in any project, but the location of the utility poles was not one of them for this project. The plan was to place the facilities in the best location (due to terrain, master planning, cost, circulation, access, etc.) and relocate the utility poles. Construction and utility pole relocation was ultimately done in parallel to save time and the poles were removed according to plan.

5. Page 12, Section “Construction Quality Met Contract Standards, but A Questionable Construction Practice Was Observed” the Report states:

Constructing vertical structures first is a questionable construction practice. With open trenches around buildings, it can become difficult (and even dangerous) for the building construction workers to access the site and move construction materials into the structures. Additionally, in some cases, open trenches close to buildings may cause structural failures in the building itself.

*NTM-A/CSTC-A Response:*

Contractors frequently plan construction activities in parallel to drive down the overall schedule even though individual elements may take longer. Performing all activities in sequence would lead to extraordinarily long periods of performance. Contractors conduct engineering feasibility assessments and evaluate risk in each step and implement mitigations to reduce the chance of a mishap or the seriousness should a mishap occur. In the case of KMTC Ph III, the structural features of work were part of the critical path and needed to start immediately. As such, utility and site work ran in parallel with the structural features during some period of time. Risks were assessed, mitigation strategies were implemented, and the contractor moved forward re-evaluating the risks as construction progressed.

**DRAFT REPORT - SIGAR 11-19**  
**“Better Planning and Oversight Could Have Reduced Construction Delays and Costs at the  
Kabul Military Training Center”**

**NTM-A/CSTC-A**  
**GENERAL COMMENTS ON THE REPORT**

6. Page 12, Section “CSTC-A’s Failure to Integrate Site Information Contributed to Schedule Delays and Cost Growth” the Report states:

Typically, for U.S. military facilities the military services have a Department of Public Works (DPW) at each facility that integrates site information, such as the location of existing buildings, topography, and utility lines. CSTC-A currently does not provide a capability comparable to a DPW.

**NTM-A/CSTC-A Response:**

The ANA is responsible for managing their installations and CSTC-A is attempting to build a public works capability to improve Afghan oversight. Since the Ministry of Defense does not have the level of site detail fidelity that is normally found at US installations, let alone integrated information, CSTC-A developed the concept in coordination with the MOD that follows in the write-up. All parties, CSTC-A, AFCEE, and the Contractor recognize that in any construction project, perfect information is not available. The FAR recognizes this issue and accommodates it with the changes and differing site conditions clauses.

7. Page 12, Section “CSTC-A’s Failure to Integrate Site Information Contributed to Schedule Delays and Cost Growth” the Report states:

Although MACTEC’s contract was sufficiently broad to allow it to provide more in-depth planning, CSTC-A did not ask MACTEC to complete a detailed site survey. Instead, CSTC-A, through AFCEE direction, had MACTEC conduct a limited survey that mainly consisted of “windshield surveys” of the areas at KMTC where the facilities were to be developed.

**NTM-A/CSTC-A Response:**

Because of the existing insurgent activity and lack of demining at the site, risk analysis resulted in the surveyors needing to remain in and/or near vehicles and existing roadways. Therefore, the risk of the unknowns by limited knowledge of a project site was transferred to the contractor which could take additional steps (demining, providing a secure perimeter, and 24-hr security) to mitigate the risks and then incorporate it into the final design.

8. Page 13, Section “CSTC-A’s Failure to Integrate Site Information Contributed to Schedule Delays and Cost Growth” the Report states:

ECC, the construction contractor for Phase III, also found previously unknown features in conducting detailed site surveys, including large buried foundations (see photo 5) and power lines that had to be relocated.

**NTM-A/CSTC-A Response:**

These types of discoveries are routine in virtually any project site, in the US or Afghanistan.

**DRAFT REPORT - SIGAR 11-19**  
**“Better Planning and Oversight Could Have Reduced Construction Delays and Costs at the  
Kabul Military Training Center”**

**NTM-A/CSTC-A**  
**GENERAL COMMENTS ON THE REPORT**

9. Page 20, Section “Recommendations” the Report states:

To strengthen construction planning for future work at KMTC and future construction projects in support of the ANSF, ensure appropriate use of government funds, and strengthen contractor oversight, We are making two recommendations to the Commanding General, CSTC-A, in coordination with AFCEE, to:

1. Direct that site surveys done in conjunction with the KMTC conceptual master plan be more detailed, including topography and location of existing utilities, so that a more complete picture of additional construction projects can be provided to bidders, thus allowing contract proposals to more accurately reflect reality. SIGAR supports CSTC-A’s efforts to develop the organic capability to do this and in the interim recommends that CSTC-A, in concert with AFCEE, use existing planning contracts to provide the integration function.

**NTM-A/CSTC-A Response:**

Concur – Detailed master planning for KMTC is in progress. CSTC-A’s intent is to limit the amount of additional construction at KMTC. Now that the size of the ANA is capped at 195k, the estimated throughput should be more easily definable and future requirements limited.

2. Ensure that conceptual master plans for future construction projects in support of the ANSF contain more detailed information, including topography and the location of existing utilities, to facilitate the preparation of more accurate contract proposals.

**NTM-A/CSTC-A Response:**

Concur – CSTC-A is currently developing a comprehensive detailed master plan for KMTC via a Title I contractor. We actively pursue robust geotechnical and existing utility information, where available. Remote sites and limited security and site access sometimes limit the amount of information that can be gathered prior to full contractor mobilization. We attempt to balance the risk factors in a very dynamic combat area of operations.

**APPROVED BY:**  
MARIO A. TREVINO, COL, USA  
NTM-A / CSTC-A, CJ ENG  
Deputy Director

**PREPARED BY:**  
DAVID W. JONES, CAPT, USAF  
NTM-A / CSTC-A, CJ ENG  
Engineer, External Integration



**APPENDIX III: COMMENTS FROM THE AIR FORCE CENTER FOR ENGINEERING AND THE ENVIRONMENT**



**DEPARTMENT OF THE AIR FORCE**  
**AIR FORCE CENTER FOR ENGINEERING AND THE ENVIRONMENT**  
**LACKLAND AIR FORCE BASE TEXAS**

14 October 2011

**MEMORANDUM FOR OFFICE OF THE SPECIAL INSPECTOR GENERAL FOR  
AFGHANISTAN RECONSTRUCTION (SIGAR)**

**FROM:** AFCEE/CX

**SUBJECT:** AFCEE Response to SIGAR Audit 11-19, Better Planning and Oversight could have reduced Construction Delays and Costs at Kabul Military Training Center Report Recommendations

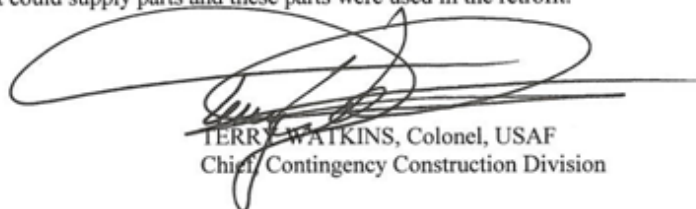
The subject audit provided two recommendations for AFCEE. The responses to these recommendations are below:

Recommendation #3: Ensure that, in the future, KMTC contract and task order files contain complete and consistent information regarding reasons for modifications to the contract and task orders.

- AFCEE Response for Recommendation #3: Noted. The KMTC task order file has been updated. It is maintained both electronically and in paper form. The COR and contracting specialist work together to ensure the latest information is in the file. The file will be reviewed after each modification to ensure that it is complete and accurate.

Recommendation #4: Seek reimbursement from the Phase I and II contractor, AMEC, for the cost of electrical repairs related to poor performance by its Afghan subcontractors.

- AFCEE Response for Recommendation #4: AFCEE will not seek reimbursement from AMEC. At the Program Management Review in 2010, AMEC advised AFCEE that due to the limited local national workers' skills in code compliant electrical construction, their subcontractors were requiring additional expatriate oversight for quality assurance and quality control mentoring. When the problem surfaced, AFCEE made a determination that AMEC should repair the electrical components after they were found to be counterfeit. This was not a case where the prime contractor management was willfully avoiding its responsibility nor was it a case of the prime contractor acting in bad faith. AFCEE believes that AMEC acted in good faith with the initial installation and incurred costs for the subcontractor's defective work. AFCEE determined that it would be fruitless for AMEC to go after the subcontractor because there is no bonding of work in this war torn country. Several other HERC contractors were experiencing the same issue with counterfeit parts thus it was not uncommon for these parts to be installed during construction. Once this problem surfaced to AFCEE and CSTC-A, several vendors were found that could supply parts and these parts were used in the retrofit.



TERRY WATKINS, Colonel, USAF  
Chief, Contingency Construction Division

(This performance audit was conducted under the audit project code SIGAR-039A).

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**SIGAR's Mission**

The mission of the Special Inspector General for Afghanistan Reconstruction (SIGAR) is to enhance oversight of programs for the reconstruction of Afghanistan by conducting independent and objective audits, inspections, and investigations on the use of taxpayer dollars and related funds. SIGAR works to provide accurate and balanced information, evaluations, analysis, and recommendations to help the U.S. Congress, U.S. agencies, and other decision-makers to make informed oversight, policy, and funding decisions to:

- improve effectiveness of the overall reconstruction strategy and its component programs;
- improve management and accountability over funds administered by U.S. and Afghan agencies and their contractors;
- improve contracting and contract management processes;
- prevent fraud, waste, and abuse; and
- advance U.S. interests in reconstructing Afghanistan.

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To help prevent fraud, waste, and abuse by reporting allegations of fraud, waste, abuse, mismanagement, and reprisal contact SIGAR's hotline:

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