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<http://www.foxnews.com/politics/2014/02/20/windfalls-war-contractors-with-spotty-records-made-billions-off-afghanistan/>

## 'Windfalls of war': Companies with spotty records making billions off Afghanistan

By Kelley Beaucar Vlahos

February 20, 2014



Feb. 10, 2014: U.S. soldiers secure the site where a suicide attacker rammed a car bomb into a NATO convoy in Kabul, Afghanistan.AP

The United States government has paid a company based in Switzerland more than \$5 billion to feed the troops in Afghanistan, and thanks to a succession of no-bid contract extensions, the company, Supreme Foodservice, overcharged American taxpayers as much as \$757 million, officials say.

The U.S. has appropriated more than \$100 billion for Afghan reconstruction, which includes not only building and development, but training and arming the Afghan security forces -- and the dispute over the massive payments to this single company is just one example of how, more than 12 years into the war, America is struggling to account for how its money has been spent.

So who's getting rich off the war?

A review conducted by FoxNews.com shows several companies with questionable track records have been able to snag a sizable piece of the pie.

While Supreme Foodservice, a foreign firm, has profited immensely, several American companies have also made out like kings despite delays, accusations of shoddy construction and prolonged contract disputes over the last dozen years.

The biggest American benefactors of contracts in Afghanistan in recent years have been DynCorp International, KBR and Fluor Corporation -- though Fluor has not faced complaints like the other two.

Critics say no-bid contracts -- which grant companies a monopoly on huge deals without having to compete for them -- and a lack of oversight on those contracts once they've been awarded have contributed not only to the enormous sums spent, but to waste, fraud and abuse, as well.

"This is the byproduct of what has been an explosive growth in federal contracting over the last decade or so," said Neil Gordon, an investigator for the Washington, D.C.-based Project on Government Oversight (POGO) and the manager of the watchdog's Federal Contractor Misconduct Database.

"Contracting has grown at an incredible pace -- especially after 9/11. The terror attacks really touched it off, especially in national security, and unfortunately, government oversight of that contracting hasn't kept pace. That's why we are seeing all of these problems of fraud and waste and other abuses."

The Center for Public Integrity has called the billions of dollars poured into the reconstruction of Afghanistan "windfalls of war" for contractors. Lawmakers have referred to the myriad reports that point to the billions of dollars in missing and misappropriated American funds as the failure and shame of a broken system.

The House Oversight and Government Reform Committee held a hearing last April in the case of Supreme Foodservice, whose initial 2005 contract, reportedly worth about \$725 million, called for supplying food and water to troops. The Defense Logistics Agency accused the company of overbilling by \$757 million, and later recouped some of the money by reducing other payments. But lawmakers complained that the agency, which is in charge of overseeing the contracts, allowed the company to get no-bid extensions worth billions before it questioned the alleged overcharges.

Amid the dispute, the U.S. government in 2012 awarded new contracts worth roughly \$8 billion to a competitor, Dubai-based Anham FZCO. But even as Supreme Foodservice challenged the decision, the Pentagon reportedly struck a \$1.5 billion deal with the Swiss company to continue its work during the transition.

Supreme Foodservice, for its part, says it is still owed another billion dollars. Michael Schuster, a managing director at Supreme Foodservice, testified, "despite operating in the most isolating and dangerous area of the world, we have achieved consistently outstanding performance, exceeding contractual requirements."

"This has to be the prime poster child for government contracts spun out of control," Rep. John Mica, R-Fla., said at the April 17 hearing.

As for DynCorp, KBR and Fluor, all three American companies were named prime contractors in LOGCAP IV (Logistics Civil Augmentation Program), the umbrella contract through which all military funding for Afghan reconstruction (except Afghan security training) flows. According to the contract announcement in 2009, "each of the three contracts has a maximum value of up to \$5 billion per year." Since then, however, KBR has not continued to receive Afghanistan contracts under the agreement, reportedly because of its checkered oversight and performance in prior LOGCAP contracts.

Meanwhile, DynCorp and Fluor currently hold multibillion-dollar contracts in and out of LOGCAP IV, ranging from Afghan security training to delivering food and services to the troops.

John F. Sopko, the special inspector general for Afghanistan reconstruction (SIGAR), has spent several years tracking where taxpayer money is going, whether projects are followed through, and how contractors and individuals are allegedly trying to cheat the system. The results aren't pretty, as the now-defunct congressional Commission on Wartime Contracting learned. It noted that in 2011, \$31 billion had already been lost to "contract waste and fraud" in both Iraq and Afghanistan.

FoxNews.com, in a review of recent SIGAR investigations, found several examples, including:

### **DynCorp accused of shoddy construction, overbilling for food**

DynCorp is a big target, because, as POGO points out, it's been around since the war in Bosnia and has left a trail of criminal complaints and other contract-related charges along the way. In

October 2012 SIGAR filed a report charging that the U.S. Army Corps of Engineers had paid DynCorp \$73 million for building a police garrison in Afghanistan's Kunduz province that turned out to have "severe settling and site grading issues," as well as "inadequate construction quality and noncompliance with contract specifications."

The result was a safety nightmare, with parts of the building already cracking and falling into sinkholes. According to SIGAR, DynCorp was not held accountable for the problems or for the repairs that needed to be made. It got the money, and the contract was closed out.

Meanwhile, SIGAR calculated that DynCorp might have overcharged the government nearly \$1 million for food at just one base between 2010 and 2011. And the company's longtime security training of Afghan police was called into question after a scathing 2010 military report found a gross lack of oversight in the State Department-directed program, citing unaccounted-for funds, potential overcharging and missing weapons inventories.

While the report did not criticize DynCorp directly, Pratap Chatterjee, an investigator for the research group CorpWatch, noted at the time that DynCorp was the primary police trainer in Afghanistan since the early days of the war. In fact, DynCorp won another contract with the military after police training shifted from the State Department to the Pentagon.

"If the measures that are used to track the capabilities of the Afghan police are any guide, the contract has not been a resounding success," Chatterjee wrote.

DynCorp has continued to get police and military training contracts worth millions.

When contacted for comment, DynCorp spokeswoman Ashley Burke said the company billed the government for food "consistent with its proposal" and the IG report on the matter was not "factual." She also disputed the Kunduz garrison charges, saying the report was based on conditions at the facility after the contractor had turned it over to the Afghans who were responsible for its maintenance.

"The Company did everything possible -- including providing work at no cost to the government -- to deliver in challenging and unusual circumstances," she said in an email.

Meanwhile, KBR continues to hold contracts with the U.S. government for projects in Iraq and elsewhere. But spokesman Mark Lowes noted that the Army's review of its work gave the company far better ratings than did inspector general reports.

"So I think there's a little bit of disconnect between the Army in the field and civilians reviewers a decade later," he said. Lowes added: "If you were able to talk to people on the ground (in Iraq) and ask them about the quality of what we did I believe you will get nothing but stellar reviews."

## **Unsafe hospitals and schools**

Many of SIGAR's recent audits involve international contractors. The stories are generally the same -- millions in taxpayer money is appropriated and all it seems to buy is shoddy, unfinished, unsanitary and unsafe construction. Record-keeping is horrendous and oversight is scarce. Many of the projects are expected to rot where they stand if there isn't money for adequate repairs or the ability to maintain them.

This includes four border police stations that were found to have serious structural and utility flaws and remain essentially unoccupied after four years, according to a SIGAR report issued in July 2012. The U.S. Army Corps of Engineers awarded a \$19 million contract to Afghan-based Road & Roof Construction Company in 2008, and according to the inspection report, a lack of quality control has led to construction deficiencies at the four bases. One is said to be close to "uninhabitable."

Meanwhile, the Shafi Hakimi Construction Company, an Afghan outfit, was paid \$600,000 to build a 20-bed hospital in Parwan province. When it was finished, SIGAR said, it had so many utility and structural issues that it was a health hazard to patients, including newborn babies who were being washed with dirty water.

Similarly, a multi-building education center in Balkh commissioned by the USAID office is still unfinished after five years, and is plagued with health and safety problems.

According to an inspector general review, Mercury Development, an Iraq-based company, was awarded \$2.9 million to build centers in three cities. The company was cited for numerous problems and was eventually dropped from the project. Afghan contractors were brought in to finish the job, but the structural deficiencies persisted.

Despite that, some classes are being taught at Balkh, leading Sopko to say ominously in his report last month, "USAID lacks adequate assurance that these structures will not collapse at some point in time."

## **Taxpayers bought multimillion-dollar 'scrap'**

In 2009, the U.S. military gave \$5.4 million to Denver-based International Home Finance & Development, LCC, to build and operate two massive trash incinerators on one of its forward operating bases in Afghanistan.

But the machines remained inoperable after nearly three years because of construction and safety deficiencies and poor contractor performance, according to a report two months ago. After Camp Sharana was closed last year due to the impending U.S. troop withdrawal, no one really knows what happened to the incinerators, though one official guessed in a recent report, "they have already been deconstructed by the Afghans, presumably for scrap."

More than taxpayer money was at stake here. The incinerators were supposed to replace the massive open-air burn pits that many returning troops have blamed for chronic health problems.

In his sharply worded report Sopko said that because the incinerators never ran, "base personnel faced continued exposure to potentially hazardous emissions, and \$5.4 million of U.S. taxpayer dollars could have been put to better use."

International Home Finance & Development, LCC, was paid in full. When asked for comment, Rafaat Ludin, the company's president and CEO, disputed that the incinerators were never in working order and claimed the delays were not his company's fault.

"At the time of [the] hand over, the incinerators were working very well and there were no additional issues," Ludin said in a statement. "What happened to the incinerators after we left is outside our control."