

**Testimony of Arnold Fields**  
**Special Inspector General for Afghanistan Reconstruction**  
**Before the**  
**Subcommittee on Contracting Oversight**  
**Committee on Homeland Security and Government Affairs**  
*Oversight of Reconstruction in Afghanistan and the Role of the Special*  
*Inspector General*  
**November 18, 2010**

Madame Chairman, Senator Brown, and Members of the Committee:

Thank you for this opportunity to discuss SIGAR's work. This Committee has been instrumental in the vital effort to improve U.S. contracting practices. We share your commitment to contract oversight and to protecting the growing U.S. investment in Afghanistan's security and stability.

The U.S. engagement in Afghanistan is now in its 10<sup>th</sup> year. Since 2002, the United States has invested over \$56 billion dollars in the reconstruction of Afghanistan. President Obama has requested an additional \$16.2 billion dollars for FY 2011. That would bring the total reconstruction funding to more than \$72 billion, surpassing the \$57 billion that the Congress has appropriated for Iraq's reconstruction.

Since receiving full funding in June 2009, SIGAR has moved aggressively to fulfill its Congressional mandate to conduct, supervise, and coordinate audits and investigations of programs, operations, and contracts utilizing reconstruction funds. We have conducted audits and investigations in 22 of Afghanistan's 34 provinces.

Over the last 18 months, SIGAR has issued 34 audit reports and made more than 100 recommendations. We made 23 recommendations just in the last five reports. These audits addressed more than \$4.4 billion in reconstruction spending and have already helped produce important improvements in the way U.S. agencies are implementing the reconstruction program. Moreover, we have published nine comprehensive quarterly reports to the Congress.

SIGAR has developed a robust investigations capability. We have 89 ongoing investigations of contract and procurement fraud, as well as corruption. SIGAR investigators, who, on average, have 24 years of prior experience investigating complex financial crimes and contract fraud, are part of the US and Afghan effort to track cash shipments out of the Kabul airport. SIGAR has also conducted joint investigations that have already resulted in four convictions and the ordered repayment of millions of dollars to the U.S. Government. Recently, as a result of SIGAR investigations into corruption related to the U.S. reconstruction effort, our investigators provided information that helped lead to the capture of a top al Qaeda operative.

## AUDITS

SIGAR has three audit priorities: contract management and oversight, the development of the Afghan security forces, and anti-corruption programs. In addition, SIGAR is conducting audits of programs in the development and governance sectors, two of the three pillars of the Afghan National Development Strategy and the U.S. strategy for Afghanistan. Each of these priorities addresses a key element of President Obama's Afghan strategy. In addition to providing oversight of contracts, our legislative mandate requires us to examine programs and operations and to make recommendations to improve the effectiveness of the overall reconstruction effort. Therefore, SIGAR is executing a wide range of audits that look not only at individual contracts and contractor performance, but also at whether critical programs in the security, governance, and development sectors are aligned, resourced, and managed effectively to meet U.S. strategic objectives and achieve real, sustainable results.

SIGAR's FY 2011 audit plan includes 35 audits. We have selected these audits based on several criteria, including 1) our Congressionally-mandated requirements, 2) our analysis of the greatest risks to the U.S. reconstruction investment in Afghanistan, 3) input from the civilian and military leadership in Afghanistan and the United States, and 4) what other Inspectors General and the Government Accountability Office (GAO) are planning to do, as we don't want to duplicate work.

### Contracting

SIGAR's first audit priority is contracting and we have been building a team of auditors to focus on contract audits. These auditors have been doing the foundational work needed to identify the universe of reconstruction contracts. As part of this effort, SIGAR performed pilot audits focused on large construction projects for ANSF facilities and also assessed agency management of contracts.

The three main U.S. implementing agencies—the Department of Defense (DoD), the Department of State (DoS) and the U.S. Agency for International Development (USAID)—are using contracts as their primary vehicle to implement the bulk of the reconstruction effort. However, these agencies do not segregate reconstruction contracts from the other U.S. government contracts. Last month, SIGAR completed an audit that, for the first time, identified the number of contractors and implementing partners involved in Afghanistan's reconstruction.<sup>1</sup> We found that DoD, DoS, and USAID had obligated nearly \$18 billion to nearly 7,000 contractors and other entities from FY 2007 through FY 2009. Our auditors are now using this information to develop a contract audit plan that “follows the money” and closely examines high-value contracts in critical areas.

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<sup>1</sup> *DoD, DoS, and USAID Obligated Over \$17.7 billion to About 7,000 Contractors and Other Entities for Afghanistan Reconstruction during Fiscal Years 2007-2009*, SIGAR Audit, 11-4, October 27, 2010

SIGAR's very first audit assessed DoD's management of a \$404 million contract to provide training and support for the Afghan National Security Forces (ANSF).<sup>2</sup> We found that the Combined Security Transition Command-Afghanistan (CSTC-A), which was then responsible for developing the ANSF, did not have enough qualified contracting and program management staff to oversee this contract. CSTC-A agreed with these findings and the Defense Contract Management Agency subsequently sent a team of contract specialists to review contract management and oversight of CSTC-A's U.S.-funded contracts.

Nearly 40 percent of the audits that SIGAR completed in the last fiscal year were focused on contracting issues. Even though the United States has been involved in the reconstruction of Afghanistan for nearly a decade, SIGAR has found that U.S. implementing agencies still do not have enough contracting officers in the field and continue to have difficulty maintaining contract files, providing oversight of project implementation, and ensuring quality control. This is true for both large and small contracts. For example, last year SIGAR's audit of the Kabul Power Plant found that numerous contract management problems led to construction delays that added \$40 million to the cost of the \$300 million project.<sup>3</sup>

SIGAR's audits of contracts to build facilities for the Afghan National Security Forces (ANSF) have found similar problems. In our recent audit of a contract to build six Afghan National Police (ANP) facilities identified numerous problems, including poor construction and project delays.<sup>4</sup> The U.S. Army Corps of Engineers (USACE), which was responsible for managing the \$5.9 million contract, failed to conduct sufficient oversight and made payments to the Afghan contractor based on incomplete quality assurance reports. SIGAR estimated that it could cost the U.S. government an additional \$1 million, or about one-sixth of the value of the contract, to repair the structural deficiencies we identified. SIGAR's earlier audits of infrastructure projects for the Afghan National Army (ANA) also identified contract management problems.

Three factors have contributed to inadequate USACE oversight of infrastructure projects: lack of security, insufficient training of local quality assurance representatives, and the reorganization of USACE in Afghanistan. The most important is the lack of security at the sites under construction. In response to our audit of the six ANP District Headquarters Facilities in Helmand and Kandahar, USACE noted that many of its infrastructure projects are located in areas with high levels of insurgent activity. Moreover, because the military's mission priorities

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<sup>2</sup> *Contract Oversight Capabilities of the Defense Department's Combined Security Transition Command – Afghanistan (CSTC-A) Need Strengthening*, SIGAR Audit 09-1, May 19, 2009

<sup>3</sup> *Contract Delays Led to Cost Overruns for the Kabul Power Plant and Sustainability Remains a Key Challenge*, SIGAR Audit 10-6, January 20, 2010

<sup>4</sup> *ANP District Headquarters Facilities in Helmand and Kandahar Provinces have Significant Construction Deficiencies Due to Lack of Oversight and Poor Contractor Performance*, SIGAR Audit 11-3, October 27, 2010

on the ground change frequently, it is difficult to arrange the security needed to visit the construction sites.

The Department of Defense (DoD) has been responsible for the largest portion of reconstruction funding, approximately \$32 billion. In the last few months, DoD has taken several steps to improve its contracting practices. In addition to issuing new contracting guidance, DoD has also said it would deploy more contracting officers to the field. The new guidance emphasizes transparency and oversight to ensure that contracting spurs economic development and supports U.S. objectives.

One important goal of the new contracting guidance is to prevent U.S. funds from undermining the reconstruction effort by unintentionally fueling corruption, financing insurgents, or strengthening criminal networks. In this regard, SIGAR has been particularly concerned about the role and cost of private security companies (PSCs) and their subcontractors. We are currently conducting an audit of a USACE task order for private security services. Our audit is not only reviewing contract planning, management and costs, but it is also identifying subcontractors. We expect this audit to be completed early next year.

We have plans to initiate three more audits related to PSC contracts this year. The first will identify all the PSCs operating in Afghanistan, as well as the costs of their services to the U.S. government since 2007. The second will determine the ability of military commanders to track convoys guarded by PSCs. The third will be a focused contract audit of a PSC contract. SIGAR is also watching the statements and actions of Afghan officials regarding the use of private security contractors and the related impact on costs to the American taxpayer. These changes that have been announced could have a dramatic impact on the existing reconstruction effort and our planned work.

In addition to our audit of the USACE PSC contract, SIGAR has three other ongoing reviews of contractor performance. These include audits of a USAID cooperative agreement with Care International, of infrastructure projects in Herat and Mazar-E Sharif, and of selected projects funded through the Commander's Emergency Response Program (CERP).

### **The Development of the Afghan National Security Forces**

Our second audit priority focuses on the development of the ANSF. Building a competent Afghan security force capable of operating independently is critical to the President's Afghanistan strategy. The lion's share of the United States investment in Afghanistan—more than \$29 billion—has been devoted to providing training, equipment, and infrastructure for the Afghan security forces. President's Obama FY 2011 request includes an additional \$11.6 billion to fund efforts to increase the troop strength of the ANA to 171,600 and the ANP to 134,000 by October 2011. As of the end of September this year, the ANA had 138,164 troops and the ANP had 120,504 personnel.



SIGAR is examining all aspects of the U.S.-funded mission to train and equip the ANSF. We have issued seven reports and have four ongoing audits related to the development of the ANSF. Five of the completed audits reviewed infrastructure contracts worth a combined value of \$320 million and one assessed the ability of DoD to provide oversight of a \$400 million training contract. These audits identified the continuing problems with contract and program management discussed in the contracting section of this testimony. Our first audit found that CSTC-A did not have sufficient qualified staff to oversee the \$400 million training contract.<sup>5</sup> CSTC-A concurred with SIGAR's findings. Subsequently, the Defense Management Contract Agency sent a team of contract specialists to review contract management and oversight for all of CSTC-A's contracts that were funded through the Afghan Security Forces Fund (ASFF), which was established to support the development of the Afghan security forces.

SIGAR's audits of ANSF infrastructure have highlighted two other serious issues: the long-term challenge of developing the Afghan government's capacity to operate and maintain its military facilities, and the lack of an ANA master plan for facilities development. Because the Afghan government has neither the technical nor financial ability to sustain completed ANA and ANP facilities, the United States has entered into two contracts with a combined value of about \$800 million for the operations and maintenance of more than 650 ANSF facilities through the year 2013. At the conclusion of this contract, the United States plans to turn operations and maintenance responsibility for these facilities over to the Afghan government. SIGAR's infrastructure audits raise questions about whether Afghanistan will be able to meet this goal. We have ongoing audits of ANSF infrastructure that will help us to make this determination as well as identify how money is being spent.

Despite the significant investment in this infrastructure, SIGAR auditors found that there was no current master plan for developing the facilities needed to house and train the increased number of troops. U.S. military officials have told SIGAR that they are working on developing a process to capture the changing requirements of the garrisons. Without an updated strategy that accurately reflects existing requirements, the United States risks wasting billions of dollars to build facilities that do not meet the ANA's needs. As a result of these findings, SIGAR is currently conducting an audit of the overall planning for the construction of ANSF facilities.

Earlier this year, SIGAR completed an important audit that identified key weaknesses in the system used to measure the capabilities of new Afghan troops. Developing competent Afghan security forces capable of operating independently is a lynchpin of the President's Afghanistan strategy. Since this audit was completed, the ISAF Joint Command has developed a Commander's Unit Assessment Tool (CUAT) that incorporates most of SIGAR's recommendations. It is too early to assess the new system, but SIGAR will be doing follow up work to examine the effectiveness of this new tool, as well.

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<sup>5</sup> *Contract Oversight Capabilities of the Defense Department's Combined Security Transition Command – Afghanistan (CSTC-A) Need Strengthening*, SIGAR Audit 09-1, May 19, 2009

In addition to assessing planning for ANSF facilities, SIGAR's ongoing audits in the security sector include: a review of the Afghan National Police personnel management systems, an examination of the U.S. program for providing vehicles for the ANSF, and an audit of infrastructure projects in Herat and Mazar-E-Sharif.

## **Corruption**

Our third priority area is corruption. Corruption is not only destroying the confidence of the Afghan people in their government, but also the support of U.S. taxpayers for our engagement there. Reducing corruption is such a key element of the U.S. strategy, and is so essential to achieving U.S. reconstruction goals in Afghanistan, that SIGAR initiated a program in the spring of 2009 to assess: 1) what the United States and other donor countries are doing to build the capacity of Afghan institutions to deter corruption and strengthen the rule of law, and 2) the extent to which national and provincial Afghan institutions receiving significant U.S. funding have the systems in place to exert internal control and account for donor funds.

As part of this initiative, SIGAR has issued several audits, including two assessing the capabilities of the key Afghan institutions charged with curbing corruption: the High Office of Oversight (HOO) and the Control and Audit Office (CAO). Despite the critical role that these institutions should play in deterring corruption and providing accountability for donor funds, SIGAR found that they lacked sufficient independence and legal authority, were seriously short of qualified staff, and struggled with a number of operational issues. SIGAR concluded that these institutions required a stronger commitment and better coordinated assistance from the United States. Since our audit of the HOO, both the United States and the Afghan government have taken steps to implement many of SIGAR's recommendations. The United States has provided \$30 million to support the HOO and the Afghan government issued a decree giving the HOO more independence. Both the Afghan government and the donor community must do more to both strengthen the capacity of the HOO and the CAO and to ensure that these organizations have the independence and authority needed to protect the considerable international investment in Afghanistan.

In August 2010, SIGAR published an audit that identified the various U.S. programs designed to help the Afghan government develop its anti-corruption capabilities and challenges in the coordinated management of those programs.<sup>6</sup> For example, the SIGAR audit found that although the U.S. Embassy Kabul has drafted a comprehensive anti-corruption strategy and is in the process of implementing this strategy, the State Department had not yet approved it. The strategy has still not been approved. The audit also identified the six U.S. departments and agencies that are funding projects, directly or indirectly, to help strengthen the anti-corruption

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<sup>6</sup> *U.S. Reconstruction Efforts in Afghanistan Would Benefit from a Finalized Comprehensive U.S. Anti-Corruption Strategy*, SIGAR Audit 10-15, August 5, 2010

capabilities of the Afghan government. These include the DoS, DoD, and USAID, as well as the Departments of the Treasury, Justice, and Homeland Security.

SIGAR's anti-corruption initiative has become even more important in light of the new U.S. policy to provide as much as 50 percent of its development assistance through Afghan government institutions within the next two years. The U.S. commitment is contingent on the Afghan government's progress in implementing reforms to strengthen public management systems, reduce corruption, improve budget execution, and increase revenue collection to finance critical national programs.

SIGAR's recent audit, *Weaknesses in Reporting and Coordination of Development Assistance and Lack of Provincial Capacity Pose Risks to U.S. Strategy in Nangarhar*, reviewed development assistance in Afghanistan's most densely populated province and the country's primary gateway for trade with Pakistan.<sup>7</sup> The audit's findings illustrate some of the challenges the United States faces in fulfilling its commitment to provide more funding through local governments. Despite a \$100 million investment in development activities in Nangarhar in 2009, SIGAR detected little coordination of project selection and implementation with provincial authorities. Moreover, SIGAR found that the province did not have an operational development plan or a functioning process to identify, implement, and manage development projects. We are concerned that the lack of involvement of provincial authorities could result in projects that are not needed or wanted, and which cannot be maintained or sustained by the Afghan government.

Last month SIGAR published an audit which found that the Afghan government depends heavily on donors to fill critical civil service positions.<sup>8</sup> However, this salary support is also distorting the local labor market and undermining the long term goal of developing a capable and sustainable government. International donors do not have a standardized pay scale, and often pay 10 to 20 times more than the Afghan government would be able to sustain on its own. Moreover, the financial controls over who receives salary support are very weak and this opens the door to corruption.

Let me also highlight two ongoing SIGAR audits related to our anti-corruption initiative. The first is reviewing Afghanistan's National Solidarity Program. In 2003, Afghanistan's Ministry of Rural Rehabilitation and Development established this program to help local communities identify, plan, manage, and monitor their own development projects. Since then, the program has received more than \$900 million in international funding and has reported completing nearly 40,000 small infrastructure projects. The United States has pledged \$440 million to this program. The second deals with the effectiveness of efforts to improve Afghanistan's ability to address corruption through the Major Crimes Task Force.

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<sup>7</sup> *Weaknesses in Reporting and Coordination of Development Assistance and Lack of Provincial Capacity Pose Risks to U.S. Strategy in Nangarhar*, SIGAR Audit 11-1, October 26, 2010

<sup>8</sup> *Actions Needed to Mitigate Inconsistencies in and lack of Safeguards over U.S. Salary Support to Afghan Government Employees*, SIGAR Audit 11-5, October 29, 2010



## **Forensic Data Collection**

In addition to a broad spectrum of audits, SIGAR's enabling legislation requires it to investigate improper payments, and to prepare a final forensic audit report on all programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan. SIGAR is currently conducting forensic reviews of \$37 billion of transaction data from three Afghanistan reconstruction funds: Afghanistan Security Forces Fund (ASFF), which is managed by DoD; the Economic Support Fund (ESF), which is managed by USAID; and the International Narcotics Control and Law Enforcement Fund (INCLE), which is managed by DoS.

SIGAR's forensic team has recently completed a preliminary review of over 73,000 transactions amounting to \$7.4 billion in USAID disbursements. The team has isolated a number of anomalous transactions that indicate possible duplicate payments. SIGAR will integrate these anomalies into cross-agency transaction databases to further identify potential waste, fraud, and abuse. SIGAR will use this forensic work to identify specific contracts to audit, as well as to support criminal investigative initiatives.

## **INVESTIGATIONS**

SIGAR investigators work closely with other federal law enforcement agencies in Afghanistan and in the United States to maximize resources and ensure that all allegations of waste, fraud, and abuse involving U.S. taxpayer dollars are seriously examined. SIGAR maintains a full-time presence at the joint operations center of the International Contract Corruption Task Force (ICCTF) in Washington, DC. The ICCTF, the principal organization coordinating contract fraud and corruption cases involving U.S. government spending in Southwest Asia, is comprised of nine Federal law enforcement agencies, including the Federal Bureau of Investigation (FBI), and the Inspectors General of DoD, DoS, and USAID. The National Procurement Fraud Task Force (NPFTF) at the Department of Justice provides prosecutorial support for SIGAR.

SIGAR is the only member of the ICCTF with cross-agency jurisdiction and a single focus on the expenditure of U.S. reconstruction funds. With more agents focused exclusively on waste, fraud, and abuse in Afghanistan today than the FBI, the USAID Inspector General, the DoS Inspector General and the DoD Inspector General, SIGAR is establishing a leadership role in the investigative oversight of reconstruction dollars.

In the past year, SIGAR has participated in joint investigations that have led to millions of dollars in fines and ordered repayments to the U.S. government. For example, at the request of the Department of Justice, SIGAR collaborated with the Defense Criminal Investigative Service (DCIS) and the Criminal Investigation Command (CID) to investigate two Afghan trucking companies. As a result of this joint investigation, the two companies pled guilty to bribery charges and received a \$4.4 million fine for paying U.S. officials to win contracts at



Bagram Air Field. Another joint investigation led to the U.S. Army Corps of Engineers demanding that an Afghan company and South Korean company repay \$1.9 million to the U.S. government. These companies filed false claims and stole U.S. government property from a construction site.

Recently, a SIGAR joint investigation with the FBI and the USAID Office of the Inspector General resulted in the detention and pending U.S. arrest of an Australian in India. In August of this year, the subject was indicted in the District of Columbia for soliciting a bribe in return for preferential treatment in the awarding of a hospital and college construction contract in Afghanistan.

To increase awareness of the SIGAR Hotline in Afghanistan, SIGAR investigations has a continuing broad public outreach campaign, which includes public service announcements, news media advertisements, and fraud awareness briefings. SIGAR agents recently conducted fraud awareness briefing in five provinces. These efforts have contributed to the significant increase in Hotline complaints over the last few months. To date, SIGAR has received and addressed more than 400 complaints of waste, fraud, and abuse through its Hotline and Complaints Management System. SIGAR has been able to quickly refer complaints that do not involve reconstruction dollars to other agencies, assign those with merit to SIGAR investigators, and close cases that have no merit or lack sufficient evidence to open a case.

Earlier this year, DoD established Task Force 2010 to investigate allegations that contractors hired to provide security, supplies, and reconstruction work were funding the Taliban or other criminal networks. Task Force 2010, which began operating in Afghanistan during the summer, has created the Afghan Shafafiyat (“transparency”) Investigative Unit (ASIU) to work with Afghan officials to investigate, arrest, and prosecute Afghans involved in contract fraud. SIGAR’s investigators are working closely with both Task Force 2010 and the ASIU.

SIGAR is conducting an investigation to identify the source of bulk currency transfers out of Afghanistan. In March of this year, as a result of this investigation, SIGAR identified weaknesses in the Kabul International Airport controls of money transiting through the airport. These weaknesses facilitated the illegal circumvention of the required declaration of such transfers. We shared this information with other federal agencies, including the Department of Homeland Security. Other agencies are now assisting the Afghan government to tighten controls at the airport.

SIGAR has no indication that any of the bulk currency transfers—which are mostly in foreign currencies such as rupees, riyals, dirhams, and euros—constitute a flood of U.S. reconstruction dollars fleeing the country, but our investigators are closely monitoring the situation.

## **PEER REVIEW**

Earlier this year, SIGAR requested assistance from the Council of the Inspectors General on Integrity and Efficiency (CIGIE) to examine SIGAR's management, audit, investigative, and support operations. Although peer reviews are traditionally conducted every three years, SIGAR chose to request this early and unprecedented review in order to accelerate its own internal capacity building efforts. The review examined SIGAR's progress in establishing appropriate work standards; creating the policies, procedures, and management structures to meet those standards; and identifying and hiring the expert talent necessary to conduct the oversight of the reconstruction that Congress expected.

The audit peer review resulted in a rating of "pass with deficiencies" and a letter of comment. These findings have been instrumental in helping us strengthen our organization. The review team concluded that, with the exception of five deficiencies, SIGAR complied with CIGIE's system of quality control and had reasonable assurance that it was performing and reporting in conformity with applicable standards in all material respects. In response to the review, SIGAR's proposed a course of action to strengthen its capacity, with which CIGIE concurred. SIGAR has implemented all the recommendations in CIGIE's report and the letter of comment.

Let me address some of the specific measurements used in the CIGIE review of our investigations directorate. CIGIE evaluated SIGAR against 51 standards and concluded that SIGAR was in compliance with 45 of those standards. In addition to the CIGIE standards, SIGAR's investigations directorate was evaluated against 37 individual standards related to the Attorney General Guidelines, and found to be in compliance with 33 of these standards. SIGAR's Investigations Directorate is now in compliance with all of the standards highlighted in the review.

As a result of this review, SIGAR has taken action to ensure its strategic plan and priorities are properly documented and disseminated to all employees. It has established an effective infrastructure to capture the records needed to document its full compliance with *Attorney General Guidelines for Inspectors General with Statutory Law Enforcement Authority*. To institute greater quality assurance, and ensure continued compliance with existing policy and standards, SIGAR has initiated a comprehensive self-inspection program for investigations.

At SIGAR's request, CIGIE will be conducting a follow-up review of the actions we have taken in response to their recommendations by the end of this calendar year.

## **CONTINUING RISKS TO THE U.S. INVESTMENT**

Through its audit and investigative work over the last 18 months, SIGAR has identified six broad issues putting the U.S. investment in Afghan reconstruction at risk of being wasted or subject to fraud and abuse. Those six issues are: inadequate contract and program management,

need to work in greater partnership with the people of the country we are trying to rebuild, measuring outputs rather than outcomes, inability to curb corruption, insufficient local capacity to manage and sustain projects, and lack of security. SIGAR's October 30 2010 Quarterly Report to Congress discusses each of these issues in depth. Many of them are similar to issues that adversely affected reconstruction in Iraq. Our report can be found at [www.sigar.mil](http://www.sigar.mil).

Despite repeated recommendations, first by the Special Inspector General for Iraq Reconstruction (SIGIR) and now by SIGAR, U.S. agencies still struggle to effectively implement reconstruction projects. In this testimony, I will highlight just one the recurrent reconstruction challenges: the inability of implementing agencies to share information about reconstruction contracts. Although the U.S. Congress required DoD, DoS, and USAID to create a common database to track contracts and contractor personnel, these agencies have had difficulty using this database. Moreover, none of these agencies has routinely provided information on which contracts, cooperative agreements, and grants are used for reconstruction as opposed to other activities in Afghanistan, such as support for U.S. troops. SIGAR's audit—*DoD, DoS, and USAID Obligated Over \$17.7 billion to About 7,000 Contractors and Other Entities for Afghanistan Reconstruction during Fiscal Years 2007-2009*—was the first to segregate reconstruction contracts from other contracts.

Both SIGIR and SIGAR have repeatedly identified the lack of an integrated management information system as a serious impediment to the effective management of reconstruction efforts. Yet, the United States still does not have an integrated management information system that can provide a common operating picture of U.S. reconstruction projects. In the absence of such a system, it is extremely difficult for the U.S. government to effectively coordinate and monitor the expanding reconstruction effort in Afghanistan. In Afghanistan, the significant international participation in reconstruction further complicates the coordination effort.

## **LOOKING FORWARD**

Over the last year and half, SIGAR has increased its staff to 123, including 51 auditors and 30 investigators. We have approximately 38 people working out of five locations in Afghanistan (U.S. Embassy Kabul, Camp Eggers, Kandahar Air Field, Bagram Air Field and Camp Falcon) and are working to expand SIGAR's investigations presence to seven military-controlled facilities in five provinces. We plan to continue to increase our staffing in critical areas of expertise, in order to provide the oversight necessary to keep pace with the growing reconstruction program.

The 34 audit reports that SIGAR has published to date have helped us identify the critical areas where we need to focus additional work. We plan to complete as many as 35 audits in FY 2011, and have already completed five. Our emphasis will be to audit major high-value contracts to detect and deter waste. We will continue to review operations and programs, such as the development of the Afghan Security Forces, which form the foundation of the U.S. strategy in

Afghanistan. We will also maintain focus on corruption, which puts the entire reconstruction effort at risk.

I look forward to working with this Committee, and the whole of Congress, to provide the enduring oversight necessary to ensure that taxpayer dollars appropriated for the reconstruction of Afghanistan, are fully accounted for, and spent effectively.





## **SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION**

### **SIGAR SUPPORT CAPPING REPORT**

**August 4, 2008 – September 30, 2009**

#### **OVERVIEW**

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The Special Inspector General for Iraq Reconstruction (SIGIR) provided support to the Special Inspector General for Afghanistan Reconstruction (SIGAR), as authorized by section 1229(h)(6) of Public Law 110-181 and pursuant to memorandums of agreement between the two agencies.

SIGIR furnished over 2,900 hours of human resources, budget, contracting, facilities, logistics, and IT services on a reimbursable basis, while concurrently assisting the SIGAR to design and staff these functions so it could eventually assume them. The cost of this support was \$154,430.

SIGIR additionally detailed Auditors and an Operations Officer to supplement the SIGAR staff deployed in Afghanistan. These detailed personnel completed over 3800 hours of work at a cost of \$411,054. In all, SIGIR provided over 6,700 hours of reimbursable or detailed support.

In addition, SIGIR contributed other significant support without charge. For example, SIGAR staff used SIGIR office space, phones, and computers until they were able to move into their own facility. In addition, SIGIR senior management and staff have provided ongoing advice and counsel since the appointment of the Special Inspector General for Afghanistan Reconstruction.

Lastly, because of gaps in SIGAR's hiring authority, all SIGAR employees were initially hired by SIGIR and detailed to SIGAR. These employees are not included in totals of "detailed" or "reimbursable" personnel given in this report.

#### **HIGHLIGHTS: AUGUST 2008**

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- SIGIR Deputy Inspector General meets with the SIGAR to coordinate support of stand-up activities.
- SIGIR Deputy Chief of Staff, Chief Information Officer, and Support Branch Chiefs begin working with SIGAR Senior Advisor to develop human resource, budget, contracting, facility, and IT requirements.
- Office space in Crystal City is identified.
- Apportionment and transfer of funds appropriated to SIGAR is successfully negotiated.
- Agreement is reached with the Center for Contracting Excellence (CCE) for SIGAR support.
- SIGAR budget sub-accounts are created.
- Contract is initiated for support services.

- Work on SIGAR Website and network is initiated.
- Hiring packets are processed on first four government employees.
- Requests are prepared to obtain Government Purchase Card, vehicle, and parking space.

*Hours of Reimbursable Support Provided: 156*

### **HIGHLIGHTS: SEPTEMBER 2008**

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- Account is established for initial funding of \$2.4 million. Coordination is initiated with State Foreign Operations Subcommittee, OSD Comptroller's Office, and Department of State on an additional \$9 million received in Public Law 110-329.
- Numerous meetings are held with congressional committees to discuss SIGAR's funding needs.
- Initial IT work and provisioning of new offices is completed.
- Numerous issues with new facility are resolved.
- Work on SIGAR Website and network continues.
- Hiring packets are processed for six employees.
- Travel support is provided for the SIGAR's first trip to Afghanistan.
- CIO travels to Afghanistan to help establish forward operations.
- Rental vehicle, Government Purchase Card, and Blackberries are obtained.
- Work is initiated to establish SIGAR logo.
- First group of contractors is processed.

*Hours of Reimbursable Support Provided: 405*

### **HIGHLIGHTS: OCTOBER 2008**

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- Work continues on IT modifications in new quarters.
- Database is created for personnel and contractor information.
- SIGAR Website is launched.
- Mailboxes are created for Congressional and Public Affairs.
- Spend plans are developed to facilitate apportionment of FY09 funds by OMB.
- Coordination with State Department and WHS begins on issues related to set up of accounts.
- Equipment requirements are developed and orders are placed.
- Assistance is provided with preparation of congressional mailing lists for Quarterly Report distribution.
- Meetings are held with Government Printing Office to plan for Quarterly Report publication.
- Support of human resources (hiring, security clearances, and travel), procurement and contracting, budget, and IT continues.

*Hours of Reimbursable Support Provided: 306*

## **HIGHLIGHTS: NOVEMBER 2008**

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- Several key staff positions are filled - Senior Budget Officer, Legislative Affairs Director, and General Counsel.
- Issue regarding payment code for purchase of information technology equipment is resolved. IT acquisitions are proceeding.
- Work continues with State Department to determine costs for forward support under International Cooperative Administrative Support Services (ICASS).
- Interagency transfer of FY09 funding in the amount of \$9 million is accepted and set up of reimbursable accounts is initiated.
- Request package is prepared and submitted to CCE for issuance of solicitation for services to support SIGAR's Quarterly Report process.
- Draft of Memorandum of Understanding between SIGAR and Department of Army is prepared.
- Support of human resources (hiring, security clearances, and travel), procurement and contracting, budget, and IT continues.

*Hours of Reimbursable Support Provided: 207*

## **HIGHLIGHTS: DECEMBER 2008**

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- Process is initiated to transfer financial reports, hard-copy/electronic documentation, and status of all current issues to SIGAR's incoming Budget Officer.
- Work proceeds with Senate State Foreign Operations Appropriations committee to address issues related to FY09 funding shortfall.
- Work continues on SIGAR hotline. Toll free number is obtained. Proofs of poster design are under review.
- Information is provided on setting up Agency policies, including electronic copies of all SIGIR policies and related documents.
- Documents are prepared to renew support services contract.
- Support of human resources (hiring, security clearances, and travel), procurement and contracting, and IT continues.
- Budget functions begin to transfer.

*Hours of Reimbursable Support Provided: 194*

## **HIGHLIGHTS: JANUARY 2009**

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- Recruitment and staffing accelerates, with candidates selected for several key positions.
- Processing of numerous hiring packages and security clearances continues.
- Work continues on establishing the SIGAR hotline including obtaining an international toll-free number.
- Work continues on SIGAR/Army MOU.
- Information is provided regarding the Iraq Inspectors General Council.



- Assistance is provided with numerous facility issues.
- Potential expansion space in Crystal City is identified.
- Assistance is provided to set up Agency records management program.
- Antiterrorism level 1 training is conducted.
- Support of human resources (hiring, security clearances, and travel), procurement and contracting, and IT continues.
- Assistance is provided as budget functions transfer.

***Hours of Reimbursable Support Provided: 223***

## **HIGHLIGHTS: FEBRUARY 2009**

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- Planning continues for expansion of office space in Crystal City.
- Hotline number and voicemail begin working with both local and toll free access. SIGIR hotline staff is handling incoming calls.
- Research begins on ramifications of combining SIGAR and SIGIR investigations information in NASA SORS database.
- Requirements are prepared for satellite imagery.
- Plans are completed for detailing SIGIR Auditors to support SIGAR audit activities in Afghanistan.
- Support of human resources (hiring, security clearances, and travel), procurement and contracting, and IT continues.
- Transition of budget functions is completed.

***Hours of Reimbursable Support Provided: 263***

## **HIGHLIGHTS: MARCH 2009**

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- Three SIGIR Auditors are detailed to Afghanistan to support audit work.
- Planning and coordination for expansion space continues.
- Support of procurement and contracting, and IT continues.
- Support of human resources (hiring, security clearances, and travel) continues with some functions beginning to transfer.
- SIGIR hotline staff continues to handle calls to SIGAR.

***Hours of Reimbursable Support Provided: 447***

***Hours of Detailed Support Provided: 378***

## **HIGHLIGHTS: APRIL 2009**

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- SIGIR AIG-Investigations provides recommendations on SIGAR investigative program.
- SIGIR Senior Contract Specialist chairs Source Selection Board for award of QR contract.
- Operations Officer is detailed to Afghanistan to support forward operations.
- Three SIGIR Auditors continue on detail in Afghanistan.
- Planning and coordination for expansion space continues.



- Support of procurement and contracting, and IT continues.
- Support of human resources (hiring, security clearances, and travel) continues. Training of counterparts and transfer of some functions continues.
- SIGIR hotline staff continues to handle calls.

***Hours of Reimbursable Support Provided: 236***

***Hours of Detailed Support Provided: 839***

### **HIGHLIGHTS: MAY 2009**

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- SIGAR/SIGIR MOU is extended.
- Contract is awarded for support of SIGAR's Quarterly Report.
- Fourth SIGIR Auditor is detailed to Afghanistan.
- Operations Officer continues on detail in Afghanistan.
- Support of procurement and contracting, and IT continues.
- Support of human resources (hiring, security clearances, and travel) continues. Training of counterparts and transfer of some functions continues.
- SIGIR hotline staff continues to handle calls.

***Hours of Reimbursable Support Provided: 162***

***Hours of Detailed Support Provided: 1,004***

### **HIGHLIGHTS: JUNE 2009**

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- Information is provided to SIGAR Investigations regarding authorities in US and overseas, including United States Marshal Service deputization, case documentation, and software support for investigations.
- Counterpart briefings are provided to SIGAR's new engineer, imagery analyst, and hotline analyst.
- Three SIGIR Auditors and Operations Officer continue on detail; one Auditor completes detail assignments.
- Some support of human resources (hiring, security clearances, and travel) continues. Training of counterparts and transfer of functions is almost complete.
- Procurement and contracting support, and IT support, continues.
- Staffing of hotline continues, while transfer of functions begins.

***Hours of Reimbursable Support Provided: 176***

***Hours of Detailed Support Provided: 716***

**HIGHLIGHTS: JULY 2009**

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- HR and payroll functions are fully transitioned to SIGAR staff. Assistance continues regarding a few issues.
- Transitioning continues to transfer procurement and contracting support and IT support.
- Transition of hotline support is completed.
- Two Auditors complete detail assignments. One Auditor and Operations Officer continue on detail to SIGAR.

*Hours of Reimbursable Support Provided: 78*

*Hours of Detailed Support Provided: 384*

**HIGHLIGHTS: AUGUST 2009**

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- Transition of all support functions is completed on August 15.
- One Auditor and the Operations Officer remain on detail.

*Hours of Reimbursable Support Provided: 48*

*Hours of Detailed Support Provided: 329*

**HIGHLIGHTS: SEPTEMBER 2009**

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- Operations Officer completes detail on September 13.
- Auditor completes detail on September 30.

*Hours of Reimbursable Support Provided: 0*

*Hours of Detailed Support Provided: 240*

**TOTAL SIGAR SUPPORT HOURS**

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	<b>Hours</b>	<b>Cost</b>
Reimbursable Support Provided	2,901	\$154,430
Detailed Support Provided	3,890	\$411,054
<b>TOTAL</b>	<b>6,791</b>	<b>\$565,484</b>

Special Inspector General for Contingency Operations Model

\*\*\*\*\* DRAFT/NOTIONAL BUDGET FOR DISCUSSION PURPOSES ONLY \*\*\*\*\*

Description	MODEL A (i.e. Iraq/Afghanistan - Large)					MODEL B (i.e. Iraq/Afghanistan - Medium)					MODEL C (Non-War Zone - i.e. Haiti - Small)				
	Back Office Support 28 FTE's	Forward 30 FTE's	Rear 75 FTE's	Grand Total Model A	Grand Total Model A	Back Office Support 28 FTE's	Forward 20 FTE's	Rear 45 FTE's	Grand Total Model B	Grand Total Model B	Back Office Support 28 FTE's	Forward 10 FTE's	Rear 20 FTE's	Grand Total Model C	
Annual Base Salary	120,564	131,370	120,564	16,333,064	16,333,064	120,564	131,370	120,564	11,402,442	11,402,442	120,564	131,370	120,564	7,074,640	
Base Salaries	3,349,658	3,941,108	9,004,297	16,333,064	16,333,064	3,349,658	2,627,405	5,425,378	11,402,442	11,402,442	3,349,658	1,313,703	2,411,729	14,080	
Terminal Leave (2% separation rate)	6,400	7,880	19,200	35,280	35,280	6,400	5,120	11,520	23,040	23,040	6,400	2,960	5,120	14,080	
Employee Benefit Contribution	669,932	788,222	1,808,459	3,266,613	3,266,613	669,932	525,481	1,085,076	2,280,488	2,280,488	669,932	292,741	482,256	1,414,928	
Overtime	40,534	1,177,802	121,603	1,339,940	1,339,940	40,534	785,202	72,982	898,698	898,698	40,534	392,601	32,428	465,563	
Post DTDanger Pay		2,942,694		2,942,694	2,942,694		2,023,102		2,023,102	2,023,102		867,044		867,044	
Sundry Premium/Holiday Pay		146,998		146,998	146,998		102,622		102,622	102,622		63,672		63,672	
General Wage Increase (2% of base)	50,245	59,117	135,634	244,996	244,996	50,245	39,411	81,381	171,037	171,037	50,245	19,708	36,169	105,120	
Subtotal (all categories above)	4,116,788	9,063,621	14,127,185	24,307,604	24,307,604	4,116,788	6,108,343	6,676,317	16,901,429	16,901,429	4,116,788	2,972,026	2,987,252	10,006,046	
Awards/RRR	95,000	150,000	150,000	395,000	395,000	95,000	100,000	90,000	285,000	285,000	95,000	50,000	40,000	165,000	
Personnel Compensation	4,211,788	9,213,621	14,277,185	24,702,604	24,702,604	4,211,788	6,208,343	6,766,317	17,186,429	17,186,429	4,211,788	2,972,026	3,007,252	10,169,046	
Travel	67,200	446,520	489,200	1,014,720	1,014,720	67,200	314,830	346,600	727,630	727,630	67,200	28,820	211,200	345,220	
Conus-Field Facilities	844,400	0	840,716	1,086,116	1,086,116	844,400	0	694,360	838,760	838,760	844,400	0	688,064	833,464	
Desktop Support	132,398		294,688	427,086	427,086	132,398		161,438	293,836	293,836	132,398		171,750	204,146	
Phones - Long Distance	3,889		10,111	14,000	14,000	3,889		6,191	10,080	10,080	3,889		2,925	6,814	
Phones - Local	16,667		43,333	60,000	60,000	16,667		28,533	43,200	43,200	16,667		12,533	29,200	
Cellular Phone Service		7,351	86,434	93,785	93,785		4,901	59,839	64,740	64,740		2,450	36,568	39,019	
Copier Maintenance		5,628		5,628	5,628		5,628		5,628	5,628			5,628		
Investigative Reporting Tool		157,234		157,234	157,234		157,234		157,234	157,234			157,234		
Software Renewals /Info Tech Support		23,838		23,838	23,838		23,838		23,838	23,838			23,838		
Communications/Research Tools		20,116		20,116	20,116		15,767		15,767	15,767			14,619		
COMS/IT	152,952	7,261	641,382	801,636	801,636	152,952	4,901	455,468	614,320	614,320	152,952	2,400	325,095	480,487	
Printing - Quarterly Reports			220,227	220,227	220,227			152,456	152,456	152,456			134,583	134,583	
Printing - Quarterly Reports			220,227	220,227	220,227			152,456	152,456	152,456			134,583	134,583	
Professional Services Contract Support		0	429,617	429,617	429,617			297,427	297,427	297,427			262,544	262,544	
Report Translations		0	52,275	52,275	52,275			36,191	36,191	36,191			31,946	31,946	
Interpreters		24,504		24,504	24,504		24,504		24,504	24,504		24,504	24,504	24,504	
Evaluations Support		30,630		30,630	30,630		21,205		21,205	21,205		18,718	18,718	18,718	
Operational/Consulting Services		24,504		24,504	24,504		24,504		24,504	24,504		24,504	24,504	24,504	
Administrative Support Contract		426,165		426,165	426,165		295,038		295,038	295,038		260,434	260,434	260,434	
Acquisition Support		52,646		52,646	52,646		36,447		36,447	36,447		32,172	32,172	32,172	
Administrative Support Services		478,811		478,811	478,811		331,493		331,493	331,493		292,807	292,807	292,807	
Training		30,000		30,000	30,000		30,000		30,000	30,000			30,000	30,000	
Investigations Support		12,150		12,150	12,150		8,411		8,411	8,411			7,425	7,425	
Vehicle Lease		11,000		11,000	11,000		11,000		11,000	11,000			11,000	11,000	
Vehicle Fuel/Maintenance		2,450		2,450	2,450		1,696		1,696	1,696			1,497	1,497	
Health/Wellness Program		21,542		21,542	21,542		15,079		15,079	15,079			9,694	9,694	
Professional Liability Insurance		1,532		1,532	1,532		1,532		1,532	1,532			1,532	1,532	
Subscriptions/Misc. Contracts		34,193		34,193	34,193		23,672		23,672	23,672			20,866	20,866	
HVAC Svcs		13,984		13,984	13,984		9,681		9,681	9,681			8,546	8,546	
Cleaning Svcs		5,854		5,854	5,854		4,053		4,053	4,053			3,578	3,578	
Facilities Access															
Training/Misc Contracts		30,000		30,000	30,000		30,000		30,000	30,000			30,000	30,000	
Supplies/Equipment		18,674		18,674	18,674		12,830		12,830	12,830			12,500	12,500	
Supplies/Equipment		4,733,964		4,733,964	4,733,964		4,733,964		4,733,964	4,733,964			4,733,964	4,733,964	
SUBTOTAL OPERATING EXPENSES	4,771,824	4,838,107	9,201,048	20,041,156	20,041,156	4,771,824	4,838,107	9,201,048	20,041,156	20,041,156	4,771,824	4,838,107	9,201,048	20,041,156	
CI/IE	70,173			70,173	70,173	49,230			49,230	49,230	30,153			30,153	
TOTAL OPERATING EXPENSES	4,791,997	4,791,997	9,171,928	20,111,329	20,111,329	4,821,054	4,838,107	9,201,048	20,090,386	20,090,386	4,801,977	4,838,107	9,171,928	20,071,309	

\*\*\*\*\* DRAFT/NOTIONAL BUDGET FOR DISCUSSION PURPOSES ONLY \*\*\*\*\*