



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

July 17, 2018

The Honorable Walter B. Jones
U.S. House of Representatives

The Honorable Tim Walberg
U.S. House of Representatives

The Honorable Peter Welch
U.S. House of Representatives

Thank you for your letter dated September 27, 2017, requesting information about the amount of waste, fraud, and abuse SIGAR has uncovered through its oversight work. I appreciate the opportunity to respond to this important question.

In response to your request, we calculated the total dollar amount of waste, fraud, and abuse, we have uncovered through our work since SIGAR's inception in 2008 through December 31, 2017. To do this, we reviewed 766 SIGAR products and investigations completed during the period. That body of work examined approximately \$52.7 billion of the \$126 billion that has been appropriated for Afghanistan reconstruction.¹ The accompanying enclosures include the results of our analysis and explain how we reached our conclusions.

In sum, SIGAR has identified up to \$15.5 billion in waste, fraud, and abuse, and failed whole-of-government reconstruction efforts (or 29 percent of the \$52.7 billion we examined). We used professional judgment to apply the definitions of waste, fraud, and abuse developed by the U.S. Government Accountability Office to SIGAR's published audits, inspections, special projects, and closed investigative cases.² Our review of those products identified 643 instances of waste, fraud, and abuse valued between \$2.2 billion and \$3.5 billion of the reconstruction dollars we examined.³ In addition, SIGAR found \$12 billion spent on two whole-of government reconstruction efforts that appear to have failed and resulted in wasted U.S. taxpayer dollars.

Specifically, in May 2018, we reported that the \$4.7 billion spent on "stabilization programs" in Afghanistan between 2002 and 2017 was largely unsuccessful in building and reforming government institutions in Afghanistan, and large sums of U.S. stabilization dollars often exacerbated conflicts, enabled corruption, and bolstered support for insurgents.⁴ Similarly, we have reported for years that almost \$7.3 billion spent by the United States in Afghanistan on counternarcotics programs appears to have done very little to stem the production and exportation of illicit drugs.⁵

In addition, counternarcotics programming has been included on SIGAR's *High Risk List* since December 2014, and we have issued multiple reports and stated in Congressional testimony that U.S. funding in this area

¹ Of the 766 products, two were lessons learned reports that were issued after December 31, 2017.

² See GAO, *Government Auditing Standards 2017 Exposure Draft*, GAO-17-313SP, April 2017.

³ For this discussion, we refer to SIGAR audits, inspections, special projects and investigations inclusively as "products," and any occurrences of waste, fraud, or abuse as "instances." A product may have one or more instances of waste, fraud, or abuse, or none at all.

⁴ In this context, "stabilization" refers to a specific process designed to keep insurgents out of an area after they have been initially expelled by security forces (see, SIGAR, *Stabilization: Lessons Learned from the U.S. Experience in Afghanistan*, SIGAR-18-48-LL, May 24, 2018).

⁵ This figure represents the U.S. programs with a "substantial counternarcotics focus" (see, SIGAR, *Counternarcotics: Lessons from the U.S. Experience in Afghanistan*, SIGAR-18-52-LL, June 13, 2018).

appears to have been largely wasted because the narcotics industry in Afghanistan continues to thrive, with opium production at the highest levels since 2002, and contributes to rampant corruption, fraud, political instability, and insecurity.⁶

We will continue to update this information on an annual basis. However, this letter only contains the results of our review of SIGAR's published products and closed cases. SIGAR is only one of several agencies with purview over U.S. funds spent in Afghanistan, and our products have likely uncovered only a portion of the total waste, fraud, abuse, and failed efforts. An examination of reports and investigatory outcomes from other oversight bodies with purview over reconstruction or warfighting dollars spent in Afghanistan may assist decision-makers to better understand outcomes and make more informed decisions about spending and oversight. Other such oversight bodies include the Offices of Inspector General for the Departments of Defense, State, Homeland Security, Agriculture, Justice, Treasury, the U.S. Agency for International Development Office of the Inspector General, and the U.S. Government Accountability Office.

Enclosure I contains more information on the waste, fraud, and abuse we identified, as well as other relevant information on SIGAR's impact on the U.S. reconstruction effort in Afghanistan. For additional information regarding our methodology, see Enclosure II.

We conducted this special project in Washington, DC from November 2017 to June 2018, in accordance with SIGAR's quality control standards. These standards require that we carry out work with integrity, objectivity, and independence, and provide information that is factually accurate and reliable. SIGAR performed this special project under the authority of Public Law No. 110-181 and the Inspector General Act of 1978, as amended. Should you or your staff have any questions about this project, please contact Mr. Matthew Dove, Director of Special Projects, at (703) 545-6051 or matthew.d.dove.civ@mail.mil.

Sincerely,

A handwritten signature in black ink, appearing to read 'John F. Sopko', with a stylized flourish at the end.

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

Enclosures:

- I. SIGAR's Findings
- II. SIGAR's Methodology
- III. Congressional Request Letter

⁶ SIGAR, Counternarcotics, SIGAR-18-52-LL.

SIGAR HAS IDENTIFIED UP TO \$15.5 BILLION IN WASTE, FRAUD, ABUSE, AND FAILED RECONSTRUCTION EFFORTS SINCE ITS INCEPTION IN 2008 THROUGH DECEMBER 31, 2017

The 2017 draft of the Government Accountability Office's (GAO) *Government Auditing Standards* (commonly referred to as the Yellow Book) provides definitions of waste, fraud, and abuse, and expands fieldwork standards for performance audits to require that "auditors perform audit procedures to ascertain the potential effect on the audit objectives if they become aware of waste that could be quantitatively or qualitatively significant to the audit objectives."⁷ According to the Yellow Book, waste involves using resources carelessly, extravagantly, or to no purpose and does not necessarily involve a violation of law. Waste relates primarily to mismanagement, inappropriate actions, and inadequate oversight that prevent US taxpayers from receiving reasonable value for their tax dollars. Fraud "involves obtaining something of value through willful misrepresentation."⁸ "Whether an act is, in fact, fraud is determined through the judicial or other adjudicative system and is beyond auditors' professional responsibility."⁹ Finally, abuse is misusing one's authority or position for financial gain or behaving improperly or unreasonably, and does not necessarily involve a violation of law.

We used professional judgment to apply these definitions to 766 SIGAR products and investigations completed from SIGAR's inception in 2008 through December 31, 2017, the end of the first quarter of fiscal year 2018.¹⁰ We quantified the extent of the waste, fraud, or abuse uncovered in each product or case whenever feasible. We also identified the total value of programs or contracts reviewed in each product to place our findings into the context of the \$126 billion in U.S. funds appropriated for Afghanistan reconstruction. In sum, SIGAR has identified up to \$15.5 billion in waste, fraud, and abuse, and failed whole-of-government reconstruction efforts (or 29 percent of the \$52.7 billion we examined).

SIGAR Audits, Inspections, Special Projects Reports, and Closed Investigations have Identified up to \$3.5 Billion in Waste, Fraud, and Abuse

Our audits, inspections, and special projects reports, coupled with our closed investigations, have identified a total of 643 instances of waste, fraud, and abuse valued between \$2.2 billion and \$3.5 billion.¹¹ Our assessment included a total of 238 audits and inspections, 475 closed investigative cases, and 51 special projects that we completed during that period. We assessed the total value of the projects, programs, and cases reviewed to be approximately \$40.7 billion, or 32 percent of the \$126 billion that has been appropriated for Afghanistan reconstruction. Figure 1 identifies the products we included in our analysis, as well as their associated dollar amounts and instances of waste, fraud, and abuse.

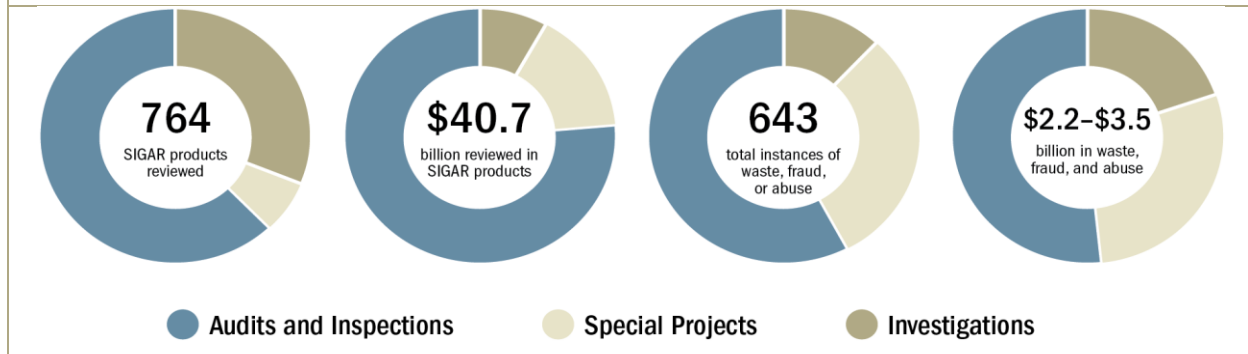
⁷ See GAO, *Government Auditing Standards 2017 Exposure Draft*, GAO-17-313SP, April 2017.

⁸ *Id.* at 114.

⁹ *Id.*

¹⁰ We may refer to our audits, inspections, special projects, lessons learned reports, and investigations conclusively herein as "products." Of the 766 products, two were lessons learned reports that were issued after December 31, 2017. The methodology used to review those two products varied slightly from the methodology used for the other 764 products and included senior management assessment of the findings from the lessons learned reports.

¹¹ We refer to any occurrences of waste, fraud, or abuse as "instances." A product may have one or more instances of waste, fraud, or abuse, or none at all. For the total dollar value associated with each instance, we identified both the minimum and maximum amount of waste, fraud, or abuse that we found through our work. We captured a range because, in many instances, there was not sufficient information available in the published report to include a precise dollar value; we assessed only costs publicly reported and did not examine audit documentation and investigative files to determine facts, circumstances, and other costs not publicly reported.

FIGURE 1: AUDITS AND INSPECTIONS, SPECIAL PROJECTS, AND INVESTIGATIONS IDENTIFIED INSTANCES AND ASSOCIATED VALUE OF WASTE, FRAUD, AND ABUSE

Waste

Instances of waste, as defined by GAO, accounted for 93 percent of 643 instances and over 99 percent of the total \$2.2 to \$3.5 billion of waste, fraud, and abuse we identified in SIGAR products through December 31, 2017. We classified each instance of waste according to four subcategories based on GAO's definition, as presented in Figure 2. Although we found considerable overlap in the components of GAO's waste definition, we tried to enforce the distinctions between subcategories to the maximum extent possible. We found that the overwhelming majority (69 percent) of waste instances involved taxpayers not receiving reasonable value for their money. See Enclosure II for further information on our review process.

FIGURE 2: TYPES OF WASTE

Products that included instances of waste ranged from major procurement and construction programs that squandered hundreds of millions of dollars, to investigations finding fuel theft of \$2,000 and financial audits that identified under a thousand dollars in wasted funds. Among the higher dollar-value instances of waste identified by SIGAR were:

- Procurement of 20 G222 Aircraft** (multiple products, including SIGAR15-02-SP): We found that DOD spent \$486 million to procure 20 G222 aircraft for the Afghan Air Force which did not meet operational requirements. The planes were barely flown and sixteen of them were sold and scrapped in Afghanistan for approximately 6 cents a pound, which came to a total of \$32,000 re-paid to the U.S. government.¹²
- Tarakhil Power Plant** (multiple products, including SIGAR-15-80-SP): We found that the \$335 million power plant had been severely underutilized since its construction and was operating at less than one percent of its capacity during the period we examined.

¹² At the time, the other four planes were at Ramstein Air Base in Germany.

- **Closed Investigation related to Contractor Overbilling:** Our investigation into wire fraud, false claims, and false statements found that a contractor had overbilled the U.S. government by more than \$129 million.
- **Abandonment of OPIC Projects in Kabul (SIGAR-17-13-SP):** We found serious deficiencies in the management and oversight of \$85 million in loans made by the Overseas Private Investment Corporation (“OPIC”) for the construction of a hotel and an adjacent apartment building, directly across the street from the U.S. Embassy in Kabul, Afghanistan. When we conducted our review, both the hotel and the apartment building were incomplete, abandoned empty shells, and both loans were in default.
- **Afghanistan's National Power Utility: \$12.8 Million in DoD-Purchased Equipment Sits Unused, and USAID Paid a Contractor for Work Not Done (SIGAR-13-02-AR):** We found that almost \$12.8 million in equipment purchased to meet “urgent” needs in support of the counterinsurgency strategy was sitting unused in a storage facility controlled by the U.S. Army Corps of Engineers without a plan for installation. In addition, we found that USAID paid a contractor the full allowable fee on a task order, despite the contractor’s failure to complete 26 of 34 required deliverables.

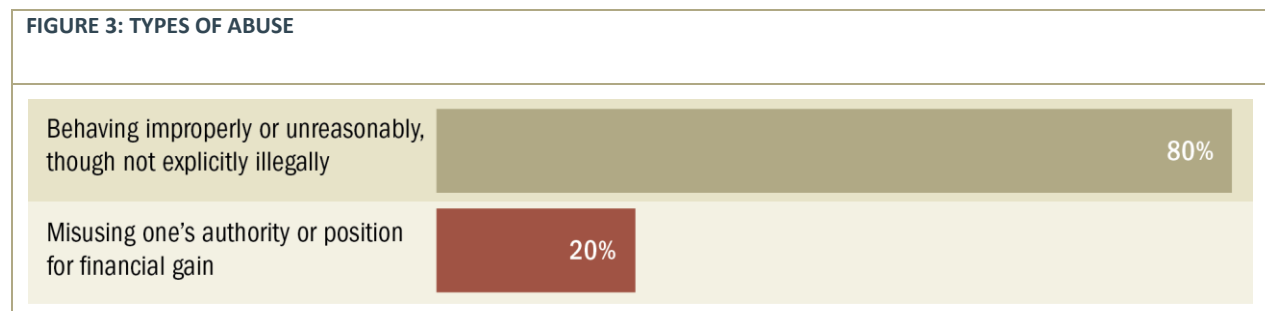
Fraud

Instances of fraud, or obtaining something of value through willful misrepresentation, accounted for 5 percent of all 643 instances and less than one percent of the total \$2.2 to \$3.5 billion of waste, fraud, and abuse we identified in SIGAR products through December 31, 2017. Because whether an act constitutes fraud is determined through the judicial or other adjudicative system, we are confident in both the number of instances and their associated dollar values and used a series of independent reviews to confirm our conclusions. The instances of fraud ranged from acceptance of bribes and kickbacks to theft and other unlawful acts valued from \$6,800 to \$1 million.

Abuse

Instances of abuse accounted for two percent of all 643 instances and less than one percent of the total \$2.2 to \$3.5 billion of waste, fraud, and abuse we identified in SIGAR products through December 31, 2017. As in our analysis of waste, we classified each instance of abuse according to subcategories based on GAO’s definition, as presented in Figure 3.

FIGURE 3: TYPES OF ABUSE



As indicated in Figure 3, most instances of abuse that we identified resulted from unreasonable or improper behavior. Instances of abuse ranged in value between \$80,640 associated with attempted contractor extortion to \$3,000 for solicitation of bribes.

SIGAR Has Also Identified \$12 Billion in Reconstruction Efforts in Afghanistan that Appear to Have Failed

SIGAR routinely looks at cross-cutting, whole-of-government reconstruction efforts to determine whether U.S. funds were spent appropriately and served the best interest of the U.S. taxpayer and the reconstruction effort. We have identified \$12 billion spent for two such government-wide efforts that appear to have failed and, in effect, wasted taxpayer funds. Specifically, we have reported on and testified about, the efficacy—or lack thereof—of the entirety of programming dedicated to areas such as stabilization and counternarcotics.

In May 2018 our *Lessons Learned Program*¹³ provided an overarching assessment of U.S. stabilization efforts in Afghanistan and found that \$4.7 billion spent on stabilization programs between 2001 and 2017 failed to yield intended outcomes.¹⁴ We reported that, at the policy level, the U.S. government overestimated its ability to build and reform government institutions in Afghanistan as part of the stabilization strategy, and set unrealistic expectations of what could be achieved. As a result, U.S. government agencies spent far too much money, far too quickly, and in a country woefully unprepared to absorb it. We found that stabilization programs in Afghanistan were unsuccessful in building and reforming government institutions, and large sums of U.S. stabilization dollars often exacerbated conflicts, enabled corruption, and bolstered support for insurgents. Money spent was often the metric of success, instead of more nuanced performance metrics, and stabilization programming often exacerbated conflicts, enabled corruption, and bolstered support for insurgents.

Similarly, for the past several years, we have reported that the billions spent by the U.S. in Afghanistan on counternarcotics programs appear to have done little to stem the production and exportation of illicit drugs. Counternarcotics programming has been included on SIGAR's *High Risk List* since December 2014, and we have issued multiple reports and stated in Congressional testimony that the U.S. investment in this area appears to have been wasted, despite a \$7.3 billion investment.¹⁵ Afghanistan remains the world's largest opium supplier, producing 80 percent of the world's opium. The narcotics industry in Afghanistan continues to contribute to rampant corruption and fraud, and increases political instability and insecurity in the country, making U.S. efforts to stabilize the country challenging, if not impossible. We reported in April 2018 that Afghanistan's parliament passed a new Counter Narcotics Law, which was signed by President Ghani and came into effect in February 2018. It is hoped that enforcement of the law will deter landowners from supporting the cultivation of poppy or other illicit crops. However, the security situation in Afghanistan remains poor and has hindered interdiction activities. To date, drug use among women and children in Afghanistan is among the highest documented worldwide, and 30.6 percent of households in the country tested positive for some form of illicit drug.¹⁶ In June 2018, we released our *Lessons Learned Report* highlighting the ineffectiveness of U.S. counternarcotics programming in Afghanistan.

Savings, Prevention, and Recovery

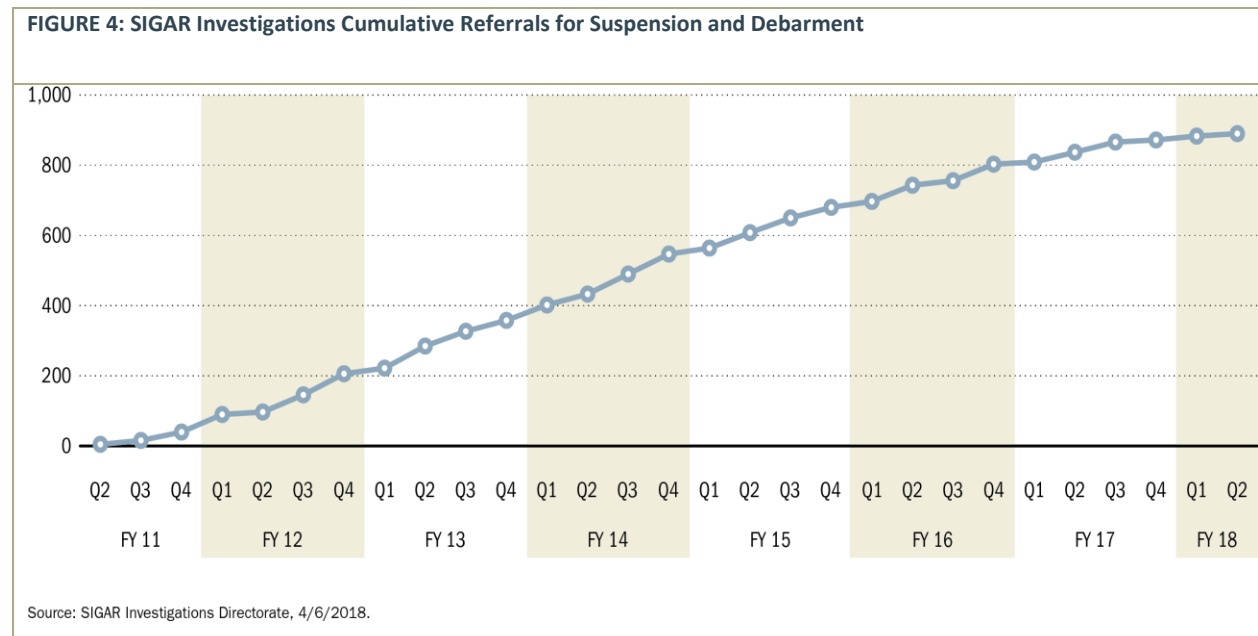
In addition to the waste, fraud, and abuse discussed above, SIGAR's work to date has identified about \$2.1 billion in savings for the U.S. taxpayer. Due to our audit recommendations, agencies such as the Department of Defense and State Department have identified nearly a billion dollars in funds that could be put to better use for other programs or efforts. We also report separately over \$1.2 billion of savings in taxpayer dollars and \$47 million in investigations-related criminal fines, restitutions, forfeitures, and civil-settlement recoveries to the government due to SIGAR investigations. As of December 31, 2017, SIGAR investigations have also resulted in 121 arrests, 158 criminal charges, 117 convictions, and 108 sentencing. SIGAR's investigative work has also led to 883 referrals of companies and individuals for suspension or debarment to prevent them from receiving U.S. contracts. Figure 4 shows the cumulative referrals for suspension and debarment between fiscal year 2011 and first quarter of fiscal year 2018.

¹³ SIGAR has issued five *Lessons Learned* reports. See, SIGAR, *Corruption in Conflict: Lessons Learned from the U.S. Experience in Afghanistan*, SIGAR-16-58-LL, September 14, 2016; SIGAR, *Reconstructing the Afghan National Defense Security Forces: Lessons Learned from the U.S. Experience in Afghanistan*, SIGAR-17-62-LL, September 21, 2017; SIGAR, *Private Sector Development and Economic Growth: Lessons from the U.S. Experience in Afghanistan*, SIGAR 18-38-SP, April 19, 2018; SIGAR, *Stabilization: Lessons Learned from the U.S. Experience in Afghanistan*, SIGAR-18-48-LL, May 24, 2018; SIGAR, *Counternarcotics: Lessons from the U.S. Experience in Afghanistan*, SIGAR-18-52-LL, June 13, 2018.

¹⁴ See SIGAR, SIGAR-18-48-LL, May 24, 2018. The term stabilization refers to a specific process designed to keep insurgents out of an area after they have been initially expelled by security forces, and efforts to address stabilization in Afghanistan focused on developing the capacity of local governments and communities. Our *Lessons Learned Program* has also issued previous reports on corruption in Afghanistan and lessons learned from reconstructing the Afghan National Defense and Security Forces (ANDSF).

¹⁵ This figure represents the U.S. programs with a "substantial counternarcotics focus" (see, SIGAR, *Counternarcotics: Lessons from the U.S. Experience in Afghanistan*, SIGAR-18-52-LL, June 13, 2018).

¹⁶ SIGAR, *Quarterly Report to the United States Congress*, April 30, 2018, p. 196.



SCOPE AND METHODOLOGY

The objective of this review was to calculate the total dollar value of waste, fraud, and abuse that SIGAR has identified since its inception in 2008. To accomplish this objective, SIGAR created an integrated project team of a methodologist, auditors, investigators, and program analysts to assess a total of 766 audits, inspections, special projects, lessons learned reports, and investigations completed from SIGAR's inception in 2008 through December 31, 2017, the end of the first quarter of the current fiscal year.¹⁷

We looked to the Government Accountability Office's (GAO) *Government Auditing Standards* (the Yellow Book) for the criteria for waste, fraud, and abuse, and tasked each team member to identify in SIGAR's reports and investigations any qualifying instances. To facilitate team members' assessment of products, we broke down GAO's definitions of waste, fraud, and abuse into their key components, and designed questions derived from these components that team members were responsible for answering during their assessment of reports. GAO's definitions of waste, fraud, and abuse are listed in Table 1, and SIGAR's questions are detailed in the body of the report.

TABLE 1: GAO DEFINITIONS OF WASTE, FRAUD, AND ABUSE

Waste	The act of using or expending resources carelessly, extravagantly, or to no purpose. Waste involves the taxpayers not receiving reasonable value for money in connection with any government-funded activities because of an inappropriate act or omission by parties with control over or access to government resources. Importantly, waste can include activities that do not include fraud and abuse and does not necessarily involve a violation of law. Rather, waste relates primarily to mismanagement, inappropriate actions, and inadequate oversight.
Fraud	Obtaining something of value through willful misrepresentation. Whether an act is, in fact, fraud is determined through the judicial or other adjudicative system and is beyond auditors' professional responsibility.
Abuse	Behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances, but excludes fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements. Abuse also includes misuse of authority or position for personal financial interests or those of an immediate or close family member or business associate. Because the determination of abuse is subjective, auditors are not required to perform procedures to detect abuse in performance audits. Auditors may discover that the abuse is indicative of potential fraud or noncompliance with provisions of laws, regulations, contracts, and grant agreements.

We established a fourth category—identified as “other”—for team members to place information relevant to waste, fraud, and abuse, that did not quite meet the specific definitions set forth by GAO.

As part of their review, we asked team members to report the total dollar amount for each instance of waste, fraud, abuse, and other identified. We also asked team members to identify the total value of programs or contracts reviewed in each report to place our findings in the context of the U.S. funds appropriated for Afghanistan reconstruction during our scope. To avoid double counting the programs, projects, and contracts

¹⁷ Of the 766 products, two were lessons learned reports that were issued after December 31, 2017. The methodology used to review those two products varied slightly from the methodology used for the other 764 products and included senior management assessment of the findings from the lessons learned reports.

Enclosure II

reviewed, we generally excluded (1) follow-up reports, summary audit reports, fact sheets, and sector reports that addressed audit findings or recommendations from previous reports, and (2) inquiry letters that were issued to gather information from other agencies. However, we chose to include in our assessment a subset of eight letters that uncovered \$501 million in waste that would have otherwise not been accounted for through our audits, investigations, or special projects.

The project team followed a three-step process for reviewing reports to ensure consistency in our findings. Each product was subjected to a primary review and secondary review, with a third and final review by an adjudication panel when required. Both the first and second reviewers were tasked to apply their professional judgment and Yellow Book criteria in separate, independent assessments of their assigned reports or cases for instances of waste, fraud, and abuse. Secondary reviewers, consisting of senior auditors and program analysts, were also responsible for determining whether the primary reviewer's responses were reasonable and accurate.

For each product in which there was a disagreement between the primary and secondary reviewers, an adjudication panel led by the Director of Special Projects conducted a third independent review. The panel assessed both the primary and secondary reviewer's findings to determine the most appropriate response and any applicable dollar amount. The panel made determinations using the members' own professional judgment and institutional knowledge, and recorded the rationale for each adjudication decision made. However, the panel did not review any products for which there was no disagreement between the primary and secondary reviewers. As a result, there may be instances of waste, fraud, and abuse in SIGAR products that we as an agency have not identified in this analysis. Furthermore, our assessment is based solely on dollar figures in published products; we did not examine audit files or investigative documentation to determine other costs associated with waste, fraud, and abuse that were not publicly reported.

While we exercised due care and professional skepticism in evaluating the sufficiency and appropriateness of evidence for this report, we note that individuals outside of this review may reach different conclusions regarding the total value of waste, fraud, and abuse we identified in our products.

WALTER B. JONES
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September 27, 2017

Mr. John F. Sopko
Special Inspector General for Afghanistan Reconstruction (SIGAR)
2530 Crystal Drive
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Dear Mr. Sopko,

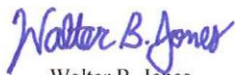
We write to first thank you and your staff for continuing to audit, detect, and investigate waste, fraud, and abuse in Afghanistan. Your team has uncovered billions of dollars of wasteful spending in the region, and we appreciate your unrelenting work. Since the Trump administration has announced a continued presence in Afghanistan, the work of SIGAR remains imperative to saving more American taxpayers' money in the future.

Because of the ongoing need for oversight, we are requesting an overall dollar amount of the waste, fraud, and abuse SIGAR has uncovered in Afghanistan since your inception in 2008. We believe this number will help Congress better comprehend the amount of money the federal government has misspent in the country.

Thank you again for you and your staff's efforts uncovering wasteful spending in Afghanistan. We look forward to continue to support your critical work.

Please do not hesitate to contact our staff should you need assistance in this matter.

Sincerely,



Walter B. Jones
Member of Congress



Peter Welch
Member of Congress



Tim Walberg
Member of Congress