



Pakistan and Afghanistan



September 30, 2011

WASHINGTON, DC 20523

Pakistan and Afghanistan

Contents

Tab	Page
1. Executive Summary	1
2. Office of Inspector General—Overview	5
Pakistan	
3. Pakistan—Introduction	7
4. Pakistan Performance Audit Findings and Recommendations	11
5. Pakistan Financial Audit Findings	17
6. Planned Performance Audits of USAID/Pakistan-Funded Activities—Fiscal Year 2012	23
Pakistan Performance Audits	
7. Pakistan Performance Audits—Fiscal Year 2011	
<i>USAID/Pakistan’s Community Rehabilitation Infrastructure (August 2011)</i>	27
<i>USAID/Pakistan’s Road Rehabilitation and Reconstruction Activities Under the Quick Impact Projects in South Waziristan (June 2011)</i>	31
<i>USAID/Pakistan’s Management of Preaward Assessments (May 2011)</i>	34
<i>USAID/Pakistan’s Flood Relief Efforts as Administered by Local Nongovernmental Organizations (January 2011)</i>	37
<i>USAID/Pakistan’s Livelihood Development Program for the Upper Region of the Federally Administered Tribal Areas (December 2010)</i>	39
<i>USAID/Pakistan’s Livelihood Development Program for the Lower Region of the Federally Administered Tribal Areas (December 2010)</i>	42

8. Pakistan Performance Audits—Fiscal Year 2010	
<i>USAID/Pakistan’s Family Advancement for Life and Health Program (August 2010)</i>	45
<i>USAID/Pakistan’s Primary Healthcare Revitalization, Integration and Decentralization in Earthquake-Affected Areas Project (June 2010)</i>	47
<i>USAID’s Internally Displaced Persons Programs in Pakistan (June 2010)</i>	49
<i>USAID/Pakistan’s Capacity Building Program for the Federally Administered Tribal Areas Development Program (January 2010)</i>	52
9. Pakistan Performance Audits—Fiscal Year 2009	
<i>USAID/Pakistan’s Earthquake Reconstruction Activities (November 2008)</i>	55
10. Pakistan Performance Audits—Fiscal Year 2008	
<i>USAID/Pakistan’s Education Sector Reform Assistance Program (March 2008)</i>	57
11. Pakistan Performance Audits—Fiscal Year 2007	
<i>Selected Activities Under USAID/Pakistan’s Basic Health Program (May 2007)</i>	59
12. Pakistan Performance Audits—Fiscal Year 2004	
<i>Risk Assessment of Major Activities Managed by USAID/Pakistan (October 2003)</i>	61
13. Pakistan Performance Audits—Fiscal Year 2003	
<i>USAID’s Bureau for Asia and the Near East Monitoring of the Government of Pakistan’s Compliance with the Provisions of USAID Grant No. 391-K-005 (January 2003)</i>	63
Pakistan Investigative Activity	
14. Pakistan Investigative Case Work and Fraud Prevention Briefings	65
15. Pakistan Investigative Summaries	69

Afghanistan

16. Afghanistan—Introduction.....	73
17. Afghanistan Performance Audit Findings and Recommendations.....	77
18. Afghanistan Financial Audit Findings.....	93
19. Planned Performance Audits of USAID/Afghanistan-Funded Activities—Fiscal Year 2012	99

Afghanistan Performance Audits

20. Afghanistan Performance Audits—Fiscal Year 2011	
<i>USAID/Afghanistan’s On-Budget Funding Assistance to the Ministry of Public Health in Support of the Partnership Contracts for Health Services Program (September 2011)</i>	105
<i>USAID/Afghanistan’s Afghanistan Civilian Assistance Program (August 2011)</i>	109
<i>USAID/Afghanistan’s Support to The Electoral Process (STEP) and Support for Increased Electoral Participation in Afghanistan (IEP) Programs (June 2011)</i>	112
<i>USAID/Afghanistan’s Portion of the Embassy Air Program (June 2011)</i>	115
<i>USAID/Afghanistan’s Construction of Health and Education Facilities Program (March 2011)</i>	118
<i>USAID/Afghanistan’s Bank Supervision Assistance Activities and the Kabul Bank Crisis (March 2011)</i>	122
<i>Cash Disbursement Practices Employed by Selected USAID/Afghanistan Contractors and Grantees (March 2011)</i>	125
<i>USAID/Afghanistan’s Agriculture, Water, and Technology Transfer Program (February 2011)</i>	127
<i>USAID/Afghanistan’s Ministerial Assessment Process (November 2010).....</i>	130
<i>USAID/Afghanistan’s Support to American University of Afghanistan (November 2010).....</i>	132
<i>USAID/Afghanistan’s Partnership for Advancing Community-Based Education in Afghanistan (October 2010)</i>	137

21.	Afghanistan Performance Audits—Fiscal Year 2010	
	<i>Security Costs Charged to USAID Projects in Afghanistan (September 2010)</i>	141
	<i>USAID/Afghanistan’s Alternative Development Program Expansion—South West (July 2010)</i>	144
	<i>School and Health Clinic Buildings Completed Under the Schools and Clinics Construction and Refurbishment Program (June 2010)</i>	146
	<i>USAID/Afghanistan’s Oversight of Private Security Contractors in Afghanistan (May 2010)</i>	148
	<i>USAID/Afghanistan’s Afghanistan Vouchers for Increased Productive Agriculture (AVIPA) Program (April 2010)</i>	151
	<i>USAID/Afghanistan’s Human Resources and Logistical Support Program (March 2010)</i>	153
	<i>USAID/Afghanistan’s Building Education Support Systems for Teachers Project (January 2010)</i>	158
	<i>USAID/Afghanistan’s Civilian Assistance Program (December 2009)</i>	161
	<i>USAID/Afghanistan’s Power Sector Activities Under Its Afghanistan Infrastructure Rehabilitation Program (November 2009)</i>	165
22.	Afghanistan Performance Audits—Fiscal Year 2009	
	<i>USAID/Afghanistan’s Land Titling and Economic Restructuring in Afghanistan Project (June 2009)</i>	169
	<i>USAID/Afghanistan’s Local Governance and Community Development Project in Southern and Eastern Regions of Afghanistan (May 2009)</i>	171
	<i>USAID/Afghanistan’s Higher Education Project (December 2008)</i>	174
23.	Afghanistan Performance Audits—Fiscal Year 2008	
	<i>USAID/Afghanistan’s Capacity Development Program (September 2008)</i>	177

	<i>USAID/Afghanistan’s Accelerating Sustainable Agriculture Program (August 2008)</i>	179
	<i>USAID/Afghanistan’s Small and Medium Enterprise Development Activity (June 2008)</i>	183
	<i>USAID/Afghanistan’s Alternative Development Program—Southern Region (March 2008)</i>	185
	<i>USAID/Afghanistan’s Agriculture, Rural Investment, and Enterprise Strengthening Program (January 2008)</i>	186
24.	Afghanistan Performance Audits—Fiscal Year 2007	
	<i>Selected Follow-On Activities Under USAID/Afghanistan’s Economic Program (August 2007)</i>	189
	<i>USAID/Afghanistan’s Urban Water and Sanitation Program (June 2007)</i>	191
	<i>Critical Power Sector Activities Under USAID/Afghanistan’s REFS Program (May 2007)</i>	193
	<i>USAID/Afghanistan’s Alternative Livelihoods Program—Eastern Region (February 2007)</i>	195
25.	Afghanistan Performance Audits—Fiscal Year 2006	
	<i>USAID/Afghanistan’s School and Health Clinic Reconstruction Activities (August 2006)</i>	197
	<i>USAID/Afghanistan’s Rural Expansion of Community-Based Healthcare (REACH) Program (August 2006)</i>	199
	<i>USAID/Afghanistan’s Reconstruction of the Kandahar–Herat Highway Under the REFS Program (May 2006)</i>	200
	<i>USAID/Afghanistan’s Rebuilding Agricultural Markets Program (March 2006)</i>	201
	<i>USAID/Afghanistan’s Cashiering Operations (January 2006)</i>	203
	<i>Funds Earmarked by Congress to Provide Assistance for Displaced Persons in Afghanistan (December 2005)</i>	205
26.	Afghanistan Performance Audits—Fiscal Year 2005	

	<i>USAID/Afghanistan’s Primary Education Program (April 2005)</i>	207
	<i>USAID/Afghanistan’s School and Clinic Reconstruction Program (March 2005)</i>	209
27.	Afghanistan Performance Audits—Fiscal Year 2004	
	<i>Kabul to Kandahar Highway Reconstruction Activities Financed by USAID/Afghanistan’s REFS Program (September 2004)</i>	211
	<i>Sustainable Economic Policy and Institutional Reform Support (SEPIRS) Program at USAID/Afghanistan (August 2004)</i>	213
	<i>Second Review of the Road Project Financed by USAID/Afghanistan’s REFS Program (March 2004)</i>	214
	<i>Review of the Road Project Financed by USAID/Afghanistan’s REFS Program (November 2003)</i>	216
28.	Afghanistan Performance Audits—Fiscal Year 2003	
	<i>Risk Assessment of Major Activities Managed by USAID/Afghanistan (March 2003)</i>	219
	Afghanistan Investigative Activity	
29.	Afghanistan Investigative Case Work and Fraud Prevention Briefings	221
30.	Afghanistan Investigative Summaries	229

Executive Summary

Overview

This summary document provides information about Office of Inspector General (OIG) oversight activities in Pakistan and Afghanistan since fiscal year (FY) 2003.

OIG has strengthened its focus in Pakistan since the U.S. Agency for International Development (USAID) reopened its mission in 2002. OIG has been providing oversight of USAID activities in Afghanistan since 2002 as well. Our oversight activities cover a wide spectrum of USAID programs in these two countries, including such areas as relief and stabilization, reconstruction, sustainable development, education, and health care. Our activities help USAID make sure that tax dollars are being spent wisely and effectively.

USAID obligations in Afghanistan for FY 2002 through fourth quarter FY 2011 totaled more than \$13.2 billion. Since FY 2003, OIG has expended nearly \$14.8 million in base appropriations and supplemental funding to oversee USAID's activities in that country. From FY 2002 through fourth quarter FY 2011, USAID has provided more than \$5.2 billion to address priority programs in Pakistan. OIG has spent approximately \$6.7 million to provide in-country oversight through fourth quarter FY 2011. In both countries, we have adjusted our approach to ensure the maximum possible oversight of the increasing levels of assistance provided to local nongovernmental organizations and host governments in the form of project assistance and direct budget support.

Results—Fiscal Years 2003 Through Fiscal Year 2011

Activities	Pakistan	Afghanistan
Performance audits/reviews	15	47
Recommendations made ¹	57	223
Recommendations closed	45	171
Recommendations open	12	52
Financial audits conducted	45	40
Questioned costs	\$6.2 million	\$113.7 million
Sustained costs	\$3.1 million	\$99.7 million
Investigations opened	75	155
Investigations closed	51	93
Investigations pending	24	62
Referrals for prosecution	2	35
Indictments	0	13
Convictions	0	9
Arrests	0	10
Administrative actions	18	87
Recoveries and savings	\$101.6 million	\$163 million
Fraud awareness briefings	31	90
Attendees at briefings	760	1,779

¹ Performance audits only.

Highlights—FY 2011 Third/Fourth Quarter

Audit of USAID/Pakistan's Management of Preaward Assessments

The Enhanced Partnership with Pakistan Act of 2009 authorized \$7.5 billion in U.S. government assistance over 5 years to promote an enhanced strategic partnership with Pakistan and its people. In authorizing these funds, the act encourages the U.S. President, as appropriate to utilize Pakistani firms and nongovernmental organizations to work with local leaders to build local capacity. To facilitate this strategy, USAID estimated that approximately 50 percent of fiscal year 2010 funding, or \$750 million, would go through Pakistani federal and provincial agencies and local organizations.

With the implementation of the strategy to build Pakistani capacity, concerns have been raised in the media and the U.S. Government that providing too much money to Pakistani recipients too quickly could jeopardize U.S. funds. USAID Pakistan recognized the challenges and took proactive steps to address the risks. A key step taken by the mission was to contract with international and local accounting firms to conduct preaward assessments of potential first-time recipients. The intent of these assessments is to determine whether the recipients can effectively manage and account for these funds.

USAID Office of Inspector issued an audit report on USAID Pakistan's management of pre-award assessments. The audit found that mission's preaward process did provide a reasonable basis for identifying significant financial management vulnerabilities; however, the audit noted weaknesses in the

mission's management of the preaward process. The mission did not prioritize or follow up on significant vulnerabilities identified in assessments. Of the 28 assessment reports completed during fiscal year 2010, the 8 selected for testing noted over 250 weaknesses in the potential recipients' ability to properly manage funds. The mission included 55 of the reported weaknesses in the recipients' agreements and stipulated that the weaknesses should be adequately addressed before or after the initial disbursement of funds. The mission did not include or otherwise address the remaining 195 weaknesses because it did not have a comprehensive plan for prioritizing and determining which of the 250 weaknesses should or should not be prioritized.

Many weaknesses resulted from the mission not including in the recipients' agreements information on the recipients' payment mechanisms and systems for procurement, accounting and overall monitoring and assessment.

The OIG made four recommendations to help the mission improve various aspects of the program. Subsequently, the mission has fully addressed three recommendations, and is taking steps to address the fourth recommendation.

Audit of USAID/Afghanistan's Afghanistan Civilian Assistance Program

The Afghan Civilian Assistance Program was designed to assist Afghan families and communities that have suffered losses as a result of military operations against insurgents and the Taliban. The program is implemented through a \$76 million, 4½-year cooperative agreement with the International Organization for Migration (IOM).

Beneficiaries under the program are generally given in-kind assistance, often in the form of kits that include food, household items, school supplies, or tools and equipment for agriculture or small business activities. So far as OIG could determine, IOM did not adopt any specific criteria or guidelines for commodity management under the program, and as a result, multiple problems were found. For example, because of a lack of inventory records, IOM staff members were never able to quantify what materials were in the warehouses.

As for the quality of products provided, at various warehouses auditors found large quantities of flour, beans, rice, tomato sauce, and cooking oil that had expired, some with dates as far back as 2004. Rats had gnawed

open dozens of food bags, and auditors noted feces inside and around the bags. Further, expired and contaminated food items were mixed together with food that was fit for use. Other items such as wheelbarrows and shovels were stored in disorganized piles or even kept outside. IOM covered a number of the piles in plastic tarp prior to OIG's visit; however, it was evident the items were badly rusted and not suitable for distribution.

In addition to problems with the commodities, there were also difficulties with verifying the beneficiaries. A report commissioned by IOM to confirm assistance concluded that at least 34 percent of the beneficiaries could not be verified, most likely because of fraud. Moreover, the report's authors believed that program personnel were actively working to undermine the results of their investigation. Additionally, other funds were misspent when IOM used more than \$3.6 million in program funds to purchase cars for beneficiaries without USAID's approval. Furthermore, OIG determined that \$180,000 embezzled by field staff has not been properly reimbursed to USAID.



Wheelbarrows heaped against a wall at IOM's Lashkar Gah warehouse before the audit visit (left) are later stacked and covered (right). (Photos by Lashkar Gah security team and OIG, April 2011)

Office of Inspector General

Overview

The mission of the Office of Inspector General (OIG) is to protect and enhance the integrity of the U.S. Government's approximately \$30 billion annual foreign assistance program administered in over 100 countries by the U.S. Agency for International Development (USAID), the United States African Development Foundation (USADF), the Inter-American Foundation (IAF), and the Millennium Challenge Corporation (MCC).

Who We Are

OIG is an independent oversight organization within USAID that derives its primary authorities and independence from the Inspector General Act of 1978 (IG Act), Public Law 95-452, as amended.

OIG's staff of approximately 200 employees—both Foreign Service and Civil Service—includes auditors, certified public accountants, investigators, and program analysts, as well as specialists in management, budget, information technology, and personnel operations. Our fiscal year 2011 appropriation was \$45 million.

What We Do

OIG is responsible for conducting and supervising audits and investigations involving the programs and operations of USAID, USADF, IAF, and MCC. Auditors, certified public accountants, and program analysts join forces to design and conduct audits and reviews to determine whether agency programs and operations are working as envisioned.

Audit activities include performance audits of programs, financial statement audits required under the Chief Financial Officers Act of 1990, Public Law 101-576, as amended, audits related to financial accountability of grantees and contractors, and audits of information

technology systems. OIG's criminal investigators are special agents who work diligently to ensure that those who would illegally divert U.S. Government funds are detected. Our special agents are sworn law enforcement officers who have authority to carry firearms, execute search warrants, and make arrests. Investigations of criminal, civil, and administrative violations cover all facets of these worldwide operations.

OIG Priorities

Some of OIG's work is mandated by statute or regulation. Other work is performed at our discretion after considering the risks associated with the agencies' programs and assessing potential vulnerabilities in internal controls. OIG's top oversight priorities are:

- Pakistan
- Afghanistan
- HIV/AIDS, malaria, and tuberculosis
- Iraq
- Haiti

Joint Work and Partners

Interagency coordination is an important element of the oversight process. OIG is a key participant in the Southwest Asia Joint Planning Group, led by the Department of Defense Office of Inspector General. Other members of the group include representatives from the Office of Inspector General for the Department of State, the Defense Contract Audit Agency, the Government Accountability Office (GAO), the Special Inspector General for Afghanistan Reconstruction, and the Special Inspector General for Iraq Reconstruction.

USAID/OIG also chairs the Afghanistan-Pakistan Subgroup, which coordinates oversight specifically in those two countries

and issues joint audit plans. This subgroup is comprised of representatives of the Offices of Inspector General for USAID and the Departments of State and Defense, the Government Accountability Office, and the Special Inspector General for Afghanistan Reconstruction.

The subgroup acts as the central point for sharing information and coordinating planned audits, reviews, and inspections.

USAID/OIG also works closely with the Office of the Special Representative for Afghanistan and Pakistan (SRAP).

As a member of the National Procurement Fraud Task Force, OIG assists the Department of Justice in addressing procurement and grant fraud—especially in Iraq, Afghanistan, and Pakistan.

Where We Work

Approximately 70 direct-hire auditor, analyst, and special agent positions are based overseas, and the remaining workforce is stationed in Washington, DC.

OIG has overseas offices in Baghdad, Cairo, Dakar, Kabul, Islamabad, Manila, Pretoria, West Bank, San Salvador, Tel Aviv, and Port-au-Prince.

OIG General Information

To learn more about USAID/OIG and its work, visit our Web site at www.usaid.gov/oig or contact us at 202-712-1150.

Pakistan

Introduction

Background. The primary goals of U.S. assistance to Pakistan are to tangibly improve the lives of the poor and to build support for the Government of Pakistan's decision to join international efforts to thwart terrorism and reduce terrorist recruiting from within the country.

The U.S. Government reopened the USAID mission in Islamabad in 2002. From FY 2002 through the fourth quarter of FY 2011,

USAID provided more than \$5.2 billion (including emergency economic assistance) to address needs in education, health, economic growth, and good governance, as well as in earthquake reconstruction assistance. OIG has historically provided oversight of Pakistan from its regional office in Manila, but it now has 12 staff members located in Islamabad. OIG spent approximately \$6.7 million to provide in-country oversight for Pakistan in through the fourth quarter of FY 2011.

Results—Fiscal Year 2003 Through Fiscal Year 2011

Activities	Pakistan
Performance audits/reviews	15
Recommendations made	57
Recommendations closed	45
Recommendations open	12
Financial audits conducted	45
Questioned costs	\$6.2 million
Sustained costs	\$3.1 million
Investigations opened	75
Investigations closed	51
Investigations pending	24
Referrals for prosecution	2
Indictments	0
Convictions	0
Arrests	0
Administrative actions	18
Recoveries and savings	\$101.6 million
Fraud awareness briefings	31
Attendees at briefings	760

Performance Audits. The chart beginning on page 11 depicts the findings of the 15 audits we have completed and the status of each of the 57 associated recommendations. Starting on page 27 are narrative summaries of the audits, arranged by fiscal year.

OIG's performance audit work in Pakistan has shown that security conditions have either hindered program accomplishment or had the potential to create implementation problems. Fifty-three percent raised concerns about security conditions. Our audits also identified trends in inadequate contract oversight or activities management (60 percent) and data integrity or quality issues (27 percent).

Financial Audits. By federal law (31 U.S.C. Chapter 75), nonfederal entities that expend \$500,000 or more in federal awards annually are required to have audits conducted in accordance with Office of Management and Budget (OMB) Circular A-133. OMB's requirement applies to audits of States, local governments, and nonprofit organizations based in the United States. Audits conducted pursuant to Circular A-133 are sometimes referred to as "nonfederal audits."

USAID requires foreign nonprofit organizations who expend \$300,000 or more in federal funds per year to undergo an annual financial audit. These audits follow the rules and procedures contained in the USAID-produced *Guidelines for Financial Audits Contracted by Foreign Recipients*. These audits are generally called recipient-contracted audits. Firms selected to perform nonfederal audits and recipient-contracted audits must be approved by OIG, which then reviews the audits, summarizes the findings and recommendations, and performs quality-control reviews on a limited basis.

The agency-contracted audit (ACA) program is implemented by USAID on its implementing partners. Financial audits conducted under this program accomplish numerous goals, such as improving accountability and internal control over funds and commodities and ensuring compliance with agreements and applicable laws and regulations. USAID normally requests an ACA to provide needed audit coverage or to address real or perceived problems in financial management.

ACAs are usually performed by independent public accounting firms located in the United States, but which have overseas affiliates. USAID contracts to have ACA audits conducted, but OIG approves the statement of work used to procure the audit services, monitors the audits, reviews the audit reports, summarizes the findings and recommendations, and performs quality-control reviews on a limited basis.

OIG may also initiate an ACA to address problems concerning a contract, grant, or cooperative agreement, and it may enlist the services of the Defense Contract Audit Agency (DCAA) to conduct incurred cost audits on for-profit entities that are not based in the United States. However, DCAA performs all financial audits on U.S.-based, for-profit entities.²

Financial audits performed on USAID's implementing partners in Pakistan are reflected in the chart on page 17. Questioned costs are those costs determined by an audit to not be allowable (e.g., liquor charges billed to USAID), allocable (e.g., charges that cannot be tied to a specific contract, grant, or cooperative agreement), or reasonable (e.g., charges for 25 computers for agreement/contracting a staff of 10). The USAID agreement officer makes a final

² DCAA may also be called upon to conduct audits on nonprofit entities to address concerns over noncompliance or problems with financial management.

determination on the questioned costs and seeks reimbursement from the implementing partner for any costs sustained.

OIG has developed relationships with local institutions, such as the Auditor General of Pakistan, to help strengthen the accountability environment. OIG has entered into a memorandum of understanding with the Auditor General that will permit the Auditor General's audits to be accepted as meeting the requirement for annual audits of Pakistani Government entities implementing USAID-funded programs. OIG recently provided a financial audit training session, which included a segment of fraud awareness to the Auditor General's staff.

OIG also uses local accounting firms to conduct financial audits in Pakistan. Before using any local accounting firms for this type of work, OIG first conducts an assessment of their capabilities to perform the work.

Investigations. OIG's investigative goals are to eliminate fraud in contracts, grants, and cooperative agreements and to prevent serious misconduct by USAID employees. To accomplish these goals, special agents conduct investigations into possible violations of federal laws, rules, and regulations.

In a number of criminal and civil case matters, OIG has worked closely with local authorities. We work with the Government of Pakistan's Office of Accountability, for example, to pursue allegations of wrongdoing by local nationals.

When our investigators uncover evidence of probable cause to believe a criminal or civil crime has occurred, they consult with the Department of Justice to determine its interest in pursuing the matter.

Investigative findings on administrative matters are referred to Agency management for action. OIG investigators also conduct fraud awareness briefings to alert participants (employees, contractors, and grantees) to fraudulent practices and schemes and to provide guidance on how to report fraud if it is encountered. The chart on page 65 summarizes OIG's investigative work involving Pakistan.

OIG and USAID/Pakistan collaborated to establish an antifraud hotline in Pakistan. The antifraud hotline, was fully operational in early February, however it was formally launched during a fraud-awareness conference held in Islamabad on February 17, 2011.

This 5-year project is funded by a cooperative agreement between USAID/Pakistan and Transparency International Pakistan in partnership with the Office of the Inspector General, although OIG is solely responsible for handling complaints received through the hotline. During the fourth quarter, the hotline had received 549 complaints related to projects funded by USAID and other organizations through various channels.

Pakistan Performance Audit Findings and Recommendations

	No.	Report Title	Report Date	Summary of Findings	Total # of Recommendations	Total # Closed	Open Recommendations	USAID Response
FY 2003	1	Audit of USAID's Bureau for Asia and the Near East Monitoring of the Government of Pakistan's Compliance with the Provisions of USAID Grant No. 391-K-005 (0-000-03-001-F)	7-Jan-03	The audit found that USAID did not effectively monitor the Government of Pakistan's compliance with certain provisions of the grant agreement, which was to be used as reimbursement of debt paid and service of debt, to the United States, World Bank, Asian Development Bank, or International Monetary Fund. USAID officials had no assurance that the grant funds were used in accordance with the terms of the grant agreement until after the Government of Pakistan had expended the funds.	3	3	None.	
FY 2004	2	Risk Assessment of Major Activities Managed by USAID/Pakistan (5-391-04-001-S)	30-Oct-03	OIG conducted a risk assessment of education and governance programs, which identified several areas where vulnerability for risk was high: Two education programs were designated as high risk because of the lack of prior experience with USAID grants and because of having numerous U.S. and Pakistani partners to implement the programs. One local governance program was deemed high risk because there were problems with the participating nongovernmental organizations and with the legislative orientation component of the program.	0	0	None.	
FY 2007	3	Audit of Selected Activities Under USAID/Pakistan's Basic Health Program (5-391-07-005-P)	23-May-07	Overall, the selected activities under USAID/Pakistan's Basic Health Program generally did not achieve its intended program results. Areas where it fell short were in the distribution of family planning products, the promotion of program activities, the percentage of health facilities upgraded, the number of health care providers trained, and the number of grants awarded.	4	4	None.	
FY 2008	4	Audit of USAID/Pakistan's Education Sector Reform Assistance Program (5-391-08-004-P)	28-Mar-08	The audit found that USAID/Pakistan did not monitor the Education Sector Reform Assistance Program effectively, nor did it approve revisions to the program's scope and budget. OIG also found a lack of documentation of a potential conflict of interest.	1	1	None.	
FY 2009	5	Audit of Critical USAID/Pakistan's Earthquake Reconstruction Activities (5-391-09-001-P)	25-Nov-08	The audit found that construction and livelihood activities were experiencing delays, contractor performance reviews were not conducted, performance management plans were not approved, and a data quality assessment was needed.	4	4	None.	
FY 2010	6	Audit of USAID/Pakistan's Capacity Building Program for the Federally Administered Tribal Areas Development Program (5-391-10-005-P)	28-Jan-10	OIG's audit found that, although the program had provided training, taken initial steps to automate institutions in the Federally Administered Tribal Areas (FATA), and completed some media activities, little had yet been achieved to build the capacity of FATA governmental institutions and nongovernmental organizations (NGOs) responsible for providing services. The program had been in place for nearly 2 years of its 3-year planned lifespan, and it had not made significant progress with two of the program's main goals: improving institutions' capacity to govern and improving the capacity of NGOs to promote good governance.	4	4	None.	

	No.	Report Title	Report Date	Summary of Findings	Total # of Recommendations	Total # Closed	Open Recommendations	USAID Response
	7	Review of USAID's Internally Displaced Persons Programs in Pakistan (5-391-10-001-S)	28-Jun-10	USAID implemented third-party monitoring in only one of its six internally displaced persons (IDP) programs. Consequently, without an instrument to easily employ third-party monitoring in high-threat environments in Pakistan, USAID did not verify program performance or consistently validate results first hand for its IDP program activities. The grant agreement for the \$44 million cash transfer for IDP families identified four controls to be implemented by the mission and the GOP. However, 6 months after the cash transfer was made to the Government of Pakistan (GOP), neither the mission nor the GOP had implemented any of the controls that were meant to provide reasonable assurance that the funds had actually reached IDPs. Thus, USAID has little assurance that cash transfers actually reached displaced families.	4	4	None.	
	8	Audit of USAID/Pakistan's Primary Healthcare Revitalization, Integration and Decentralization in Earthquake-Affected Areas Project (5-391-10-010-P)	28-Jun-10	In response to the intent of the project's cooperative agreement to establish appropriate patient referral mechanism, the implementer's work plan for 2008 identified five activities to be completed in fiscal year 2008 that were meant to strengthen the referral system. As of September 2009, 1 year later than planned, the implementer had completed four of five activities. The activities were delayed in part because GOP staff scheduled to work with the implementer were not available when needed. As a result, at the time of the audit, the new approach for the referral system was working in only 7 of 126 health facilities in the Mansehra and Bagh Districts, representing only a minimal improvement in access to health care.	1	1	None.	
	9	Audit of USAID/Pakistan's Family Advancement for Life and Health Program (5-391-10-012-P)	31-Aug-10	OIG's audit found that the Family Advancement for Life and Health Program was achieving its main goals. Among its accomplishments were (1) an increased demand for family planning services, (2) improved family planning services in the public sector, and (3) improved family planning services in the private sector. Overall, the audit found that participants were very satisfied with the program.	1	1	None.	
FY 2011	10	Audit of USAID/Pakistan's Livelihood Development Program for the Lower Region of the Federally Administered Tribal Areas (G-391-11-001-P)	10-Dec-10	The audit found that USAID/Pakistan had made little progress in reaching annual targets. Although the hostile situation contributed to the program's limited results, the mission did not ensure adequate monitoring and oversight to achieve program goals.	7	6	(5) USAID/Pakistan make a management decision regarding the allowability of and recover, as appropriate, questioned costs of \$767,841 (\$432,482 ineligible and \$335,359 unsupported) identified in the financial review and recover those costs determined to be unallowable.	The mission agreed with the recommendation and indicated it planned to examine the allowability of the \$767,841 in questioned costs by February 2011. A management decision can be reached after this is clarified. Therefore, this recommendation remains open.

	No.	Report Title	Report Date	Summary of Findings	Total # of Recommendations	Total # Closed	Open Recommendations	USAID Response
	11	Audit of USAID/Pakistan's Livelihood Development Program for the Upper Region of the Federally Administered Tribal Areas (G-391-11-002-P)	10-Dec-10	<p>We found that USAID/Pakistan staff overrode management controls by conducting work reserved for the agreement officer, such as administering and making determinations regarding a cooperative agreement, and taking action without authorized approval. For example, in August 2008, shortly after starting work in upper FATA, USAID/Pakistan directed the implementer to provide disaster response and emergency relief services that were not part of the Livelihood Development Program (LDP) scope of work or budget. The services included response to the flood victims in Khyber Agency and response to internally displaced persons coming into the Peshawar region as a result of conflict. At that time, no other U.S. Government response was available in the area, and the mission determined that LDP resources should be used for this work. However, the mission made no revisions to the program to reflect this change in program focus. The work, which spun off into infrastructure activities that extended into the second year of implementation, diverted resources from program activities, changed the scope of work, and affected LDP's budget. The implementer attributed \$7.9 million to the disaster and relief work from August 2008 to March 2010.</p>	5	5	None.	
	12	Audit of USAID/Pakistan's Flood Relief Efforts as Administered by Local Nongovernmental Organizations (G-391-11-003-P)	24-Jan-11	<p>The audit focused on two Pakistani NGOs: Pakistan Poverty Alleviation Fund (PPAF), which received \$2.7 million, and Rural Support Programmes Network (RSPN), which received \$2.3 million. The two agreements were to provide relief in the provinces of Balochistan, Punjab, Sindh, and Khyber Pakhtunkhwa—immediate relief to 80,100 households in the form of food hampers and supplies to an affected population of 190,058 people. The audit determined that the program goals were met.</p>	0	0	None.	

No.	Report Title	Report Date	Summary of Findings	Total # of Recommendations	Total # Closed	Open Recommendations	USAID Response
13	Audit of USAID/Pakistan's Management of Pre-award Assessments (G-391-11-004-P)	6-May-11	With the implementation of the strategy to build Pakistani capacity, concerns have been raised in the media and within the U.S. Government that providing too much money to Pakistani recipients too quickly could jeopardize U.S. funds. USAID/Pakistan recognized the challenges and took proactive steps to address the risks. One key step taken by the mission was to contract with international and local accounting firms to conduct pre-award assessments (also referred to as pre-award surveys) of potential first-time recipients of USAID funds. The intent of these assessments is to determine whether the recipients can effectively manage and account for these funds. The accounting firms identify vulnerabilities and recommend actions to address the vulnerabilities. For fiscal year 2010, USAID/Pakistan expended approximately \$657,000 on the 28 pre-award assessments conducted and the resultant reports.	4	4	None.	
14	Audit of USAID/Pakistan's Road Rehabilitation and Reconstruction Activities under the Quick Impact Projects in South Waziristan (G-391-11-005-P)	20-Jun-11	OIG conducted this audit to determine whether USAID/Pakistan's road rehabilitation and reconstruction activities under the Quick Impact Projects in South Waziristan were rebuilding selected roads. Despite some difficulties noted with mission operations, we determined that the road rebuilding efforts were on track. Two sections of road totaling 215 kilometers were completed that met all specifications and approvals required for reimbursement by USAID. Although security issues caused some delays, work progressed on schedule. The FATA Secretariat hired Frontier Works Organization (Frontier Works) of Pakistan to carry out road activities. For additional support, Frontier Works subcontracted with the Pakistani engineering firm National Engineering Services Pakistan Limited (NESPAK). Both Frontier Works and NESPAK have extensive experience in building roads and other infrastructure projects, and both will work on all the Quick Impact Projects in South Waziristan, including the water infrastructure and power systems. We found that these two entities contributed to the initial success of the road activities.	9	6	<p>(5) USAID/Pakistan provide implementers with copies of USAID's policies on ethics and conflicts of interest, and with written explanations and examples of potential conflicts.</p> <p>(8) USAID/Pakistan develop and implement a plan to monitor and document the status of branding and marking plans of contractors working on the Quick Impact Projects in South Waziristan, and provide training as necessary for compliance with Automated Directives System 320.</p> <p>(9) USAID/Pakistan provide additional details to the Federally Administrated Tribal Areas Secretariat concerning publicizing and marking USAID's contribution to the Quick Impact Projects in South Waziristan as specified in the implementation letter dated December 31, 2009.</p>	<p>A management decision can be reached upon report issuance. The mission agreed with the recommendation. The mission will circulate to implementers USAID guidance on ethics and conflicts of interest as relevant to USAID award recipients by December 31, 2011. This recommendation remains open.</p> <p>A management decision can be reached upon report issuance. The mission agreed with the recommendation. A new monitoring and evaluation contract will be in place by July 2011. This contract will monitor the compliance of implementers with the full terms of their agreement with USAID. This includes compliance with USAID branding and marking requirements as identified in their agreement and agency guidance. This recommendation remains open.</p> <p>A management decision was reached upon report issuance. The mission agreed with the recommendation. USAID/Pakistan will engage a media support contractor to ensure wider dissemination of information about the range and impact of our assistance programs. USAID/Pakistan will assist the FATA Secretariat in publicizing and marking USAID's contribution to programs in FATA by December 31, 2011. This recommendation remains open.</p>

No.	Report Title	Report Date	Summary of Findings	Total # of Recommendations	Total # Closed	Open Recommendations	USAID Response						
15	Audit of USAID/Pakistan's Community Rehabilitation Infrastructure (G-391-11-006-P)	29-Aug-11	USAID/Pakistan exercised a substantial degree of control over the program that would have been more appropriate for a contract rather than a cooperative agreement. For example, work plans had to be prepared by the implementer and approved by the mission quarterly. Also, all proposed activities had to be approved by the mission before implementation. Although the program was awarded under a cooperative agreement, both USAID/Pakistan officials and the implementing partner agreed that the program has been implemented more like a contract. Mission officials commented that the nature of the work assigned to the program has changed drastically since the program's inception. According to mission officials, the variety, large value, and complexity of current construction activities require the mission to give daily technical directions to the implementer to ensure the quality and timeliness of facilities constructed through the program. USAID/Pakistan officials agreed that continuing to use the cooperative agreement to implement this program will lead to further delays and inefficiencies, particularly on large infrastructure activities that are ongoing or in the program's work plan. Mission officials do not believe that the award recipient has demonstrated the technical capacity to provide the required monitoring and oversight on the activities listed in the table.	10	2	(3) USAID/Pakistan develop and implement an action plan to determine the best use for the equipment and furniture at the Khyber Institute of Child Health.	The mission will develop and implement an action plan to determine the best use for the equipment and furniture at the Khyber Institute of Child Health by October 31, 2011. This recommendation remains open.						
						(4) USAID/Pakistan revise the activity approval process to include a sustainability analysis for all infrastructure activities implemented under this program, regardless of the funding level.	The mission will revise the CRISP activity approval process to include a sustainability analysis/plan for all infrastructure activities implemented under this program, regardless of the funding level, by October 31, 2011. This recommendation remains open.						
						(5) USAID/Pakistan review the list of all educational institutions receiving assistance with construction supervision under the program's Infrastructure Support and Capacity Development Project to determine whether any are religious institutions, and recover any costs deemed unallowable.	The mission is obtaining further details on all educational institutions receiving assistance with construction supervision under the Infrastructure Support and Capacity Development Project. This information will be analyzed to determine whether any adjustments to programs, or recovery of unallowable costs, are warranted. The mission will convey these results to OIG/Pakistan under a separate memorandum on or before September 15, 2011. This recommendation remains open.						
						(6) USAID/Pakistan develop and implement a plan to increase awareness among mission and implementing partner staff of USAID's policy prohibiting the funding of religious activities.	USAID/Pakistan, in coordination with the USAID/Washington Office of General Council, will develop and conduct training sessions for contracting and agreement officers' technical representatives regarding legal prohibitions including funding of religious activities. The mission will also instruct implementing partners to contact USAID for guidance if they suspect that a potential problem with funding religious institutions may arise. The mission's training sessions will be developed and ready for implementation on or before October 31, 2011. This recommendation remains open.						
						(7) USAID/Pakistan determine whether to amend or follow the program's internal control procedure requiring the mission director's approval for all activities that exceed \$500,000.	The mission agreed with the recommendation. Because funding is approved in the Activity Approval Document, the mission has decided to delete the procedure requiring the mission director's approval for all activities exceeding \$500,000 and will formalize this change in an action memo by October 31, 2011. This recommendation remains open.						
						(8) The mission obtain an updated marking plan from the implementing partner within 90 days, and implement a plan to monitor the status of the implementing partner's marking plan.	USAID/Pakistan has obtained a revised marking plan from the implementing partner and expects to finalize the plan by October 31, 2011. Moreover, a mission-wide monitoring and evaluation contract was recently awarded. This contract includes responsibilities for the contractor to monitor the compliance of all implementers with the full terms of their agreement with USAID. This includes compliance with USAID branding and marking requirements. This recommendation remains open.						
						(9) USAID/Pakistan modify the cooperative agreement to require that cost-sharing contributions for all activities be calculated on a flexible, case-by-case basis.	The mission will modify the cooperative agreement to allow cost-sharing contributions on a flexible, case-by-case basis and expects the modification to be issued by October 31, 2011. This recommendation remains open.						
						(10) USAID/Pakistan notify the program's implementing partner that the previously submitted cost-sharing contributions totaling \$4.7 million are ineligible, and amend the program's financial reports.	The mission will modify the cooperative agreement to allow cost-sharing contributions on a flexible, case-by-case basis and expects the modification to be issued by October 31, 2011. This recommendation remains open.						
						Total Recommendations						57	
						Total Closed Recommendations						45	
Performance Audits Issued		15											

Pakistan Financial Audit Findings

No.	Audit Title	Report Number	Report Date	Total Costs Audited (\$)	Questioned Costs (\$)	Sustained Costs (\$)	Details for Questioned Costs Over \$1 Million
1	Financial Audit of USAID/Pakistan's Rupee Trust Fund for Operating Expenses , for Fiscal Years Ended September 30, 2002, 2003, and 2004	5-391-06-003-N	10-Jan-2006	432,270			
2	Financial Audit of the Program Titled "Improved Pakistani Family Planning and Reproductive Health Services," USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01016-00, Managed by the Greenstar Social Marketing Pakistan (Guarantee) Limited , for the Period from November 7, 2003, to June 30, 2004	5-391-06-020-R	11-May-2006	1,805,257	830		
3	Quality Control Review of the Audit Report and Audit Documentation for the Financial Audit Conducted by Ford Rhodes Sidat Hyder & Co., Pakistan, of the Program titled 'Improved Pakistani Family Planning and Reproductive Health Services', USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01016-00, Managed by the Greenstar Social Marketing Pakistan (Guarantee) Limited , for the Period from November 7, 2003, to June 30, 2004	5-391-06-003-Q	26-Sep-2006				
4	Financial Audit of the Rural Support Programmes Network —USAID Grant Rewarding Innovations at the District Level, Agreement No. 391-A-00-03-01015-00, for the Nine Month Period Ended June 30, 2004	5-391-06-031-R	13-Sep-2006	471,255			
5	Financial Audit of the Rural Support Programmes Network —USAID Grant Rewarding Innovations at the District Level, Agreement No. 391-A-00-03-01015-00, for the Period Ended June 30, 2005	5-391-06-032-R	26-Sep-2006	997,500			
6	Financial Audit of the Developing Non-Bankable Territories for Financial Services Project, USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01011-00, Managed by Khushhali Bank , for the Period from October 1, 2003, to December 31, 2004	5-391-06-033-R	27-Sep-2006	1,853,591			
7	Quality Control Review of the Audit Report and Audit Documentation for the Financial Audit Conducted by KPMG Taseer Hadi & Co., of the Aga Khan University - Examination Board (AKU-EB) , USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01003-00, for the Period from July 1, 2003, to December 31, 2004	5-391-07-001-Q	6-Oct-2006				
8	Financial Audit of the Four Year Bachelor's Degree Program, USAID/Pakistan Grant Agreement No. 391-G-00-04-01036-00, Managed by Forman Christian College, Lahore , for the Period from August 23, 2004, to June 30, 2005	5-391-07-006-R	12-Jan-2007	764,472			
9	Financial Audit of the Enterprise Development Facility Program, Cooperative Agreement No. 391-A-00-03-01010-00, Managed by the Pakistan Poverty Alleviation Fund (PPAF) for the Period from October 1, 2003, to June 30, 2005	5-391-07-007-R	12-Jan-2007	3,194,633	1,999,553	1,639,230	Questioned costs were related to ineligible loans by the recipient.

No.	Audit Title	Report Number	Report Date	Total Costs Audited (\$)	Questioned Costs (\$)	Sustained Costs (\$)	Details for Questioned Costs Over \$1 Million
10	Financial Audit of the Fulbright-USAID Scholarship Program, Grant Agreement No. 391-G-00-04-01035-00, Managed by the United States Educational Foundation in Pakistan , for the Period from September 1, 2004, to August 31, 2005	5-391-07-010-R	22-Feb-2007	234,757			
11	Financial Audit of the Aga Khan University Examination Board , USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01003-00, for the Period from July 1, 2003, to December 31, 2004	5-391-07-014-R	3-May-2007	771,546			
12	Financial Audit of the Program Titled "Improved Pakistani Family Planning and Reproductive Health Services," USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01016-00, Managed by the Greenstar Social Marketing Pakistan (Guarantee) Limited , for the Period from November 7, 2003, to June 30, 2004	5-391-07-020-R	25-Jul-2007	1,805,257	34,804		
13	Financial Audit of the Enterprise Development Facility Program, Cooperative Agreement No. 391-A-00-03-01010-00, Managed by the Pakistan Poverty Alleviation Fund for the Period from July 1, 2005, to June 30, 2006	5-391-07-023-R	22-Aug-2007	1,160,768	951,400	921,512	
14	Financial Audit of the Four Year Bachelor's Degree Program, USAID/Pakistan Grant Agreement No. 391-G-00-04-01036-00, Managed by Forman Christian College, Lahore , for the Period from July 1, 2005, to June 30, 2006	5-391-07-024-R	28-Sep-2007	769,134			
15	Financial Audit of the Project Titled "Technical Assistance and Training to Improve Project and Financial Management of Provincial and District Health and Population Welfare Services in Pakistan," USAID/Pakistan Limited Scope Grant Agreement No. 391-G-00-04-01020-00, Managed by the Options Consultancy Services Limited (Options) - Technical Assistance Management Agency (TAMA) , for the Period from January 1, 2004, to March 31, 2006	5-391-08-005-N	20-Aug-2008	697,058			
16	Financial Audit of the Developing Non-Bankable Territories for Financial Services Program, USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01011-00, Managed by Khushhali Bank , for the Period from January 1, 2005, to December 31, 2006	5-391-08-017-R	15-Apr-2008	2,662,527	82,126	66,916	
17	Financial Audit of the Aga Khan University - Examination Board (AKU-EB) , USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01003-00, for the Period from January 1, 2005, to December 31, 2005	5-391-08-027-R	2-Jul-2008	902,755			
18	Closeout Audit of the Enterprise Development Facility Program, Cooperative Agreement No. 391-A-00-03-01010-00, Managed by the Pakistan Poverty Alleviation Fund (PPAF) for the Period from July 1, 2006, to September 30, 2007	5-391-08-029-R	15-Aug-2008	734,597			

No.	Audit Title	Report Number	Report Date	Total Costs Audited (\$)	Questioned Costs (\$)	Sustained Costs (\$)	Details for Questioned Costs Over \$1 Million
19	Closeout Audit of the Programs Titled "Rewarding Innovation at the District Level," USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01015-00 for the Period from July 1, 2005 to March 31, 2006, and "Establishing Tent Schools and Cash for Work Program," Grant Agreement No. 391-G-00-06-0169-00 for the Period from December 9, 2005, to June 15, 2006; Managed by Rural Support Programmes Network (RSPN)	5-391-08-030-R	27-Aug-2008	2,847,871	222,294	222,294	
20	Financial Audit of the Program Title "Improved Pakistani Family Planning and Reproductive Health Services," USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01016-00, Managed by the Greenstar Social Marketing Pakistan (Guarantee) Limited , for the Period From July 1, 2004, to June 30, 2005	5-391-08-032-R	19-Sep-2008	5,707,948			
21	Financial Audit of the Program Titled "Improved Pakistani Family Planning and Reproductive Health Services," USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01016-00, Managed by the Greenstar Social Marketing Pakistan (Guarantee) Limited , for the Period From July 1, 2005, to June 30, 2006	5-391-08-034-R	25-Sep-2008	5,399,408			
22	Financial Audit of the Program Titled "Improved Pakistani Family Planning and Reproductive Health Services," USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01016-00, Managed by the Greenstar Social Marketing Pakistan (Guarantee) Limited , for the Period From July 1, 2006, to June 30, 2007	5-391-08-035-R	26-Sep-2008	4,295,177			
23	Financial Audit of the Interactive Teaching and Learning Program in Pakistan, USAID/Pakistan Cooperative Agreement No. 391-A-00-06-01075-00, Managed by the Children's Resources International Pakistan (G) Limited (CRI Pakistan) , for the Period from March 1, 2006, to June 30, 2007	5-391-09-006-R	15-Dec-2008	1,557,736	763,449	158	
24	Financial Audit of the Aga Khan University -Examination Board (AKU-EB) , USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01003-00, for the Period from January 1, 2006, to December 31, 2006	5-391-09-007-R	29-Apr-2009	979,040			

No.	Audit Title	Report Number	Report Date	Total Costs Audited (\$)	Questioned Costs (\$)	Sustained Costs (\$)	Details for Questioned Costs Over \$1 Million
25	Financial Audit of the College Improvement Program, USAID/Pakistan Grant Agreement No. 391-G-00-04-01036-00, Managed by Forman Christian College, Lahore , for the Period from August 23, 2004, to June 30, 2007	5-391-09-008-R	30-Apr-2009	2,631,254	1,163,564	56,008	
26	Quality Control Review of the Audit Report and Audit Documentation for the Financial Audit Conducted by A.F. Ferguson & Co. of the College Improvement Program, USAID/Pakistan Grant Agreement No. 391-G-00-04-01036-00, Managed by Forman Christian College, Lahore , for the Period from August 23, 2004, to June 30, 2007	5-391-09-001-Q	30-Apr-2009				
26	Financial Audit of USAID/Pakistan's Rupee Trust Fund for Operating Expenses, for Fiscal Years Ended September 30, 2005, and 2006	5-391-09-002-N	11-May-2009	979,028			
28	Financial Audit of the Developing Non-Bankable Territories for Financial Services Program, USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01011-00, Managed by Khushhali Bank , for the Period from January 1 to December 31, 2007	5-391-09-013-R	25-Jun-2009	1,776,113			
29	Financial Audit of the Budgetary Support, USAID/Pakistan Program Assistance Agreement Nos. 391-005-ES-05 and 391-005-ES-06, Managed by the Ministry of Finance, Government of Pakistan , for the Years Ended June 30, 2006, and 2007	5-391-09-006-N	13-Aug-2009	400,000,000			
30	Financial Audit of USAID Funds Managed by Children's Global Network Pakistan (G) Limited (formerly Children's Resources International Pakistan (G) Limited), for the year ended June 30, 2008	5-391-10-012-R	22-Dec-2009	1,863,786	376,942	242	
31	Closeout Financial Audit of the Aga Khan University - Examination Board (AKU-EB) , USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01003-00, for the Period from January 1, 2007 to December 31, 2007	5-391-10-020-R	10-Feb-2010	1,853,975	63,367	63,367	

No.	Audit Title	Report Number	Report Date	Total Costs Audited (\$)	Questioned Costs (\$)	Sustained Costs (\$)	Details for Questioned Costs Over \$1 Million
32	Closeout Financial Audit of the Program Entitled "Improved Pakistani Family Planning and Reproductive Health Services:" USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01016-00, Managed by Greenstar Social Marketing Pakistan (Guarantee) Limited , for the Period from July 1, 2007 to December 31, 2007	5-391-10-026-R	24-Mar-2010	2,146,908			
33	Financial Audit of the Developing Non-Bankable Territories for Financial Services Program, USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01011-00, Managed by Khushhali Bank , for the Year Ended December 31, 2008	5-391-10-029-R	30-Apr-2010	1,653,377	89,934	65,652	
34	Financial Audit of the College Improvement Program, USAID/Pakistan Grant Agreement No. 391-G-00-04-01036-00, Managed by Forman Christian College, Lahore , for the Period from July 1, 2007 to June 30, 2009	5-391-10-033-R	18-May-2010	394,255			
35	Financial Audit of the Pakistan Competitiveness Support Fund, USAID/Pakistan Grant Agreement No. 391-G-00-06-01073-00, Managed by Competitiveness Support Fund (CSF) , for the Period from February 3, 2006 to June 30, 2009	G-391-10-001-R	4-Aug-2010	5,637,011	355,471		
36	Audit of Costs Incurred under School Enhancement Program Component of the Pakistan Education Sector Reform Assistance Program, USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01000-00, Managed by the RTI International (RTI) , for the Period from December 4, 2002 to December 31, 2007	G-391-11-001-D	8-Nov-2010	14,432,228			
37	Closeout Audit of the Developing Non-Bankable Territories for Financial Services Program, USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01011-00, Managed by Khushhali Bank , for the Period from January 1, 2009 to September 30, 2009	G-391-11-001-R	30-Dec-2010	450,607			
38	Closeout Audit of the Program "Interactive Teaching & Learning Project," USAID/Pakistan Cooperative Agreement No. 391-A-00-06-01075-00, and Financial Audit of Program "Links to Learning Education Support to Pakistan," Sub-Award under USAID/Pakistan Cooperative Agreement No. 391-A-00-08-01100-00, Managed by Children's Global Network Pakistan Limited , for the Period from July 1, 2008 to February 26, 2010	G-391-11-002-R	8-Apr-2011	1,315,348	12,669		

No.	Audit Title	Report Number	Report Date	Total Costs Audited (\$)	Questioned Costs (\$)	Sustained Costs (\$)	Details for Questioned Costs Over \$1 Million
39	Quality Control Review of the Audit Report and Audit Documentation for Financial Audits Conducted by Khalid Majid Rahman Sarfraz Rahim Iqbal Rafiq of the "Interactive Teaching & Learning Project," Managed by Children's Global Network Pakistan Limited , under USAID/Pakistan Cooperative Agreement No. 391-A-00-06-01075-00 for the Period from July 1, 2008 to February 26, 2010	G-391-11-001-Q	8-Apr-2011				
40	Quality Control Review of the Audit Report and Audit Documentation for Financial Audit Conducted by Nasir Javaid Maqsood Imran, of Pakistan Competitiveness Support Fund, USAID/Pakistan Grant Agreement No. 391-G-00-06-10730, Managed by Competitiveness Support Fund (CSF) , for the Period from July 1, 2009 to June 30, 2010	G-391-11-002-Q	10-May-2011				
41	Financial Audit of the Pakistan Competitiveness Support Fund, USAID/Pakistan Grant Agreement No. 391-G-00-06-1073-00, Managed by Competitiveness Support Fund (CSF) , for the Period from July 1, 2009 to June 30, 2010	G-391-11-003-R	10-May-2011	2,184,844	2,822		
42	Financial Audit of USAID/Pakistan's Rupee Trust Fund , for the Period from October 1, 2006 to September 30, 2009	G-391-11-001-N	26-May-2011	1,511,547			
43	Closeout Financial Audit of the Forman Christian College , USAID/Pakistan Grant Agreement No. 391-G-00-04-01036-00, Managed by Forman Christian College (FCC), for the Period from July 1, 2009 to March 31, 2010	G-391-11-004-R	23-Jun-2011	1,974,491	122,515	90,655	
44	Quality Control Review of the Audit Report and Audit Documentation for Financial Audit Conducted by A.F. Ferguson , of the Forman Christian College, USAID/Pakistan Grant Agreement No. 391-G-00-04-01036-00, Managed by Forman Christian College (FCC), for the Period from July 1, 2009 to March 31, 2010	G-391-11-003-Q	23-Jun-2011				
45	Financial Audit of the Business Revitalization Program, USAID/Pakistan Cooperative Agreement No. 391-A-00-10-01145-00, Managed by Khushhali Bank , for the Period from February 6, 2010 to December 31, 2010	G-391-11-005-R	21-Sep-2011	8,443,128			
45 Financial Audits Issued				\$489,292,457	\$6,241,740	\$3,126,034	
Percentage of Costs Audited					1.28%	0.64%	

Alpha designation in report number

R = Recipient-contracted Audit

Q = Quality control review

D = Defense Contract Audit Agency Audit

N = Nonfederal audit

Planned Performance Audits of USAID/Pakistan-Funded Activities Fiscal Year 2012

Audit of USAID/Pakistan’s Design for Sustainability in the Jamshoro Thermal Power Station Repair and Maintenance Activity

USAID/Pakistan awarded an \$18 million agreement to the Government of Pakistan to repair the Jamshoro Thermal Power Station. This activity was scheduled to be completed by June 2011. One of the principal goals of U.S. development cooperation is to promote conditions enabling developing countries to achieve self-sustaining economic growth with equitable distribution of benefits.

This audit will determine whether USAID/Pakistan built sustainability into the Jamshoro Thermal Power Station Repair and Maintenance Activity.

Status: Planned.

Follow-up Audit of USAID/Pakistan’s Livelihood Development Program for the Lower Region of the Federally Administered Tribal Areas

In February 2008, USAID/Pakistan signed a five-year \$150 million agreement with CHF International to implement this program. In December 2010, the Office of Inspector General issued an audit report entitled “Audit of USAID/Pakistan’s Livelihood Development Program for the Lower Region of the Federally Administered Tribal Areas” (Audit Report No. G-391-11-001-P).

This audit will focus on six of seven recommendations in that report (excluding a recommendation with questioned costs). Although none of the recommendations had been closed at the time of report issuance, the mission stated in its management comments that all recommendations would be closed by August 2011.

This audit will determine if USAID/Pakistan implemented the recommendations from Audit Report No. G-391-11-001, dated December 10, 2010, and whether those actions were effective.

Status: Planned

Audit of USAID/Pakistan's Assessment and Strengthening Program for Local Organizations and Government of Pakistan Entities

In October 2010, USAID/Pakistan signed a \$19.5 million cooperative agreement with Rural Support Programme Network to implement USAID/Pakistan's Assessment and Strengthening Program for local organizations and Government of Pakistan entities. To provide assistance to the primary implementer, USAID/Pakistan signed cooperative agreements with Lahore University of Management Sciences for \$3.8 million and Associates in Development for \$8.9 million.

The primary objective of this program is to establish a mechanism that will enable USAID/Pakistan to work with more local implementing partners and host government institutions in providing technical assistance required to build the institutional capacity up to USAID standards.

This audit will determine whether USAID/Pakistan's Assessment and Strengthening Program improved the capacity of local organizations and Government of Pakistan entities to responsibly manage USAID funds.

Status: Planned

Audit of USAID/Pakistan's Benazir Income Support Program

In 2008, the Government of Pakistan launched the Benazir Income Support Program to provide a permanent cash support mechanism for families in poverty. This program provides participating families about \$12 per month and to be delivered only to the senior female member of the family. In February 2010, USAID/Pakistan disbursed \$85 million to provide budgetary support to the Government of Pakistan. A second disbursement of \$75 million was made in July 2010 to support this program for a total of \$160 million.

This audit will determine whether USAID/Pakistan's cash transfer provided to the Benazir Income Support Program reached the intended beneficiaries.

Status: Planned

Audit of Selected Infrastructure Activities under USAID/Pakistan's Punjab Municipal Services Delivery Program

In September 2010, USAID/Pakistan signed a \$76 million agreement with the provincial Government of Punjab to implement the Punjab Municipal Services Delivery Program. The overall goal of the program is to improve public service delivery to better address Pakistanis' basic needs in vulnerable areas and to help mitigate the factors of extremism.

Activities of the program include improving infrastructure upgrades such as cleaner drinking water, better solid waste collection and disposal, sewerage and water treatment systems, and upgraded streets and street lighting.

This audit will determine whether USAID/Pakistan's Punjab Municipal Services Delivery Program is achieving its goal to upgrade selected infrastructure.

Status: Planned

Audit of USAID/Pakistan's Lady Willingdon Hospital Renovation Project

In October 2010, U.S. Secretary of State Hillary Clinton announced the first phase of a three-year signature health program for Pakistan. Under this program, the U.S. will undertake three projects for the renovation and construction of medical facilities which includes the city of Lahore's Lady Willingdon Hospital. With an estimated cost of \$18 million, the project is scheduled to be completed by June 2012.

This audit will determine whether USAID/Pakistan's Lady Willingdon Hospital Renovation Project is on track to meet its budget and timelines.

Status: Planned

Audit of USAID/Pakistan's Gomal Zam Multipurpose Dam Project

In 2010, the Government of Pakistan requested USAID to support the Gomal Zam Dam Project that was reportedly 88 percent completed. Consequently, in January 2011, USAID signed a \$40 million agreement with the Government of Pakistan's Water and Power Development Authority to provide funds to finish the project.

Once completed, the dam is projected to provide electricity to 25,000 households or 200,000 people, control flooding, and generate economic activity. Also after the irrigation component is completed, USAID expects about 191,000 acres will be served benefitting about 30,000 families.

This audit will determine whether USAID/Pakistan's Gomal Zam Multipurpose Dam Project is on track to meet its budget and timelines.

Status: Planned

Audit of USAID/Pakistan's Monitoring and Evaluation Program

In June 2011, USAID/Pakistan signed a five-year \$71 million contract to handle its independent monitoring and evaluation program. Operating in high-threat locations such as Pakistan imposes unique constraints on USAID's normal mode of operations. Among these constraints has been the inability of USAID officials to adequately monitor program activities in the field.

This program will monitor project effectiveness by collecting data through conducting site visits, and by producing performance reports.

This audit will determine whether USAID/Pakistan is using results from its monitoring and evaluation program to manage its portfolio.

Status: Planned

Audit of USAID/Pakistan's Empower Pakistan-Entrepreneurs Program

In June 2009, USAID/Pakistan signed a \$30 million cooperative agreement with the Mennonite Economic Development Associates to implement the Empower Pakistan-Entrepreneurs Program.

This program is designed to increase the incomes of at least 75,000 small enterprise owners, the majority of whom will be women, covering 20 districts in Pakistan.

This audit will determine whether USAID/Pakistan's Empower Pakistan-Entrepreneurs program is increasing the incomes of at least 75,000 micro-entrepreneurs and small enterprise owners.

Status: Planned

Audit of USAID/Pakistan's Reconstruction Activities of Schools and a Hospital in Flood Affected Areas

In October 2006, USAID/Pakistan signed a \$120 million contract with CDM Constructors, Inc. to provide services that support the implementation of USAID's Earthquake Program. Consequently in July 2010, after the heavy rainfall in multiple regions of Pakistan that led to devastating flooding, USAID expanded the contractor's activities to include reconstruction of 20 schools and a hospital in the flood affected areas.

This audit will determine whether USAID/Pakistan's reconstruction activities of schools and a hospital in the flood affected areas are being implemented effectively.

Status: Planned

Pakistan Performance Audits

Fiscal Year 2011

Audit of USAID/Pakistan's Community Rehabilitation Infrastructure (G-391-11-006-P)

Date:	August 29, 2011
Implementing Partner:	Winrock International
Audit Period:	February 2009 through March 31, 2011
Funding:	As of March 31, 2011, USAID/Pakistan had obligated \$41.9 million and expended approximately \$16.9 million on the program.

Background—Summary of Findings

One of the many problems facing Pakistan is poor infrastructure for delivering basic human services such as education, health care, water supply, sanitation, electricity, and transportation. To address these issues, USAID/Pakistan signed a 5-year, \$150 million cooperative agreement with Winrock International to implement the Community Rehabilitation Infrastructure Support Program (CRISP).

OIG found that the mission and CRISP made very little progress toward achieving any of the main goals of the project. Although tasked with rebuilding or renovating up to 2,000 schools and constructing up to 350 small- to medium-sized infrastructure projects, the program was far behind schedule. Specifically, more than 2 years after signing the agreement, the mission had completed only four minor renovations of universities, six career centers, two design projects, and conducted two feasibility studies and the procurement of furniture and equipment for a children's health institute.

Part of the program's lack of progress was due to poor program design. Although Winrock is the main implementer, 70 percent of the award's budget was implemented by subcontractors, who in turn also employed subcontractors. Employing multiple subcontractors led to duplicate layers of construction oversight. According to the mission, Winrock did not have the staff or technical expertise to monitor subcontractors' management of the projects effectively. In the few cases where projects were completed, the mission often did not consider whether the project could be sustained. For instance, \$900,000 worth of furniture and equipment was delivered to the Khyber Institute of Child Health in Peshawar, but a year after its delivery, most of the material remained in storage unused. The institute's director said that the institute did not have the funding to support the operations of the facility, adding he could not even pay the monthly electric bill. By not ensuring that the institute was viable, the mission spent more than \$900,000 that could have been put to better use.

Moreover, an internal control was often bypassed in order to approve projects above \$500,000, which according to the project's activity approval document, required written consent. When the new mission director did not want to authorize the projects, the

mission established an unwritten policy to bypass this step and approved nearly \$13 million in projects that did not follow the program's objectives. Furthermore, the mission approved cost-sharing contributions from the project that cannot be supported.

Recommendations—Management Decisions

The audit report made 10 recommendations:

1. Evaluate the implementing mechanism for the program and determine how to restructure it to realize efficiencies in program implementation.

On May 17, 2011, the mission notified the program's implementing partner that USAID would be restructuring the program to prevent further program delays and inefficiencies. USAID believes that excluding large-scale construction projects from the program will allow the cooperative agreement to function within the capabilities and capacity of the program staff and will ensure that small-scale construction and other activities are undertaken effectively. The mission has taken steps to address this deficiency. Thus this recommendation is closed.

2. Establish performance indicators and targets for each activity implemented by CRISP, and document that the results of these activities are included in the mission's performance management plan.

Mission officials informed us that they are revising the CRISP performance management plan, which will include targets for measuring results. As part of a mission-wide exercise to report on results generated by implementing partners, program resource management has worked closely with the CRISP team and the mission's technical teams to incorporate results in the mission's performance management plan. Thus this recommendation has been closed.

3. Develop and implement an action plan to determine the best use for the equipment and furniture at the Khyber Institute of Child Health.

The mission agreed with the recommendation. The mission will develop and implement an action plan to determine the best use for the equipment and furniture at the Khyber Institute of Child Health by October 31, 2011. This recommendation remains open.

4. Revise the activity approval process to include a sustainability analysis for all infrastructure activities implemented under this program, regardless of the funding level.

The mission will revise the CRISP activity approval process to include a sustainability analysis/plan for all infrastructure activities implemented under this program, regardless of the funding level, by October 31, 2011. This recommendation remains open.

5. Review the list of all educational institutions receiving assistance with construction supervision under the program's Infrastructure Support and Capacity Development Project

to determine whether any are religious institutions, and recover any costs deemed unallowable.

The mission is obtaining further details on all educational institutions receiving assistance with construction supervision under the Infrastructure Support and Capacity Development Project. This information will be analyzed to determine whether any adjustments to programs, or recovery of unallowable costs, are warranted. The mission will convey these results to OIG/Pakistan under a separate memorandum on or before September 15, 2011. This recommendation remains open.

6. Develop and implement a plan to increase awareness among mission and implementing partner staff of USAID's policy prohibiting the funding of religious activities.

The mission, in coordination with the USAID/Washington Office of General Council, will develop and conduct training sessions for contracting and agreement officers' technical representatives regarding legal prohibitions including funding of religious activities. The mission will also instruct implementing partners to contact USAID for guidance if they suspect that a potential problem with funding religious institutions may arise. The mission's training sessions will be developed and ready for implementation on or before October 31, 2011. This recommendation remains open.

7. Determine whether to amend or follow the program's internal control procedure requiring the mission director's approval for all activities exceeding \$500,000.

Because funding is approved in the Activity Approval Document, the mission has decided to delete the procedure requiring the mission director's approval for all activities exceeding \$500,000 and will formalize this change in an action memo by October 31, 2011. This recommendation remains open.

8. Obtain an updated marking plan from the implementing partner within 90 days, and implement a plan to monitor the status of the implementing partner's marking plan.

The mission has obtained a revised marking plan from the implementing partner and expects to finalize the plan by October 31, 2011. Moreover, a mission-wide monitoring and evaluation contract was recently awarded. This contract includes responsibilities for the contractor to monitor the compliance of all implementers with the full terms of their agreement with USAID. This includes compliance with USAID branding and marking requirements. This recommendation remains open.

9. Modify the cooperative agreement to require that cost-sharing contributions for all activities be calculated on a flexible, case-by-case basis.

The mission will modify the cooperative agreement to allow cost-sharing contributions on a flexible, case-by-case basis. The mission expects the modification to be issued by October 31, 2011. This recommendation remains open.

10. Notify the program's implementing partner that the previously submitted cost-sharing contributions totaling \$4.7 million are ineligible, and amend the program's financial reports.

The mission will issue a modification to the cooperative agreement by October 31, 2011, removing the rigid cost-sharing contribution requirement. The program's financial reports shall also be amended. This recommendation remains open.

Audit of USAID/Pakistan’s Road Rehabilitation and Reconstruction Activities Under the Quick Impact Projects in South Waziristan (G-391-11-005-P)

Date: June 20, 2011

Implementing Partner: Government of Pakistan

Audit Period: December 31, 2009, to February 2011

Funding: As of December 2009, USAID had committed \$55 million.

Background—Summary of Findings

In 2009, the Governments of Pakistan and the United States signed a strategic agreement that provided a commitment to help generate broad-based economic growth through infrastructure development. According to the agreement, USAID is providing \$55 million directly to the Federally Administered Tribal Areas (FATA) Secretariat to implement Quick Impact Projects (i.e., rebuild roads, develop water infrastructure, and improve power systems).

The OIG conducted an audit of these activities in South Waziristan, part of FATA. Despite some difficulties OIG noted with mission operations, auditors determined that the road rebuilding efforts were on track. Two sections of road totaling 215 kilometers were completed to specifications and had met all requirements for reimbursement by USAID. Although security issues caused some delays, work progressed on schedule. Multiple site visits by officials from the local satellite office in Peshawar have strengthened the management of the road activities, and the use of fixed-amount reimbursement agreements has reduced financial risk to the program.

The FATA Secretariat hired the Frontier Works Organization (Frontier Works) of

Pakistan to carry out road activities. For additional support, Frontier Works subcontracted with the Pakistani engineering firm National Engineering Services Pakistan Limited (NESPAK). Both Frontier Works and NESPAK have extensive experience in building roads and other infrastructure projects, and both will work on all the Quick Impact Projects in South Waziristan, including the water infrastructure and power systems. OIG found that these two entities contributed to the initial success of the road activities.

Despite early successes, however, OIG found room for improvement: The scope of work for the contractor to build the capacity of the FATA secretariat was too broad, and subsequent changes caused deliverables to be far behind schedule. Contract files were missing critical documentation such as branding and marking plans, site visit reports, meeting notes, and correspondence with contractors, including documentation related to extensions and justifications. Environmental assessments did not meet regulations and caused delays of up to 5 months. In addition, although no ethical problems arose; neither the mission nor the contractor had ethics procedures or policies in place, in accordance with federal

regulations, to ensure that employees working on projects were aware of the

USAID's ethical standards and its position on conflicts of interest.

Recommendations—Management Decisions

The audit report made nine recommendations:

1. Designate one person in each technical office who has received training to oversee environmental compliance for projects and activities.

The mission now has four individuals whose primary roles include environmental review responsibilities. The Mission Environmental Officer has also provided direct training to mission staff who manages programs to improve their monitoring environmental compliance for projects and activities. This recommendation is closed.

2. Identify projects planned for the next three years to determine whether the mission has a sufficient level of support and technical expertise for environmental compliance.

With a new re-focused sectoral strategy, the mission stated it is ready to plan programs over the next three years. The mission stated that this, along with a management unit reduction exercise which was completed in March 2011, has increased its awareness of the environmental compliance issues related to its portfolio. This recommendation is closed.

3. Revise the scope of work and reduce the contract amount for financial and management support for the Quick Impact Projects.

The mission stated that the task of capacity building has been handed over to the Assessment & Strengthening Program (ASP). Associates in Development (AiD), a partner in the ASP Program is working on the mapping report that was initially produced by Ernest & Young with a reduced scope of capacity building which has been agreed by the Director General-Directorate of Project, FATA Secretariat and USAID technical team at Peshawar. This recommendation is closed.

4. Verify that the USAID contractor, Associates in Development, has a code of business ethics and conduct that meets USAID standards and regulations.

The mission stated that the contract with Associates in Development was modified to incorporate the standard clause for code of business ethics and conduct that meets USAID standards and regulations. This recommendation is closed.

5. Provide implementers with copies of USAID's policies on ethics and conflicts of interest and with written explanations and examples of potential conflicts.

The mission agreed with the recommendation. The mission will circulate to implementers USAID guidance on ethics and conflicts of interest as relevant to USAID award recipients by December 31, 2011. This recommendation remains open.

6. Designate personnel to provide guidance on conflicts of interest and to monitor implementers' compliance with ethics policies and procedures.

The mission stated that the OAA Director in Pakistan, in cooperation with the Compliance and Oversight Division for Partner Performance in Washington, will be the designated person to provide guidance and monitor compliance of conflicts of interest and ethics policies and procedures with implementers. Similarly, RLA would be the focal person for all issues pertaining to monitoring and compliance of conflicts of interest and ethics in G2G arrangements. This recommendation is closed.

7. Develop and implement a plan for periodic internal review of contract files for compliance.

The mission has developed a plan for quarterly internal review of contract files. This document provides guidelines for reviewing the Contracting Officer's Technical Representative (COTR)/Agreement Officer's Technical Representative (AOTR) files on a quarterly basis. The Acquisition & Assistance Specialist is responsible for reviewing the files in accordance with the responsibilities in the COTR/AOTR appointment letter. This recommendation is closed.

8. Develop and implement a plan to monitor and document the status of contractors' branding and marking plans and provide training as necessary.

The mission agreed with the recommendation. A new monitoring and evaluation contract will be in place by July 2011. This contract will monitor the compliance of implementers with the full terms of their agreement with USAID. This includes compliance with USAID branding and marking requirements as identified in their agreement and agency guidance. This recommendation remains open.

9. Provide additional details to the FATA Secretariat concerning publicizing and marking USAID's contribution to the Quick Impact Projects.

The mission agreed with the recommendation. The mission will engage a media support contractor to ensure wider dissemination of information about the range and impact of our assistance programs. The mission will assist the FATA Secretariat in publicizing and marking USAID's contribution to programs in FATA by December 31, 2011. This recommendation remains open.

Audit of USAID/Pakistan's Management of Preaward Assessments (G-391-11-004-P)

- Date:** May 6, 2011
- Implementing Partner:** Pakistan's Higher Education Commission; Health Services Academy; Ministry of Finance; Provincial Relief, Rehabilitation and Settlement Authority; United Bank Limited; Benazir Income Support; Rafi Peer Theater Workshop; Aga Khan University, Associates in Development; Children's Global Network; Dosti Welfare Organization; Foreman Christian College; Rural Support Programmes Network; Sebcon Ltd; United States Educational Foundation; Habib Rafiq International Limited; Transparency International Pakistan; Anjum Asim Shahid Associates; Khushhali Bank; Pakistan Poverty Alleviation Fund; GreenStar Social Marketing; KPMG; Ages Consultants
- Audit Period:** November 8, 2010, to January 28, 2011
- Funding:** For fiscal years 2009 and 2010, USAID/Pakistan signed agreements with various Pakistani recipients, under which it obligated nearly \$588 million and disbursed approximately \$448 million.

Background—Summary of Findings

The Enhanced Partnership with Pakistan Act of 2009 authorized \$7.5 billion in U.S. government assistance over 5 years to promote an enhanced strategic partnership with Pakistan and its people. In authorizing these funds, the act encourages the U.S. President, as appropriate to utilize Pakistani firms and nongovernmental organizations to work with local leaders to build local capacity. To facilitate this strategy, USAID estimated that approximately 50 percent of fiscal year 2010 funding, or \$750 million, would go through Pakistani federal and provincial agencies and local organizations.

With the implementation of the strategy to build Pakistani capacity, concerns have been raised in the media and the U.S. Government that providing too much money

to Pakistani recipients too quickly could jeopardize U.S. funds. USAID Pakistan recognized the challenges and took proactive steps to address the risks. A key step taken by the mission was to contract with international and local accounting firms to conduct preaward assessments of potential first-time recipients. The intent of these assessments is to determine whether the recipients can effectively manage and account for these funds.

USAID Office of Inspector General issued an audit report on USAID Pakistan's management of pre-award assessments. The audit found that mission's preaward process did provide a reasonable basis for identifying significant financial management vulnerabilities; however, the audit noted

weaknesses in the mission's management of the preaward process. The mission did not prioritize or follow up on significant vulnerabilities identified in assessments. Of the 28 assessment reports completed during fiscal year 2010, the 8 selected for testing noted over 250 weaknesses in the potential recipients' ability to properly manage funds. The mission included 55 of the reported weaknesses in the recipients' agreements and stipulated that the weaknesses should be adequately addressed before or after the initial disbursement of funds. The mission

did not include or otherwise address the remaining 195 weaknesses because it did not have a comprehensive plan for prioritizing and determining which of the 250 weaknesses should or should not be prioritized.

Many weaknesses resulted from the mission not including in the recipients' agreements information on the recipients' payment mechanisms and systems for procurement, accounting and overall monitoring and assessment.

Recommendations—Management Decisions

The audit report made four recommendations:

1. Develop and implement a risk-assessment model to use in determining which of the weaknesses identified in the preaward assessments should be addressed before or after the disbursement of funds.

The mission concurs with this recommendation. The following corrective actions have been started to address the recommendation: The mission has developed a Risk Mitigation Framework (RMF), to outline and determine actions to be taken based on the conditions/risks identified in the pre-award assessment report.

A template of RMF has been developed and implemented missionwide. The Mission is in the process of formalizing a standard template of the memo requesting approval from the Deputy Mission Director for the implementation of RMF actions. Corrective actions on this recommendation have been taken. Thus, this recommendation is closed.

2. Develop and implement a comprehensive tracking system with benchmarks and time frames for measuring progress on resolving weaknesses that are identified in the pre-award assessment reports.

The mission concurs with this recommendation. The Risk Mitigation Framework has benchmarks and time frames for measuring the progress on resolving weaknesses that are identified in the pre-award assessment reports. The technical officer is responsible to keep track of progress on resolving weaknesses within agreed timeframe. Corrective actions on this recommendation have been taken. Thus, this recommendation is closed.

3. Develop and implement written guidelines to follow when determining whether pre-disbursement recommendations have been adequately addressed.

The mission concurs with this recommendation. The Risk Mitigation Framework provides for the deliverables along with timelines and indicates the responsible person/office to address the pre-award recommendations that Mission management considers important. The technical officer does actively follow-up on the status of open conditions up to their closure and keep the involved offices updated as

to the status and the related action items. Corrective actions on this recommendation have been taken. Thus, this recommendation is closed.

4. Develop and implement written procedures for reviewing the pre-award assessments reports, including guidelines for testing the supporting documentation.

USAID/Pakistan's Office of Financial Management developed a plan and procedure for reviewing the preaward assessment reports and conducting tests of supporting documentation on a random sample of reports. The target date to develop and implement written procedures was July 1, 2011. This recommendation is closed.

Audit of USAID/Pakistan’s Flood Relief Efforts as Administered by Local Nongovernmental Organizations (G-391-11-003-P)

Date: January 24, 2011

Implementing Partner: Pakistan Poverty Alleviation Fund (PPAF) and Rural Support Programmes Network (RSPN)

Audit Period: August 13, 2010, to November 15, 2010

Funding: As of November 30, 2010, USAID had obligated approximately \$5 million and expended \$3.7 million.

Background—Summary of Findings

Heavy rainfall in multiple regions of Pakistan led to devastating flooding in July 2010. The flooding affected 82 of Pakistan’s 122 districts and displaced 12 million people, half of whom required humanitarian assistance.

USAID/Pakistan committed \$10 million for emergency flood relief efforts through cooperative agreements. Five million dollars was awarded to two Pakistani nongovernmental organizations (NGOs). Pakistani NGOs are: Pakistan Poverty Alleviation Fund (PPAF) and Rural Support Programmes Network (RSPN). The two NGOs were to provide immediate relief in the provinces of Balochistan, Punjab, Sindh, and Khyber Pakhtunkhwa—to 80,100 households in the form of food hampers and hygiene kits, and medical supplies to an affected population of 190,058 people.

OIG conducted this audit to determine whether USAID/Pakistan’s flood relief efforts were meeting the immediate needs of the flood victims. To answer the audit objective, we reviewed mission

documentation related to managing and monitoring the program, including implementation plans, implementing partner agreements, performance measures, and performance results.

Auditors found that USAID/Pakistan’s implementing partners delivered food hampers, hygiene kits, and medical supplies to meet the immediate needs of the flood victims. As of November 15, 2010, the two implementers reported distributing food and hygiene kits to 80,098 households and administering medical supplies and treatment to an affected population of 159,620 people and 307,116 livestock.

Auditors observed that PPAF issued food hampers and hygiene kit tokens to each household. PPAF established separate teams for token registration, token distribution, and distribution of the relief items. In establishing a distribution policy, PPAF gave priority to households that had not received any aid from other donors. Auditors observed that PPAF teams followed the

organization's distribution policy. First, the team responsible for distribution of the relief items matched recipients' tokens and Pakistani national identity cards to recipients' names on the master token distribution list.

Second, the team directed recipients to a counter where they exchanged their tokens for food hampers and hygiene kits. Lastly, the team collected recipients' signatures or thumb impressions to record the transaction.

Recommendations—Management Decisions

The audit report made no recommendations. Therefore, no additional action was required by USAID/Pakistan to address the results of this audit report.

Audit of USAID/Pakistan’s Livelihood Development Program for the Upper Region of the Federally Administered Tribal Areas (G-391-11-002-P)

Date: December 10, 2010

Implementing Partner: Academy for Educational Development

Audit Period: April 2008, to June 2010

Funding: As of June 2010, USAID had obligated approximately \$60 million and expended approximately \$46.8 million.

Background—Summary of Findings

The Federally Administered Tribal Areas (FATA) of Pakistan had high unemployment, widespread poverty, and separate legal structures. Located in northwestern Pakistan, FATA shares its rugged and mountainous border with Afghanistan. Extremist and terrorist groups take advantage of the geographic and social isolation and lack of governing systems to exert their influence on the people of this region. Development in FATA has become vital to Pakistan’s progress in fighting insurgents.

The main goal of the Livelihood Development Program is to provide social and economic stabilization in FATA to counter the growing influence of extremist groups. The program has three components: 1) creating jobs, increasing incomes, and teaching employable skills with a focus on unemployed youth, 2) revitalizing community infrastructure and essential services and 3) supporting established businesses and developing new sustainable businesses.

After a review of the first two years of activities, OIG found that the program has

not achieved its main goal of social and economic stabilization to counter the growing influence of extremist and terrorist groups in upper FATA. The mission had no baseline data to determine progress toward countering the influence of these groups. In addition, the program had executed only 53 percent of planned activities, and program outcomes were weak.

Security issues were the main cause of the delays and poor performance. Specific incidents included the assassination of the chief of party for lower FATA’s implementer, the kidnapping of an aid worker, and threats to monitoring teams. Allegations of wrongdoing also impeded progress. The implementer stated that program activities were delayed because the implementer had to counter these allegations and because of additional tiers of oversight put in place to ensure greater accountability. Moreover, program activities stopped for six months until security measures were improved and a new chief of party was appointed.

Two additional factors contributed to program delays. First, USAID/Pakistan used program resources to provide humanitarian and disaster assistance to flood victims and internally displaced persons fleeing conflict areas of FATA. The assistance began in August 2008, only months after the upper FATA program started, and continued until the implementer's termination. Mission officials acknowledged that the work diverted time and resources from LDP activities. Second, in September 2009 the U.S. Department of State (State Department) initiated a shift in strategy toward using more Pakistani institutions to implement USAID programs. During this time, all USAID/Pakistan incremental funding requests went through the State Department for approval. The delays in incremental funding created more budgetary problems for the program.

Despite some successes, overall progress for program activities was slow, largely because of the intervening factors already mentioned. Although some factors were beyond the mission's control, USAID/Pakistan needs to

address the following problems that are within its control. USAID/Pakistan staff did not follow management controls. Technical staff in the mission addressed contractual matters that should be handled only by the agreement officer or took action without proper approvals.

Additionally, USAID/Pakistan relied on contractors to perform services closely related to inherently governmental functions. A third-party contractor's conflict of interest in overseeing another contractor's work created risks when the mission did not address the gap in services created by the conflict.

The auditors did not suggest terminating the program. Their audit shows that performance deteriorated when USAID/Pakistan staff overrode management controls and bypassed organizational structures. Much time and funding went toward disaster response and emergency relief efforts, draining resources from the planned LDP activities. In addition, allowing outside pressures to take precedence over important management controls led to poor results in work

Recommendations—Management Decisions

The audit report made five recommendations:

1. Develop and implement a periodic training program for mission staff that clearly defines the authority, responsibility, and accountability of agreement officers, technical representatives, and program staff.

Mission management concurred with this recommendation. The Office of Acquisition and Assistance at USAID/Pakistan has already issued three Acquisition and Assistance Notices subsequent to issuance of this audit report that establishes clear policies for mission staff on these matters. A notice regarding conflict of interest was issued, a notice on out of scope changes was issued, and finally a notice on Continuing Education for Contracting and Assistance Officer Technical Representatives (COTR/AOTR) was issued. A management decision was reached and the recommendation was closed.

2. Develop a plan, in compliance with Federal Acquisition Regulation 37.114 and the Office of Management and Budget (OMB) guidance to provide proper oversight and management of contractors that support contract and agreement administration.

The mission planned to develop a matrix to assist with the mission's oversight and management of contractors, including supervisors of technical representatives. The mission compiled the matrix and vetted it among mission offices. The matrix was implemented as a tool to determine whether or not each contractor has an acceptable level of adequate oversight. The target date was June 30, 2011. This recommendation is closed.

3. Analyze the mission's internal capability for control and management of contractors working on the Livelihood Development Program, taking into account the goals of the program, the complexity of the work, the need for specialized skills, and the effect of contractor default on the program performance.

The mission agreed with the recommendation and planned to complete its analysis by June 30, 2011. This recommendation is closed.

4. Develop and implement a mission workforce plan with guidelines for the consideration of using more U.S. federal personnel (known as U.S. direct hires) for positions involved in services closely associated with inherently governmental functions.

The mission scheduled a review of the mission's staffing levels in December 2010. This team planned to suggest changes as necessary to the mission director on staffing levels, with the goal of optimizing overall programmatic and support staff levels based on the current workload and other relevant issues. The target date to complete this review was March 31, 2011. This recommendation is closed.

5. Develop and implement definitive plans for the Livelihood Development Program regarding the shift toward more direct funding to Pakistani institutions, including incremental funding, budgets, transition plans, and any other information that requires modifications of relevant agreements and contracts.

The mission concurred with this recommendation. Cooperative Agreement No. 391-A-00-08-01107 for FATA Livelihood Development Programs was terminated on June 4, 2010. A deputy mission director has since been assigned to the Peshawar Consulate to communicate changes to implementation plans as a representative of USAID/Pakistan. Therefore, a management decision was reached and the recommendation was closed.

Audit of USAID/Pakistan’s Livelihood Development Program for the Lower Region of the Federally Administered Tribal Areas (G-391-11-001-P)

Date: December 10, 2010

Implementing Partner: CHF International

Audit Period: March 2008, to March 2010

Funding: As of March 31, 2010, USAID had obligated approximately \$30 million and expended approximately \$48 million.

Background—Summary of Findings

Pakistan’s mountains Federally Administered Tribal Areas (FATA) is located on the border with Afghanistan. FATA is one of the most underdeveloped regions in Pakistan, where only 17 percent of the overall population is literate. FATA’s weak economy, widespread unemployment, lack of social services, and ineffective government make it susceptible to the spread of extremism. According to USAID/Pakistan, countering extremist influences in FATA will require a robust economic development program. In response to this need, USAID/Pakistan established the FATA Livelihood Development Program.

The main goal of the program is to provide social and economic stabilization in FATA to counter the growing influence of extremist groups. To measure progress in attaining this goal, the mission established outcome measures and targets for each measure. Targets for the program include creating 29,375 long-term jobs and reaching a goal of 55 percent of FATA citizens expressing satisfaction with the basic public services by March 2013.

OIG audited the program to determine whether it was achieving its main goal of

social and economic stabilization in the lower FATA region.

The audit found that USAID/Pakistan had made little progress in reaching annual targets. It must be emphasized that the main cause for the program achieving so little was the hostile environment in FATA. The implementing partner experienced kidnappings, harassments, and the tragic assassination of its chief of party in November 2008; consequently, program activities stopped for 6 months until security measures were improved and a new chief of party took office. During this time, the implementing partner relocated its country office from Peshawar to Islamabad.

Although the hostile situation contributed to the program’s limited results, the mission did not ensure adequate monitoring and oversight to achieve program goals. In addition, the program’s ability to achieve planned results was hindered by a strategic shift in U.S. Government strategy and the mission’s request to provide humanitarian assistance activities.

In September 2009, the U.S. Government’s strategy shifted toward greater involvement of Pakistani organizations in implementing U.S.

assistance programs. As a result, the mission began to rethink its strategy of providing the bulk of its program assistance through U.S.-based implementers.

As a result of the setbacks and shifts in implementation, program funds were not used efficiently. For example, according to the implementing partner, it expended \$29.2 million in the first 2 years of the program; however, only \$7.6 million was spent on

direct program activities, \$2.7 million of that going to humanitarian assistance activities. To improve program implementation, we recommend that the mission revisit the program's measures and targets to ensure they are in line with overall program goals and that progress can be measured; improve monitoring of the program; and collaborate more closely with implementing partners regarding security in FATA.

Recommendations—Management Decisions

The audit report made seven recommendations:

1. Revise the implementer's third-year implementation plan to establish ambitious, yet achievable, targets, outcomes, and goals, and modify the cooperative agreement to reflect these changes.

The mission agreed with the recommendation and issued two letters to the implementer regarding Year 3 implementation. The revised third-year implementation plan directs the implementer to focus on new work activities in agriculture, agribusiness development, and minerals and mining. The mission's target date to modify the program agreement was June 30, 2011. Thus, this recommendation is closed.

2. Develop and implement a plan to collect baseline data so that progress in achieving the program's outcomes and goals can be measured throughout the remainder of the program.

The mission agreed with the recommendation and it made plans to develop and implement a missionwide baseline data tracking system to measure program results. The mission's target date was July 1, 2011. Thus, this recommendation is closed.

3. Develop written procedures to document, track, and take corrective action on all deficiencies identified in reports by independent monitoring reviewers.

The mission planned to develop written procedures for documenting, tracking, and taking action on deficiencies identified in independent reports. The agreement officer's technical representative planned to continue to take the lead on tracking deficiencies.

The mission's target date was June 30, 2011. This recommendation is closed.

4. Verify that material internal control weaknesses identified in the financial review are corrected, and document the results.

The mission planned to correct the material internal control weaknesses identified in the financial review. The target date to complete this plan was June 30, 2011. This recommendation is closed.

5. Make a management decision regarding the allowability of and recover, as appropriate, questioned costs of \$767,841 (\$432,482 ineligible and \$335,359 unsupported) identified in the financial review and recover those costs determined to be unallowable.

The mission determined that of the \$767,841 in questioned costs, \$17,111 ineligible and \$335,359 unsupported costs are sustained. USAID/Pakistan will issue a bill of collection for \$352,470. The target date to collect these funds is July 26, 2011. Therefore, a management decision can be reached and the recommendation remains open.

6. Issue a mission order that establishes security standards to be used when reviewing implementing partners' security plans and when collaborating with these partners throughout implementation

The mission planned to establish a new mission order to review security plans of implementing partners. The mission order will also establish guidance on security procedures. The target date to issue the mission order is June 30, 2011. This recommendation is closed.

7. Revisit the implementing partner's approved request for additional security funding, document any adjustment needed, and make a written determination regarding the provision of funding.

The mission agreed with the recommendation, and the request for additional security funding was reviewed in accordance with the new mission order established in Recommendation 6.

Then the mission documented adjustments needed. The target date to complete this action was June 30, 2011. Thus, this recommendation is closed.

Pakistan Performance Audits

Fiscal Year 2010

Audit of USAID/Pakistan's Family Advancement for Life and Health Program (5-391-I0-012-P)

Date:	August 31, 2010
Implementing Partner:	The Population Council
Audit Period:	June 1, 2007, through April 28, 2010
Funding:	As of April 28, 2010, \$48.4 million had been obligated and \$26.8 million expended.

Background—Summary of Findings

In 2007, USAID/Pakistan signed a cooperative agreement with the Population Council, a U.S.-based nongovernmental organization, to implement Family Advancement for Life and Health (FALAH). FALAH is a 5-year, \$60.4 million program intended to increase demand for and use of birth spacing and family planning services in 26 districts in Pakistan. The country has a relatively high rate of population growth, and in 2009 the estimated Pakistani population was about 181 million—the sixth largest in the world.

OIG's audit found that FALAH was achieving its main goals. Among its accomplishments were:

- **An increased demand for family planning services.** Program implementers provided family planning information to more than 2 million men and women. In addition, program messages on birth spacing and family planning services have blanketed the media. Almost 28,000 commercials were aired during November and December 2009 alone.
- **Improved family planning services in the public sector.** Program implementers have placed a team of master trainers in each of the 26 program districts. The trainers are expected to support group meetings in the community and help public health care providers better serve their clients. Fifty-nine percent of all public service delivery points in the FALAH districts have trained providers for family planning counseling and services in their facilities. Furthermore, FALAH plans to equip 80 percent of public service delivery points in program districts to provide appropriate family planning services by the end of the program.
- **Improved family planning services in the private sector.** Improved family planning services in the private sector

were being led by Greenstar Social Marketing, a Pakistani nongovernmental organization. The program hopes to expand the number of Greenstar health care providers to 1,000 in the program's rural areas. As of December 31, 2009, Greenstar had established 557 new providers

and completed training for more than 4,000 health care providers overall. Greenstar also conducted meetings at factories and other workplaces to discuss the benefits of birth spacing and is operating a national hotline serviced by its physicians.

Recommendations—Management Decisions

The audit report made one recommendation:

That USAID/Pakistan require the Population Council to prepare and implement a plan of action for completing all required financial audits for non-U.S. nonprofit organizations that received funding under the Family Advancement for Life and Health Program.

USAID asked Population Council to develop and implement the detailed plan of action for completing all the required financial audits for non-U.S. nonprofit organizations that received funding under the Family Advancement for Life and Health Program. Thus this recommendation is closed.

Audit of USAID/Pakistan’s Primary Healthcare Revitalization, Integration and Decentralization in Earthquake-Affected Areas Project (5-391-10-010-P)

Date: June 28, 2010

Implementing Partner: International Rescue Committee, Management Sciences for Health, Jhpiego (an affiliate of Johns Hopkins University), and the Population Council

Audit Period: October 2006 to October 2009

Funding: As of October 31, 2009, USAID had obligated approximately \$19.7 million and expended approximately \$15.5 million.

Background—Summary of Findings

On October 8, 2005, a magnitude 7.6 earthquake in northern Pakistan claimed more than 74,000 lives and left 3.5 million people homeless. More than half of the deaths occurred in the Mansehra District in the North-West Frontier Province and the Bagh Districts of Azad Jammu and Kashmir. Thousands of teachers, health care providers, and civil servants were among those killed or badly injured. Public systems that had supported essential services, including logistics and administration for health care, no longer existed. In response to this disaster, USAID/Pakistan designed the Primary Healthcare Revitalization, Integration, and Decentralization in Earthquake-Affected Areas (PRIDE) Project and awarded a \$28.5 million cooperative agreement to the International Rescue Committee (IRC), a U.S.-based nongovernmental organization, to provide technical support to the public sector health system in the earthquake-affected districts of Mansehra and Bagh through a consortium of implementers including Management Sciences for Health, Jhpiego, and the Population Council. The project’s three main goals were to (1) improve public health service and management system

performance, (2) increase access to primary health care services, and (3) promote healthier behaviors and community participation in health services.

The audit found that the project had contributed to improving the quality of primary health care services, but much work needed to be done to improve access to these services—particularly with regard to referring patients to facilities that offer a higher level of health care when patients’ conditions could not be treated at primary health care facilities.

To promote wider access to such services, the project had planned to strengthen the patient referral system. However, the preliminary planning for improving the referral system was completed a year later than anticipated, and—at the time of the audit—an improved system had not yet been implemented. Delays were attributed to the lack of availability of Government of Pakistan staff that was scheduled to work with the project implementer. Moreover, other project activities took precedence over revamping the patient referral system.

OIG recommended that USAID implement an action plan to improve the patient referral system in both project districts, including provisions to (1) establish proper communication procedures between primary health care centers and higher-level facilities (2) disseminate improved procedures to participating facilities and provide training as necessary, and (3) establish effective supervisory review of referral cases.

The project has since established a communications system for all referrals, including an initial contact with the facility of referral and a followup call to record the

outcome. Communication costs are funded by facility users' fees and verified by the district health officer personally. Regular meetings are held with health care facilities to discuss referrals made and challenges and improvements necessary.

Moreover, referral registers have been printed and distributed to all facilities in the two districts, and clinic staff members have been trained to maintain the registers, as well as enter data into a Health Management Information System.

Recommendations—Management Decisions

The audit report made one recommendation:

That USAID/Pakistan develop and implement an action plan to improve the patient referral system in both project districts. This plan should include provisions to establish proper communication procedures between primary health care centers and higher level facilities, disseminate improved procedures to participating facilities and provide training as necessary, and establish effective supervisory review of referral cases.

Project managers prepared and implemented a plan to address the audit recommendation on improving the patient referral system in both project districts. The project established a communications system for all referrals including an initial phone call to the facility of referral and a followup call after the referral to record the outcome. Communications costs are funded by facility users' fees and verified personally by the district health officer. Quarterly subdistrict meetings are held with the facility in charge of the referral to discuss referrals made during the month and challenges and improvements required. Referral registers have been printed and distributed to all facilities in the two districts. Referral registers are completed by health facility staff, and entries are reported monthly basis. Health workers are trained to refer clients through referrals forms from the community level to the health facility level, and referral cases are reviewed and monitored regularly. This recommendation is closed.

Review of USAID’s Internally Displaced Persons Programs in Pakistan (5-391-10-001-S)

Date: June 28, 2010

Implementing Partner: Agency for Technical Cooperation and Development, American Refugee Committee, Concern, Catholic Relief Services, the Government of Pakistan, International Medical Corps, International Organization for Migration, International Rescue Committee, International Relief and Development, Internews, Merlin, Mercy Corps, Oxfam, Relief International, Save the Children, Samaritan’s Purse, United Nations (U.N.) Settlements Programme, U.N. Children’s Fund, U.N. Office for the Coordination of Humanitarian Affairs, U.N. World Food Programme, U.N. World Health Organization, World Vision.

Audit Period: October 2008 to December 2009

Funding: As of December 31, 2009, USAID had obligated \$285.7 million and had disbursed \$203.7 million.

Background—Summary of Findings

Between August 2008 and September 2009, conflict between the Government of Pakistan and militant groups in the North-West Frontier Province (NWFP, recently renamed Khyber Pakhtunkhwa) and the Federally Administered Tribal Areas (FATA) displaced over 400,000 Pakistani households. While many displaced persons took shelter with host families, the remaining families took shelter in official Pakistani Government-run camps. As the internally displaced persons (IDP) crisis escalated in May 2009, USAID and other U.S. Government agencies responded quickly by providing humanitarian assistance to Pakistani IDPs. USAID obligated more than \$285 million in humanitarian assistance for the crisis, of which more than half was for food aid.

Despite the deteriorating security situation in Pakistan, USAID responded immediately to provide rapid assistance through 21 nongovernmental organizations, 5 U.N.

organizations, a contractor, and the Government of Pakistan. USAID’s programs consisted of support for the immediate needs of people who were displaced and for people returning to their areas of origin after the conflict in their home areas had diminished.

Although USAID has carried out numerous displaced persons programs in Pakistan, OIG found that monitoring and evaluation methods needed improvement. Specifically, USAID’s “alternative monitoring” methods—used to monitor activities in dangerous and insecure areas, such as NWFP and FATA—needed to be strengthened. In addition, USAID had not implemented monitoring controls that were meant to provide reasonable assurance that \$44 million in cash-transfer funds had actually reached 140,000 IDP families as intended. Specifically, the mission did not:

1. Require the Government of Pakistan to provide quarterly expenditure reports.
2. Require the Government of Pakistan to provide a list of the 140,000 IDP families that received funds.
3. Verify the use of funds provided to 140,000 families to help ensure that funding reached IDP families.
4. Conduct spot checks and evaluations on the effectiveness of the cash transfer.

Recommendations—Management Decisions

The audit report made four recommendations:

1. That USAID/Pakistan develop and award a procurement instrument to provide third-party monitoring and evaluation services to assist mission technical offices in implementing internally displaced persons programs, other mission programs, and in-country Washington-based programs such as those carried out by the Offices of Foreign Disaster Assistance and Food for Peace.

A Foreign Service National has been designated as a monitoring and evaluation adviser, and USAID has approved a new personal services contractor senior program advisor position for monitoring and evaluation, which it is in the process of advertising. USAID consulted with technical teams and drafted a statement of work for a missionwide monitoring and evaluation contract. A new mission strategy was developed in December 2009 and incorporated as the basis for the report to Congress on the implementation of the Kerry-Lugar-Berman legislation, and it will also serve as the basis for finalizing measures and performance indicators. USAID prepared a results framework to provide the basis for the development of performance management plans. Thus this recommendation is closed.

2. That USAID/Pakistan require the Government of Pakistan to provide quarterly expenditure reports for internally displaced persons disbursements and a list of payments totaling \$44 million made to internally displaced persons.

USAID required the Government of Pakistan in its assistance agreement to provide quarterly reports and a list of beneficiaries to the Agency. USAID hand-carried an implementation letter addressing these requirements to the Economics Affairs Division on June 10, 2010, and has sent e-mail reminders. USAID will continue to follow up on these issues until the required reports are provided. This recommendation is closed.

3. That USAID/Pakistan verify the use of funds from the quarterly expenditure reports and the list of internally displaced persons and confirm that the Government of Pakistan provided funds to at least 140,000 families as a result of this cash-transfer program.

The use of the funds were verified and confirmed with the receipt of the required reports from the Government of Pakistan. USAID received a completion report in the form of a list of approximately 140,000 beneficiaries for USAID's full contribution and verified this completion report by performing checks on a sample of beneficiaries. USAID has also prepared a statement of work for the audit of the cash-transfer program to be done by the Supreme Audit Institution of Pakistan and has drafted the statement of work for the verification of the funds disbursed to IDPs using the existing blanket purchase

agreement mechanism with OIG-approved certified public accounting firms. This recommendation is closed.

4. That USAID/Pakistan conduct spot checks on and evaluations of the effectiveness of the cash-transfer program.

USAID hired a consultant to examine the operations and impact of the cash-transfer program and to determine the extent to which the funds had reached the intended beneficiaries. The contractor examined how the Government of Pakistan used the USAID funds it had received, described the beneficiary population, gathered information on how funds affected beneficiaries, profiled individuals who did not benefit from the program, and examined overall public perceptions of the assistance effort. In June 2010, the contractor delivered a report to USAID describing these and other features of the program and evaluating its impact. This recommendation is closed.

**USAID/Pakistan’s Capacity Building Program for the Federally
Administered Tribal Areas Development Program
(5-391-10-005-P)**

Date: January 28, 2010

Implementing Partner: Development Alternatives, Inc.

Audit Period: January 2008 to October 2009

Funding: As of October 31, 2009, USAID had obligated approximately \$19.7 million and expended approximately \$15.5 million

Background—Summary of Findings

This audit pointed to several implementation difficulties in USAID’s capacity building programs in the Federally Administered Tribal Areas (FATA) of Pakistan. The FATA region, which is the most economically depressed area of the country, has a population with a literacy rate estimated at only 17 percent, and 66 percent of people live below the national poverty line.

Local Pakistani institutions responsible for overall governance, health care, education, and public works projects lack the capacity to effectively manage services and development resources. In an attempt to remedy this problem, in 2008 USAID awarded a 3-year, \$46 million contract to Development Alternatives, Inc. (DAI), to increase the capacity of these institutions.

OIG’s audit found that, although the program had provided training, taken initial steps to automate FATA institutions, and completed some media activities, little had yet been achieved to build the capacity of FATA governmental institutions and nongovernmental organizations (NGOs) responsible for providing services. The program had been in place for nearly 2 years

of its 3-year planned lifespan, and it had not made significant progress with two of the program’s main goals: improving institutions’ capacity to govern and improving the capacity of NGOs to promote good governance.

Some of the problems could be attributed to the fact that the program had gotten off to a slow start. During the first year, the contractor focused its resources on working out best approaches to designing and implementing activities, building up relationships with FATA institutions, and developing work plans. Also, the deteriorating security situation in Peshawar and the November 2008 assassination of the chief of party of another USAID program delayed progress in the FATA capacity building program.

Moreover, although the program had implemented a few activities to address FATA NGO weaknesses, the few FATA-based NGOs that exist lack the human and financial resources to promote good governance effectively. In most instances, FATA NGOs needed to strengthen their proposal preparation skills, financial management practices, and monitoring and evaluation

capabilities before they could start to promote good governance.

Because of a high-level change of emphasis in U.S. Government strategy toward greater involvement of Pakistani organizations in implementing assistance programs, the mission began to rethink its strategy of providing the bulk of its program assistance through U.S.-based implementers such as DAI. As a result, in June 2009 the mission refrained from fully funding a DAI incremental funding request of \$15.3 million and, 4 months later, approved only \$4.7 million in additional funds. In October 2009, the mission asked DAI to consider preparing a 90-day demobilization plan. However, as of mid-November 2009, no final decision had been made as to whether the DAI contract would undertake early demobilization and

termination or, if terminated, what program implementation mechanisms would replace the U.S.-based contractor.

In addition to the difficulties associated with the transition to a new implementation strategy, the audit found that overall capacity building in automation had achieved little success, and most of the computer hardware purchased for the program remained boxed up and unused. Furthermore, monitoring and reporting systems for managing development projects—such as a geographic information system that enables project information to be represented on maps and a database system to document the life cycle of development projects—have not been completed, and they may not be completed until June 2010.

Recommendations—Management Decisions

The audit report made four recommendations:

1. That USAID/Pakistan provide immediate written guidance to the contractor and to the Federally Administered Tribal Areas governmental institutions to identify what contractual arrangements may be in force to implement the Capacity Building for the Federally Administered Tribal Areas Development Program as the mission transitions to USAID's new implementation strategy.

USAID received approval to proceed with DAI, as an international contractor, in early December and provided guidance to continue with implementation of certain activities through December 2010. This recommendation is closed.

2. That USAID/Pakistan develop and issue implementation plans following best practices for (1) the 260 computers (and related equipment) to be assigned to the Federally Administered Tribal Areas governmental institutions and for (2) the 140 laptop computers to be transferred to the North-West Frontier Province to ensure that the computer equipment will be used for intended purposes and that maximum benefits will be derived from this equipment.

The contractor has prepared implementation plans for the computers assigned to FATA government agencies and has received FATA Secretariat and FATA Development Authority approval and acceptance of the implementation plan. USAID also plans to correct protocols and procedures for using the laptops for their intended purpose. This recommendation is closed.

3. That USAID/Pakistan take immediate steps to confirm the existence of 72 laptop computers. If laptop computers cannot be produced, the mission should issue a bill of collection to the contractor for \$1,400 for each laptop unaccounted for.

All the computers have been accounted for and physically verified by an independent CPA firm. One computer was stolen and an internal inquiry by the FATA Secretariat is currently in process. DAI is following up to ensure that the inquiry is completed and appropriate action is taken. This recommendation is closed.

4. That USAID/Pakistan require the contractor to develop and put into use detailed implementation plans for both the geographic information system and the planning commission database under development for use by the Federally Administered Tribal Areas Secretariat. The plans should identify roles and responsibilities to be carried out by the contractor and others and should contain best practices of systems development, such as obtaining approval by stakeholders, establishing target dates for completing user manuals, training users and administrators, and preparing for the final handover of day-to-day operations and maintenance to the Secretariat.

The contractor has completed the implementation plan for the Planning Commission Pro-Forma 1 (PC-1) database. A draft implementation plan for the geographic information system was prepared and received approval from the FATA Secretariat. This recommendation is closed.

Pakistan Performance Audits

Fiscal Year 2009

USAID/Pakistan's Earthquake Reconstruction Activities (No. 5-391-09-001-P)

Date:	November 25, 2008
Implementing Partners:	Camp Dresser and McKee International, Inc., and Citizens Network for Foreign Affairs
Audit Period:	January 21, 2006, through April 30, 2008
Funding:	As of May 2008, USAID had committed \$202 million to reconstruction activities, obligated \$80 million, and disbursed \$43 million since the program's inception.

Background—Summary of Findings

On October 8, 2005, residents of northern Pakistan were shaken by a 7.6 magnitude earthquake that claimed more than 74,000 lives, leveled 272,000 buildings (including 585 health care facilities and 15,000 educational buildings), and left more than 3.5 million people homeless. The earthquake zone is located in a mountainous region that includes parts of Pakistan's North-West Frontier Province and Azad Jammu and Kashmir Province. The Islamic Republic of Pakistan (Pakistan) established the Earthquake Reconstruction and Rehabilitation Authority to coordinate and oversee all reconstruction activities. To help Pakistan recover and to provide immediate access to earthquake-affected areas, on January 21, 2006, the U.S. Government (acting through USAID) and the Pakistani Government formalized U.S. Government support for Pakistan's earthquake reconstruction program with the

signing of a \$200 million special objective grant agreement.

Among the goals of the project were construction of education and health care facilities and activities intended to help households, industries, and markets recover and expand. The mission met many of its goals and contributed to increasing rural incomes by 38.5 percent. However, at the time of the audit, the mission had not yet completed any of the school or health facility construction activities.

The audit identified five issues affecting the program: a delay in the construction of schools and health clinics, delays in the implementation of livelihoods activities, lack of a contractor performance review, lack of approved performance management plans, and lack of a data quality assessment to validate the accuracy of reported results.

Recommendations—Management Decisions

The audit report made four recommendations:

1. That USAID/Pakistan's contracting office identify and document critical contracting processes and provide training to mission personnel responsible for these processes.

The mission agreed with the recommendation. To address the concerns, USAID Pakistan's Office of Acquisition and Assistance, along with the Controller's Office, has designed and implemented steps and procedures that will ensure that funding information is routed to the correct disbursing office. Along with the procedures, training was provided to the acquisitions staff and to the technical offices to clarify roles and responsibilities. This recommendation is closed.

2. That USAID/Pakistan perform a contractor evaluation of Camp Dresser and McKee International, Inc., in accordance with Agency procedures.

The mission has performed a contractor evaluation of Camp Dresser and McKee International, Inc. This recommendation is closed.

3. That USAID/Pakistan modify Mission Order 203.1 to specify that CTOs are responsible for approving implementing partner and contractor performance management plans.

The mission modified Mission Order 203.1 to specify that CTOs are responsible for approving implementing partner and contractor performance management plans. This recommendation is closed.

4. That USAID/Pakistan perform a data quality assessment for the mission's earthquake reconstruction activities by December 31, 2008.

The mission performed a data quality assessment for its earthquake reconstruction activities. This recommendation is closed.

Pakistan Performance Audits

Fiscal Year 2008

USAID/Pakistan's Education Sector Reform Assistance Program (No. 5-391-08-004-P)

Date: March 28, 2008

Implementing Partner: Research Triangle Institute

Audit Period: August 28 through September 27, 2007

Funding: As of September 30, 2007, USAID/Pakistan had obligated and disbursed \$83 million and \$76 million, respectively, toward the activities under the ESRA Program.

Background—Summary of Findings

USAID/Pakistan designed the 5-year Education Sector Reform Assistance (ESRA) Program in support of the Government of Pakistan's education sector reform action plan. USAID/Pakistan implemented this program through its cooperative agreement with Research Triangle Institute (RTI). The objective of the ESRA Program was to provide knowledge, training, and infrastructure to help officials and citizens develop high-quality education programs for children throughout Pakistan. Specifically, the program's initiatives focused on strengthening the education sector's policy and planning, establishing comprehensive school improvement programs, training teachers and school administrators, increasing youth and adult literacy, and fostering public-private partnerships.

This audit could not determine whether USAID/Pakistan's ESRA Program had achieved intended results because the audit team could not rely on the mission's monitoring of the program or on RTI's reporting of the program's achievements. The mission did not support its approval of RTI's monitoring and evaluation plans and work plans and did not adequately oversee the program through site visits and maintenance of work files. In addition, the mission did not take appropriate followup actions stemming from program evaluations and did not require RTI to adhere to reporting requirements critical to monitoring the program performance. Therefore, the mission could not demonstrate the ESRA Program's accomplishments and attainment of targets. As a result, the audit team could not make an

independent assessment of the overall program results and overall impact.

Although the audit could not confirm the validity of the reported achievements, auditors observed that some tasks had been completed. For example, the audit team observed that furniture, computers, books, and other teaching aids had been provided to two different ESRA-funded resource centers. The team also reviewed memorandums of understanding that supported the formation of public-private partnerships. However, these

were only a handful of examples of tasks completed under the \$83 million program.

OIG found that the mission needed to strengthen monitoring and management of its ongoing programs, including increasing its level of involvement in the implementation of programs and its approval processes for substantive changes to the program. The audit also identified lack of documentation on a potential conflict of interest situation that was brought to the mission's attention.

Recommendations—Management Decisions

OIG recommended that USAID/Pakistan instruct RTI to provide detailed supporting evidence of how the \$16 million programmed for the ESRA School Enhancement Program was used, to determine whether the funds were used as intended.

USAID took the steps outlined in the original management decision but could not determine whether the funds had been used as intended because RTI did not provide adequate programmatic evidence of the questioned costs. To better address the intent of the audit recommendation, the mission, in coordination with OIG, decided to revise the original management decision to obtain the services of the Defense Contract Audit Agency (DCAA) to conduct an audit of the \$16 million programmed for the school enhancement program.

An interagency agreement between USAID and DCAA was established in August 2009 so that DCAA could perform the audit of RTI.

The initial recommendation is closed; however, OIG will continue to monitor the status of any followup action. Additional recommendations may be forthcoming from the secondary audit.

Pakistan Performance Audits

Fiscal Year 2007

Selected Activities Under USAID/Pakistan's Basic Health Program (No. 5-391-07-005-P)

Date:	May 23, 2007
Implementing Partners:	Government of Pakistan, Greenstar, and JSI Research and Training Institute, Inc.
Audit Period:	October 1, 2005, through September 30, 2006
Funding:	Total program funding for basic health activities was \$168 million. The audit covered two subprograms—the Key Social Marketing (KSM) Program and the Pakistan Initiative for Mothers and Newborns (PAIMAN) Program. As of September 30, 2006, USAID/Pakistan had obligated \$15 million and disbursed \$11 million for the KSM Program and obligated \$23 million and disbursed \$7 million for the PAIMAN Program.

Background—Summary of Findings

As part of its annual audit plan, the Regional Inspector General/Manila conducted an audit to determine whether selected activities under USAID/Pakistan's Basic Health Program had achieved planned targets for FY 2006. The audit covered two key programs under USAID/Pakistan's umbrella Basic Health Program—the Key Social Marketing (KSM) Program and the Pakistan Initiative for Mothers and Newborns (PAIMAN) Program. For these two programs, OIG selected 13 performance indicators that the mission was using to measure whether activities under the programs were achieving planned targets, which included distribution of family planning products, training for newborn and maternal care, and upgrading of referral facilities.

Neither of the two programs reviewed under USAID/Pakistan's umbrella Basic Health

Program achieved all their planned targets for fiscal year 2006, nor were the programs as effective as planned in delivering the intended services to the citizens of Pakistan.

Activities that did not achieve targets faced difficulties that included a shortage of oral contraceptives, a program design that did not work as planned, changes in the mission's program direction, inability to procure medical equipment, and complications as a result of the October 2005 earthquake.

Additionally, the audit found that USAID/Pakistan could have better monitored the KSM and PAIMAN programs by updating performance targets, ensuring that reported performance data were accurate and reliable, and maintaining work files of cognizant technical officers (CTOs).

Recommendations—Management Decisions

OIG made four recommendations:

1. That USAID/Pakistan develop and implement procedures that require its CTOs to periodically verify that the targets of its Basic Health Program performance indicators are updated to reflect any significant program changes.

The mission agreed with the recommendation. The mission updated guidelines for CTOs and provided training and refresher courses for CTO personnel. This recommendation is closed.

2. That USAID/Pakistan develop and implement procedures that require its CTOs to periodically verify the reliability of performance data submitted by implementing partners.

The mission agreed with the recommendation. The mission updated guidelines and training for CTOs in data quality assessment and better communication of requirements with implementing partners. This recommendation is closed.

3. That USAID/Pakistan conduct data quality assessments of its Basic Health Program performance indicators as required by USAID's Automated Directives System.

The mission agreed with this recommendation, and an external data quality assessment was completed in September 2007. This recommendation is closed.

4. That USAID/Pakistan develop and implement procedures to retain and safeguard CTO work files.

The mission agreed with this recommendation and provided additional guidance and training on safeguarding records. This recommendation is closed.

Pakistan Performance Audits

Fiscal Year 2004

Risk Assessment of Major Activities Managed by USAID/Pakistan (No. 5-391-04-001-S)

Date: October 30, 2003

Implementing Partners: N/A

Audit Period: N/A

Funding: N/A

Background—Summary of Findings

Since Pakistan became independent in 1947, the United States has contributed billions of dollars in foreign assistance to the country, touching every development sector. However, in 1995, USAID closed its USAID/Pakistan Mission under congressional sanctions resulting from Pakistan's nuclear weapons program. From 1997 to 2002, USAID's assistance to Pakistan consisted of grants to nongovernmental organizations to strengthen civil society and improve the delivery of basic social services. These grants focused primarily on education, health, and community development as Pakistan remained a USAID "nonpresence" country.

However, as a result of the terrorist attacks in the United States on September 11, 2001, and subsequent negotiations with the U.S. Government, the Government of Pakistan committed to resolving a host of longstanding problems and to forge a partnership with the United States to fight terrorism. In response to Pakistan's initiatives, the United States waived its sanctions and resumed a long-term assistance program.

Consequently, the USAID/Pakistan Mission reopened in July 2002 to enable the rapid implementation of development assistance programs in four sectors: education, health, governance, and economic growth. Bilateral strategic objective agreements were signed with the Government of Pakistan for each of these sectors. Total life-of-project funding and obligations at the time of the risk assessment amounted to \$306 million and \$66.5 million.

To prioritize OIG workload and determine what type of audit coverage is appropriate for individual activities being funded and managed by the mission, OIG performed risk assessments of USAID/Pakistan's operations as a whole and of planned activities.

Auditors assessed the overall risk related to USAID/Pakistan's ability to manage assistance activities and considered several key factors, including the significance and sensitivity involved with the mission's program, the management support and control environment, relevant internal controls, and susceptibility to failure to attain program goals, to noncompliance, and to

other irregularities. The assessment concluded that because of the precarious security situation in Pakistan, staffing constraints and challenges, and restrictions on the travel of official Americans outside of the capital city, the overall risk is high that program goals may not be attained. Nevertheless, the mission has taken steps to address this risk:

- Building a program that can be managed largely by Pakistani professionals, both with regard to its own staff as well as the staff of its partner organizations.
- Outsourcing some of its financial review and analysis functions to a local accounting firm and considering local Pakistani organizations to monitor and evaluate USAID program activities.
- Hiring experienced staff within a short time frame.

- Signing four strategic objective grant agreements, totaling \$306 million, with the host government and developing multiyear strategic plans to achieve objectives.
- Planning for the implementation of new assistance programs with increased funding.

Despite the steps the mission has taken, overall risk remains high. This high risk is amplified by (1) the magnitude of the funding being provided to Pakistan, (2) the pressure to design and implement activities in short time frames, (3) the potential for terror strikes and more evacuations from post, and (4) the risks associated with high reliance on indigenous organizations and management.

Recommendations—Management Decisions

OIG made no recommendations.

Pakistan Performance Audits

Fiscal Year 2003

USAID's Bureau for Asia and the Near East Monitoring of the Government of Pakistan's Compliance With the Provisions of USAID Grant No. 391-K-005 (No. 0-000-03-001-F)

Date: January 7, 2003

Implementing Partners: Government of Pakistan

Audit Period: November 15, 2001, to June 30, 2002

Funding: \$600 million

Background—Summary of Findings

OIG conducted this audit to determine whether USAID's Bureau for Asia and the Near East (ANE) had monitored the grant activity of the Government of Pakistan to ensure its compliance with the terms of Grant No. 391-K-005 (the grant) to be used as reimbursement of debt paid, and service of debt, to the United States, World Bank, Asian Development Bank, or the International Monetary Fund.

The audit determined that USAID/ANE did not design the grant to allow for effective oversight and did not effectively monitor the Government of Pakistan's compliance with certain provisions of the grant. Specifically, OIG has determined that:

- USAID/ANE officials did not secure authorizations from the Government of Pakistan to have loan records released by each of the Government of Pakistan's creditors to corroborate loan payment data provided by the Government of Pakistan.
- USAID/ANE officials did not obtain timely required reports from the Government of Pakistan on the use of the separate dollar funds and the status of the Separate Dollar Account, as required by the agreement.
- USAID transferred grant funds into an interest-bearing account at the Federal Reserve Bank of New York, although Article V, Section 5.1 of the agreement requires grant funds to be deposited into a non-interest-bearing account. ANE also did not establish procedures to ensure that interest earned was returned to USAID.

These conditions existed largely because ANE did not fully consider its monitoring requirements prior to the grant award or during the Government of Pakistan's use of the award. As a result, ANE officials had no assurance that the grant funds were used in accordance with the terms of the grant agreement until after the Government of Pakistan had expended the funds.

ANE had not monitored, in a timely way, the Government of Pakistan's compliance with Section 5.2(a) of the grant agreement. Section 5.2(a) requires the Government of Pakistan to transfer budget resources to the poverty reduction and social development program in an amount commensurate to the amount of the grant during the fiscal year ended June 2002. According to the Government of Pakistan's own records, submitted to ANE in April 2002, the Government of Pakistan budgeted only about 14 billion rupees (approximately \$230 million, or 38 percent of

the grant funds) on these sectors during the fiscal year that ended June 2002.

Despite these issues, OIG found no evidence that grant funds had not been used for debt relief, and the Government of Pakistan was very cooperative in responding to USAID/ANE's varied requests for access to its loan payment information at each of its creditors and to its banking records related to the grant account at the Federal Reserve Bank of New York.

Recommendations—Management Decisions

OIG made three recommendations:

1. That USAID/ANE implement procedures to obtain third-party authorizations necessary to monitor its cash-transfer grant awards to the Government of Pakistan and all other foreign government grantees.

USAID/ANE agreed to include provisions in future agreements to require grantees to seek the timely submission of information from third parties that may be necessary for the Agency to monitor grant awards to the Government of Pakistan and other foreign government grantees, as appropriate to U.S. foreign policy considerations. This recommendation is closed.

2. That USAID/ANE implement procedures to monitor its grant agreements on an ongoing basis.

USAID/ANE agreed with the recommendation and stated that it would implement procedures to enforce its cash-transfer grant requirements on an ongoing basis. These procedures were issued to Bureau office directors on January 6, 2003. This recommendation is closed.

3. That USAID/ANE identify and collect the difference between interest remitted by the Government of Pakistan and total interest earned in the Separate Dollar Account associated with USAID Grant No. 391-K-005.

The mission agreed with the recommendation and collected more than \$600,000 from the Government of Pakistan. This recommendation is closed.

Pakistan Investigative Case Work and Fraud Prevention Briefings

Case Number	Criminal Law Enforcement Records System	Allegations	Source	Status	Program Integrity (PI) or Employee Integrity (EI)	Savings and Recoveries	Department of Justice Civil/Criminal Actions	Results
L07059		Procurement fraud	USAID employee	Closed	PI			Audit recovery
L07058		Conspiracy	USAID employee	Closed	PI			Other administrative sanctions; disqualified from future contract bid (not a debarment)
A06054		Procurement fraud	Contractor	Closed	PI			Administrative action: verbal admonishment
A05080		False claim	USAID employee	Closed	PI		1 criminal referral	DOJ declination
	LA-H0-08-0172-R	Procurement fraud	Private citizen	Closed	PI			
	LA-H0-08-0180-R	Conflict of interest/ethics	Private citizen	Closed	EI			
	LA-H0-09-0064-G	Conflict of interest/ethics	OIG audit	Closed	PI			
	LA-H0-09-0103-R	Conflict of interest/ethics	Private citizen	Closed	PI			
	LA-H0-10-0084-G	Obstruction of justice	Private citizen	Closed	PI			
	LA-H0-10-0180-R	Bribery/gratuity/kickback	Private citizen	Closed	PI			
	LA-IS-09-0042-I	Conspiracy	USAID employee	Open	PI			Bill for collection; Management advisory
	LA-IS-09-0119-I	Bribery/gratuity/kickback	USAID employee	Open	PI	\$101,598,705	1 criminal referral	Removal (4), retired, suspension, contract termination, debarment
	LA-IS-09-0133-I	Computer crimes	Private citizen	Open	PI			
	LA-IS-09-0146-I	Bribery/gratuity/kickback	USAID employee	Closed	PI			
	LA-IS-09-0147-I	Bribery/gratuity/kickback	USAID employee	Closed	PI			
	LA-IS-09-0148-I	Bribery/gratuity/kickback	USAID employee	Closed	PI			
	LA-IS-10-0055-G	False claim/false statement	USAID employee	Closed	PI			
	LA-IS-10-0081-G	Conflict of interest/ethics	Anonymous	Closed	EI			
	LA-IS-10-0088-I	Conflict of interest/ethics/conspiracy	Former contractor	Closed	PI			
	LA-IS-10-0128-I	Bribery/gratuity/kickback	Private citizen	Open	PI			
	LA-IS-10-0129-G	False statement	Anonymous	Closed	EI			
	LA-IS-10-0147-G	Bribery/gratuity/kickback	Private citizen	Closed	EI			

Pakistan Investigative Case Work and Fraud Prevention Briefings

Case Number	Criminal Law Enforcement Records System	Allegations	Source	Status	Program Integrity (PI) or Employee Integrity (EI)	Savings and Recoveries	Department of Justice Civil/Criminal Actions	Results
	LA-IS-10-0157-I	Conflict of interest/false claim/false statement	Anonymous	Open	PI			
	LA-IS-10-0199-G	Procurement fraud	Private citizen	Closed	PI			
	LA-IS-10-0254-I	Bribery/gratuity/kickback	Anonymous	Open	PI			
	LA-MA-08-0040-I	False statement	USAID employee	Closed	EI			
	LA-MA-09-0105-G	Conflict of interest/ethics	USAID employee	Closed	EI			
	LA-H0-10-0267-I	Program fraud	Private citizen	Open	PI			
	LA-IS-11-0002-I	Program fraud	Private citizen	Open	PI			
	LA-H0-11-0033-G	Program fraud	Private citizen	Closed	EI			Will be worked under LA-H0-11-0028-I
	LA-IS-11-0028-I	Bribery/gratuity/kickback	Private citizen	Closed	EI			Payments to contractor released
	LA-IS-11-0060-G	Program fraud	Private citizen	Closed	PI			Allegation submitted to the Transparency International Hotline
	LA-IS-11-0059-I	False claim	USAID employee	Open	PI			Consideration for debarment; administrative referral
	LA-H0-11-0021-I	Bribery/gratuity/kickback	USAID employee	Closed	EI			Original plan against which the allegation was issued was cancelled
	LA-H0-11-0260-R	Program fraud	Anonymous	Closed	PI			Referral to U.N./Food and Agriculture Organization
	LA-IS-11-0037-I	Bribery/gratuity/kickback	USAID employee	Open	PI			
	LA-IS-11-0041-G	Bribery/gratuity/kickback	Private citizen	Closed	PI			
	LA-IS-11-0095-G	Program fraud	Private citizen	Closed	PI			Case will be combined with case LA-IS-10-0088-I
	LA-IS-11-0038-G	Program fraud	Private citizen	Closed	PI			Entered as a hotline complaint
	LA-IS-11-0092-G	Theft	Private citizen	Closed	PI			Allegation was unsubstantiated. Pertinent program is not funded by USAID
	LA-IS-11-0123-G	Program fraud	Private citizen	Closed	PI			Requested proof of corruption activity not provided by complainant
	LA-IS-11-0136-I	Bribery/gratuity/kickback	Private citizen	Closed	PI			
	LA-IS-11-0154-G	Theft	Anonymous	Closed	PI			
	LA-IS-11-0158-R	Program fraud	Private citizen	Open	PI			

Pakistan Investigative Case Work and Fraud Prevention Briefings

Case Number	Criminal Law Enforcement Records System	Allegations	Source	Status	Program Integrity (PI) or Employee Integrity (EI)	Savings and Recoveries	Department of Justice Civil/Criminal Actions	Results
	LA-IS-11-0162-R	Program fraud	Private citizen	Open	PI			
	LA-IS-11-0168-I	Collusive bidding	Anonymous	Open	PI			
	LA-IS-11-0136-I	Bribery/gratuity/kickback	Private citizen	Open	PI			
	LA-IS-11-0145-G	Program fraud	Private citizen	Closed	PI			
	LA-IS-11-0155-I	Theft	USAID employee	Closed	PI			
	LA-IS-11-0157-I	Theft	Private citizen	Open	PI			Administrative referral to Rural Support Programmes Network
	LA-IS-11-0186-G	Conflict of Interest/ethics	Private citizen	Closed	EI			
	LA-IS-11-0188-G	Program fraud	Private citizen	Closed	PI			
	LA-IS-11-0202-G	Bribery/gratuity/kickback	Private citizen	Closed	EI			
	LA-IS-11-0203-G	Program fraud	Private citizen	Closed	PI			
	LA-IS-11-0206-G	Program fraud	Contractor	Open	PI			
	LA-IS-11-0207-R	Program fraud	Private citizen	Open	EI			Referral to United Nations/World Food Program
	LA-IS-11-0208-G	Program fraud	Private citizen	Open	PI			
	LA-IS-11-0198-I	Bribery/gratuity/kickback	Anonymous	Open	EI			
	LA-IS-11-0178-I	Bribery/gratuity/kickback	Private citizen	Open	PI			
	HQ-HQ-11-0213-G	Program fraud	Contractor	Closed	PI			
	LA-IS-11-0214-G	Program fraud	Private citizen	Closed	PI			
	LA-IS-11-0222-G	Program fraud	Private citizen	Closed	PI			
	LA-IS-11-0226-G	Program fraud	Private citizen	Closed	PI			
	LA-IS-11-0229-G	Program fraud	Private citizen	Closed	PI			
	LA-IS-11-0248-G	Program fraud	Private citizen	Closed	PI			
	LA-IS-11-0265-I	Bribery/gratuity/kickback	Private citizen	Open	PI			
	LA-IS-11-0268-G	Bribery/gratuity/kickback	Private citizen	Closed	EI			

Pakistan Investigative Case Work and Fraud Prevention Briefings

Case Number	Criminal Law Enforcement Records System	Allegations	Source	Status	Program Integrity (PI) or Employee Integrity (EI)	Savings and Recoveries	Department of Justice Civil/Criminal Actions	Results
LA-IS-11-0272-G		Theft	Anonymous	Closed	PI			
LA-IS-11-0310-I		Collusive bidding	USAID employee	Open	EI			
HQ-HQ-11-0313-G		Conflict of Interest/ethics	Private citizen	Closed	PI			
LA-IS-11-0320-G		Conflict of Interest/ethics	Private citizen	Closed	PI			
LA-IS-11-0329-G		Program fraud	Private citizen	Closed	PI			
LA-IS-11-0333-I		False claim/false statement	Anonymous	Open	EI			
LA-IS-11-0335-P		Bribery/gratuity/kickback	USAID employee	Open	EI			
LA-IS-11-0336-G		Bribery/gratuity/kickback	USAID employee	Closed	PI			

\$101,598,705

	FY 2011 Fourth Quarter Results	Cumulative Results*
Cases opened	12	75
Cases closed	15	51
Cases pending	24	24
Department of Justice referrals	0	2
Arrests	0	0
Indictments	0	0
Convictions	0	0
Administrative actions**	1	18
Fraud awareness briefings	1	31
Attendees at fraud awareness briefings	16	760

* 2003 through September 2011

** Terminations, suspensions, bills for collection, etc.

Pakistan

Investigative Summaries

Fiscal Years 2005–11

Civil Settlement Related to Fraud in USAID-Funded Programs in Afghanistan and Pakistan

Allegation

In June 2011, the Academy for Educational Development (AED)¹ agreed to settle allegations that the company submitted false claims to USAID in connection with two cooperative agreements under which AED provided foreign assistance in Afghanistan and Pakistan.

Status

Although certain terms of the settlement with the Department of Justice are contingent on future events, AED has already paid \$5,635,000 towards these claims and potentially could pay a total of more than \$15 million over the next three years. In the settlement agreement, the government alleged that AED failed to ensure that its actions under these two cooperative agreements complied with applicable regulations concerning competition in procurements, adherence to contract specifications, and supervision of its subcontractors. The government further alleged that AED failed to inform USAID that it had discovered defects in its internal control systems and that certain AED subcontractors may have been involved in corruption and wrongful activities.

Personnel Terminations Related to Corruption in Pakistan Disaster Relief Projects

Allegation

During spring and summer 2011, the USAID OIG Pakistan Anti-Fraud Hotline received over 200 complaints regarding problems with service delivery or criminal misconduct by employees of the Sindh Rural Support Organization (SRSO). SRSO is a recipient of subcontracts from USAID implementing partners executing flood relief efforts for USAID's mission in Pakistan, Office of Foreign Disaster Assistance, and Office of Food for Peace.

Status

To date, the OIG investigation has revealed significant issues with internal controls for the distribution of cash and relief goods as well as the distribution of food and non-food items to undesignated areas. As a result of the investigation, the NGO has terminated 21 employees to date. Forensic audits of the NGO are now underway.

³ AED effectively no longer exists after FHI 360, a newly formed government contractor, took over virtually all of AED's programs in June of 2011.

4 Pakistani Nationals Enter Guilty Pleas in Bid-Rigging Case

Allegation

On July 13, 2011, the Director General of the Pakistan National Accountability Bureau (NAB), Khyber Pakhtunkhwa office, announced that four men have entered voluntary pleas for their roles in a bid-rigging scheme related to the USAID-funded Federally Administered Tribal Areas Livelihood Development Program (FATA-LDP). The goal of the FATA Livelihood Development Program was to provide social and economic stabilization in FATA.

The \$150 million FATA-LDP cooperative agreement with the Academy for Educational Development (AED) was terminated for cause by USAID in June 2010 after an ongoing investigation by the Office of the Inspector General (OIG) and the Federal Bureau of Investigation revealed indications of widespread fraud.

Status

Under Article 25(A) of NAB's Ordinance (1999), the four men returned approximately \$140,000 as part of their agreement. The recovered funds were returned to USAID. The NAB will ask USAID to use these funds for education and health projects in Khyber Pakhtunkhwa.

This latest development is a continuation of USAID/OIG's investigation of AED. In December 2010, USAID suspended AED from doing additional business with the federal government based on information that was shared by the USAID/OIG.

OIG Cohosts Fraud Awareness Conference in Pakistan

On February 17, 2011, OIG—along with USAID Pakistan, Transparency International Pakistan, the Auditor General of Pakistan, the Pakistan Public Procurement Regulatory Authority, and the National Accountability Bureau—cosponsored a fraud awareness conference for USAID implementing partners in Islamabad, Pakistan. The event was attended by 118 participants, including representatives of American and Pakistani NGOs, international public organizations, and representatives of both USAID and Pakistani Government ministries. The OIG Pakistan Hotline was formally launched during the conference.

OIG Pakistan Hotline Fully Operational

The OIG Pakistan hotline became fully operational in February 2011. This 5-year project is funded by a cooperative agreement between USAID Pakistan and Transparency International Pakistan; however, OIG is solely responsible for addressing referrals and complaints, which can be submitted through telephone operators who speak English, Sindi, Urdu, and Pashto. They can also be transmitted by e-mail, Internet, facsimile, postal mail, or in person. The hotline is advertised on

television, the radio, the newspaper, and on billboards located throughout Pakistan. As of June 2011, the hotline has received 1,303 complaints related to projects funded by USAID and other organizations. This information will be referred to USAID or the implementing partner responsible for the project in question. To date, OIG has initiated a number of investigations based on hotline allegations.

USAID Suspends Contractor for Serious Corporate Misconduct

Allegation

USAID suspended the Academy for Educational Development (AED) from receiving new government awards after initial findings by OIG revealed evidence of serious corporate misconduct, mismanagement, and a lack of internal controls. As reported in our previous semiannual report in March 2011, OIG found evidence of fraud related to various aspects of a \$150 million cooperative agreement, which was subsequently terminated by USAID Pakistan. The OIG investigation later uncovered evidence that certain members of AED's senior headquarters staff became aware of potentially millions of dollars of disallowable costs because of collusion and overcharging by vendors on the Pakistan project but repeatedly failed to disclose this information to USAID. AED announced the retirement of its chief executive officer and required the departure of four other senior executives to address the inadequate reporting and management deficiencies uncovered by the investigation. In addition to issues related to collusion and overcharging by vendors, the OIG investigation revealed several infrastructure projects managed by AED in Pakistan that failed to meet required USAID specifications. An OIG investigation of another AED project in Afghanistan revealed significant internal control issues resulting in the use of a purchasing process that violated both AED and USAID competitive procurement standards. While some of these issues were identified during a 2008 internal audit conducted by AED, they persisted until the end of the project in late 2010.

Status

As the result of the ongoing investigation, USAID Afghanistan cancelled a planned \$9,900,000 extension of the project with AED in December 2010. Subsequently in June, FHI, a global health and development organization, purchased the programs and assets of AED.

USAID Personal Services Contractor Terminated for Misuse of Official Position

Allegation

USAID OIG received information that staff of a USAID implementing partner in the Federally Administered Tribal Areas (FATA) in Pakistan may have been involved in false claims, fraud, kickback schemes, and mismanagement regarding the awarding and oversight of construction

contracts for rehabilitation of homes and buildings following the recent floods. The matter had been brought to the attention of the FATA Secretariat.

Status

Investigations by USAID OIG, with the assistance of the Pakistan National Accountability Bureau (NAB), revealed that a USAID personal services contractor who was serving as the agreement officer's technical representative for a livelihoods program misused his official position for the personal gain of relatives and solicited favors from a prohibited source. The subject took advantage of his official position to obtain employment for two of his relatives, including requesting that a USAID implementing partner create a new position for one of them. The subject was terminated and was subsequently debarred from government contracts based on an OIG referral.

USAID Terminates \$150 Million Livelihood Development Program Contract Because of Allegations of Fraud

Allegation

OIG received allegations of false claims, fraud, kickback schemes, and mismanagement related to an implementing partner of one of its multimillion-dollar cooperative agreements for a livelihood development program in FATA.

Status

A joint investigation between USAID OIG and the Pakistan NAB revealed evidence of collusion between vendors and staff of the implementing partner that resulted in overpayment for certain goods. Because of the investigation, USAID/Pakistan terminated a 5-year, \$150 million procurement of household kits for internally displaced persons. To date, the implementing partner has returned \$992,206 to USAID related to this investigation. Additionally, USAID/Pakistan terminated a personal services contractor on which the mission relied to perform important contract management functions for the \$300 million program.

Afghanistan

Introduction

Background. When the Taliban was forced out of power in 2001, half of Afghanistan's 31 million people were left in absolute poverty. To rebuild the country and combat terrorism, USAID is working to create economic growth, effective and representative governance, and has provided oversight of these funds since 2002. Since FY 2003, OIG has expended over \$14.8 million in base appropriations and

the human capital base needed to eliminate the conditions that breed extremism.

USAID obligations in Afghanistan for FY 2002 through the fourth quarter of FY 2011 totaled approximately \$13.2 billion, and OIG supplemental funding to oversee USAID's activities in Afghanistan.

Results— Fiscal Year 2003 Through Fiscal Year 2011

Activities	Afghanistan
Performance audits/reviews	47
Recommendations made	223
Recommendations closed	171
Recommendations open	52
Financial audits conducted	40
Questioned costs	\$113.7 million
Sustained costs	\$99.7 million
Investigations opened	155
Investigations closed	93
Investigations pending	62
Referrals for prosecution	35
Indictments	13
Convictions	9
Arrests	10
Administrative actions	87
Recoveries and savings	\$163 million
Fraud awareness briefings	90
Attendees at briefings	1,779

Performance Audits. OIG’s performance audit work in Afghanistan has shown that security conditions have been a primary concern and have hindered program implementation. Of the 47 audits conducted to date, 51 percent cited security conditions as a concern. Our performance audit recommendations have also identified inadequacies in the following areas:

- Contract oversight or activities management (65 percent)
- Data integrity or quality (26 percent)
- Contractor performance (16 percent)

In several instances, USAID/Afghanistan’s agricultural programs have demonstrated positive results. In its first year of implementation, the Agriculture, Rural Investment and Enterprise Strengthening Program met or exceeded most of its goals. In addition, USAID/Afghanistan’s Alternative Livelihoods Program in the Eastern Region achieved significant results for the majority of its performance indicators.

See page 77 for a chart listing each of our 47 Afghanistan performance audits’ findings and recommendations. This chart shows the status of all of our 223 recommendations. Narrative summaries of the audits, arranged by fiscal year, are provided beginning on page 105.

Financial Audits. By federal law (31 U.S.C. Chapter 75), nonfederal entities that expend \$500,000 or more in federal awards annually are required to have audits conducted in accordance with Office of Management and Budget (OMB) Circular A-133. OMB’s requirement applies to audits of states, local governments, and nonprofit organizations based in the United States. Audits conducted pursuant to Circular A-133 are sometimes referred to as “nonfederal audits.”

USAID requires nonprofit organizations not based in the United States who expend \$300,000 or more in federal funds per year to undergo an annual financial audit. These audits follow the rules and procedures contained in the USAID-produced *Guidelines for Financial Audits Contracted by Foreign Recipients*. These audits are generally called recipient-contracted audits.

Firms selected to perform nonfederal audits and recipient-contracted audits must be approved by OIG, which then reviews the audits, summarizes the findings and recommendations, and performs quality-control reviews on a limited basis.

The agency-contracted audit (ACA) program is implemented by USAID on its for-profit implementing partners. Financial audits conducted under this program accomplish many goals, such as improving accountability and internal control over funds and commodities and ensuring compliance with agreements and applicable laws and regulations. USAID normally requests an ACA to provide needed audit coverage or to address real or perceived problems in financial management.

ACAs are usually performed by independent public accounting firms located in the United States but which have overseas affiliates. USAID contracts to have ACAs conducted, but OIG approves the statement of work used to procure the audit services, monitors the audits, reviews the audit reports, summarizes the findings and recommendations, and performs quality-control reviews on a limited basis. OIG may also initiate an ACA to address problems concerning a contract, grant, or cooperative agreement, and it may enlist the services of the Defense Contract Audit Agency (DCAA) to conduct incurred audits on for-profit entities that are not based in the United States. However, DCAA

performs all financial audits on for-profit entities based in the United States.⁴

Financial audits performed on USAID's implementing partners in Afghanistan are reflected in the chart beginning on page 93. Questioned costs are costs determined by an audit to be not allowable (e.g., liquor charges billed to USAID), allocable (e.g., charges that cannot be tied to a specific contract, grant, or cooperative agreement), or reasonable (e.g., charges for 25 computers for a staff of 10). USAID and the implementer work to resolve questioned costs, but when resolutions are unattainable the costs become sustained (by the audit), and USAID seeks reimbursement from the implementer.

Investigations. OIG's investigative activities seek to eliminate fraud in contracts, grants, and cooperative agreements and to prevent serious misconduct by USAID employees. To accomplish these goals, special agents conduct investigations into possible violations of federal laws, rules, and regulations.

In a number of criminal and civil case matters, OIG has worked closely with local authorities. When our investigators uncover probable cause to believe a criminal or civil crime has occurred, they consult with the Department of Justice to determine its interest in pursuing the matter. Investigative findings on administrative matters are referred to Agency management for action. OIG investigators also conduct fraud awareness briefings to alert participants (employees, contractors, and grantees) to fraudulent practices and schemes and to provide guidance on how to report fraud if it is encountered. See page 221 for data on investigative case work and fraud prevention briefings and page 229 for summaries of investigations.

⁴ DCAA may also be called upon to conduct audits on nonprofit entities to address concerns over noncompliance or problems with financial management.

Afghanistan Performance Audit Findings and Recommendations

	No.	Report Title	Report Date	Summary of Findings	Total # of Recommendations	Total # Closed	Open Recommendations	USAID Response
FY 2003	1	Risk Assessment of Major Activities Managed by USAID/Afghanistan (5-306-03-001-S)	11-Mar-03	The report identified the need for concurrent financial audits of the infrastructure rehabilitation project and a performance audit of the economic governance project.	0	0	None	
FY 2004	2	Review of the Road Project Financed by USAID/Afghanistan's Rehabilitation of Economic Facilities and Services (REFS) Program (RIG Memo 04-002)	13-Nov-03	As of November 1, 2003, 222 km of the 389 km Kabul-Kandahar Highway had been paved. USAID believed it was on schedule to lay 321 km of new asphalt and repair 68 km of existing road by December 31, 2003. However, the mission needed to have the contractor prepare an implementation plan as required by the contract.	1	1	None	
	3	Second Review of the Road Project Financed by USAID/Afghanistan's Rehabilitation of Economic Facilities and Services (REFS) Program (RIG Memo 04-003)	31-Mar-04	The contractor had paved or patched 389 km of the Kabul-Kandahar Highway. USAID believed it was on schedule to lay 321 km of new asphalt and repair 68 km of existing road by December 31, 2003. However, the mission needed to have the contract prepare an implementation plan as required by the contract.	0	0	None	
	4	Risk Assessment of Major Activities Managed by USAID/Afghanistan (5-306-04-002-S)	15-Apr-04	The report noted (1) progress was made in addressing vulnerabilities identified in the mission's Federal Managers' Financial Management Integrity Act report and (2) certain high-profile, high-risk projects needed to be audited in fiscal year (FY) 2005.	0	0	None	
	5	Audit of USAID/Afghanistan's Cashiering Operations (5-306-04-001-F)	11-May-04	The audit concluded that the mission had managed its cashiering operations efficiently, economically, and in accordance with Agency policies and procedures except that certain internal controls needed to be improved.	3	3	None	
	6	Audit of the Sustainable Economic Policy and Institutional Reform Support (SEPIRS) Program at USAID/Afghanistan (5-306-04-005-P)	17-Aug-04	The mission had not approved a work plan for the contractor, and quarterly work plans with expected accomplishments and milestones (required by the contract) had not been done. Without such work plans, OIG could not assess whether the program was on schedule to achieve planned outputs. As a result, the report disclaimed an opinion but acknowledged that some progress had been made.	1	1	None	
	7	Audit of the Kabul to Kandahar Highway Reconstruction Activities Financed by USAID/Afghanistan's Rehabilitation of Economic Facilities and Services Program (5-306-04-006-P)	21-Sep-04	The mission (1) generally checked the timeliness of reconstruction activities but did not fully monitor the quality of the road reconstruction, in part because of security restrictions, and (2) did not verify whether the contractor's performance conformed to its contract.	2	2	None	
FY 2005	8	Audit of USAID/Afghanistan's School and Clinic Reconstruction Program (5-306-05-003-P)	14-Mar-05	The audit concluded that the school and clinic reconstruction program was not on schedule for a number of reasons, including insufficient oversight and monitoring. Specifically, no more than 328 (62 percent) of the 533 buildings planned to be completed by December 2004 were completed or on schedule to be completed.	3	3	None	
	9	Audit of USAID/Afghanistan's Primary Education Program (5-306-05-005-P)	14-Apr-05	The audit found that (1) the Primary Education Program activities had achieved key planned outputs in all but three activities and that (2) the mission had not done contractor performance evaluations. Specifically, textbook distribution was delayed, grade equivalents for accelerated learning students were also delayed, and the female student enrollment target was not achieved. These three activities did not achieve their planned outputs for a number of reasons, including a delay in receiving funding for the program.	4	4	None	
FY 2006	10	Audit of Funds Earmarked by Congress to Provide Assistance for Displaced Persons in Afghanistan (9-306-06-004-P)	21-Dec-05	As of September 30, 2005, only \$600,000 of the \$10 million appropriated for FY 2004 had been used to provide shelter materials and basic necessities for displaced persons in Kabul. Additionally, as of September 30, 2005, although Congress had been notified that the funds would be transferred to the Department of State's Bureau of Population, Refugees, and Migration, none of the \$5 million appropriated for FY 2005 had been transferred or spent by the mission. The report included three recommendations to ensure that the remaining balance of approximately \$14.4 million in unspent earmarked funds is used for its intended purpose.	3	3	None	
	11	Audit of USAID/Afghanistan's Cashiering Operations (5-306-06-001-P)	10-Jan-06	The cashiers properly accounted for their imprest funds.	0	0	None	

No.	Report Title	Report Date	Summary of Findings	Total # of Recommendations	Total # Closed	Open Recommendations	USAID Response
12	Audit of USAID/Afghanistan's Rebuilding Agricultural Markets Program (5-306-06-002-P)	28-Mar-06	The audit found that five of six activities were on schedule to achieve planned outputs. The sixth activity's planned output—rehabilitating 555 km of farm-to-market roads—was not achieved for a number of reasons, including poor security and poor subcontractor performance. Additionally, USAID/Afghanistan did not properly administer its Rebuilding Agricultural Markets Program (RAMP) contract.	3	3	None	
13	Audit of USAID/Afghanistan's Reconstruction of the Kandahar–Herat Highway Under the Rehabilitation of Economic Facilities and Services (REFS) Program (5-306-06-005-P)	18-May-06	Kandahar–Herat Highway reconstruction activities were on schedule to achieve planned outputs, except for 24 km of roadwork. The remaining 24 km were not completed by December 31, 2005, because of funding shortages, which the mission could have addressed sooner.	1	1	None	
14	Audit of USAID/Afghanistan's Rural Expansion of Afghanistan's Community-Based Healthcare (REACH) Program (5-306-06-007-P)	16-Aug-06	Nineteen of twenty selected activities achieved planned outputs. REACH awarded \$56.2 million to 28 grantees who were providing basic health care in 14 provinces. The program distributed \$4.7 million of essential drugs and trained 568 midwives and completed a number of activities to help improve capacity in the Afghan Public Health Ministry.	0	0	None	
15	Audit of USAID/Afghanistan's School and Health Clinic Reconstruction Activities (5-306-06-008-P)	18-Aug-06	The mission and its implementing partners were on schedule to complete 705 of 776 school and clinics to be constructed or refurbished under the Schools and Clinics Construction and Refurbishment Program, and 511 of the 705 buildings had been turned over to the Afghan Government. However, completion has taken longer than anticipated because the mission did not take timely action to resolve issues on program implementation.	2	2	None	
FY 2007 16	Audit of USAID/Afghanistan's Alternative Livelihoods Program–Eastern Region (5-306-07-002-P)	13-Feb-07	In fiscal year 2006, the Alternative Livelihoods Program–Eastern Region (ALP/E) achieved significant results for 13 of 15 performance indicators used by USAID/Afghanistan to measure whether the program was achieving planned results. Achievements that supported ALP/E's objective of accelerating licit economic growth and business activity included 27,534 ha devoted to licit agricultural production and 98,154 farmers trained in agricultural practices. Achievements that supported ALP/E's objective of providing an immediate alternative source of income to those who depend on the opium economy included 19,698 Afghans paid \$4,209,670 through cash-for-work projects. Two performance indicators could not be evaluated because sufficient information on actual accomplishments was not available or the related program activities were not fully implemented.	4	4	None	
17	Audit of Critical Power Sector Activities Under USAID/Afghanistan's Rehabilitation of Economic Facilities and Services (REFS) Program (5-306-07-004-P)	21-May-07	Under the REFS Program, one critical activity had been achieved, whereas two similar activities were significantly behind schedule because of security problems. Although the activity that was achieved delivered 16.5 MW of reliable hydroelectric power, delays in the other two activities have delayed the delivery of 35 MW of reliable hydroelectric power to about 2 million Afghan people in southern Afghanistan.	0	0	None	
18	Audit of USAID/Afghanistan's Urban Water and Sanitation Program (5-306-07-006-P)	7-Jun-07	Planned contract deliverables were generally being achieved under USAID/Afghanistan's Urban Water and Sanitation Project. However, long-term sustainability of the overall project was questionable and contract administration problems were found between the mission and Camp Dresser McKee, Inc., the contractor hired to implement the project.	5	5	None	
19	Audit of Selected Follow-on Activities under USAID/Afghanistan's Economic Program (5-306-07-009-P)	31-Aug-07	Selected follow-on activities, agreed to between USAID and the Government of Afghanistan under USAID/Afghanistan's economic program, were achieving results. However, USAID/Afghanistan had not established approved indicators or targets to measure its progress against. Therefore, the audit could not measure the activity accomplishments against planned interim goals or targets.	2	2	None	
FY 2008 20	Audit of USAID/Afghanistan's Agriculture, Rural Investment and Enterprise Strengthening Program (5-306-08-001-P)	22-Jan-08	In its first year, the Agriculture, Rural Investment and Enterprise Strengthening (ARIES) program achieved or exceeded most of its goals and helped make a significant impact in expanding Afghanistan's licit rural economy by creating 62,674 jobs. Despite its achievements, ARIES could have been more successful with implementing small and medium enterprise (SME) loan segment activities and investment and finance cooperatives (IFCs). Additionally, the mission could improve the implementation and management of the ARIES program in four areas.	6	6	None	

No.	Report Title	Report Date	Summary of Findings	Total # of Recommendations	Total # Closed	Open Recommendations	USAID Response
21	Audit of USAID/Afghanistan's Alternative Development Program--Southern Region (5-306-08-003-P)	17-Mar-08	USAID/Afghanistan's Alternative Development Program/South (ADP/S) achieved some, but not all, of its planned results. However, despite its progress, opium production in the southern provinces continued to rise, diminishing the intended overall impact of the ADP/S program. This increase resulted from a rise in insurgency activities preventing the mission from delivering alternative livelihoods to key poppy-growing areas, the ineffectiveness and corruption in the eradication process, and the lack of rule of law and criminal penalties for growing poppies.	1	1	None	
22	Audit of USAID/Afghanistan's Small and Medium Enterprise Development Activity (5-306-08-006-P)	23-Jun-08	It could not be determined whether 11 of the 18 performance indicators used to measure the progress of the project met planned results during the first year of implementation. The audit determined that the contractor's performance data for these 11 performance indicators were not reliable and therefore not useful in managing for results or credible for reporting. For the remaining seven indicators, the audit determined that the project partially met five indicators' regional performance targets, exceeded one indicator's nationwide target, and partially met one indicator's nationwide target.	4	4	None	
23	Audit of USAID/Afghanistan's Accelerating Sustainable Agriculture Program (5-306-08-009-P)	8-Aug-08	Chemonics International, Inc., reported results for all eight indicators for the first year of the program. However, the audit identified that for two of the eight indicators, reported results fell considerably short of intended results. Targets had not been established for the other six indicators, making it difficult to tell how well the project was proceeding. In addition, Chemonics did not have documentation to adequately support reported results for six indicators. In two of the six cases, the support was inadequate, while in four cases there was no support at all. For example, Chemonics had inadequate support for the reported result that more than 1,700 individuals had received short-term agricultural training, and no support for the reported result that project activities had generated an economic value in excess of \$59 million. In addition, the audit found that a major program activity—the Mazar foods initiative—was behind schedule. This \$40 million initiative to cultivate 10,000 hectares for a commercial farm was not finalized in time to take advantage of the summer planting season as planned.	15	15	None	
24	Audit of USAID/Afghanistan's Capacity Development Program (5-306-08-012-P)	30-Sep-08	There was a lack of evidence to demonstrate that this program was on track to achieve planned results. The program lacked key deliverables necessary for effective implementation, monitoring, and reporting of program activities and results. Detailed work plans outlining what the contractor planned to accomplish and results monitoring plans with performance indicators, targets, and periodic reporting against these targets were not in place. Given these shortcomings and considering that the contract with BearingPoint, Inc. (contractor), was signed only in February 2007, the audit found that it was too early to assess the overall impact of this program.	4	4	None	
FY 2009 25	Audit of USAID/Afghanistan's Higher Education Project (5-306-09-002-P)	4-Dec-08	The project partially achieved planned results toward (1) transforming the instruction of teaching and learning in faculties and departments of education and (2) institutionalizing structures and systems to support and sustain high quality instruction and professionalism. The implementer measured its progress against nine objectives for which it met its target objectives for three, partially met the targets for four, and did not meet the targets for two. From an impact standpoint, faculty members who participated in the project's different activities were exposed to new and more effective teaching methodologies being used in their classes. Also, faculty members advanced their English-language skills through the English courses provided and had greater opportunities to access training and educational materials not available in their local language.	4	4	None	
26	Audit of USAID/Afghanistan's Local Governance and Community Development Project in Southern and Eastern Regions of Afghanistan (5-306-09-003-P)	11-May-09	The audit disclosed that the project suffered from severe delays. In addition, the project was hindered by a need for improvements in the contractor's monitoring and evaluation system, refinements in the mission's operational plan indicators, and timely approval of annual contractor work plans. Furthermore, the contractor did not properly establish performance targets for the 14 key indicators in its performance monitoring plan for fiscal year 2008.	12	12	None	

No.	Report Title	Report Date	Summary of Findings	Total # of Recommendations	Total # Closed	Open Recommendations	USAID Response
27	Audit of USAID/Afghanistan's Land Titling and Economic Restructuring in Afghanistan Project (5-306-09-004-P)	8-Jun-09	The audit found that, as a whole, the project achieved positive results under both components. Under the first component, the project laid a foundation that could benefit the Government of Afghanistan's land administration system. Under the second component, in the first 3 years the project provided technical assistance toward liquidating 23 state-owned enterprises, 3 state-owned banks, and 1 state-owned corporation. As a result, state-owned assets valued at \$10.6 million have been auctioned to successful bidders. The audit did find that the liquidation process took longer than expected and that the State-Owned Enterprise Department lacked the capacity to manage the liquidation process. Furthermore, USAID investment in privatization was not always successful, more collaboration could strengthen the project's impact, and there were problems in reductions of scope.	4	4	None	
FY 2010 28	Audit of USAID/Afghanistan's Power Sector Activities Under Its Afghanistan Infrastructure Rehabilitation Program (5-306-10-002-P)	10-Nov-09	The audit concluded that, because of construction delays, USAID had not provided increased reliable power to these two areas within the planned timeframes. For the Kabul power plant, the delays were caused by an initial inability to obtain adequate title to land for the power plant, an ambiguous statement of work resulting in poor planning and implementation, subcontractor performance problems, lack of onsite quality assurance, and problems in clearing equipment and material through customs. For the Kajakai Dam project, deteriorating security in southern Afghanistan and inconsistent contractor performance contributed to the delay.	8	8	None	
29	Audit of USAID/Afghanistan's Afghan Civilian Assistance Program (5-306-10-004-P)	15-Dec-09	USAID/Afghanistan's Afghan Civilian Assistance Program (the program) is not on target to achieve its main goal of assisting families and communities that have suffered losses as a result of military operations against insurgents and the Taliban. The International Organization for Migration (the implementer) reported that as of September 1, 2008, close to the midpoint of the program, only 803 of the more than 6,000 eligible families under the program--about 13 percent--were receiving assistance. Under an October 2008 recovery plan to get the program back on track, the implementer hoped to assist 5,102 of the estimated 6,378 eligible families by April 30, 2009. However, as of January 22, 2009, the implementer reported that it had actually serviced about 40 percent of the intended families, or 2,025 of the estimated target number of 5,102.	7	7	None	
30	USAID/Afghanistan's Building Education Support Systems for Teachers Project (5-306-10-006-P)	29-Jan-10	OIG's audit of a \$94 million, 5-year contract with Creative Associates International, Inc. to implement USAID's Building Education Support Systems for Teachers (BESST) project found that the project is making progress in helping to improve the quality of education in Afghanistan but has not achieved its two main goals: improving teaching through teacher training and institutionalizing ministry structures and systems that support high-quality teaching. The audit found that much of the training of teachers had been completed and that district teacher training teams had been established to help conduct training in all 11 provinces. However, notwithstanding these accomplishments, the audit found that, almost 4 years into the 5-year project, some significant tasks and activities included in the project's contract and work plan had not been completed.	4	4	None	

No.	Report Title	Report Date	Summary of Findings	Total # of Recommendations	Total # Closed	Open Recommendations	USAID Response
31	Audit of USAID/Afghanistan's Human Resources and Logistical Support Program (5-306-10-007-P)	31-Mar-10	OIG found that the program had made progress in capacity building within selected Afghan ministries, identified defective USAID-built structures, and provided engineering oversight for mission construction projects. The audit also pointed to several areas that were problematic. The most critical issue is to identify the many defective structures that likely remain among the estimated 1,474 mission-built structures. The total number of defective structures will be determined when the remainder of the preliminary assessments and any subsequent detailed seismic evaluations are completed. The mission anticipates that the contractor will complete 200 seismic evaluations by the end of the contract. In addition, significant defects in five buildings reported in a prior Office of Inspector General audit report (Audit of USAID/Afghanistan's Accelerating Sustainable Agriculture Program," Audit Report No. 5-306-08-009-P, August 8, 2008) have yet to be corrected.	12	12	None	
32	Audit of USAID/Afghanistan's Afghanistan Vouchers for Increased Productive Agriculture (AVIPA) Program (5-306-10-008-P)	20-Apr-10	The AVIPA program was designed to provide wheat seed and fertilizer to drought-affected subsistence farmers to help them increase wheat production. The audit found that the program had contributed to the country's increase in wheat production; however, the extent of the program's role in this increase was unclear, since the audit determined some reported results were not reliable. In addition, the program's stabilization activities in the country's southern region were not being implemented as widely as planned. The audit identified several other problems: In addition to the lack of reliable data to measure program results, the program suffered from insufficient oversight. The implementer, International Relief and Development (IRD) could not retain staff, in part because of death threats, and project staff members were overburdened by requests for information and briefings from non-USAID Government officials. In some cases, materials did not reach beneficiaries. Moreover, the audit noted that up to \$50 million in unspent program funds could be reprogrammed for other activities.	3	3	None	
33	Audit of USAID/Afghanistan's Oversight of Private Security Contractors (5-306-10-009-P)	21-May-10	OIG's audit, which reviewed private security contractor (PSC) operations between October 2006 and June 2009, examined the reporting of serious security incidents, whether USAID implementing partners had subcontracted with responsible firms, the costs of these services, and the oversight of those costs. We found that detailed statutory oversight requirements intended to cover both non-DOD and DOD PSCs in Afghanistan had not been implemented by USAID, because the Chief of Mission had not issued Mission-wide instructions in accordance with DOD implementing regulation. As a result, USAID PSCs did not report certain serious security incidents—in particular persons killed or injured as a result of their conduct—that they otherwise would have been required to report had Mission-wide instructions implementing the statutory requirements been issued. The Mission-wide instructions would have also incorporated statutorily-mandated procedures to ensure PSCs in Afghanistan are qualified and responsible. The report found such procedures were not in place.	8	8	None	
34	Review of School and Health Clinic Buildings Completed Under the Schools and Clinics Construction and Refurbishment Program (5-306-10-002-O)	24-Jun-10	In October 2004, OIG audited USAID's the school and health clinic reconstruction activities. The audit found that the program was behind schedule, and it recommended that the mission develop a new implementation plan. This review was prompted by OIG's inability to visit program sites due to the precarious security situation where many schools and clinics are located. OIG contracted with KPMG Afghanistan, whose staff could travel more easily within Afghanistan. To conduct site visits, OIG provided KPMG a statistical sample of 50 buildings from the 776 schools and clinics completed across Afghanistan under the program. KPMG noted numerous deficiencies with regard to the physical condition of the school and health clinic buildings. These deficiencies included physical problems, poor hardware, lack of electrical supply, and deficient water service.	2	2	None	

No.	Report Title	Report Date	Summary of Findings	Total # of Recommendations	Total # Closed	Open Recommendations	USAID Response
35	Audit of USAID/Afghanistan's Alternative Development Program Expansion, South West (5-306-10-011-P)	29-Jul-10	OIG's audit found that a 32-percent decrease in poppy production between 2008 and 2009 is attributable to strong antipoppy messages from provincial governors, increased interdiction activities, an overproduction of poppy in prior years that suppressed market prices, and provision of alternative economic opportunities in targeted districts within each province. However, continued reductions in poppy cultivation may not be sustainable because no follow-on alternative development program has been approved beyond March 2011, and a critical southern province is not included in the current program. Second, the program has experienced delays in implementation partially because of security issues. Also, a new, Embassy-led annual program review process, the restructuring of the regional commands, and the mission's plan to implement regional platforms present future challenges that could hamper program implementation if not properly managed.	3	3	None	
36	Review of Security Costs Charged to USAID Projects in Afghanistan (5-306-10-002-S)	29-Sep-10	This review of Edinburgh International's security costs charged to the following three USAID-funded projects in Afghanistan implemented by Development Alternatives, Inc. (DAI): Afghanistan Small and Medium Enterprises Development (ASMED); Incentives Driving Economic Alternatives for the North, East, and West (IDEA-NEW); Local Governance and Community Development (LGCD). The review found no indication that Edinburgh International had misused USAID funds to pay the Taliban or others in exchange for protection. However, there were indications that Afghan subcontractors working on the LGCD project had paid insurgents for protection in remote and insecure areas of Afghanistan. The payments were allegedly made as part of a security arrangement with local communities that very likely included the Taliban or groups that support them. The auditors found also indications of pervasive fraud in DAI's LGCD office in Jalalabad and indications of endemic corruption in Nangarhar Province, where Jalalabad is located. The auditors referred these findings to OIG/Investigations for further investigation.	4	4	None	
37	Audit of USAID/Afghanistan's Partnership for Advancing Community-Based Education in Afghanistan (PACE-A) (5-306-11-001-P)	28-Oct-10	OIG Audit found that PACE-A has not been fully achieving all of its core objectives. One area in which program efforts have fallen short has been teacher training, which is the primary means of ensuring that PACE-A supported students receive a quality education. A review of the training records maintained by each of the four PACE-A partners revealed that, in most cases, teachers had not received the minimum basic training required to teach their classes. Specifically, the results of this review disclosed that, of the total primary education teachers supported (3,052), only 3 percent had received the full range of basic training—consisting of five workshops—that all newly hired teachers were expected to receive, and 21 percent had received none of the requisite training.	4	2	(1) That USAID/Afghanistan direct CARE International to (1) develop clear standards on teacher training, to be followed by all four partners, which define the requisite training workshops that each teacher must receive to be considered fully prepared to teach his or her students; and (2) develop and implement a plan to ensure that all supported teachers receive the requisite training in its entirety. (3) That USAID/Afghanistan conduct a data quality assessment in accordance with USAID's Automated Directives System to provide assurance on the quality and reliability of the program's reported results data.	The mission directed CARE International to develop and produce a standard teaching package. To accomplish this, the program will incorporate the five core modules into a PACE-A training package with a teacher trainers' guide by June 2011. The program will also update the PACE-A monitoring and evaluation database management system, by December 2010, to effectively capture each teacher's progress toward completion of the entire package. A management decision was reached and the recommendation remains open. The mission stated that the Agreement Officer's Technical Representative (AOTR) will organize and participate in a data quality assessment by August 31, 2011. Additionally for future visits, the AOTR will conduct limited testing on reported results by observing the computation of figures from supporting records. A management decision was reached and the recommendation remains open.

No.	Report Title	Report Date	Summary of Findings	Total # of Recommendations	Total # Closed	Open Recommendations	USAID Response	
FY 2011	38	Audit of USAID/Afghanistan's Support to the American University of Afghanistan (5-306-11-002-P)	5-Nov-10	The university is behind schedule in reforming its undergraduate program. While the university has developed additional courses and a bachelor's degree with concentrations in business, information technology, and social sciences, it has not developed the curricula for three individual bachelor's degrees, as required under the agreement. The audit found other problems as well. The university was not in compliance with agreement terms—as it had not submitted its required Year 2 budget, Year 2 work plan, and performance management plan—and as a result, the mission was withholding incremental funding. The university's Professional Development Institute will not meet its financial contribution goal. The university may not meet its goal of increasing enrollment of women to 30 percent. The undergraduate preparatory program was not preparing students adequately to become undergraduates. University contracting was deficient and did not consistently document its competitive bidding process. Items funded by USAID were not marked as having been provided by the U.S. taxpayer. Finally, environmental procedures were not followed construction of the new campus or in renovations of existing facilities.	18	9	(1) Continue to withhold incremental funding until all required documents are submitted by the university.	The mission agreed, and stated, however, that the required actions under the recommendation have been overtaken by developments subsequent to the audit field work and findings. A management decision has been reached and that that the recommendation remains open.
							(6) We recommend that USAID/Afghanistan prepare a sustainability plan so that the university will not be dependent on mission funding after the end of the program.	The university will undertake a five-year strategic planning process, which will include the issue of the university's sustainability. The mission will review the five-year strategic plan and determine whether funding might be extended beyond the original agreement. This recommendation remains open.
							(8) Work with the university to complete a four-year curriculum for the three undergraduate degrees identified in the agreement.	The mission stated that the university has reformulated its degree programs to include a bachelor of arts in business administration, bachelor of science in computer science, and bachelor of arts in political science and public administration. Curricula have been developed for these degrees and incorporated into the 2010–11 university course catalog. This recommendation remains open.
							(9) Require the university to develop a business plan for the Professional Development Institute Program.	The mission stated that the university is in the process of preparing a strategic plan for 2011–16. This strategic plan includes a business plan for the Professional Development Institute. The university planned to submit a plan for mission review by January 31, 2011. This recommendation remains open.
							(11) Develop an implementation plan for the Professional Development Institute that will address deficiencies in program quality.	The mission stated that the university will revise its performance management plan to include learning achievement measurements as well as other quality standards for the Professional Development Institute. This recommendation remains open.
							(12) Require that the action plan developed to increase the proportion of women enrolled at the university be incorporated into key program planning documents.	The mission stated that the university has prepared a draft work plan for 2010–11, which incorporates plans for increased recruitment of female students. The mission anticipated that this work plan will be approved by October 31, 2010. This recommendation remains open.
							(13) Develop a plan to improve the university's undergraduate preparatory program.	The mission stated that the university is finalizing the implementation of a new Foundation Studies Program curriculum, and additional quality standards have been put in place to measure the program graduates' abilities to succeed in the undergraduate program. The university plans to have the redesign completed by November 15, 2010. This recommendation remains open.
							(14) Review the university's procurement system, as required by the agreement.	The mission's Office of Acquisition and Assistance has prepared a plan regarding the steps it will take in performing the review of the university's procurement system. This recommendation remains open.
(15) Review procurement files before approving construction subcontracts in order to verify that adequate competition existed during the bidding process.	The mission has proposed a process by which all subcontractor construction procurements will be reviewed and approved by the mission prior to the commencement of work. This plan includes the review of any procurements that are funded in whole or part with USAID funds totaling more than \$100,000 as well as all cost-reimbursement contracts. The review is expected to take place by September 30, 2010. This recommendation remains open.							

No.	Report Title	Report Date	Summary of Findings	Total # of Recommendations	Total # Closed	Open Recommendations	USAID Response
39	Review of USAID/Afghanistan's Ministerial Assessment Process (F-306-11-001-S)	6-Nov-10	The U.S. Government expects to deliver 50 percent of its development aid to Afghanistan through the Government of the Islamic Republic of Afghanistan's (GIROA's) core budget by the end of calendar year 2011. With this expectation, USAID/Afghanistan is conducting a series of pre-award assessments of GIROA ministries to see whether the ministries can responsibly manage U.S. Government resources. In a pre-award assessment (sometimes called a pre-award survey or pre-award audit) the assessment team normally conducts inquiries, observations, and tests to see whether the assessed entity has the requisite procedures, internal controls, experienced personnel, and other resources needed to responsibly manage U.S. Government funds. The review focused on assessments already performed by USAID/Afghanistan as well as on draft scopes of work for future assessments. Most of the assessments completed to date were based mainly on reviews of written procedures, inquiries of ministry officials, and inspection of a limited number of transactions. More testing of controls would have provided greater assurance of detecting vulnerabilities that could result in waste or misuse of U.S. Government funds. The draft scopes of work for future assessments can be strengthened by telling reviewers what program(s) ministries may be asked to manage, assessing the control environment, expanding coverage of controls over human resources and fixed assets, and providing more detailed guidance to reviewers on how to assess compliance with applicable laws.	3	3	None	
40	Audit of USAID/Afghanistan's Agriculture, Water, and Technology Transfer Program (F-306-11-001-P)	13-Feb-11	The objective of this audit was to determine whether the program was achieving its main goals, which dealt with irrigation water management, agricultural technology transfer, and institution building. Two and one-half years into the 3-year program, New Mexico State University (NMSU) had achieved a number of successes in introducing new agricultural and water technologies, and many farmers were participating in on-farm demonstrations of these technologies. Auditors found some evidence of demand for these new technologies—laser land leveling being the clearest example—but adoption of the technologies lies in the future. However, the audit noted several implementation issues. Moreover, financial records for the program showed that about 61 percent of spending was in Afghanistan, while the other 39 percent was in the United States. Officials connected with the program raised concerns that the high proportion of expenditures in the United States left fewer resources available for activities in Afghanistan and raised other questions about the financial management of the program. To address these issues, the OIG contracted with an audit firm to conduct financial audits of NMSU and its partner universities in the United States. OIG will issue a separate report on the results of that audit.	6	5	(1) USAID/Afghanistan instruct New Mexico State University to conduct appropriate follow-up activities to determine the effectiveness of its technical assistance and training activities with the Ministry of Agriculture, Irrigation and Livestock and verify that appropriate follow-up has been performed.	The mission instructed NMSU to conduct follow-up activities to determine the effectiveness of the technical assistance and training it provided to MAIL and instructed NMSU to include the progress of these activities in all future quarterly reports for the program. Final action is expected by April 30, 2011, pending review of the March 2011 quarterly report. This recommendation remains open.
41	Review of Cash Disbursement Practices Employed by Selected USAID/Afghanistan Contractors and Grantees (F-306-11-002-S)	7-Mar-11	The review found that the cash disbursement practices of the ten selected USAID/Afghanistan implementing partners reasonably ensured that their cash expenditures were reasonable, allocable, and allowable. The OIG recommended that the mission disseminate the best practices described in this report to its implementing partners to minimize cash transactions. The mission agreed with the recommendation and issued a letter making all implementing partners aware of the best practices described in this report. The mission stated that by implementing these best practices, partners would be adequately safeguarding USAID-funded resources.	1	1	None	

No.	Report Title	Report Date	Summary of Findings	Total # of Recommendations	Total # Closed	Open Recommendations	USAID Response
42	<p align="center">Review of USAID/Afghanistan's Bank Supervision Assistance Activities and the Kabul Bank Crisis (F-306-11-003-S)</p>	16-Mar-11	<p>OIG/Afghanistan conducted this review to determine what opportunities USAID and contractor staff had to learn of fraudulent activities at Kabul Bank through USAID's Economic Growth and Governance Initiative and its predecessor, the Economic Growth and Private Sector Strengthening Activity. Among other audit findings, BearingPoint and Deloitte advisers who were embedded at DAB encountered fraud indications at Kabul Bank on a number of occasions over a span of 2 years before depositors' run on Kabul Bank in early September 2010. However, they did not aggressively follow up on indications of serious problems at Kabul Bank.</p>	4	0	<p>(1) Develop and implement an action plan to address the performance issues with the bank supervision and examination assistance provided to the Afghanistan Central Bank by Deloitte.</p> <p>(2) USAID/Afghanistan arrange for more robust assistance to the Afghanistan Central Bank in bank supervision and examination, including onsite examination assistance and fraud detection training.</p> <p>(3) Implement a written policy clarifying the responsibilities of USAID contractors and grantees to report on indications of fraud in host-country institutions or other matters that could reasonably be expected to be of foreign policy interest to the U.S. Government.</p> <p>(4) Correct the deficiencies in its management of its bank supervision and assistance activities.</p>	<p>USAID/Afghanistan address the performance issues with the bank supervision and examination assistance provided to the Afghanistan Central Bank by Deloitte, the Office of Afghanistan and Pakistan Affairs indicated that USAID/Afghanistan has decided to terminate the bank supervision component of the task order with Deloitte. In addition, for any ongoing or future activities with the Central Bank, USAID/Afghanistan will strengthen contractor oversight and ensure that USAID contractors working with the Central Bank (1) adopt a proactive stance in identifying and reporting to USAID fraud, waste, or abuse, (2) educate its personnel and embedded consultants on the unique operating culture and challenges of the Afghan financial sector, (3) engage the Afghan banking system to creatively address problems in light of these challenges, and (4) work with the Central Bank to develop policies on business ethics and train bank staff on these policies. This recommendation remains open.</p> <p>USAID/Afghanistan arrange for more robust assistance to the Afghanistan Central Bank in bank supervision and examination, the Office of Afghanistan and Pakistan Affairs stated that any continued assistance to the Central Bank will address a number of key concerns including commitment by the Central Bank to combating waste, fraud and abuse; commitment by the Government of Afghanistan to Central Bank independence; the ability of the Central Bank to attract qualified staff; commitment to strengthened bank supervision; and Government of Afghanistan support for a Central Bank decision to place Kabul Bank in receivership. This recommendation remains open.</p> <p>The mission accepted the recommendation to work on providing a written policy clarifying the responsibilities of USAID contractors and grantees to report on indications of fraud in host-country institutions as well as on other matters that could reasonably be expected to be of foreign policy interest to the U.S. Government as it applies to Afghanistan. This effort is being led by the Regional Legal Advisor (RLA) and other concerned offices in USAID. This recommendation remains open.</p> <p>The mission brought on board, as Director of the Office of Economic Growth, a senior financial sector expert to guide USAID's work in the financial sector. Another financial sector expert will be on board in March 2011, to serve as Chief of the Economic Policy & Governance Division. A third senior financial sector expert is being recruited to provide direct technical advice to GiRoA and DAB, as well as to manage a newly reformulated bank supervisory assistance activity on a day-to-day basis. This recommendation remains open.</p>

No.	Report Title	Report Date	Summary of Findings	Total # of Recommendations	Total # Closed	Open Recommendations	USAID Response
43	Audit of USAID/Afghanistan's Construction of Health and Education Facilities program (F-306-11-002-P)	27-Mar-11	The objective of the audit was to determine whether USAID/Afghanistan's program was achieving its main goals of strengthening the Government of Afghanistan's ability to provide health services to its citizens and train competent teachers by constructing provincial hospitals, midwife training centers, and provincial teacher training colleges. While the mission has realized some successes—for example, in strengthening the capacity of local construction companies and adhering to the international building code—the program was not on schedule to achieve its main goals.	15	12	<p>(3) Review the eligibility of the cost of the prayer buildings and prayer rooms included in the provincial teacher training centers and recover any costs found to be unallowable.</p> <p>(9) USAID/Afghanistan, after preparing an analysis of the Government of Afghanistan's ability to fund maintenance for the structures turned over under the program, (1) determine the need for a separate operation and maintenance program and (2) revise as appropriate the 611 (e) certification previously prepared for the Construction of Health and Education Facilities Program.</p> <p>(10) Complete the necessary environmental assessments according to federal regulations.</p>	<p>The mission has required IOM to redesign the women's prayer room into two rooms including a visiting room and living room which is similar to the layout at the men's dormitory. The mission has also halted construction on the mosque structures and advised that it plans to document the recovery of USAID funds disbursed to date for this structure. Action is set for completion by September 30, 2011. A management decision was reached and the recommendation remains open.</p> <p>The Mission agrees with this recommendation. The CHEF projects require IOM to provide the relevant ministries with an Operations and Maintenance (O&M) Plan for each CHEF project prior to completing and handing over the facility. The O&M Plan for each CHEF project includes: 1) O&M Manuals for equipment installed. 2) O&M training of ministry representatives for equipment installed. 3) An Annual O&M Budget, detailing the cost for the operation and maintenance of the facility. The Mission will obtain the Annual O&M Budgets for all CHEF projects from IOM, submit them to the relevant ministries, and verify that the ministries have adequate funding to operate and maintain the facilities. The Mission will then revise the 611(e) if necessary. This action is scheduled for completion by September 30, 2011. This recommendation remains open.</p> <p>The mission agrees to complete environmental assessments for the CHEF projects that are currently under construction by September 30, 2011, to determine if existing environmental mitigation plans are sufficient. This recommendation is open.</p>

No.	Report Title	Report Date	Summary of Findings	Total # of Recommendations	Total # Closed	Open Recommendations	USAID Response
44	Review of USAID/Afghanistan's Portion of the Embassy Air Program (F-306-11-004-S)	9-Jun-2011	The review found that USAID/Afghanistan's portion of the Embassy Air program was providing safe and reliable air service in support of provincial reconstruction teams and other U.S. development assistance programs in Afghanistan. The review also found areas in which the Embassy Air program could be improved: no-show passengers increased costs to the government. The environmental requirements in the contract with Aircraft Charter Solutions Inc. are ambiguous. Unapproved international travel led to questioned costs. The contractor did not meet branding and marking requirements. The contractor did not provide required terminal-to-aircraft transportation. The contractor did not report required performance information to USAID.	8	3	<p>(1) USAID/Afghanistan implement a nominal charge for no-show passengers.</p> <p>(2) USAID/Afghanistan clarify the contract's environmental requirements and obtain evidence that the contractor is complying with them.</p> <p>(3) USAID/Afghanistan determine the allowability of and recover, as appropriate, unsupported questioned costs of \$525,467 representing international travel (including premium-class travel of \$31,902) by contractor officials that was not approved by USAID as required.</p> <p>(4) USAID/Afghanistan verify that Aircraft Charter Solutions Inc. has implemented a branding and marking plan.</p> <p>(8) USAID/Afghanistan clarify its performance standards to Aircraft Charter Solutions Inc. so that realistic expectations and proper reporting and accountability can be obtained.</p>	<p>USAID/Afghanistan did not agree with Recommendation 1 for two reasons: The mission estimated that up to 50 percent of no-shows were due to security restrictions and were largely beyond the control of individual travelers. The mission believed that imposing nominal charges on no-show passengers would not be feasible, although the mission did not identify any specific feasibility issues. The mission also disagreed with our estimate of funds that could be put to better use by reducing the number of no-show passengers. The mission noted that there may be no significant difference in cost between flying a plane that is fully loaded with passengers and one with a number of empty seats. A management decision for Recommendation 1 can be recorded when USAID/Afghanistan and our office agree on a firm plan of action, with time frames, for implementing the recommendation. This recommendation remains open.</p> <p>USAID/Afghanistan agreed with the recommendation. The contracting officer, in collaboration with the USAID/Afghanistan's environmental officer, will review the contract's environmental provisions to determine how they should be revised. In addition, the mission will ensure compliance with these provisions through enhanced monitoring and evaluation of the contractor's compliance with any environmental requirements set forth in the revised contract provisions or modification. The mission anticipates completion of these actions by August 31, 2011. This recommendation remains open.</p> <p>A management decision can be recorded when the allowability of the \$525,467 in questioned costs is determined by the contracting officer. This recommendation remains open.</p> <p>The mission agreed and instructed the contractor to submit a branding and marking plan for approval on May 9, 2011. In addition, The mission provided the contractor with appropriate branding and marking materials to initiate compliance with the requirements. Aircraft Charter Solutions Inc. installed tags on various sections of the aircrafts and on furniture and equipment inside the terminal buildings. This recommendation remains open.</p> <p>USAID/Afghanistan did not agree with the recommendation. USAID/Afghanistan and the contractor both understood the performance standard "93% of missions completed as scheduled" to mean that the contractor was obligated to maintain a 93 percent on-time mission capability rate, excluding factors outside the contractor's control such as weather, security, and other extenuating circumstances. However, this understanding is contradicted by the wording of the performance standard itself (Appendix III). USAID/Afghanistan did require the contractor to develop and submit a performance management plan for approval. The mission planned to monitor compliance with the performance standards and indicators. A management decision can be recorded for Recommendation 8 when we and the mission agree on a firm plan of action, with time frames, for implementing the recommendation. This recommendation remains open.</p>

No.	Report Title	Report Date	Summary of Findings	Total # of Recommendations	Total # Closed	Open Recommendations	USAID Response
45	<p>Audit of USAID/Afghanistan's Support to The Electoral Process (STEP) and Support for Increased Electoral Participation in Afghanistan (IEP) Programs (F-306-11-003-P)</p>	19-Jun-11	<p>To help strengthen Afghanistan's electoral system, USAID/Afghanistan has provided assistance mainly through the Support to the Electoral Process (STEP) Program implemented under a contract with the International Foundation for Electoral Systems (IFES), the Increased Electoral Participation in Afghanistan (IEP) Program implemented through a cooperative agreement with the Consortium for Election and Political Process Strengthening (CEPPS). As of December 31, 2010, USAID had obligated approximately \$124.5 million and expended approximately \$98.9 million. Despite accomplishments in the areas of civic and voter education and support in the operation of local electoral institutions, no persuasive evidence exists that these short-term results have produced increased citizen awareness of the electoral process or a stronger democratic political party system.</p>	9	0	<p>(1) USAID/Afghanistan undertake a technical evaluation of the effectiveness of voter education and civic education efforts it has supported.</p> <p>(2) USAID/Afghanistan prepare a more formal project design document for the follow-on program after the Support to the Electoral Process Program ends in June 2011 that explicitly identifies the critical assumptions underlying the program design.</p> <p>(3) USAID/Afghanistan develop detailed plans for addressing the legal reforms, financial and constitutional arrangements for elections, and voter registration issues discussed in this finding in conjunction with the Government of Afghanistan, other local stakeholders, and international donors.</p> <p>(4) USAID/Afghanistan complete all required contractor performance reviews under the Support to the Electoral Process contract in accordance with Federal Acquisitions Regulation and Agency for International Development Acquisitions Regulation requirements.</p>	<p>USAID/Afghanistan undertake a technical evaluation of the effectiveness of voter education and civic education efforts it has supported, the mission agreed and is working with implementing partners to develop a national survey that includes questions that focus on voter awareness and participation. These questions will gauge the effectiveness of USAID-supported voter and civic education. In addition to the survey instrument, the mission will conduct an election program evaluation in June and July 2011. This evaluation will examine the effectiveness of USAID's support. These actions will be completed by October 31, 2011. This recommendation remains open.</p> <p>The mission will prepare a more formal project design document for the follow-on program after the Support to the Electoral Process Program ends in June 2011 that explicitly identifies the critical assumptions underlying the program design, the mission concurred. It will incorporate national perspectives into the design of its future elections support programs by engaging with the GIRA and IEC counterparts. The mission also plans to invite independent technical elections specialists to conduct strategic reviews of the elections portfolio. These actions will be completed by September 30, 2011. This recommendation remains open.</p> <p>The mission develop detailed plans for addressing the legal reforms, financial and constitutional arrangements for elections, and voter registration issues discussed in this finding in conjunction with the Government of Afghanistan, other local stakeholders, and international donors, the mission concurred. The mission has outlined a series of activities undertaken and others planned to address the legal reform, financial and constitutional arrangements for elections and voter registration. However, the mission did not provide a date to complete plans for addressing needed legal reforms, financial and constitutional arrangements for elections, and voter registration issues discussed in the finding because discussions on these issues are on-going. While we agree that activities are on-going plans need to be established to address the larger-team issues discussed in the report. This recommendation remains open.</p> <p>The mission complete all required contractor performance reviews under the Support to the Electoral Process contract, the mission agreed. The COTR and Alternate COTR will complete the contractor performance reviews in collaboration with the Contracting Officer using the Contractor Performance Assessment Reporting system. The contractor performance reviews for the first two project years will be completed by August 31, 2011. Year 3 reviews will be conducted after the end of the period of performance on September 30, 2011. All actions will be completed by November 1, 2011. This recommendation remains open.</p>

No.	Report Title	Report Date	Summary of Findings	Total # of Recommendations	Total # Closed	Open Recommendations	USAID Response
45						<p>(5) USAID/Afghanistan prepare an implementation plan for use of the \$1.4 million rural radio supplemental funding consistent with the goals of the program, or reprogram these funds for other mission programs.</p>	<p>The mission prepare an implementation plan for use of the \$1.4 million rural radio supplemental funding consistent with the goals of the program, or reprogram these funds for other mission programs, the mission concurred. The mission has directed IRI to prepare an implementation plan for using the funds, and IRI has submitted a concept paper that envisions using the funds—originally for pre-election voter education programs—for radio programs focusing on the performance of elected officials and discussion of political and social issues. This recommendation remains open.</p>
						<p>(6) USAID/Afghanistan determine the allowability of the \$6,350,319 incurred by the International Republican Institute for security expenses, and recover any costs determined to be unreasonable.</p>	<p>The mission determine the allowability of \$6,350,319 in security costs, the mission agreed and will conduct a review to determine the allowability of the questioned security costs. The mission will also request from IRI more detailed information on its security-related expenditures, specifying its efforts to contain and control costs when and where feasible. If costs are determined to be unallowable, the mission will issue a bill of collection to recover the unallowable costs. These actions will be completed by August 31, 2011. Until allowability of the costs is determined, a management decision has not been reached. This recommendation remains open.</p>
						<p>(7) USAID/Afghanistan establish procedures and criteria for determining the reasonableness of security costs charged by implementing partners.</p>	<p>The mission establish procedures and criteria for determining reasonableness of security costs, the mission asked the Office of Inspector General to reconsider its recommendation. The mission interpreted the recommendation as requiring a market price survey that could take 12 to 15 months, and it wondered whether this would be worthwhile in light of recent developments affecting private security firms in Afghanistan. The mission noted that, once the Afghan Public Protection Force assumes responsibility for the security of USAID's partners, the partners will be expected to pay fixed prices for security services. Therefore, the mission considered that our recommendation was overtaken by events. This recommendation remains open.</p>
						<p>(8) USAID/Afghanistan's follow-on program require members of the Consortium for Election and Political Process Strengthening to consolidate functions and facilities to the extent possible to reduce expenses.</p>	<p>The mission follow-on program require members of the Consortium for Election and Political Process Strengthening to consolidate functions and facilities to the extent possible to reduce expenses, the mission partially concurred. The mission noted that a consolidation of functions and facilities of implementing partners' at the national level may prove less advisable. No management decision has been reached because the mission has not stated whether it will require the Consortium partners to consolidate functions and facilities at the national or sub-national level should the mission select the Consortium for any follow-on implementation. Therefore, no management decision has been reached. This recommendation remains open.</p>
						<p>(9) USAID/Afghanistan require the International Republican Institute, as the lead partner in the Consortium for Elections and Political Process Strengthening, to submit a Consortium marking and branding plan and verify that the plan has been implemented.</p>	<p>On April 18, 2011, the mission requested CEPPS to deliver a collective branding and marking plan. All CEPPS partners have individually submitted branding and marking plans as of May 4, 2011. The mission will review the plans and verify implementation through field visits during the remainder of the activity. Target Completion Date: July 31, 2011. This recommendation remains open.</p>

No.	Report Title	Report Date	Summary of Findings	Total # of Recommendations	Total # Closed	Open Recommendations	USAID Response
46	<p>Review of USAID/Afghanistan's Afghan Civilian Assistance Program (F-306-11-005-S)</p>	31-Aug-11	<p>The Afghan Civilian Assistance Program was designed to assist Afghan civilian families and communities that have suffered losses as a result of military operations against insurgents and the Taliban. The program is implemented through a \$76 million, 4½-year cooperative agreement with the International Organization for Migration (IOM) that runs from April 1, 2007, to September 30, 2011. As of March 2, 2011, according to USAID/Afghanistan records, \$54 million had been obligated and \$52 million spent under the program. Beneficiaries under the program are generally given in-kind or non-cash assistance, often in the form of kits that include food, household items, school supplies, or tools and equipment for agriculture or small business activities. IOM did not adopt any specific criteria or guidelines for commodity management under the program. In the absence of specific criteria, we used Generally Accepted Commodity Accountability Principles² and the USAID Commodities Reference Guide (http://www.usaid.gov/our_work/humanitarian_assistance/ffp/crg/) as criteria. Our inspections of four warehouses—three IOM warehouses and one warehouse belonging to Uranus Trading and Logistics—disclosed rat and mouse infestation, poor storage practices, expired commodities, and a lack of inventory records. Further, the inspections led us to question the purchase of additional kits, space for which was lacking in IOM's warehouse.</p>	7	1	<p>(2) USAID/Afghanistan determine the allowability of and recover as appropriate from the International Organization for Migration the cost of stored food that is no longer fit for human consumption, which we estimate at up to \$2,660,924.</p> <p>(3) USAID/Afghanistan determine the allowability of and recover as appropriate from the International Organization for Migration the \$740,331 cost of Purchase Order 12, which was not needed to carry out program operations.</p> <p>(4) USAID/Afghanistan determine the allowability of and recover, as appropriate, the \$1,360,800 in shelter assistance grants in Helmand Province that could not be verified.</p> <p>(5) USAID/Afghanistan arrange for a financial audit of the Afghan Civilian Assistance Program to help ensure that the costs charged to USAID are reasonable, allowable, and allocable.</p> <p>(6) USAID/Afghanistan determine the allowability of and recover, as appropriate, \$180,000 that was reportedly embezzled from the program.</p> <p>(7) USAID/Afghanistan determine the allowability of and recover, as appropriate, the \$3,437,000 that the International Organization for Migration spent to buy used vehicles without USAID approval.</p>	<p>The mission intends to issue a bill of collection to recoup the costs. Its review of the list revealed items purchased from a prohibited source. The mission intends to perform a financial audit of the program, which will include a review of items purchased from prohibited sources. This recommendation remains open until a bill to collect the money has been issued. This recommendation is open.</p> <p>According to the mission, the program was distributing assistance kits aggressively from February through July 2011 and, without the additional inventory on hand; the program might not have been able to assist all beneficiaries without interruption. The mission indicated that all the kits from Uranus Trading and Logistics Company ultimately were distributed to beneficiaries. We disagree with the mission's analysis. As detailed in the audit finding, IOM had inventory records supporting 4,821 kits stored at Uranus Trading and Logistics Company, and that total did not include kits stored in IOM warehouses, for which no inventory records were available. This order added 3,000 kits, which Uranus Trading and Logistics Company had to have stored. We recommend that the agreement officer determine the allowability of the kits purchased under Purchase Order 12. This recommendation remains open.</p> <p>The mission asked IOM for a summary of the assessment done by SHAL, a nongovernmental organization contracted by IOM, which will identify which individuals not entitled to assistance received commodities or cash. IOM is expected to forward the summary report by mid-September 2011. The mission will then review the report, and the agreement officer will make a final determination on the allowability of the questioned costs and initiate recoupment of funds, as appropriate. The mission intends to communicate its determination to OIG by November 30, 2011. This recommendation remains open.</p> <p>A management decision can be reached upon report issuance. The mission's target completion date for the audit is January 31, 2012. On the basis of this information, a management decision has been reached. This recommendation remains open.</p> <p>The mission partially agreed with the recommendation. The mission agreed to recover the funds that were reportedly embezzled, but did not agree with the amount embezzled. The mission is currently reviewing documentation provided by IOM to determine the actual amount of funds misappropriated and will make a final determination on the allowability of the questioned costs and initiate recoupment of funds, as appropriate. The mission intends to communicate its determination to OIG by November 30, 2011. This recommendation remains open.</p> <p>The agreement officer is reviewing the documentation provided by IOM to determine the allowability of this cost. USAID/Afghanistan will initiate recovery action, as appropriate, through the issuance of a bill for collection. The mission intends to communicate its determination to OIG by November 30, 2011. This recommendation remains open.</p>

No.	Report Title	Report Date	Summary of Findings	Total # of Recommendations	Total # Closed	Open Recommendations	USAID Response
47	<p>Audit of USAID/Afghanistan's On-budget Funding Assistance to the Ministry of Public Health in Support of the Partnership Contracts for Health Services Program (F-306-11-004-P)</p>	29-Sep-11	<p>The Partnership Contracts for Health Services (PCH) program has contributed to the achievement of the MOPH health objectives. The majority of PCH health facilities visited were exceeding their patient capacity, demonstrating that communities, especially women and their children, were increasingly seeking out health services. PCH-funded physicians interviewed attributed accomplishments in the reduction of maternal and infant mortality in part to the PCH program's community outreach program. The health education provided by the outreach program in remote areas has been emphasizing the benefits of delivering babies at health facilities rather than at home, and as a result, physicians stated that the majority of women in their service areas are now delivering at the health clinics and hospitals. Auditors found that the process for completing the required Health Management Information System reports was inherently prone to errors because information was compiled manually on paper. Health facilities located in remote rural areas had no electricity and no computers. Workers at most (73 percent) of the health facilities visited did not double-check their figures before submitting the reports to MoPH. Having a second person double-check data is considered a best practice to minimize errors. According to USAID officials, these error and submission rates were comparable to world benchmarks in developing countries, where data quality is usually below 50 percent. Despite the limitations in data, HMIS provides useful data for monitoring trends and identifying gaps and improvements in service. Because MoPH's Afghanistan Mortality Survey 2010 is expected to provide current demographic health information, we did not make a recommendation regarding the lack of current population statistics, demographic information, or other national data to measure outcomes from the ministry's health-care activities.</p>	13	0	<p>(1) USAID/Afghanistan, in collaboration with the Ministry of Public Health, develop and implement a plan that improves the nongovernmental organization contractors' supervision, monitoring, and problem solving at their health facilities; and verifies the successful implementation of a reliable quality assurance mechanism by the nongovernmental organization contractors, including the establishment of quality assurance committees at each of the health facilities.</p> <p>(2) USAID/Afghanistan assist the Ministry of Public Health in establishing and implementing a plan to ensure that nongovernmental organization contractors are verifying that the requirement of second-person verification is being effectively implemented at health facilities.</p> <p>(3) USAID/Afghanistan, in collaboration with the Ministry of Public Health, develop a plan to (1) identify a pool of qualified civil service employees who would benefit from capacity building training in order to sustain the ministry's capacity for managing the PCH program and (2) provide the training.</p> <p>(4) USAID/Afghanistan work with the Ministry of Public Health and the Ministry of Finance to streamline the payment process to accelerate payments to nongovernmental organization contractors and health workers.</p> <p>(5) USAID/Afghanistan work with the Ministry of Public Health and the Ministry of Finance to (1) implement written policies and procedures that clearly define the roles, responsibilities, and approval authorities for the payment process and (2) provide further training on the advance/liquidation mode of payment process.</p> <p>(6) USAID/Afghanistan work with the Ministry of Public Health and the Ministry of Finance to implement procedures limiting the frequency of changes made to the payment process and providing sufficient notification and clear instructions to nongovernmental organization contractors on any changes.</p> <p>(7) USAID/Afghanistan review its internal administrative procedures, such as the processing of implementation letters, to ensure the smooth and timely flow of the payment process for on-budget assistance agreements.</p>	<p>USAID plans to work with Ministry of Public Health to develop and implement a plan that identifies which elements the nongovernmental organization contractors should address. USAID/Afghanistan will also work with the Ministry of Public Health to ensure that nongovernmental organizations' roles and responsibilities related to quality assurance are clearly defined and articulated and are in line with established guidance on quality assurance. The mission will also work to ensure that the Ministry of Public Health's monitoring plans cover quality assurance issues. The mission intends to implement this plan by February 29, 2012. This recommendation is open.</p> <p>The mission will work with the Ministry of Public Health to develop a plan to reinforce verification guidelines and to incorporate monitoring of implementation of the verification guidelines into the Ministry of Public Health's facility monitoring plan. The mission anticipates completion and implementation of the plan by March 31, 2012. Based on the proposed action, the mission has reached a management decision. This recommendation remains open.</p> <p>The mission anticipates working with the Ministry of Public Health to develop a plan to identify and assign civil-service counterparts for training by PCH long-term external advisers. The mission anticipates completing action on this recommendation by March 31, 2012. Based on the proposed action, a management decision has been reached. This recommendation remains open.</p> <p>Specifically, the mission will conduct an assessment of Ministry of Public Health systems, policies, and procedures and use the results of the assessment to streamline the payment process. The mission intends to complete this task by February 29, 2012. Based on the proposed actions, a management decision has been reached. This recommendation remains open.</p> <p>The mission agreed with these 2 points and anticipates completing this work by February 29, 2012. Based on the proposed actions, a management decision has been reached. This recommendation remains open.</p> <p>The Mission will draw on the results of the assessment in working with Ministry of Public Health and Ministry of Finance to implement policies and procedures regarding changes in the payment process and issuance of instructions on such changes. The mission intends to complete these tasks by February 29, 2012. Based on the proposed actions, a management decision has been reached. This recommendation remains open.</p> <p>The mission anticipates completing this review and modifying its procedures by February 29, 2012. Based on these proposed actions, a management decision has been reached. This recommendation remains open.</p>

No.	Report Title	Report Date	Summary of Findings	Total # of Recommendations	Total # Closed	Open Recommendations	USAID Response
47						(8) USAID/Afghanistan issue a mission order to provide an organizational framework with clearly defined roles and responsibilities of all mission offices responsible for managing on-budget assistance activities.	The mission intends to complete this task by February 29, 2012. Based on the proposed actions, a management decision has been reached. This recommendation remains open.
						(9) USAID/Afghanistan provide a formal designation letter similar to an officer's technical representative designation letter to staff members monitoring implementation of on-budget assistance agreements.	The mission will include a provision related to the designation of activity or project managers for government-to-government assistance mechanisms in its revised mission order referred to in Recommendation 8. The mission anticipates completing this mission order by February 29, 2012. Based on the proposed action, a management decision has been reached. This recommendation remains open.
						(10) USAID/Afghanistan work with the Ministry of Public Health to prepare a performance management plan for the Partnership Contracts for Health Services program.	Work is under way, with a target completion date of March 31, 2012. Based on the proposed action, a management decision has been reached. This recommendation remains open.
						(11) USAID/Afghanistan provide the Ministry of Public Health with clearly written definitions of Afghan Info performance indicators.	The mission will provide the Ministry of Public Health with a list of Afghan Info performance indicators and their associated definitions by February 29, 2012. A management decision has been reached based on this proposed action. This recommendation remains open.
						(12) USAID/Afghanistan implement procedures to review and verify the accuracy of data entered into Afghan Info and provide timely feedback to users.	The mission plans to provide PCH consultants with orientation to and training in utilizing the Afghan Info database, with a target completion date of February 29, 2012. However, while the training will address the needs of PCH, the mission's actions do not address the verification aspect of the recommendation. This recommendation remains open.
						(13) USAID/Afghanistan, in collaboration with the Ministry of Public Health, implement a plan to confirm and document accurate GPS coordinates for the ministry's health facilities.	The mission plans to request implementing partner assistance in updating GPS coordinates for health facilities and in developing a plan for completion of all GPS requirements. The plan is to be completed by February 29, 2012, and the updated GPS coordinates by March 31, 2012. Based on the proposed actions, a management decision has been reached. This recommendation remains open.
						Total Recommendations	223
						Total Closed Recommendations	171
	Performance Audits Issued	47					

Afghanistan Financial Audit Findings

No.	Audit Title	Report Number	Report Date	Total Costs Audited (\$)	Questioned Costs (\$)	Sustained Costs (\$)	Details for Questioned Costs over \$1 Million
1	Financial Audit of Local Costs Incurred by the Louis Berger Group, Inc. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from September 30, 2002, to June 30, 2003	5-306-04-001-N	23-Jan-2004	1,227,901	29,449	3,882	
2	Financial Audit of Local Costs Incurred by the Louis Berger Group, Inc. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from July 1, 2003, to September 30, 2003	5-306-04-003-N	26-Mar-2004	666,841	114,020	13,001	
3	Financial Audit of Local Costs Incurred by the Louis Berger Group, Inc. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from October 1, 2003, to December 31, 2003	5-306-04-004-N	17-May-2004	863,610	115,136	44,738	
4	Application of Agreed-Upon Procedures on Costs Incurred in the United States by the Louis Berger Group, Inc. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from September 30 2002, to June 30, 2003	5-306-04-002-D	17-May-2004	23,096,297	92,983	90,022	
5	Financial Audit of Local Costs Incurred by the Louis Berger Group, Inc. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from January 1, 2004, to March 31, 2004	5-306-04-005-N	9-Jul-2004	1,578,442	137,596	9,127	
6	Financial Audit of Local Costs Incurred by the Louis Berger Group, Inc. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from April 1, 2004, to June 30, 2004	5-306-04-006-N	23-Aug-2004	2,039,979	14,112	0	
7	Audit of Costs Incurred in the United States by The Louis Berger Group, Inc. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from July 1, 2003, to September 30, 2003	5-306-04-003-D	16-Sep-2004	40,486,450	109,186	91,678	
8	Financial Audit of Local Costs Incurred by the Louis Berger Group, Inc. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from July 1, 2004, to September 30, 2004	5-306-05-002-N	9-Dec-2004	1,539,697	3,056	779	
9	Financial Audit of Local Costs Incurred by the Louis Berger Group, Inc. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from October 1, 2004, to December 31, 2004	5-306-05-006-N	14-Mar-2005	1,525,711			

No.	Audit Title	Report Number	Report Date	Total Costs Audited (\$)	Questioned Costs (\$)	Sustained Costs (\$)	Details for Questioned Costs over \$1 Million
10	Audit of Costs Incurred in the United States by the Louis Berger Group, Inc. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from October 1, 2003, to June 30, 2004	5-306-05-006-D	19-Apr-2005	185,440,813	1,049,881	98,146	OIG questioned \$785,716 in costs that were claimed by Louis Berger but were ineligible on the basis of its contract with USAID. These costs related to direct labor, subcontractors, equipment and furniture, and consultants. Additionally, OIG questioned \$264,165 in costs that could not be supported by documentation.
11	Financial Audit of Local Costs Incurred by the Louis Berger Group, Inc. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from January 1, 2005, to March 31, 2005, including Contract Line Item No. 2 costs for the period from April 1, 2004, to June 30, 2004	5-306-05-008-N	30-Jun-2005	1,606,343			
12	Financial Audit of Local Costs Incurred by the Louis Berger Group, Inc. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from April 1, 2005 to June 30, 2005, including Contract Line Item No. 2 costs for the period from July 1, 2004 to June 30, 2005	5-306-05-009-N	29-Aug-2005	2,944,192			
13	Financial Audit of Local Costs Incurred by the Louis Berger Group, Inc. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from July 1, 2005, to September 30, 2005	5-306-06-002-N	8-Dec-2005	2,114,250			
14	Audit of Costs Incurred in the United States by the Louis Berger Group, Inc. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from July 1, 2004, to March 31, 2005	5-306-06-002-D	19-Dec-2005	125,286,559	348,122	3,399	
15	Financial Audit of Local Costs Incurred by the Louis Berger Group, Inc. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from October 1, 2005, to December 31, 2005	5-306-06-004-N	21-Mar-2006	2,144,967			
16	Financial Audit of Local Costs Incurred by the Louis Berger Group, Inc. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from January 1, 2006 to March 31, 2006	5-306-06-005-N	28-Jun-2006	3,097,361			
17	Audit of Costs Incurred in the United States by the Louis Berger Group, Inc. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from April 1, 2005, to December 31, 2005	5-306-06-003-D	2-Aug-2006	181,086,841	528,239	36,248	

No.	Audit Title	Report Number	Report Date	Total Costs Audited (\$)	Questioned Costs (\$)	Sustained Costs (\$)	Details for Questioned Costs over \$1 Million
18	Audit of Treatment of Specified Costs Incurred by Camp, Dresser & McKee Constructors, Inc. Under the Afghanistan Water and Sanitation Program, USAID/Afghanistan Contract No. 306-C-00-04-00568-00 for the Period from September 30, 2004, to February 25, 2006	5-306-06-004-D	10-Aug-2006	261,390	221,509	31,509	
19	Financial Audit of Local Costs incurred by the Louis Berger Group, Inc. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from April 1, 2006, to June 30, 2006	5-306-07-001-N	16-Oct-2006	2,121,214			
20	Financial Audit of Local Costs incurred by the Louis Berger Group, Inc. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-00500-00, for the Period from July 1, 2006, to September 30, 2006	5-306-07-004-N	11-Dec-2006	1,740,855			
21	Financial Audit of Local Costs incurred by the Louis Berger Group, Inc. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from October 1, 2006, to December 31, 2006	5-306-07-006-N	18-Apr-2007	1,488,612			
22	Audit of Costs Incurred in the United States by the Louis Berger Group, Inc. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from January 1, 2006, to June 30, 2006	5-306-07-002-D	25-May-2007	53,702,753	581,418	124,108	
23	Financial Audit of Local Costs incurred by the Louis Berger Group, Inc. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from January 1, 2007, to March 31, 2007	5-306-07-008-N	27-Jun-2007	1,299,053			
24	Financial Audit of Local Costs incurred by the Louis Berger Group, Inc. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from April 1, 2007, to June 30, 2007	5-306-08-001-N	27-Nov-2007	1,262,209			
25	Closeout Audit of the Project Titled "Business Advisory Services to Small and Medium-Sized Enterprises (SMEs) in Afghanistan," USAID/Afghanistan Cooperative Agreement No. 306-A-00-04-00570-00, Managed by Acap Management Limited , for the Period from September 30, 2004, to March 29, 2007	5-306-08-019-R	25-Apr-2008	925,459	695,374	695,374	

No.	Audit Title	Report Number	Report Date	Total Costs Audited (\$)	Questioned Costs (\$)	Sustained Costs (\$)	Details for Questioned Costs over \$1 Million
26	Audit of Costs Incurred in the United States by the Louis Berger Group, Inc. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from July 1, 2006, to December 31, 2006	5-306-08-003-D	16-May-2008	39,274,703	846,872	51,014	
27	Audit of Costs Incurred in the United States by The Louis Berger Group, Inc. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from January 1, 2007, to May 31, 2008; Audit Report No. 5-306-09-001-D	5-306-09-001-D	18-Jun-2009	18,579,476	3,142,521	264,651	Questioned costs related to overcharges on the contract, charges incurred that were inconsistent with the dates of activity in the contract, charges not approved by USAID, and a lack of purchase orders and invoices.
28	Financial Audit of Local Costs Incurred by the Joint Venture Louis Berger Group, Inc./Black & Veatch Special Projects Corp. to Implement the Afghanistan Infrastructure Rehabilitation Program, USAID/Afghanistan Contract No. 306-I-00-06-00517-00, for the Period from August 25, 2006, to September 30, 2007	5-306-09-005-N	25-Jun-2009	2,268,126	267,556	254,526	
29	Audit of Costs Incurred and Billed by BearingPoint, Inc. , USAID/Afghanistan Contract No. 306-C-00-03-00001-00, for the Period from November 1, 2002 to December 15, 2005	5-306-09-002-D	19-Aug-2009	95,817,000	95,817,000	95,817,000	DCAA reported that it had continuous problems in obtaining the required information from BearingPoint in order to render an opinion on the reliability of BearingPoint's accounting systems. BearingPoint had made several manual adjustments that could not be explained and billed USAID for costs that did not reconcile with its computerized systems.
30	Financial Audit of the Program "Regenerating Murad Khane, Restoring, Refurbishing and Revitalizing the Old City," USAID/Afghanistan Cooperative Agreement No. 306-A-00-09-00503-00, Managed by the Turquoise Mountain Trust (TMT) , for the Period from November 2, 2008 to December 31, 2008	5-306-09-021-R	29-Sep-2009	421,310	17,781	17,781	
31	Financial Audit of Local Costs Incurred by the Joint Venture Louis Berger Group, Inc./Black & Veatch Special Projects Corp. to Implement the Afghanistan Infrastructure Rehabilitation Program, USAID/Afghanistan Contract No. 306-I-00-06-00517-00, for the Period from October 1, 2007 to September 30, 2008	5-306-10-002-N	25-Feb-2010	5,594,190	46,912	4,200	

No.	Audit Title	Report Number	Report Date	Total Costs Audited (\$)	Questioned Costs (\$)	Sustained Costs (\$)	Details for Questioned Costs over \$1 Million
32	Financial Audit of the Afghanistan First Loss Reserve Fund, USAID/Afghanistan Cooperative Agreement No. 306-A-00-05-00512-00, Managed by the Deutsche Investitions- und Entwicklungsgesellschaft mbh (DEG) , for the Period from February 4, 2005 to December 31, 2008	5-306-10-001-D	30-Mar-2010	1,281,561	56,974	1,952	
33	Quality Control Review of the Financial Audit Conducted by KPMG Afghanistan Limited of the Local Costs Incurred by the Joint Venture Louis Berger Group, Inc./Black & Veatch Special Projects Corp. (LBG/B&V) to Implement the Afghanistan Infrastructure Rehabilitation Program (AIRP), USAID/Afghanistan Contract No. 306-I-00-06-00517-00, for the Period from October 1, 2007 to September 30, 2008	5-306-10-001-Q	18-May-2010	0			
34	Financial Audit of Cost Incurred and Billed for the Project "Human and Institutional Capacity Building for Afghanistan Energy and Natural Resources Sector" (Task Order No. DOT-I-04-04-00022-00), USAID/Afghanistan Cooperative Agreement No. 306-P-00-10-00514-00, Managed by the Advanced Engineering Associates International (AEAI) , for the Period from July 3, 2008 to June 30, 2009	5-306-10-002-D	28-Sep-2010	3,523,452	12,115	12,115	
35	Financial Audit of the Program " Regenerating Murad Khane, Restoring Refurbishing and Revitalizing the Old City, " USAID/Afghanistan Cooperative Agreement No. 306-A-09-00503-00, Managed by the Turquoise Mountain Trust (TMT) , for the Period from January 1, 2009 to December 31, 2009	F-306-11-001-R	26-Oct-2010	2,501,824			
36	Financial Audit of Local Costs Incurred by the Joint Venture Louis Berger Group, Inc./Black & Veatch Special Projects Corp. to Implement the Afghanistan Infrastructure Rehabilitation Program, USAID/Afghanistan Contract No. 306-I-00-06-00517-00, for the Period from October 1, 2008 to September 30, 2009	5-306-11-002-N	16-Nov-2010	10,773,130	2,097,429	1,915,451	
37	Financial Audit of Program " Fiduciary Support to the American University of Afghanistan (AUAF) " Subgrant Under the Asia Foundation Award No. 306-G-00-05-00525-00 and " The USAID Direct Support to AUAF " Cooperative Agreement No. 306-A-00-08-00525-00 for the period from July 1, 2008 to June 30, 2009	F-306-11-002-R	20-Dec-2010	9,539,090	685,643	116,273	

No.	Audit Title	Report Number	Report Date	Total Costs Audited (\$)	Questioned Costs (\$)	Sustained Costs (\$)	Details for Questioned Costs over \$1 Million
38	Financial Audit of the Program "Civilian Technical Assistance Program (CTAP)" USAID/Afghanistan Grant Agreement No. 306-09-CTAP-0001, Managed by the Ministry of Finance , for the Period from September 30, 2009, to September 30, 2010	F-306-11-001-N	21-Jul-2011	5,500,000	2,045		
39	Audit Report of Technologist Inc. Costs Incurred/Billed under USAID Task Order No. 306-O-00-04-00539-00, for Afghanistan Industrial Estate Development Program for the Period from May 24, 2004, through December 31, 2007	F-306-11-001-D	23-Aug-2011	21,463,590	6,563,050		
40	Financial Audit of the Project " Policy Capacity Initiative Activity (PCIA) " USAID/Afghanistan Grant Agreement No. 306-IL-09-12-0004.00, Managed by the Ministry of Communication and Information Technology , for the Period from Program Inception April 09, 2009, through September 30, 2010	F-306-11-003-N	29-Sep-2011	450,138	118,478		
40	Financial Audits Issued			\$856,535,389	\$113,714,457	\$99,696,974	
	Percentage of Costs Audited				13.28%	11.64%	

Alpha designation in report number

N = Nonfederal audit

D = Defense Contract Audit Agency Audit

R = Recipient-contracted Audit

Q= Quality control review

Planned Performance Audits of USAID/Afghanistan-Funded Activities Fiscal Year 2012

Audit of USAID/Afghanistan Design for Sustainability in the Education Program

Improving access to quality education within Afghanistan remains a priority for USAID/Afghanistan. Since 2002, USAID/Afghanistan has disbursed approximately \$414 million to expand access to basic education—primarily in grades one through six—by training teachers, constructing and rehabilitating schools, supporting community-based education, and implementing accelerated learning programs to those who missed the opportunity to attend school due to decades of war and to girls and women who were denied education under Taliban rule.

The concept of sustainability or the continued benefits of foreign development assistance is embodied in the Foreign Assistance Act and in USAID policy. This audit will determine whether USAID/Afghanistan has built sustainability into selected education programs.

Status: Planned.

Audit of USAID/Afghanistan’s Performance-Based Governors’ Fund

The performance of provincial governments’ in delivering services and responding to the needs of its constituencies is a critical factor in public perception of the legitimacy of the state and public confidence in the Afghan Government’s reform process. In October 2009, USAID/Afghanistan awarded The Asia Foundation a \$13 million cooperative agreement, subsequently increased to \$16 million, to implement the Performance-Based Governors’ Fund through May 2011. USAID/Afghanistan intends to add an additional \$75 million and extend the period of performance an additional 18 months. As of March 31, 2011, USAID/Afghanistan has obligated \$16 million and disbursed \$13 million for program activities.

This audit will determine if the Performance-Based Governors’ Fund is meeting its primary goal of providing financial and technical assistance to Governors and their teams so that they are better able to meet community outreach needs, enhance their relationships with citizens, and improve their overall management capacity.

Status: Planned.

Audit of Gender-Related Activities in Selected USAID/Afghanistan Programs

Afghanistan is a diverse but traditional society where opportunities for women are limited by poverty, low levels of literacy and education, conservative ideologies, and traditional forms of social and political organization. USAID/Afghanistan plays a leading role in implementing the U.S. Government’s civilian strategy for assistance to women in Afghanistan in the areas of (1) health, (2)

education, and (3) economic development, and it plays a supporting role in implementing the strategy in the areas of (4) security and access to justice and (5) political empowerment.

This audit will determine:

- How gender issues have been considered in designing, implementing, and measuring the performance of selected USAID/Afghanistan programs.
- What impacts these programs have had on the health and educational status, economic development, and political empowerment of Afghan women and girls.

Status: Planned.

Audit of USAID/Afghanistan's Management Controls for Efficiently Managing Program Operations

Efficiency is an important U.S. Government objective, as reflected in the Government Performance and Results Act, OMB Circular A-11, and the Federal Acquisition Regulation.

This audit will determine whether (1) USAID/Afghanistan has established performance indicators for efficiency of program operations and used these indicators to manage its programs and (2) USAID/Afghanistan's monitoring of its cost-reimbursement contracts provides reasonable assurance that efficient methods and effective cost controls are used.

Status: Planned.

Review of USAID/Afghanistan Payroll Internal Controls

USAID/Afghanistan has 433 employees, and its estimated annual payroll is \$76 million. There are concerns over the approval and certification of overtime charges and timeliness over the payment of certain benefits. This review will determine if USAID/Afghanistan has sufficient internal controls in place to properly approve time charges and pay employees on time.

Status: Planned.

Audit of USAID/Afghanistan's Transition Plans

The Government of Afghanistan depends on international forces to provide security and other basic services to its citizens. However, fiscal pressures in the United States and other NATO countries have helped focus attention on the need for the Government of Afghanistan to assume responsibility for provision of basic services within the next 3 years.

NATO plans to transfer lead security responsibility for all provinces to the Government of Afghanistan by the end of 2014. At that time, assistance levels are expected to fall significantly.

This audit will determine if USAID/Afghanistan (1) has developed measurable performance targets to be achieved by USAID programs by 2014 and (2) assessed the capability of the Government of Afghanistan to sustain program accomplishments after 2014.

Status: Planned.

Audit of USAID/Afghanistan's Regional Afghan Municipalities Program for Urban Population (RAMP UP) – East

The governance structure in Afghanistan is highly centralized and sub-national governance institutions, particularly at the municipal level, lack clarity on their roles and functions and are often nonresponsive to community needs. Development Alternatives Inc. implements the Regional Afghan Municipalities Program for Urban Population—East through a \$52 million contract.

This audit will determine whether the Regional Afghan Municipalities Program for Urban Population—East program is achieving its main goal of creating effective, responsive, democratic, transparent, accountable, municipal governance in the eastern provinces by increasing the capacity of the Afghanistan municipal officials to enable, support, and sustain economic growth.

Status: Planned.

Audit of the Sustainability of USAID/Afghanistan's Office of Infrastructure, Engineering, and Energy Programs

Afghanistan's physical infrastructure reflects the effects of 30 years of war and the country's poverty. Since February 2004, USAID/Afghanistan has committed \$2.6 billion to infrastructure programs. USAID/Afghanistan has 21 active infrastructure awards totaling \$1.2 billion and has completed another 28 programs totaling \$1.4 billion. Sustainability of these infrastructure programs is of great concern because the Afghan government is heavily dependent on foreign donors: 41 percent of the Afghan Government's operating budget and 100 percent of the development budget comes from foreign donors.

The audit will determine if roads, vertical structures, and water projects turned over to the Government of Afghanistan are being maintained and used for their intended purposes and if the Afghan Government earns enough revenue to maintain this infrastructure.

Status: Planned.

Review of USAID/Afghanistan's Contracts and Cooperative Agreements

USAID/Afghanistan manages the largest program in USAID's 50-year history, with an FY 2011 budget of \$2.1 billion. The mission manages one of the most complex development portfolios in one of the most demanding environments in the world; a portfolio which includes a broad range of programs in infrastructure, education, health, capacity building, agriculture, economic growth, democracy and governance, and the empowerment of women. Since USAID/Afghanistan opened, it has issued approximately 291 awards totaling approximately \$11.7 billion.

This review will determine if USAID/Afghanistan's open contracts and cooperative agreements contain required clauses and if waivers were obtained for non-competitive awards.

Status: Planned.

Audit of USAID/Afghanistan's Kandahar Power Initiative

USAID/Afghanistan awarded Black & Veatch Special Projects Corporation a \$266 million contract to implement the Kandahar Power Initiative from December 4, 2010 to September 30, 2013. As of March 31, 2011 USAID/Afghanistan has obligated \$20 million and disbursed \$1 million. The program contains components for upgrading transmission systems, rebuilding electrical substations, providing additional diesel generators, and installation of a third turbine at the Kajaki Hydro Power Plant.

This audit will determine if the Kandahar Power Initiative is meeting its main goal of increasing the supply and distribution of electrical power from Afghanistan's South East Power System with particular emphasis given to the City of Kandahar in support of the U.S. Government's counterinsurgency strategy.

Status: Planned.

Audit of the Financial Sustainability of USAID/Afghanistan's Energy Sector Programs

Since 2004, the mission has committed approximately \$1 billion to help reconstruct Afghanistan's energy sector. USAID/Afghanistan has 12 active energy sector awards totaling \$489 million and has completed another 17 programs totaling \$569 million. Programs implemented by USAID/Afghanistan cover construction of new power plants and substations; refurbishment of existing hydro electric power plants; upgrading or installing new transmission lines; providing operations and maintenance support of diesel generators; installation of alternative sources of power such as solar, wind and micro hydro; and assistance in commercializing the energy sector. In addition, USAID/Afghanistan has purchased \$121 million in fuel to operate diesel generators. Last year, 41 percent of the Afghan Government's operating budget came from foreign donors, indicating a potential that facilities turned over to the Afghan Government may not be sustainable.

The audit will determine if the Government of Afghanistan earns enough revenue to operate and maintain its electrical infrastructure, including the infrastructure financed by USAID/Afghanistan.

Status: Planned.

Audit of USAID/Afghanistan's Approaches to Providing Technical Assistance to the Government of Afghanistan

USAID/Afghanistan provides technical assistance to the Government of Afghanistan through at least four different mechanisms: advisors embedded in host government ministries, institutional contractors, grants, and the Civilian Technical Assistance Program administered by the World Bank.

This audit will determine (1) the advantages and disadvantages of the different approaches that USAID/Afghanistan uses to provide technical assistance to the Government of Afghanistan and examine (2) how USAID/Afghanistan decides which technical assistance approach to use.

Status: Planned.

Review of USAID/Afghanistan's Use of Third Country National Employees

Third-country national employees are normally used when qualified persons are not available in the host country; limitation of time or other conditions prevent the training of persons in the host country for the job; or it is determined that program efficiency and policy objectives can be achieved only by using third-country nationals as a temporary substitute for available, eligible and qualified U.S. citizens and persons from the host country. In all cases, the establishment of a third-country national position should be temporary in nature. In FY 2011 the mission had 14 third-country national employees with an estimated annual payroll of \$1.7 million.

This audit will determine if USAID/Afghanistan is efficiently using third-country national employees appropriately while training Afghan staff to assume their responsibilities.

Status: Planned.

Audit of Field Staff Monitoring of USAID/Afghanistan Programs

As of October 16, 2010, USAID/Afghanistan had 120 field-based staff. USAID/Afghanistan issued Mission Order 103.2 on September 22, 2010, to formalize the responsibilities of its field staff.

This review will determine if (1) USAID/Afghanistan is hiring qualified and experienced individuals to serve in the field in support of its mission in Afghanistan and (2) field staff are monitoring USAID programs in accordance with Mission Order 103.2 and other applicable criteria.

Status: Planned.

Follow-up Audit on Selected OIG Recommendations to USAID/Afghanistan

In USAID, recommendation follow-up is a shared responsibility between the OIG and other agency components. In particular, per Automated Directives System 595.3.1.6, audit action officers request determinations of final action from the Bureau of Management/Chief Financial Officer/Audit, Performance, & Compliance, and the bureau decides if final action has been taken on audit recommendations. As of the end of the third quarter of fiscal year 2011, the OIG had made 203 audit recommendations concerning programs in Afghanistan, and the majority of them have determinations of final action. The recommendations included \$105.2 million in questioned costs.

This audit will determine if USAID/Afghanistan's actions on selected OIG recommendations corrected the problems that led to the original recommendations.

Status: Planned.

Afghanistan Performance Audits

Fiscal Year 2011

Audit of USAID/Afghanistan's On-Budget Funding Assistance to the Ministry of Public Health in Support of the Partnership Contracts for Health Services Program (F-306-11-003-P)

Date:	September 29, 2011
Implementing Partner:	Government of the Islamic Republic of Afghanistan (Ministry of Public Health (MoPH))
Audit Period:	April 17 through June 30, 2011
Funding:	As of May 31, 2011, USAID had obligated \$56 million, disbursed \$47 million, and advanced \$3 million for the PCH program.

Background—Summary of Findings

In 2008, USAID signed an implementation letter with the Government of the Islamic Republic of Afghanistan to provide the mission's first core-budget funding assistance to the Ministry of Public Health (MoPH) in support of the Partnership Contracts for Health Services (PCH) Program. Under this program, the mission planned to provide MoPH with up to \$236 million in budget assistance over 5 years to support the delivery of standardized health services in more than a dozen target provinces. In 2009, MoPH awarded \$80 million in contracts to ten nongovernmental organizations (NGOs). These NGOs were responsible for providing standardized health services in more than 500 health facilities and 5,500 health posts throughout the target provinces.

OIG's audit found that sustainability of the program was a concern. The government's extremely low contribution to healthcare raises questions about the long-term viability of health services. With shrinking donor support in the foreseeable future, the Afghan Government's ability to increase healthcare coverage to 90 percent of the population

appears unlikely, while its ability to sustain the current level of coverage remains uncertain. Unless the Afghan government is able to generate sufficient revenue to cover its healthcare costs, the health sector's dependency on donor support will continue.

Although the program has contributed to increasing access and use of health services, OIG noted deficiencies in quality at all health facilities visited. Doctors and staff at several facilities complained that the volume of patients was up to double their capacity to handle. Patients would sometimes have to wait up to 5 hours before receiving medical services, and others would go home without receiving treatment. Some of the health facilities had old equipment that needed repair or replacement. One health facility had a newly donated anesthesia machine, but the responsible NGO ignored repeated staff requests for training on the equipment. Several of the buildings were in poor condition, requiring repairs, renovation, and painting.

Program management also needs to be tightened. Confusion over who responds to MoPH's technical inquiries has led to delayed responses or inadequate feedback from USAID. In addition, the mission has limited experience in managing on-budget assistance activities. In fact, when trying to resolve the problem of consistently late payments to the NGOs, Ministry and USAID staff had difficulty explaining the lengthy and

complicated process, and OIG could not find anyone who could explain the process from start to finish. Staff attempted to explain the process within their own areas of responsibility, but they contradicted one another, and most were not sure what happened outside of their own areas.

Recommendations—Management Decisions

The audit report made 13 recommendations:

1. In collaboration with MoPH, develop and implement a plan that (1) improves the NGO contractors' supervision, monitoring, and problem solving at their health facilities; and (2) verifies the successful implementation of a reliable quality assurance mechanism by the NGO contractors, including the establishment of quality assurance committees at each of the health facilities.

USAID plans to work with Ministry of Public Health to develop and implement a plan that identifies which elements the nongovernmental organization contractors should address. USAID/Afghanistan will also work with the Ministry of Public Health to ensure that nongovernmental organizations' roles and responsibilities related to quality assurance are clearly defined and articulated and are in line with established guidance on quality assurance. The mission will also work to ensure that the Ministry of Public Health's monitoring plans cover quality assurance issues. The mission intends to implement this plan by February 29, 2012. This recommendation remains open.

2. Assist MoPH in establishing and implementing a plan to ensure that NGO contractors are verifying that the requirement of second-person verification is being effectively implemented at health facilities.

The mission agreed with the recommendation. The mission will work with the Ministry of Public Health to develop a plan to reinforce verification guidelines and to incorporate monitoring of implementation of the verification guidelines into the Ministry of Public Health's facility monitoring plan. The mission anticipates completion and implementation of the plan by March 31, 2012. Based on the proposed action, the mission has reached a management decision. This recommendation remains open.

3. In collaboration with MoPH, develop a plan to (1) identify a pool of qualified civil service employees who would benefit from capacity building training in order to sustain the ministry's capacity for managing the PCH program and (2) provide the training.

The mission agreed with the recommendation. The mission anticipates working with the Ministry of Public Health to develop a plan to identify and assign civil-service counterparts for training by PCH long-term external advisers. The mission anticipates completing action on this recommendation by

March 31, 2012. Based on the proposed action, a management decision has been reached. This recommendation remains open.

4. Work with MoPH and the Ministry of Finance (MoF) to streamline the payment process to accelerate payments to NGO contractors and health workers.

The mission agreed with the recommendation. Specifically, the mission will conduct an assessment of Ministry of Public Health systems, policies, and procedures and use the results of the assessment to streamline the payment process. The mission intends to complete this task by February 29, 2012. Based on the proposed actions, a management decision has been reached. This recommendation remains open.

5. Work with MoPH and MoF to (1) implement written policies and procedures that clearly define the roles, responsibilities, and approval authorities for the payment process; and (2) provide them with further training on the advance/liquidation mode of payment.

The mission plans to work with the Ministry of Public Health and the Ministry of Finance to implement written policies and procedures covering the payment process. USAID/Afghanistan also plans to provide further training to ministry staff on the advance/liquidation mode of payment. The mission anticipates completing this work by February 29, 2012. Based on the proposed actions, a management decision has been reached. This recommendation remains open.

6. Work with MoPH and MoF to implement procedures limiting the frequency of changes made to the payment process and providing sufficient notification and clear instructions to NGO contractors on any changes.

As mentioned in the response to Recommendation 4, the mission will conduct an assessment of Ministry of Public Health systems, policies, and procedures. The Mission will draw on the results of the assessment in working with Ministry of Public Health and Ministry of Finance to implement policies and procedures regarding changes in the payment process and issuance of instructions on such changes. The mission intends to complete these tasks by February 29, 2012. Based on the proposed actions, a management decision has been reached. This recommendation remains open.

7. Review its internal administrative procedures, such as the processing of implementation letters, to ensure the smooth and timely flow of the payment process for on-budget assistance agreements.

The mission agreed with the recommendation. The mission anticipates completing this review and modifying its procedures by February 29, 2012. Based on these proposed actions, a management decision has been reached. This recommendation remains open.

8. Issue a mission order to provide an organizational framework with clearly defined roles and responsibilities of all mission offices responsible for managing on-budget assistance activities.

The mission agreed with the recommendation. The mission intends to complete this task by February 29, 2012. Based on the proposed actions, a management decision has been reached. This recommendation remains open.

9. Provide a formal designation letter similar to the designation letter for an agreement officer's technical representative (AOTR) to staff monitoring implementation of on-budget assistance agreements.

The mission will include a provision related to the designation of activity or project managers for government-to-government assistance mechanisms in its revised mission order referred to in Recommendation 8. The mission anticipates completing this mission order by February 29, 2012. Based on the proposed action, a management decision has been reached. This recommendation remains open.

10. Work with MoPH to prepare a performance management plan for the PCH program.

The mission agreed with Recommendation 10. Work is under way, with a target completion date of March 31, 2012. Based on the proposed action, a management decision has been reached. This recommendation remains open.

11. Provide MoPH with clearly written definitions of Afghan Info performance indicators.

The mission will provide the Ministry of Public Health with a list of Afghan Info performance indicators and their associated definitions by February 29, 2012. A management decision has been reached based on this proposed action. This recommendation remains open.

12. Implement procedures to review and verify the accuracy of data entered into Afghan Info and provide timely feedback to users.

The mission plans to provide PCH consultants with orientation to and training in utilizing the Afghan Info database, with a target completion date of February 29, 2012. However, while the training will address the needs of PCH, the mission's actions do not address the verification aspect of the recommendation. This recommendation remains open.

13. In collaboration with MoPH, implement a plan to confirm and document accurate global positioning system (GPS) coordinates for the ministry's health facilities.

The mission plans to request implementing partner assistance in updating GPS coordinates for health facilities and in developing a plan for completion of all GPS requirements. The plan is to be completed by February 29, 2012, and the updated GPS coordinates by March 31, 2012. Based on the proposed actions, a management decision has been reached. This recommendation remains open.

Review of USAID/Afghanistan's Afghanistan Civilian Assistance Program (F-306-11-005-S)

Date: August 31, 2011

Implementing Partner: International Organization for Migration (IOM)

Audit Period: March 31, 2011, through June 16, 2011

Funding: As of March 2, 2011, according to USAID/Afghanistan records, \$54 million had been obligated and \$52 million spent under the program.

Background—Summary of Findings

The Afghan Civilian Assistance Program was designed to assist Afghan families and communities that have suffered losses as a result of military operations against insurgents and the Taliban. The program is implemented through a \$76 million, 4½-year cooperative agreement with the International Organization for Migration (IOM). Beneficiaries under the program are generally given in-kind assistance, often in the form of kits that include food, household items, school supplies, or tools and equipment for agriculture or small business activities.

IOM did not properly manage commodities under the program. Inventory records revealed large quantities of flour, beans, rice, tomato sauce, and cooking oil that had expired were found, some with dates as far back as 2004. Rats had gnawed open dozens of food bags, and auditors noted feces inside and around the bags. Further, expired and

contaminated food items were not segregated from food that was fit for use. Other items such as wheelbarrows and shovels were stored in disorganized piles or even kept outside.

In addition to problems with commodities, there were also difficulties with verifying beneficiaries. A report commissioned by IOM to confirm assistance concluded that at least 34 percent of the beneficiaries in two districts could not be verified, most likely because of fraud. Moreover, the report's authors believed that program personnel were actively working to undermine the results of their investigation. Additionally, other funds were misspent when IOM used more than \$3.6 million in program funds to purchase cars for beneficiaries without USAID's approval. Furthermore, OIG determined that \$180,000 embezzled by field staff had not been properly reimbursed to USAID.

Recommendations—Management Decisions

The audit report made seven recommendations:

1. Instruct IOM to (1) dispose appropriately of food in its warehouses that is no longer fit for human consumption, (2) clean and sanitize all of its warehouses, and (3) place the

warehouses under an appropriate management regime including staffing and supervision by qualified personnel, adequate sanitation and storage practices, and adequate record keeping.

Specifically, the mission has instructed IOM to clean the warehouses and dispose of expired food items. As a result, IOM disposed of expired food items and implemented just-in-time delivery of food items to warehouses for distribution to beneficiaries. Under this system, food items spend a minimal amount of time in warehouses. IOM now orders kits to respond to confirmed beneficiary demand rather than for bulk storage. Finally, IOM has implemented written warehouse procedures for proper management of its warehouses. Based on these actions, final action has been taken. This recommendation is closed.

2. Recover from IOM the cost of stored food that is no longer fit for human consumption, which we estimate at up to \$2,660,924.

The mission agreed with Recommendation 2. The mission intends to issue a bill of collection to recoup the costs. The mission's review of the list also revealed items purchased from a prohibited source. The mission intends to perform a financial audit of the program, which will also include a review of items purchased from prohibited sources. This recommendation remains open.

3. Recover from IOM the \$740,331 cost of Purchase Order 12, which was not needed to carry out program operations.

The mission disagreed with Recommendation 3. According to the mission, the program was distributing assistance kits aggressively from February through July 2011 and, without the additional inventory on hand; the program might not have been able to assist all beneficiaries without interruption. The mission stated that IOM did not base its decision to award the purchase order on "a numerical analysis of beneficiary demand, but, rather, on the potential refusal of the current vendor, Uranus [Trading and Logistics Company], to guarantee future kit procurements." Such refusal, the mission stated, potentially would have left the program without a kit supplier and resulted in kit shortages and suspension of deliveries to beneficiaries. Finally, the mission indicated that all the kits from Uranus Trading and Logistics Company ultimately were distributed to beneficiaries.

We disagree with the mission's analysis. As detailed in the audit finding, IOM had inventory records supporting 4,821 kits stored at Uranus Trading and Logistics Company, and that total did not include kits stored in IOM warehouses, for which no inventory records were available. This order added 3,000 kits, which Uranus Trading and Logistics Company had to have stored.

Furthermore, testimonial evidence provided by a program official indicates that IOM management was aware that Purchase Order 12 was not needed before it was placed. In addition, given the inability of IOM to store these kits properly and the volume of kits available at the time the order was placed, Purchase Order 12 appears unreasonable. In terms of the Uranus Trading and Logistics Company's refusing future deliveries, the mission and IOM provided no evidence to substantiate this potentiality. Finally, no documentation was provided showing the distribution of all the Uranus Trading and Logistics Company kits during the audit or as part of the management response. Given the lack of inventory records available during the audit, it is incumbent on the mission to verify that there are supporting inventory records or other corroborating evidence that these kits were indeed distributed to legitimate recipients that were properly vetted through the ACAP grant approval

process.. Therefore, a management decision has not been reached, and we still recommend that the agreement officer determine the allowability of the kits purchased under Purchase Order 12. This recommendation remains open.

4. Determine the allowability of and recover, as appropriate, the \$1,360,800 in shelter assistance grants in Helmand Province that could not be verified.

The mission asked IOM for a summary of the assessment done by SHAL, a nongovernmental organization contracted by IOM, which will identify which individuals not entitled to assistance received commodities or cash. IOM is expected to forward the summary report by mid-September 2011. The mission will then review the report, and the agreement officer will make a final determination on the allowability of the questioned costs and initiate recoupment of funds, as appropriate. The mission intends to communicate its determination to OIG by November 30, 2011. This recommendation remains open.

5. Arrange for a financial audit of the Afghan Civilian Assistance Program to help ensure that the costs charged to USAID are reasonable, allowable, and allocable.

The mission agreed with the recommendation, and included in its audit management plan a financial audit to begin on or about September 15, 2011. The mission's target completion date for the audit is January 31, 2012. On the basis of this information, a management decision has been reached. This recommendation remains open.

6. Perform an environmental assessment for the program and implement any corrective actions that may be required.

The mission partially agreed with the recommendation, that it determine the allowability of and recover, as appropriate, \$180,000 that was reportedly embezzled from the program. The mission agreed to recover the funds that were reportedly embezzled, but did not agree with the amount embezzled. The mission is currently reviewing documentation provided by IOM to determine the actual amount of funds misappropriated and will make a final determination on the allowability of the questioned costs and initiate recoupment of funds, as appropriate. The mission intends to communicate its determination to OIG by November 30, 2011. This recommendation remains open.

7. Perform an environmental assessment for the program and implement any corrective actions that may be required.

The mission agreed with the recommendation, that it determine the allowability of and recover, as appropriate, the \$3,437,000 for the purchase of used vehicles. The agreement officer is reviewing the documentation provided by IOM to determine the allowability of this cost. USAID/Afghanistan will initiate recovery action, as appropriate, through the issuance of a bill for collection. The mission intends to communicate its determination to OIG by November 30, 2011. This recommendation remains open.

Audit of USAID/Afghanistan’s Support to The Electoral Process (STEP) and Support for Increased Electoral Participation in Afghanistan (IEP) Programs (F-306-11-003-P)

Date: June 19, 2011

Implementing Partner: International Foundation for Electoral Systems (IFES), the Consortium for Election and Political Process Strengthening (CEPPS)

Audit Period: December 9, 2010, to March 14, 2011

Funding: As of December 31, 2010, USAID had obligated approximately \$124.5 million and expended approximately \$98.9 million.

Background—Summary of Findings

To help strengthen Afghanistan’s electoral system, USAID/Afghanistan has provided assistance through the Support to the Electoral Process (STEP) Program implemented under a contract with the International Foundation for Electoral Systems (IFES), and the Increased Electoral Participation in Afghanistan (IEP) Program implemented through a cooperative agreement with the Consortium for Election and Political Process Strengthening (CEPPS).

The STEP program has achieved many short term objectives—in particular, those dealing with civic education and outreach, training, and staffing of the Independent Election Commission (IEC) and the Electoral Complaints Commission (ECC).

The program has helped to increase the capacity of both commissions to administer elections and has contributed to the credibility of elections themselves. The IEP program has also performed well, training tens of thousands of Afghans who participated in elections as political party or coalition members and election observers. Furthermore, IEP implemented civil and

voter education programs that reached hundreds of thousands of people.

Despite these accomplishments, however, no persuasive evidence exists that these short-term results have produced increased citizen awareness of the electoral process or a stronger democratic political party system. In fact, auditors reported on a number of longer-term issues that need to be addressed to better ensure credible elections, including legal reforms to protect the independence of the IEC and ECC, reform of the “single nontransferable vote” system of representation in favor of a system in which votes and electoral results have a more predictable and proportional relationship, actions to make Afghanistan’s electoral system more sustainable, and a more reliable voter registry.

Moreover, costs could have been reduced by consolidating consortium expenses. Specifically, each consortium participant had its own Kabul-based home office, living quarters, and support functions such as security, human resources, and information technology. Combining these costs would have saved the mission a combined 15

percent to 20 percent, or \$6 million to \$8 million.

Recommendations—Management Decisions

The audit report made 9 recommendations:

1. Undertake a technical evaluation of the effectiveness of voter education and civic education efforts it has supported.

The mission agreed and is working with implementing partners to develop a national survey that includes questions that focus on voter awareness and participation. These questions will gauge the effectiveness of USAID-supported voter and civic education. In addition to the survey instrument, the mission will conduct an election program evaluation in June and July 2011. This evaluation will examine the effectiveness of USAID's support to the election process and will include a review of the civic and voter education initiatives. The mission noted that it will be challenging to solicit meaningful data on the effectiveness of civic and voter education initiatives during a non-election period. These actions will be completed by October 31, 2011. This recommendation remains open.

2. Prepare a more formal project design document for the follow-on program after the STEP program ends in June 2011 that explicitly identifies the critical assumptions underlying the program design.

The mission plans to incorporate national perspectives into the design of its future elections support programs by engaging with the GIRoA and IEC counterparts. The mission also plans to invite independent technical elections specialists to conduct strategic reviews of the elections portfolio. These actions will be completed by September 30, 2011. This recommendation remains open.

3. Develop detailed plans for addressing long-term legal reform, financial and constitutional arrangements for elections, and voter registration issues in conjunction with the Government of Afghanistan, other local stakeholders, and international donors.

The mission has outlined a series of activities undertaken and others planned to address the legal reform, financial and constitutional arrangements for elections and voter registration. However, the mission did not provide a date to complete plans for addressing needed legal reforms, financial and constitutional arrangements for elections, and voter registration issues discussed in the finding because discussions on these issues are on-going. This recommendation remains open.

4. Complete all required contractor performance reviews of IFES under the STEP contract.

The mission agreed and the COTR and alternate COTR will complete the contractor performance reviews in collaboration with the Contracting Officer using the Contractor Performance Assessment Reporting system. The contractor performance reviews for the first two project years will be completed by August 31, 2011. Year 3 reviews will be conducted after the end of the period of performance on September 30, 2011. All actions will be completed by November 1, 2011. This recommendation remains open.

5. Prepare an implementation plan for use of the \$1.4 million rural radio supplemental funding consistent with the goals of the program, or reprogram these funds for other mission programs.

The mission has directed IRI to prepare an implementation plan for using the funds, and IRI has submitted a concept paper that envisions using the funds—originally for pre-election voter education programs—for radio programs focusing on the performance of elected officials and discussion of political and social issues. This recommendation remains open.

6. Determine the allowability of the \$6,350,319 incurred by the International Republican Institute (IRI) for security expenses, and recover any costs determined to be unreasonable.

The mission agreed and will conduct a review to determine the allowability of the questioned security costs. The mission will also request from IRI more detailed information on its security-related expenditures, specifying its efforts to contain and control costs when and where feasible. If costs are determined to be unallowable, the mission will issue a bill of collection to recover the unallowable costs. These actions will be completed by August 31, 2011. Until allowability of the costs is determined, a management decision has not been reached. This recommendation remains open.

7. Establish procedures and criteria for determining the reasonableness of security costs charged by implementing partners.

The mission asked the Office of Inspector General to reconsider its recommendation. The mission interpreted the recommendation as requiring a market price survey that could take 12 to 15 months, and it wondered whether this would be worthwhile in light of recent developments affecting private security firms in Afghanistan.

The mission noted that, once the Afghan Public Protection Force assumes responsibility for the security of USAID's partners, the partners will be expected to pay fixed prices for security services. Therefore, the mission considered that our recommendation was overtaken by events. This recommendation remains open.

8. For the follow-on program, require members of the Consortium for Election and Political Process Strengthening to consolidate functions and facilities to the extent possible to reduce expenses.

The mission partially concurred. The mission noted that a consolidation of functions and facilities of implementing partners' at the national level may prove less advisable. No management decision has been reached because the mission has not stated whether it will require the Consortium partners to consolidate functions and facilities at the national or sub-national level should the mission select the Consortium for any follow-on implementation. Therefore, no management decision has been reached. This recommendation remains open.

9. Require IRI, as the lead partner in the Consortium, to submit a Consortium marking and branding plan, and verify that the plan has been implemented.

The mission has received a Consortium branding and marking plan. The mission will review the plan and verify its implementation through field visits during the remainder of the activity. This action will be completed by July 31, 2011. Based on mission receipt of the Consortium branding and marking plan, a management decision has been reached. This recommendation remains open.

Review of USAID/Afghanistan's Portion of the Embassy Air Program (F-306-11-004-S)

Date: June 9, 2011

Implementing Partner: Aircraft Charter Solutions Inc.

Audit Period: January 26, 2011, to February 27, 2011 and February 1, 2010, to January 31, 2011

Funding: As of March 29, 2011, USAID had obligated approximately \$59 million and expended approximately \$54 million.

Background—Summary of Findings

On January 4, 2010, USAID awarded Aircraft Charter Solutions Inc. a 2-year, \$361 million contract to supply air transportation in Afghanistan. The contractor is providing aircraft, personnel, equipment, tools, material, maintenance, spare parts, and supervision for transportation to and from various locations in the country. The aircraft provided by the contractor includes seven 18-passenger Beechcraft 1900s, three 8-passenger Beechcraft Super King Air 200s, two Bell 412 helicopters, and four MI-8 helicopters.

OIG's review found that the USAID-funded portion of the Embassy Air program is providing safe and reliable air service in support of provincial reconstruction teams and other U.S. Government development assistance programs in Afghanistan; however, the review identified many opportunities for improvement. For instance, between February 2010 and January 2011, 20 percent of passengers (almost 10,000 people) with reservations on Embassy Air did not appear

for their flights but did not cancel 24 hours in advance as required. There was no penalty for these passengers, and with a cancellation system in place, these seats could have been offered to others. Additionally, unapproved international travel by Aircraft Charter Solutions personnel led to more than \$525,000 in questioned costs.

Furthermore, Aircraft Charter Solutions did not provide the mission with required work plans, performance management plans, or progress reports that would detail problems encountered or resolved, best practices, flights or activities completed, or performance standards. Without these reports, the mission was unable to effectively monitor the program.

OIG also noted that USAID markings were missing from all of the aircraft and that environmental requirements for the contract were ambiguous and needed to be updated.

Recommendations—Management Decisions

The audit report made 8 recommendations:

1. Implement a nominal charge for no-show passengers.

The mission did not agree with recommendation 1 for two reasons: 1) the mission estimated that up to 50 percent of no-shows were due to security restrictions and were largely beyond the control of individual travelers. 2) The mission believed that imposing nominal charges on no-show passengers would not be feasible, although the mission did not identify any specific feasibility issues.

The mission also disagreed with our estimate of funds that could be put to better use by reducing the number of no-show passengers. The mission noted that there may be no significant difference in cost between flying a plane that is fully loaded with passengers and one with a number of empty seats.

In response to the mission's first point, the Office of Inspector General/Afghanistan undertook an analysis of the reasons for no-shows and determined that only 6 percent of no-shows were due to security restrictions, while 94 percent of no-shows were unrelated to security. In response to the second point, without further details, we do not see any insurmountable obstacles to charging no-show passengers some nominal amount to encourage them to honor their reservations or cancel them as required. Federal travelers on commercial flights are of course already liable for any penalties or other costs that result if they negligently fail to appear for a scheduled flight; we see no reason why this should not be the case for Embassy Air flights as well. We also note that USAID already has collections systems in place to charge employees, contractors, and grantees for personal telephone charges, inadvertent overpayments, and other reasons. A management decision can be reached when the mission and OIG agree on a firm plan of action, with time frames, for implementing the recommendation. This recommendation remains open.

2. Clarify the contract's environmental requirements and obtain evidence that the contractor is complying with them.

The mission agreed with the recommendation. The contracting officer, in collaboration with the mission's environmental officer, will review the contract's environmental provisions to determine how they should be revised. In addition, the mission will ensure compliance with these provisions through enhanced monitoring and evaluation of the contractor's compliance with any environmental requirements set forth in the revised contract provisions or modification. The mission anticipates completion of these actions by August 31, 2011. This recommendation remains open.

3. Determine the allowability of and recover, as appropriate, unsupported questioned costs of \$525,467 representing international travel (including premium-class travel of \$31,902) by contractor officials that was not approved by USAID as required.

The mission is reviewing the circumstances surrounding the international travel to determine the allowability of the unsupported questioned costs of \$525,467 representing international travel (including premium-class travel of \$31,902). The contracting officer has made an initial determination that \$16,302 of the \$31,902 spent for premium-class travel is unallowable and will be recovered.

Allowability of the questioned costs of \$525,467 for unapproved international travel will be determined by the contracting officer. If the amount is determined to be unallowable, a bill of collection will be issued to the contractor, and recovery will be made through a deduction in the next invoice or another appropriate method. The contractor has been told to submit written requests for international travel to the COTR. The mission anticipated completion by June 15, 2011.

A management decision can be recorded when the allowability of the \$525,467 in questioned costs is determined by the contracting officer. This recommendation remains open.

4. Verify that Aircraft Charter Solutions Inc. has implemented a branding and marking plan.

The mission agreed and instructed the contractor to submit a branding and marking plan for approval on May 9, 2011. In addition, USAID/Afghanistan provided the contractor with appropriate branding and marking materials to initiate compliance with the requirements. Aircraft Charter Solutions Inc. installed tags on various sections of the aircrafts and on furniture and equipment inside the terminal buildings. This recommendation remains open.

5. Verify that Aircraft Charter Solutions Inc. has provided clear instructions and signs in its terminal for passenger convenience and security.

The mission agreed and required the contractor to provide clear instructions and make maps more easily available to customers to ensure passenger convenience and security. Appropriate signage was placed in the terminal building; the instructions and maps have been made available to all authorized persons through the Web-based booking system. This recommendation is closed.

6. Instruct the contractor to provide transportation for passengers from passenger staging areas to the aircraft.

The mission believed that vehicle traffic would bring foreign objects and debris onto the aircraft ramp, posing a hazard to the aircraft. In addition, the space available for vehicles at the Embassy Air terminal is very limited and the additional vehicles would compound the space situation. Management determined that transportation of passengers from the passenger staging area to the aircraft was not necessary and modified the contract in March 2011 to state: "The contractor will provide vehicles capable of transporting passengers as necessary." This recommendation is closed.

7. Obtain required reports from Aircraft Charter Solutions Inc.

The mission concurred and reminded the contractor of its contractual obligations to submit all reports specified in the contract according to the timelines set forth therein. Reports have been submitted by the contractor and accepted by USAID. These reports include an annual program review for the first year of the contract, annual work plan for the second year of the contract, and monthly progress reports. This recommendation is closed.

8. Clarify its performance standards to Aircraft Charter Solutions Inc. so that realistic expectations and proper reporting and accountability can be obtained.

The mission did not agree with the recommendation. The mission and the contractor both understood the performance standard "93% of missions completed as scheduled" to mean that the contractor was obligated to maintain a 93 percent on-time mission capability rate, excluding factors outside the contractor's control such as weather, security, and 15 other extenuating circumstances. However, this understanding is contradicted by the wording of the performance standard itself.

The mission did require the contractor to develop and submit a performance management plan for approval. The mission planned to monitor compliance with the performance standards and indicators. Thus this recommendation remains open.

Audit of USAID/Afghanistan’s Construction of Health and Education Facilities Program (F-306-11-002-P)

Date: March 27, 2011

Implementing Partner: International Organization for Migration

Audit Period: September 14, 2010, to November 8, 2010

Funding: As of September 30, 2010, USAID had obligated approximately \$57 million and expended approximately \$10 million.

Background—Summary of Findings

To help respond to unmet health and education needs in Afghanistan, USAID/Afghanistan entered into a \$57 million cooperative agreement with the International Organization for Migration (IOM) in January 2008, effective through January 2011, to implement the Construction of Health and Education Facilities (CHEF) Program. The agreement was subsequently extended through June 2012.

The objective of the audit was to determine whether USAID/Afghanistan’s program was achieving its main goals of strengthening the Government of Afghanistan’s ability to provide health services to its citizens and train competent teachers by constructing provincial hospitals, midwife training centers, and provincial teacher training colleges.

While the mission has realized some successes—for example, in strengthening the capacity of local construction companies and adhering to the international building code—the program was not on schedule to achieve its main goals. Construction fell significantly behind schedule. The program was approximately 18 months behind schedule and was making slow progress toward achieving its goals. Cost and security issues reduced the scope of new construction.

Achieving the original goals of the agreement was hindered by funding limitations. Federal requirements also were violated when the mission approved the building of religious structures. IOM’s technical proposal clearly indicated that these religious structures would be incorporated into the designs of the provincial teacher training colleges, but USAID staff failed to recognize these structures as being ineligible for USAID funding.

The mission has not yet provided the completed designs for two hospitals and four provincial teacher training centers to the Ministries of Education and Public Health. The completed designs are site specific and include drawings, specifications, design analysis, design calculations, and bills of quantities with adherence to the international building codes and compliance with seismic requirements.

The audit disclosed several instances of noncompliance with IOM’s quality control manual, which is incorporated into the cooperative agreement and approved by the mission. The manual required specific tests of construction materials to be performed at specified intervals, but we noted instances

where there was no evidence that required tests were performed.

For example, of 49 required seven-day concrete compression strength tests reviewed, IOM could only provide evidence that 35 tests were performed.

Additionally, sustainability of facilities is questionable. The ability of the Ministries of Education and Public Health to maintain the completed structures is questionable because of competing priorities for ministry funds, which could further hinder achievement of the program's main goals.

Recommendations—Management Decisions

The audit report made 15 recommendations:

1. That USAID/Afghanistan obtain a revised implementation plan from IOM identifying revised completion dates for all structures, recovery actions to increase the speed of construction, potential barriers to timely completion of construction, and actions that could be taken to mitigate delays.

The mission agrees with the recommendation and has directed International Organization for Migration (IOM) to prepare a revised implementation plan indicating completion dates for all structures and the recovery actions required to mitigate delays. IOM's implementation plan is revised and approved by the Mission annually. The most recent implementation plan revision has been received by the Mission and is currently in review. This action was scheduled for completion by May 30, 2011. This recommendation is closed.

2. That USAID/Afghanistan extend the agreement with IOM to ensure that the warranty period for all completed structures falls within the agreement period.

The mission stated that it will extend the CHEF cooperative agreement from June 30, 2012, to June 30, 2013, through the end of the last project warranty period of IOM for the completed structures. The action was scheduled for completion by May 30, 2011. This recommendation is closed.

3. Review the eligibility of the cost of the prayer buildings and prayer rooms included in the provincial teacher training centers and recover any costs found to be unallowable.

The mission has required IOM to redesign the women's prayer room into two rooms including a visiting room and living room which is similar to the layout at the men's dormitory. The mission has also halted construction on the mosque structures and advised that it plans to document the recovery of USAID funds disbursed to date for this structure. Action is scheduled for completion by September 30, 2011. A management decision was reached and the recommendation remains open.

4. Review the eligibility of the cost of the prayer buildings and prayer rooms included in the provincial teacher training centers and recover any costs found to be unallowable.

The mission planned to issue a notice to all Contracting Officer's Technical Representative (COTRs)/Agreement Officer's Technical Representatives (AOTRs) regarding USAID's policy on funding religious activities by May 30, 2011. This recommendation is now closed.

5. Develop a process for releasing completed designs.

In consultation with Regional Legal Advisor, the mission has developed Transfer Agreements for the release of completed CHEF designs to the relevant ministries and other; donors. The Transfer Agreements release USAID of all liability for construction of CHEF designs by others. This action was completed on March 09, 2011. This recommendation has been closed.

6. Obtain evidence that IOM has standardized its quality control procedures at all construction sites.

The mission agreed with the recommendation. IOM has demonstrated the use of standardized quality control procedures through continuous revisions that have been made to their Quality Control Manual (QCM) which is in its seventh revision. IOM's Quality Control and Safety Manager makes regular visits to all construction sites to ensure compliance with the QCM revisions. The mission believes that appropriate actions have been taken to address this recommendation. A management decision was reached and the recommendation has been closed.

7. Obtain evidence that IOM has updated its quality control manual to include all tests performed and acceptance criteria used for quality control.

As stated above, IOM has revised its QCM to include all additional testing that is performed along with the acceptance criteria. This action was completed on November 22, 2010. The recommendation has been closed.

8. Develop and implement a process whereby the agreement officer's technical representatives verify and review quality control tests.

The mission agreed with the recommendation that the AOTRs verify and review quality control tests. USAID/Afghanistan's mission order dated July 7, 2010, mandates that USAID construction projects for schools and hospitals be continuously monitored by an independent Quality Assurance/Quality Control (QA/QC) firm reporting directly to the AOTR. The AOTR is responsible for review of QA/QC Reports and for follow up with IOM to resolve deficiencies. This action was completed in late November 2010 when IRD incorporated all quality control testing, test results, and identify deficiencies into the weekly QA/QC reports. This recommendation has been closed.

9. After preparing an analysis of the Government of Afghanistan's ability to fund maintenance for the structures turned over under the program, USAID/Afghanistan (1) make a determination of the need for a separate operation and maintenance program and (2) revise as appropriate the certification previously prepared for the Construction of Health and Education Facilities Program.

The mission will obtain the Annual Operations and Maintenance Budgets for all CHEF projects from IOM, submit them to the relevant ministries, and verify that the ministries have adequate funding to operate and maintain the facilities. The mission stated that it will then revise the certification if necessary. This action is scheduled for completion by September 30, 2011. A management decision was reached and the recommendation remains open.

10. Complete the necessary environmental assessments according to federal regulations.

The mission agrees to complete environmental assessments for the CHEF projects that are currently under construction by September 30, 2011, in order to determine if existing environmental mitigation plans are sufficient. A management decision was reached and the recommendation remains open.

11. Provide adequate supervision to reasonably ensure compliance with USAID's environmental procedures.

The mission agrees with the recommendation to provide adequate supervision to reasonably ensure compliance with USAID's environmental procedures. On November 1, 2010, the mission added a second Mission Environmental Officer position to assist with supervision of USAID's environmental procedures. A management decision was reached and the recommendation has been closed.

12. Direct IOM to submit a formal marketing plan as required by the agreement.

IOM submitted a formal marketing plan to the mission for approval on December 12, 2010. A management decision was reached and the recommendation has been closed.

13. That USAID/Afghanistan determine the adequacy of IOM's marketing plan.

The mission is currently reviewing the marketing plan and intends to issue a final determination of the acceptability of the plan by May 30, 2011. This recommendation is closed.

14. Identify and recover the unallowable costs billed to the mission for the use of off-duty Afghan National Police officers.

The mission stated that based on legal review of the situation that the security guard costs are allowable. The Acquisition Officer's (AO) decision of Oct 21, 2010 was a prudent response to new and misunderstood development in Afghan law. However, since the AO's Oct 21 decision, the mission's understanding of these matters has evolved. Decree 62, issued by President Hamid Karzai on Aug 17, 2010, banned Private Security Contractors (PSCs) and stated that henceforth the Afghan Ministry of the Interior would provide security services. The Regional Legal Advisor has concluded that IOM's Ghazni province arrangement was legal under Afghan law because while Decree 62 prohibited the use of PSCs, the Afghan law on Firearms, Ammunition and Explosives nonetheless continues to permit an organization to use individuals licensed by the IOM to carry firearms to provide their security. Other arrangement in Faryab, while arguably unallowable, is within the AO's discretion to retroactively approve the agreement making the costs allowable. Since the arrangement in Faryab was in fact legal, the AO approved this arrangement as well. The AO will issue a revised ruling to IOM by May 30, 2011. This recommendation is closed.

15. After identifying all clinics built under a previous USAID construction program that may have a design flaw that creates a fire hazard, we recommend that USAID/Afghanistan notify the Ministry of Public Health and provide a remedy for the design flaw.

The mission agrees to officially notify the Ministry of Public Health about the potential hazard of the stove chimneys and provide a recommendation for proper installation by May 30, 2011. This recommendation is closed.

Review of USAID/Afghanistan’s Bank Supervision Assistance Activities and the Kabul Bank Crisis (F-306-11-003-S)

Date: March 16, 2011

Implementing Partner: Deloitte, BearingPoint

Audit Period: September 2005, to January 2011

Funding: As of January 31, 2011, USAID had obligated approximately \$47 million for the Economic Growth and Governance Initiative and expended approximately \$112 million.

Background—Summary of Findings

Since 2003, USAID/Afghanistan has supported a number of capacity-building activities at the Afghanistan Central Bank (DAB) to help DAB regulate the banking sector. Currently, Deloitte provided DAB technical assistance in bank supervision and examination through a \$92 million task order for the Economic Growth and Governance Initiative, which includes many activities in addition to bank supervision and examination. The purpose of the task order was to increase Afghanistan's ability to develop and implement sound economic and regulatory policies that provide the foundation for private sector growth in a market economy. According to Deloitte's work plan, one of the main goals of the assistance Deloitte provided to DAB was to assist DAB in fulfilling its statutory responsibilities—to promote the stability and contribution to economic growth of the financial sector and to prevent avoidable losses. Deloitte provided onsite technical advisors at DAB's Directorate for Financial Supervision.

After depositors' run on Kabul Bank, senior officials in the U.S. Embassy raised concerns

about Deloitte's performance. Specifically, they were concerned that Deloitte staff did not warn the U.S. Government about looming problems at Kabul Bank before the first news reports broke in February 2010. They also questioned Deloitte's effectiveness and performance because Deloitte staff had provided bank supervision assistance to DAB for 7 years, yet DAB supervisors were unable to prevent the near collapse of Afghanistan's largest bank. In January 2011, USAID/Afghanistan requested the assistance of the Office of Inspector General (OIG) in determining whether USAID or Deloitte staff members were negligent in failing to report the Kabul Bank fraud.

In response to USAID/Afghanistan's request, OIG/Afghanistan conducted this review to determine what opportunities USAID and contractor staff had to learn of fraudulent activities at Kabul Bank through USAID's Economic Growth and Governance Initiative and its predecessor, the Economic Growth and Private Sector Strengthening Activity. The review also sought to determine how staff learned of the fraud and what

actions staff members took once they became aware of the fraud.

Audit findings included: BearingPoint and Deloitte advisers who were embedded at DAB encountered fraud indications at Kabul Bank on a number of occasions over a span of 2 years before the run on Kabul Bank in early September 2010. However, they did not aggressively follow up on indications of serious problems at Kabul Bank. Also, Deloitte advisers did not report fraud indicators at Kabul Bank to USAID, and the mission did not have a policy requiring contractors and grantees to report indications of fraud in host government institutions or possible problems that could reasonably be considered to be of foreign policy interest to USAID and the U.S. Government. It was also determined that USAID/Afghanistan's management of its task order with Deloitte was weak. If senior program managers and

technical experts had been on staff at the mission, USAID would have had greater capacity to detect deficiencies in Deloitte's technical assistance activities, to question Deloitte advisers' written and oral reports, and to delve more deeply into those reports, rather than accepting them at face value.

In hindsight, Deloitte's lead adviser acknowledged that Deloitte should have taken more aggressive actions in November 2009, such as resuming participation by Deloitte's advisers in onsite bank examinations alongside the DAB examiners. This practice was suspended in November 2008 because an adviser received death threats. The lead adviser said that if Deloitte's onsite assistance had restarted in November 2009, the fraud could have been detected earlier, and the magnitude of losses would have been smaller.

Recommendations—Management Decisions

The audit report made four recommendations:

1. Develop and implement an action plan to address the performance issues with the bank supervision and examination assistance provided to the Afghanistan Central Bank by Deloitte.

In the plan, for any ongoing or future activities with the Central Bank, USAID/Afghanistan will strengthen and increase oversight of the contractor working with the Central Bank. Additionally, USAID/Afghanistan will ensure that USAID contractors working with the Central Bank will (1) adopt a proactive stance in identifying and reporting to USAID fraud, waste, or abuse encountered in the Central Bank, (2) educate its personnel and embedded consultants on the unique operating culture and challenges of the Afghan financial sector, (3) engage the Afghan banking system to creatively address problems in light of such unique challenges and culture, and (4) work with the Central Bank to develop policies on business ethics and train bank staff accordingly on implementing such policies. A management decision has been reached and this recommendation remains open.

2. Arrange for more robust assistance to the Afghanistan Central Bank in bank supervision and examination, including on-site examination assistance and fraud detection training.

Any continued USAID assistance to DAB bank supervision will be re-designed to focus on addressing the concerns below. These will be built in to a more robust program of advice and training in bank supervision policy, management and bank examination training. Key concerns to be addressed include: 1) a commitment by DAB to implement policies to strengthen ethics and combat fraud, waste and abuse, within the Central Bank and commercial banks; 2) the commitment of Government

of the Islamic Republic of Afghanistan (GIROA) to allow the DAB to operate independently, with proper bank supervisory powers, with full government funding and administrative support, and with minimal political interference; 3) the ability of DAB to recruit and retain sufficiently skilled staff to conduct its mission; 4) the willingness of DAB and GIROA to support and execute an action plan whereby all commercial banks will be re-licensed and will be required to operate according to best practices; and, most importantly, 5) the support of GIROA and its Presidential Administration for major reforms aimed at strengthening bank supervision in Afghanistan, such as passage of a Banking Law that will support a strong oversight role for DAB and a robust enforcement framework for addressing negligence, shareholder abuse, and criminality in the commercial banking system, and 6) GIROA must support the DAB in its decision to put Kabul Bank into receivership, as required by both the International Monetary Fund (IMF) and the U.S. Government. A management decision has been reached and this recommendation remains open.

3. Implement a written policy clarifying the responsibilities of USAID contractors and grantees to report on indications of fraud in host-country institutions or other matters that could reasonably be expected to be of foreign policy interest to the U.S. Government.

USAID/Afghanistan accepts the recommendation to work on providing a written policy clarifying the responsibilities of USAID contractors and grantees to report on indications of fraud in host-country institutions as well as on other matters that could reasonably be expected to be of foreign policy interest to the U.S. Government as it applies to Afghanistan. This effort is being led by the Regional Legal Advisor (RLA) and other concerned offices in USAID. Reporting responsibilities may vary depending on the nature of the project and the type of implementing partners involved. A management decision has been reached and this recommendation remains open.

4. Correct the deficiencies in its management of its bank supervision and assistance activities.

USAID/Kabul has been very sensitive to having the proper in-house expertise to manage highly technical activities, and is fully committed to making the extra effort needed to obtain such expertise. USAID/Afghanistan has already brought on board, as Director of the Office of Economic Growth, a senior financial sector expert to guide USAID's work in the financial sector. Another financial sector expert will be on board in March 2011, to serve as Chief of the Economic Policy & Governance Division. A third senior financial sector expert is being recruited to provide direct technical advice to GIROA and DAB, as well as to manage a newly reformulated bank supervisory assistance activity on a day-to-day basis. A management decision has been reached and this recommendation remains open.

Review of Cash Disbursement Practices Employed by Selected USAID/Afghanistan Contractors and Grantees (F-306-11-002-S)

Date: March 7, 2011

Implementing Partners: N/A

Audit Period: November 14, 2010, to December 15, 2010

Funding: About \$1.43 billion in awards to contractors and grantees in fiscal year 2010

Background—Summary of Findings

In late 2001, following decades of conflict, the financial and banking systems of Afghanistan were devastated. Afghanistan had six licensed, state-owned commercial banks that were almost entirely based in Kabul and, to a large extent, inactive. Besides lacking connectivity and reliable information on assets and liabilities, the banks did not follow generally accepted accounting standards. Vital functions of the central bank were not defined or carried out, and Afghanistan lacked a credible, formal payment system. The lack of confidence in the banking system and uncertainties and difficulties faced by the population and the business sector led them to rely almost exclusively on the hawala money transfer system, an informal network of cash brokers who operate based on trust and reputation.

The 10 selected U.S. contractors and grantees represented about 42 percent of USAID/Afghanistan's total active awards (\$3.4 billion) and included six of the mission's program areas: infrastructure, democracy and governance, education, health, economic growth, and stabilization in support of the U.S. Government's counterinsurgency strategy.

OIG conducted this review to determine whether the cash disbursement practices of the implementing partners ensured that disbursements are reasonable, allocable, and allowable under the agreements.

This review determined that cash expenditures were reasonable, allocable, and allowable. However, no controls can completely eliminate the risk of fraud, loss, and personal harm to staff associated with handling and transporting cash in a war zone.

Using an OIG risk assessment of USAID/Afghanistan's U.S. contractors and grantees, we evaluated internal controls over cash disbursements, performed a walk-through of the cash voucher payment process, reviewed a judgmental sample of cash vouchers and supporting documents, identified areas for improvement, and noted best practices employed.

According to information provided to us by the selected implementing partners, they made \$13.5 million in cash payments in 2010, representing 7 percent of the \$181.1 million in total costs they incurred in Afghanistan. For individual implementing partners, cash payments as a percentage of

total costs incurred in Afghanistan ranged from 2 percent to 69 percent. Partners' total combined cash on hand was \$270,000 at the time of the review. The types of costs paid in cash included office supplies, local travel, prepaid phone cards, utilities, and maintenance. The implementing partners that had a higher percentage of costs paid in cash also used cash for programmatic activities such as small grants, cash-for-work programs, and microfinance loans.

After the review, five of the 10 selected implementing partners took steps to significantly reduce their cash exposure risk by proactively seeking ways to make payments through electronic funds transfer, check, or hawala transfers. The selected implementing partners also implemented a number of best practices for managing cash disbursements that other USAID/Afghanistan implementing partners should consider adopting.

Recommendation—Management Decision

The audit report made one recommendation:

1. Disseminate some best practice precautions to its implementing partners to minimize cash transactions to the extent possible.

The mission agreed with the recommendation and the Office of Acquisition and Assistance issued a letter in February to all its implementing partners to make them aware of the best practices described in the report. In it, USAID strongly recommended that partner organizations review the best practices observed by the OIG and implement applicable procedures to ensure that USAID-funded cash resources are adequately safeguarded. This recommendation is closed.

Audit of USAID/Afghanistan’s Agriculture, Water, and Technology Transfer Program (F-306-11-001-P)

Date: February 13, 2011

Implementing Partner: New Mexico State University

Audit Period: March 3, 2008, to October 25, 2010

Funding: As of September 30, 2010, USAID had obligated approximately \$16 million and expended approximately \$9 million.

Background—Summary of Findings

According to USAID/Afghanistan, nearly 80 percent of Afghans earn their living from agriculture. USAID/Afghanistan’s active agriculture and alternative livelihoods programs, with reported obligations of \$701 million and disbursements of \$494 million as of September 30, 2010, are intended to create jobs and increase incomes in the agricultural sector and increase Afghans’ confidence in their government, particularly in the Ministry of Agriculture, Irrigation and Livestock (MAIL). One such program, the Afghanistan Agriculture, Water, and Technology Transfer Program, is implemented through a \$20 million cooperative agreement with New Mexico State University (NMSU).

The objective of this audit was to determine whether the program was achieving its main goals, which dealt with irrigation water management, agricultural technology transfer, and institution building. Two-and-a-half years into the 3-year program, NMSU had achieved a number of successes in introducing new agricultural and water technologies, and many farmers were participating in on-farm demonstrations of these technologies. Auditors found some evidence of demand for these new technologies—laser land leveling being the

clearest example—but adoption of the technologies lies in the future.

Financial records for the program showed that about 61 percent of spending was in Afghanistan, while the other 39 percent was in the United States. Officials connected with the program raised concerns that the high proportion of expenditures in the United States left fewer resources available for activities in Afghanistan and raised other questions about the financial management of the program. To address these issues, the OIG contracted with an audit firm to conduct financial audits of NMSU and its partner universities in the United States and issued a separate report with audit results.

The March 2008 cooperative agreement with NMSU also established the following as a program objective: “To develop an institutional framework for effective supply and demand management of the country’s limited water resources—from local watershed management to trans-boundary basins.” The revised program description, dated July 2010, reduced the scope of the work that NMSU was to undertake in water resource governance.

NMSU demonstrated a number of water-conserving technologies and successfully stimulated demand for some of them.

However, farmers have not adopted these technologies for wider use, and NMSU placed relatively little emphasis on improving distribution of irrigation water resources.

NMSU's efforts have not yet resulted in a more equitable, community-based system for managing irrigation water. NMSU officials

noted that the water-conserving technologies they introduced could make more water available for farmers at the tail of irrigation canals. For this to occur, however, the technologies must be widely adopted, and evidence of adoption of these technologies was lacking.

Recommendations—Management Decisions

The audit report made six recommendations:

1. Instruct NMSU to conduct appropriate follow-up activities to determine the effectiveness of its technical assistance and training activities with MAIL.

On January 10, 2011, the mission instructed NMSU to conduct follow-up activities to determine the effectiveness of the technical assistance and training it provided to MAIL and instructed NMSU to include the progress of these activities in all future quarterly reports for the program. Final action is expected by April 30, 2011, pending review of the March 2011 quarterly report. This recommendation is open.

2. Periodically verify the results reported by New Mexico State University for the Agriculture, Water, and Technology Transfer Program.

The mission stated that the Office of Agriculture is in regular contact with USAID field program officers, who are the "eyes and ears" of the office and report regularly on program activities and accomplishments. The Office of Agriculture confirmed that it periodically sends Kabul staff members to verify reported results and that these visits are documented in trip reports. In addition, the Office of Agriculture officials stated they would ensure that site visits occur at least twice a year, taking into consideration security issues. Final action is expected to be completed by March 31, 2011 upon performance of the next site visit. This recommendation is closed.

3. Provide New Mexico State University with written definitions of the performance indicators and discuss them with staff members periodically to ensure that the definitions are understood.

The mission provided written definitions of the performance indicators to Office of Agriculture staff on November 9, 2010. The mission also delivered a PowerPoint presentation on the performance management plan and provided performance measure reference sheets with written measure definitions to Office of Agriculture staff members to ensure that they understood the definitions. A management decision was reached and that the recommendation is closed.

4. Require New Mexico State University to document challenges and implementation shortfalls in its quarterly reports.

The mission instructed NMSU to document the challenges and implementation shortfalls in its quarterly reports. In addition, the mission returned the latest draft of the annual report for October

1, 2009, to September 30, 2010, to NMSU with specific instructions to include its challenges and implementation shortfalls. The mission will verify that all future quarterly reports reflect the program's challenges and implementation shortfalls. The recommendation is closed.

5. Determine the acceptability of the branding and marking plan submitted by New Mexico State University, and after approving some version of the plan, verify its implementation.

The mission's Development, Outreach, and Communications Office approved the NMSU branding and marking plan on January 4, 2011. The implementation of the branding and marking plan will be verified through field visits during the remainder of the program. Final action was pending on performance the March 2011 field visit. This recommendation is closed.

6. Perform an environmental assessment for the program and implement any corrective actions that may be required.

The mission determined and the OIG/Afghanistan agreed that a management decision had been reached upon issuance of the audit report. Reference (c) indicates that USAID/Afghanistan submitted an Initial Environmental Examination (IEE) which was approved by the Bureau Environmental Officer on February 8, 2011. Based on the approved IEE, the IEE determined that Environmental Assessment is not required for AWATT activity. This recommendation is closed.

Review of USAID/Afghanistan’s Ministerial Assessment Process (F-306-11-001-S)

Date:	November 6, 2010
Implementing Partner:	Various GIRoA ministries
Audit Period:	August 31, 2010, to September 16, 2010
Funding:	As of August 31, 2010, USAID had distributed approximately \$19.8 million and expects to deliver at least \$509.4 million to GIRoA ministries.

Background—Summary of Findings

The U.S. Government expects to deliver 50 percent of its development aid to Afghanistan through the Government of the Islamic Republic of Afghanistan (GIRoA)’s core budget by the end of calendar year 2011. With this expectation, USAID/Afghanistan is conducting a series of pre-award assessments of GIRoA ministries to see whether the ministries can responsibly manage U.S. Government resources.

Our review focused on assessments already performed by USAID/Afghanistan as well as on draft scopes of work for future assessments. Most of the assessments completed to date were based mainly on reviews of written procedures, inquiries of ministry officials, and inspections of a limited number of transactions.

This review was performed to determine whether USAID’s ministerial assessment process provides reasonable assurance of identifying significant vulnerabilities that could result in waste or misuse of U.S. Government resources. The draft scopes of work for future assessments can be strengthened by telling reviewers what program ministries may be asked to manage, assessing the control, expanding coverage of controls over human resources and fixed

assets, and providing more detailed guidance to reviewers on how to assess compliance with applicable laws and regulations.

The review found significant vulnerabilities that could result in waste or misuse of U.S. Government resources. Clearer direction and closer supervision would have helped ensure more thorough reviews. The assessments performed to date did not provide reasonable assurance of detecting significant vulnerabilities.

The scope of the assessments varied from one ministry to another, but some of the significant limitations on the assessments included the fact that, for three of the six assessed ministries, reviewers did not know what programs the ministries would be asked to manage. The reviewers were asked to assess the ministries’ management capacity, but they had no answer to the question “capacity to manage what?” In our opinion, it is difficult—perhaps impossible—to assess a ministry’s ability to responsibly manage USAID programs without understanding the types of USAID programs the ministry will manage and their approximate magnitudes.

Additionally, none of the assessments explicitly considered the control

environment in Afghanistan or in individual ministries. The environment in which ministries are embedded—as well as the environment within individual ministries—can significantly influence the effectiveness of control procedures.

A range of specific actions can be taken by USAID/Afghanistan so that future assessments will provide greater assurance that ministries will be able to manage USAID funds responsibly.

Recommendations—Management Decisions

The audit report made three recommendations:

1. Develop and implement suitable policies, procedures, and practices so that ministerial assessments will provide reasonable assurance of identifying significant vulnerabilities that could result in waste or misuse of U.S. government funds.

The mission indicated that it had prepared a new statement of work for ministerial assessments which, along with other tools that the mission is using for these assessments, incorporated all of the specific suggestions in our report. The mission has also provided training to responsible staff and has established a procedure that requires the Deputy Director of OFM or his/her designee to approve sampling and testing plans. We agree with these actions and, accordingly, a management decision has been made for Recommendation 1. This recommendation is closed.

2. Make appropriate modifications to the scopes of work for future ministerial assessments as outlined in this report.

The mission has developed a new statement of work and has made available additional tools for conducting ministerial assessments that incorporate the specific suggestions in our report. We agree with the mission's actions and, therefore, a management decision has been made for Recommendation No. 2. This recommendation is closed.

3. Rely on joint donor assessments of host government ministries to the degree that they meet USAID's needs.

The mission instructed NMSU to conduct follow-up activities to determine the effectiveness of the technical assistance and training it provided to MAIL and instructed NMSU to include the progress of these activities in all future quarterly reports for the program. Final action is expected by April 30, 2011, pending review of the March 2011 quarterly report. This recommendation is closed.

Audit of USAID/Afghanistan’s Support to the American University of Afghanistan (5-306-I I-002-P)

Date: November 5, 2010

Implementing Partner: The American University of Afghanistan

Audit Period: May 5, 2010, to June 1, 2010

Funding: As of April 30, 2010, USAID/Afghanistan had obligated approximately \$13 million and expended approximately \$11 million.

Background—Summary of Findings

The American University of Afghanistan (AUAf) was officially chartered under the Afghan Constitution and Civil Code in July 2004 as a private institution of higher education. The university’s mission is to provide a high-quality education that meets international standards and emphasizes a liberal arts curriculum and higher education for the professions. To assist in the development of AUAf, USAID/Afghanistan entered into a \$42 million cooperative agreement with the university in August 2008.

The objective of the audit was to determine whether USAID/Afghanistan’s support to the American University of Afghanistan was achieving its main goals of increasing student enrollment; improving the school’s infrastructure; increasing the number of qualified staff; reforming the undergraduate curriculum; and enhancing the university’s ability to become self-sustaining.

The audit found that the university has already achieved its goal of increasing the number of qualified staff, thus meeting the end-of-program target. However, AUAf has not made progress in reforming the

undergraduate curriculum or enhancing the university’s ability to become self-sustaining. AUAf is behind schedule in reforming its undergraduate program. While the university has developed additional courses and a bachelor’s degree with concentrations in business, information technology, and social sciences, it has not developed the curricula for three individual bachelor’s degrees, as required under the agreement

The audit found other problems as well. The university was not in compliance with agreement terms—as it had not submitted its required Year 2 budget, Year 2 work plan, and performance management plan—and as a result, the mission was withholding incremental funding.

Additionally, the university’s Professional Development Institute will not meet its financial contribution goal. The university may not meet its goal of increasing enrollment of women to 30 percent. The undergraduate preparatory program was not preparing students adequately to become undergraduates.

University contracting was deficient and did not consistently document its competitive bidding process. Items funded by USAID were not marked as having been provided by

the U.S. taxpayer. Finally, environmental procedures were not followed in construction of the new campus or in renovations of existing facilities.

Recommendations—Management Decisions

The audit report made 18 recommendations:

1. Continue to withhold incremental funding until all required documents are submitted by the university.

The mission agreed, and stated, however, that the required actions under the recommendation have been overtaken by developments subsequent to the audit field work and findings. A management decision has been reached and that that the recommendation remains open.

2. Work with the university to establish procedures for timely submission of the annual budget.

The terms of the cooperative agreement require AOTR approval of the AUAF budget on an annual basis and by October 30 of each year. However, the university's fiscal year began on July 1 and the Board of Trustees reviewed the university's proposed annual budget prior to July 1. This recommendation is closed.

3. Work with the university to establish procedures for timely submission of the annual work plan and performance management plan.

The mission stated that AUAF planned to submit its draft annual work plan and revised PMP (if necessary) by March 31, 2011, along with the discussion draft of its annual budget. The AUAF cooperative agreement was modified by December 15, 2010, to reflect this new budget, work plan, and PMP approval process. Thus, this recommendation is closed.

4. Determine how excess funds, estimated at \$6.4 million, will be put to use within the agreement or other mission programs.

The mission has determined that the excess funds of \$6.4 million from Year 1 and 2 will be reprogrammed into Years 3–5 to fund activities intended by the award. A management decision was reached and this recommendation was closed.

5. Review whether to approve subcontracts entered into by the university that has not been approved by the mission.

The mission's Office of Acquisition Assistance (OAA), in consultation with the agreement officer's technical representative, will provide consent to subcontract all firm fixed price contracts over \$100,000 and all cost-reimbursement contracts, which are funded with mission funds. This recommendation is closed.

6. We recommend that USAID/Afghanistan prepare a sustainability plan so that the university will not be dependent on mission funding after the end of the program.

The university will undertake a five-year strategic planning process, which will include the issue of the university's sustainability. The mission will review the five-year strategic plan and determine whether funding might be extended beyond the original agreement. This recommendation remains open.

7. Work with the university in developing a construction implementation plan for its new campus.

The AUAF administration has determined that USAID funds will not be used for the construction of its new facilities. Modification to the agreement to reflect that USAID will not be involved in the approval of any further new campus construction activities is expected to be completed by December 15, 2010. This recommendation is closed.

8. Work with the university to complete a four-year curriculum for the three undergraduate degrees identified in the agreement.

The mission stated that the university has reformulated its degree programs to include a bachelor of arts in business administration, bachelor of science in computer science, and bachelor of arts in political science and public administration. Curricula have been developed for these degrees and incorporated into the 2010–11 university course catalog. This recommendation remains open.

9. Require the university to develop a business plan for the Professional Development Institute Program.

The mission stated that the university is in the process of preparing a strategic plan for 2011–16. This strategic plan includes a business plan for the Professional Development Institute. The university planned to submit a plan for mission review by January 31, 2011. This recommendation is open.

10. Modify the agreement to add a business manager position for the Professional Development Institute.

The mission stated that the university is preparing a business plan for the Professional Development Institute. Staffing qualification requirements are expected to be addressed in this plan. The mission and the university discussed the qualification requirements for senior-level institute staff. This recommendation is closed.

11. Develop an implementation plan for the Professional Development Institute that will address deficiencies in program quality.

The mission stated that the university will revise its performance management plan to include learning achievement measurements as well as other quality standards for the Professional Development Institute. This recommendation remains open.

12. Require that the action plan developed to increase the proportion of women enrolled at the university be incorporated into key program planning documents.

The mission stated that the university has prepared a draft work plan for 2010–11, which incorporates plans for increased recruitment of female students. The mission anticipated that this work plan will be approved by October 31, 2010. This recommendation remains open.

13. Develop a plan to improve the university's undergraduate preparatory program.

The mission stated that the university is finalizing the implementation of a new Foundation Studies Program curriculum, and additional quality standards have been put in place to measure the program graduates' abilities to succeed in the undergraduate program. The university plans to have the redesign completed by November 15, 2010. This recommendation remains open.

14. Review the university's procurement system, as required by the agreement.

The mission's Office of Acquisition and Assistance has prepared a plan regarding the steps it will take in performing the review of the university's procurement system. This recommendation remains open.

15. Review procurement files before approving construction subcontracts in order to verify that adequate competition existed during the bidding process.

The mission has proposed a process by which all subcontractor construction procurements will be reviewed and approved by the mission prior to the commencement of work. This plan includes the review of any procurements that are funded in whole or part with USAID funds totaling more than \$100,000 as well as all cost-reimbursement contracts. The review is expected to take place by September 30, 2010. This recommendation remains open.

16. Evaluate the university's branding and marking plan and make a determination as to the acceptability of the plan.

The mission has evaluated the university's May 2010 revised branding and marking plan and determined that it was unacceptable. The university has provided an additional branding and marking plan, which the mission is reviewing. A management decision was reached and this recommendation was closed.

17. Establish procedures for the submission of environmental mitigation and monitoring plans for new construction.

The mission has established a process for the submission of Year 3 environmental mitigation and monitoring plans for renovation work to be done on existing university structures.

Additionally, the university understands that after October 1, 2010, no construction or renovation projects using USAID funds can begin when the agreement officer's technical representative approves the environmental mitigation and monitoring plan for the project. Previously, AUAf has completed six construction and renovations projects without submitting an environmental mitigation and monitoring plan as outlined by the agreement. This recommendation is closed.

18. Obtain a written legal decision from the mission's regional legal advisor on how to proceed for completed and in-process projects for which environmental procedures were not followed.

The mission has obtained a written legal decision from the regional legal advisor on how to proceed for completed and in-process projects in which environmental procedures were not followed. This recommendation is closed.

Audit of USAID/Afghanistan’s Partnership for Advancing Community-Based Education in Afghanistan (PACE-A) (5-306-11-001-P)

Date: October 28, 2010

Implementing Partners: CARE International (CARE), Catholic Relief Services (CRS), International Rescue Committee (IRC), and the Aga Khan Foundation (AKF)

Audit Period: April 10, 2006, to March 31, 2010

Funding: As of March 31, 2010, USAID had obligated approximately \$24.8 million and expended approximately \$17.8 million.

Background—Summary of Findings

The Partnership for Advancing Community-Based Education in Afghanistan (PACE-A) is a 5-year program to expand quality learning and life opportunities for marginalized communities and their children in Afghanistan. The program’s core objectives are:

to expand access to community-based schools, strengthen community structures and processes that support basic education, and improve the quality of community-based education. Under this agreement, the program’s activities were expected to directly benefit a total of 93,240 students—of whom at least 60 percent were to be girls or women—in over 1,000 communities in 90 districts and 20 provinces.

Although the majority of these activities involve primary education classes covering grades 1 through 6, the program also offers other types of classes, including early childhood development and adult literacy, for learners younger or older than primary school age (7 to 12 years old).

The audit determined that the program was partially achieving its goals but was not offering its teachers the basic training to ensure that their students received a quality

education. Results data reported on this and other program areas also were not adequately supported. In addition, efforts to integrate the program’s primary classes into the MoE system were not always implemented effectively. Through its community-based activities, PACE-A has provided educational opportunities to children living in rural villages in different regions of Afghanistan.

According to PACE-A’s progress report for the quarter ending March 31, 2010, program activities to date had resulted in the establishment of 3,695 classes attended by 98,212 students—the majority of whom were girls—in a total of 1,672 communities located in 97 districts and 19 provinces, meeting or exceeding at least some of the program’s targets. The program has also made progress in facilitating the integration of many of its classes into the MoE system, with 51 percent of the program’s primary classes integrated into the MoE school system to date.

PACE-A has not been fully achieving all of its core objectives, however. One area in which program efforts have fallen short has been teacher training, which is the primary means

of ensuring that PACE-A supported students receive a quality education.

An examination of the records for four tested provinces also disclosed that data reported

under several performance measures relating to teacher training and other activities were not adequately supported, partly because of recordkeeping deficiencies.

Recommendations—Management Decisions

The audit report made four recommendations:

1. That USAID/Afghanistan direct CARE International to (1) develop clear standards on teacher training, to be followed by all four partners, which define the requisite training workshops that each teacher must receive to be considered fully prepared to teach his or her students; and (2) develop and implement a plan to ensure that all supported teachers receive the requisite training in its entirety.

The mission directed CARE International to develop and produce a standard teaching package. To accomplish this, the program will incorporate the five core modules into a PACE-A training package with a teacher trainers' guide by June 2011. The program will also update the PACE-A monitoring and evaluation database management system, by December 2010, to effectively capture each teacher's progress toward completion of the entire package. A management decision was reached and the recommendation remains open.

2. That USAID/Afghanistan direct CARE International to carry out the data quality assurance procedures specified in its performance monitoring plan, which include random field visits at least quarterly to verify the quality of the data furnished by field staff and reported to USAID.

In response on July 28, 2010, CARE agreed to conduct data quality assurance procedures regularly as specified in its performance monitoring plan (PMP). This includes conducting spot checks on a quarterly basis to verify the quality of the data reported against source documentation at field offices. Final action was taken and the recommendation was closed.

3. That USAID/Afghanistan conduct a data quality assessment in accordance with USAID's Automated Directives System to provide assurance on the quality and reliability of the program's reported results data.

The mission stated that the Agreement Officer's Technical Representative (AOTR) will organize and participate in a data quality assessment by August 31, 2011. Additionally for future visits, the AOTR will conduct limited testing on reported results by observing the computation of figures from supporting records. A management decision was reached and the recommendation remains open.

4. That USAID/Afghanistan direct CARE International to (1) develop a formal class integration strategy and a process that allows for the effective integration of the program's primary education classes into the Ministry of Education's school system and provide a viable alternative that allows children to continue their learning without having to travel long distances; and (2) implement this integration strategy for all new and, if possible, formerly integrated classes by the program's completion date.

The mission directed CARE International to develop a formal integration strategy and a process that allows for integrating community-based education classes into the Ministry of Education's primary school system. Thus, this recommendation is closed.

Afghanistan Performance Audits

Fiscal Year 2010

Review of Security Costs Charged to USAID Projects in Afghanistan (No. 5-306-10-002-S)

Date:	September 29, 2010
Implementing Partner:	Development Alternatives, Inc.
Review Period:	March through May 13, 2010
Funding:	\$11.3 million

Background—Summary of Findings

USAID/Afghanistan relies on private security contractors (PSCs) to supply an array of security services for contractors and grantees that implement USAID-funded projects in Afghanistan. PSCs free up military forces for their core missions and provide protection to USAID's implementing partners in hostile environments. USAID/Afghanistan's practice has been to delegate responsibility and oversight for security to its implementing partners and factor the cost of security into their program budgets. These implementing partners typically subcontract their security services to PSCs. USAID indirectly pays for PSCs when the implementing partners submit their invoices, which include the cost of security services, for payment.

In the past year, news reports have said that U.S. Government funds paid to contractors for reconstruction projects were being siphoned off to Taliban insurgents in exchange for "protection" to prevent attacks. For example, one news article reported that USAID funds were ending up in the hands of the Taliban through a protection racket for contractors. Another article said that in southern Afghanistan, no contract can be implemented without the Taliban taking a cut, sometimes at various steps along the way.

Other news reports said that PSCs were involved in the negotiations with insurgents. Office of Inspector General (OIG) staff met with one of the reporters involved to obtain additional details.

OIG conducted a review of Edinburgh International's security costs charged to the following three USAID-funded projects in Afghanistan implemented by Development Alternatives, Inc. (DAI):

- Afghanistan Small and Medium Enterprises Development
- Incentives Driving Economic Alternatives for the North, East, and West
- Local Governance and Community Development (LGCD)

The review found no indication that Edinburgh International had misused USAID funds to pay the Taliban or others in exchange for protection. However, there were indications that Afghan subcontractors working on the LGCD project had paid insurgents for protection in remote and insecure areas of Afghanistan. The payments were allegedly made as part of a security arrangement with local communities that very

likely included the Taliban or groups that support them. OIG also found indications of pervasive fraud in DAI's LGCD office in Jalalabad and indications of endemic corruption in Nangarhar Province, where Jalalabad is located. It is conducting an investigation with members of the International Contract Corruption Task

Force, including the Special Inspector General for Afghanistan Reconstruction and the Federal Bureau of Investigation, as well as the local Afghanistan prosecutor's office and the Afghanistan Major Crimes Task Force. In June 2010, DAI terminated ten LGCD employees who were involved in the fraud scheme.

Recommendations—Management Decisions

The review report made four recommendations to help USAID/Afghanistan reduce the likelihood that subcontractors will misuse USAID funds to pay off Taliban insurgents or other criminal elements and to mitigate the risk of fraud within its LGCD project.

1. That USAID/Afghanistan conduct appropriate risk and impact assessments of current and proposed locations that are targeted for Local Governance and Community Development subprojects to determine whether the security environment in those locations is permissive enough to allow civilian implementation and monitoring efforts to proceed without interference from insurgent groups.

The mission stated that we had reported indications of pervasive fraud in DAI's LGCD Jalalabad office, as provided by interviewed sources, but did not list supporting documentation for the alleged fraud. Nonetheless, the mission indicated that the contracting officer has directed DAI to conduct an internal audit of all offices under the LGCD Project.

It is OIG policy not to provide information in its published reports that would compromise investigations of suspected fraud. Instead, this information is provided to OIG/Investigations for further investigation. As indicated in the draft report, we referred the specific indications of pervasive fraud in LGCD's Jalalabad office to OIG/Investigations, which expanded an ongoing investigation of the LGCD fraud and worked with members of the International Contract Corruption Task Force, including the Special Inspector General for Afghanistan Reconstruction and the Federal Bureau of Investigation, as well as the local Afghanistan Prosecutor's Office and the Afghanistan Major Crimes Task Force. In June 2010, DAI terminated ten LGCD employees who allegedly had been involved in the fraud scheme. Because USAID/Afghanistan has directed DAI to conduct an internal audit of the offices implementing the LGCD project, final action has been taken on Recommendation 2. This recommendation is closed.

2. That USAID/Afghanistan direct Development Alternatives, Inc., to conduct an internal audit of all offices under the Local Governance and Community Development Project to evaluate internal controls and take appropriate corrective actions on any material weaknesses identified and fraud uncovered. A copy of the report is to be provided to the USAID/Afghanistan Controller and the USAID Office of Inspector General.

The Contracting Officer has directed DAI to conduct an internal audit of all offices under the LGCD Project to evaluate internal controls and take appropriate corrective actions on material weaknesses identified and fraud uncovered. DAI is in daily contact with the RIG Office at the USAID Mission in Kabul on alleged improprieties and information is passed rapidly – currently between 24-72 hours of notification between both USAID Activity Managers and DAI directly to the RIG. USAID expatriate and national staff have reinforced their efforts to report alleged cases of improprieties reported either by local

communities, or from GIRoA directly to the COTR for immediate investigation. The COTR has sent guidance to all Activity Managers to meet with their local DAI implementers at least on a weekly basis. The COTR and Alternate COTR in these respects are playing a crucial role in immediately moving information received either from USAID/LGCD Activity Managers, or from DAI to the RIG for review and preliminary guidance. Therefore, this recommendation is closed.

3. That USAID/Afghanistan direct Development Alternatives, Inc., to implement policies and procedures to perform adequate cost analysis of fair market prices and to detect and prevent inflated costs and possible fraudulent activity as part of its subcontracting process for the Local Governance and Community Development Project.

USAID agrees with the recommendation and suggests a modified approach. It stated that DAI adheres to federal regulations in awarding and managing procurements, including subcontracts, under the LGCD Project, and has project procurement policies and procedures in place. USAID's contracting officer has directed DAI to review its existing procurement policies and procedures, modify them accordingly, and implement them to ensure that it performs adequate cost analysis of fair market prices and to detect and prevent inflated costs and possible fraudulent activity as part of its subcontracting process for the LGCD Project. This recommendation is closed.

4. That USAID/Afghanistan develop an action plan to maintain a sufficient level of oversight of subcontracting and purchasing systems by Development Alternatives, Inc., for the Local Governance and Community Development Project.

USAID requested that DAI conduct a contractor purchasing system review no later than October 31, 2010, to establish a baseline for DAI's proficiency in performing its responsibilities in subcontracting in accordance with FAR 44.3. The assessment provides a baseline of DAI's capacity and document weaknesses for further action by the contracting officer or his or her field support team. In addition, USAID plans to conduct periodic surveys of DAI's purchasing system. This recommendation is closed.

Audit of USAID/Afghanistan's Alternative Development Program Expansion—South West (5-306-10-011-P)

Date: July 29, 2010

Implementing Partner: Associates in Rural Development, Inc.

Audit Period: March 5, 2008, to December 31, 2009

Funding: As of December 31, 2009, USAID/Afghanistan had obligated \$30 million and disbursed \$25 million for program activities

Background—Summary of Findings

The production and trafficking of illicit narcotics in Afghanistan breeds corruption and provides resources to the Taliban, drug lords, and other terrorist groups. The U.S. Government has supported the Afghan Government's counternarcotics strategy of providing incentives to stop growing opium poppy through alternative development projects, supporting strong disincentives in the form of provincial governor-led eradication, interdiction, and law enforcement, and spreading the antinarcotics message.

USAID is implementing a 3-year, \$75 million program (through Associates in Rural Development) to counter illicit poppy cultivation by providing alternative development programs, improved economic opportunities, and diverse regional economic growth.

The program has made progress. A 32 percent decrease in poppy production between 2008 and 2009 has been attributed to strong antipoppy messages from provincial governors, increased interdiction activities, an overproduction of poppy in prior years that suppressed market prices, and provision of alternative economic opportunities in targeted

districts within each province. The implementer put in place 45 cash-for-work projects that included road, canal, and market rehabilitations. One project provided employment to 220 workers, while another project targeted 30 disadvantaged women, mainly widows. The program also assisted local farmers with sales of produce totaling nearly \$3.8 million. Further, it helped the Farah Farmer's Union, a cooperative of 8,700 growers, identify business opportunities and develop the Farah Agricultural Center, which will provide an all-inclusive hub for market expansion and business development.

Despite the program's progress, issues need to be addressed. First, continued reductions in poppy cultivation may not be sustainable because no follow-on alternative development program has been approved beyond March 2011, and a critical southern province is not included in the current program. Second, the program has experienced delays in implementation, partly because of security issues. Also, a new embassy-led annual program review process, the restructuring of the regional commands, and the mission's plan to implement regional platforms present future challenges that could hamper program implementation if not properly managed.

Recommendations—Management Decisions

The audit report made three recommendations:

1. That USAID/Afghanistan develop an implementation plan for follow-on activities to cover critical southern and western provinces.

In January 2010, the Office of Agriculture began developing follow-on agriculture programs that will deliver alternative development activities in the southern and western provinces. Thus this recommendation is closed.

2. That USAID/Afghanistan officially designate a specific position within each technical office to handle the preparation and coordination of embassy program approval requests.

USAID has undertaken three steps to further improve the project review process. First, it has designated one officer in the Office of Program and Project Development (OPPD) to be responsible for preparing and coordinating all project reviews. Second, the OPPD officer in charge of the project review process will directly coordinate upcoming reviews with the technical office director, who will be accountable for ensuring that the office's relevant contracting officer's or agreement officer's technical representative completes the review sheet promptly. Third, in June 2010, the designated officer in OPPD conducted an extensive inventory of all mission programs to determine which programs are due for a 1-year review and, on the basis of this inventory, established a specific schedule for upcoming reviews. This recommendation is closed.

3. That USAID/Afghanistan require an activity manager designation letter for all activity managers, outlining responsibilities and relevant mission orders related to making unauthorized commitments and funds control violations.

USAID/Afghanistan determined and the RIG/Manila agreed that a management decision had been reached. On September 22, 2010, USAID/Afghanistan issued a Mission Order which outlined the roles and responsibilities of activity managers in USAID/Afghanistan's project monitoring and includes a sample activity manager designation letter. Therefore, this recommendation is closed.

Review of School and Health Clinic Buildings Completed Under the Schools and Clinics Construction and Refurbishment Program (No. 5-306-10-002-O)

Date:	June 24, 2010
Implementing Partner:	KPMG Afghanistan
Audit Period:	2002 to 2009
Funding:	Disbursements under the program amounted to more than \$105 million

Background—Summary of Findings

In September 2002, USAID/Afghanistan began to build and reconstruct schools and health clinics throughout Afghanistan under the Schools and Clinics Construction and Refurbishment Program. During the following 4 years, the mission increased the number of structures subject to the program from fewer than 100 to 776. Similarly, the number of implementing partners grew to more than a half dozen, and disbursements under the program amounted to more than \$105 million.

In October 2004, the office of the Regional Inspector General/Manila (RIG/Manila) audited the school and health clinic reconstruction activities.¹ The audit found that the program was behind schedule, and it recommended that the mission develop a new implementation plan.

RIG/Manila contracted with KPMG Afghanistan—whose staff could travel more easily within Afghanistan—to conduct site visits for this review. RIG/Manila provided KPMG a statistical sample of 50 buildings—30 schools and 20 clinics—from the 776 schools

and clinics completed across Afghanistan under the program. The review had two objectives: (1) to determine whether schools and clinics constructed under the program were being used for their intended purposes and (2) to measure the impact of the program on the provision of education and health services to the people of Afghanistan.

KPMG visited and inspected 50 buildings to verify their physical existence and observe how they were being used. Overall, KPMG found that 48 of the 50 facilities were being used for their intended purposes. The two exceptions were due to security concerns in the surrounding area and one building's inability to accommodate area students.

KPMG noted numerous physical deficiencies in the condition of the school and health clinic buildings. These deficiencies included structural problems, poor hardware, lack of electrical supply (because buildings were located in areas where electrical service is unavailable), deficient water service and plumbing (or none), and toilet problems. However, KPMG could not determine whether the deficiencies were attributable to work performed under the program or to a subsequent lack of maintenance.

¹ "Audit of USAID/Afghanistan's School and Clinic Reconstruction Program," Audit Report No. 5-306-05-003-P, issued March 14, 2005.

KPMG noted that the deficiencies created an environment that was not conducive to quality education and health services and might expose the students, patients, and staff working in those buildings to unhealthy and even dangerous conditions. In addition, the report noted operational problems in the schools and clinics. These problems included poor maintenance, inadequate personnel, and lack of furniture and equipment. These conditions, however, were the responsibility of the Government of Afghanistan.

To measure the impact of the program on providing educational and health services to the people of Afghanistan, KPMG scheduled

its field visits when the schools and clinics would be in use and reviewed records and documentation maintained at each location. KPMG found that the 30 schools visited were staffed with 1,385 teachers providing instruction to 57,744 students. The 20 health clinics visited employed 109 clinical staff and provided medical treatment to approximately 39,500 patients a month. KPMG concluded, however, that these figures do not provide a meaningful indication of the completed buildings' impact on the provision of education and health services in Afghanistan because baseline information was not available for comparison.

Recommendations—Management Decisions

The report made two recommendations:

1. That USAID/Afghanistan consider requesting from the Ministry of Education and the Ministry of Health a list of schools and clinic buildings completed under the Schools and Clinics Construction and Refurbishment Program that are not being used for intended purposes and make a determination in coordination with these ministries whether adjustments in the use of these facilities can or should be made.

Ninety-six percent (48 of 50) of the buildings inspected under this RIG/Manila review were found to be used for the original intended purpose. These results are consistent with the results of post occupancy evaluations conducted by International Relief and Development (IRD) at the mission's request in 2007. These evaluations determined that most of the buildings sampled were being used for their original intent. This recommendation is closed.

2. That USAID/Afghanistan evaluate the physical and construction deficiencies identified in annexures C and D of the KPMG report and develop an action plan to correct those deficiencies.

The mission agreed that deficiencies that are the result of defects in construction, and in particular those defects that could impact life or safety, need to be corrected. The mission is inspecting all buildings funded and constructed under the program between 2002 and 2009 for seismic structural safety. As the inspection of each building is completed, an action plan will be developed for remedial reconstruction for earthquake safety. This recommendation is closed.

Audit of USAID/Afghanistan's Oversight of Private Security Contractors in Afghanistan (5-306-10-009-P)

Date: May 21, 2010
Implementing Partner: Not applicable
Audit Period: October 1, 2006, through June 30, 2009
Funding: \$167 million for subcontracted private security services

Background—Summary of Findings

USAID program implementers rely on private security contractors (PSCs) to protect their operations in hostile environments. However, the murder of 4 PSCs in Iraq in 2004 and the killing of 17 Iraqi civilians by PSCs in 2007 raised concerns about failures to supervise PSCs adequately and to properly investigate alleged killings by security contractors. In January 2008, Congress enacted detailed oversight requirements for PSCs in combat operation areas, to be implemented by Department of Defense (DOD) regulation and the Federal Acquisition Regulation.

OIG examined the reporting of serious security incidents, whether USAID implementing partners had subcontracted with responsible firms, the costs of these services, and the oversight of those costs. We found that detailed statutory oversight requirements intended to cover both non-DOD and DOD PSCs in Afghanistan had not been implemented by USAID because the Chief of Mission had not issued mission-wide instructions in accordance with DOD implementing regulation. As a result, USAID PSCs did not report certain serious security incidents (e.g., persons killed or injured as a result of PSC conduct) that they otherwise would have been required to report had mission-wide instructions implementing the

statutory requirements been issued. The mission-wide instructions would have also incorporated statutorily-mandated procedures to ensure PSCs in Afghanistan are qualified and responsible. The report found such procedures were not in place.

USAID/Afghanistan has provided only limited oversight and direction relative to standards and requirements for security and cannot ensure that responsible security firms are employed. The audit found that two PSCs were not licensed with the Afghan Government and that USAID/Afghanistan did not provide subcontracting consent for 17 private security firms or include in its contracts a clause to require various security measures. Moreover, USAID/Afghanistan has no standard grant award provision related to security, so about one-third of its awards with subcontracted PSCs have no standard security requirements. With respect to security costs, prime implementing partners reported that they had charged about \$167 million for subcontracted PSC services during the review period. On average, these services accounted for 8.3 percent of award disbursements. The audit found no specific requirements applicable to this category of costs and few requirements relative to the audit of subcontractor costs.

Recommendations—Management Decisions

OIG made eight recommendations:

1. That, in the absence of Mission-wide instructions, USAID/Afghanistan's Director of Acquisition and Assistance include a clause or provision in all acquisition and assistance agreements to require the implementing partner to report information on casualties as well as serious incidents.

USAID/Afghanistan's Office of Acquisition and Assistance is coordinating additional reporting requirements with USAID/Washington's Management Bureau's Office of Acquisition and Assistance. The additional standard provisions or clauses in agreements are subject to the Paperwork Reduction Act and require approval by OMB. Upon approval of the standard provisions or clauses, USAID will modify the acquisition and assistance agreements accordingly. This recommendation is closed.

2. That, in the absence of Mission-wide instructions, USAID/Afghanistan devise and implement a formal process, consistent with standards specified in 39 CFR 159.6, for its employees to forward reports of serious incidents and casualties to a designated office that will collect and coordinate the reports.

In July 2009, the mission established an in-house Office of Safety and Security to, among other duties, coordinate the reporting of serious incidents and casualties. Serious incident reporting has increased, as has general cooperation on security issues with the implementing partners. The mission will formalize the process through a mission order for employees to forward reports of serious incidents and casualties to the designated office. This recommendation is closed.

3. That USAID/Afghanistan's Director of Acquisition and Assistance provide written notification to the implementing partners responsible for the two awards directing them to use only private security contractors licensed by the Government of the Islamic Republic of Afghanistan.

USAID Afghanistan determined and the RIG/Manila agreed that a management decision had been reached. USAID/Afghanistan indicated that one of the awards has since ended. The Contracting Officer for the other award has provided written instructions to the Implementing Partners and Contracting Officers Technical Representatives, directing them to use only licensed private security companies that are legally registered with the Government of the Islamic Republic of Afghanistan. This recommendation is closed.

4. That USAID/Afghanistan's Director of Acquisition and Assistance require that the implementing partners—to which the 17 private security companies (identified in the audit report) have been subcontracted—provide what would customarily be advance notification to USAID/Afghanistan so that consent to subcontract may be considered and granted or refused.

USAID Afghanistan determined and the RIG/Manila agreed that a management decision had been reached. USAID/Afghanistan indicated that one of the awards has since ended. The Contracting Officer for the other award has provided written instructions to the Implementing Partners and Contracting Officers Technical Representatives, directing them to use only licensed private security companies that are legally registered with the Government of the Islamic Republic of Afghanistan. On

April 25, 2010, the Supervisory Contracting Officer, Afghanistan sent a written notice to the Implementing Partners stating that they are required to provide the customary advance notification to USAID/Afghanistan, so that the cognizant contracting officer can provide consent to subcontract. Therefore, this recommendation is closed.

5. That USAID/Afghanistan's Director of Acquisition and Assistance issue written guidance to existing implementing partners and the office's contracting officers, reminding them of the requirements of Federal Acquisition Regulation Part 44.2.

On April 25, 2010, USAID/Afghanistan's Director of the Office of Acquisition and Assistance issued written guidance to the existing implementing partners and the office's contracting officers reminding them of Federal Acquisition Regulation Part 44.2 requirements. This recommendation is closed.

6. That USAID/Afghanistan's contracting officer add Federal Acquisition Regulation Clause 52.225-19, "Contractor Personnel in a Designated Operational Area or Supporting a Diplomatic or Consular Mission Outside the United States," to all its existing acquisition awards and issue guidance to include the clause in future awards.

USAID/Afghanistan's Office of Acquisition and Assistance will review its active acquisition awards and ensure that the required clause is included in the awards. Additionally, the Director will issue guidance to the contracting officers, directing them to include the clause in all future awards. This recommendation is closed.

7. That USAID/Afghanistan's contracting officer request in writing that the Chief of Mission issue Mission-wide instructions for non-DOD PSCs and their personnel, as required by Interim Final Rule 32 CFR 159.4(c), to either (1) implement standards set forth by the geographic combatant commander or (2) instruct non-DOD PSCs and their personnel to follow the guidance and procedures developed by the geographic combatant commander or subordinate commander.

The Chief of Mission is aware of this issue and guidance on the use of PSCs has been prepared by the U.S. Embassy/Kabul Regional Security Office. The guidance has been reviewed by the Department of State Legal Office in Washington, DC. The USAID/Afghanistan mission director wrote to the Ambassador to communicate the findings of this audit report. This recommendation is closed.

8. That, in the absence of Mission-wide instructions, USAID/Afghanistan's contracting officer request in writing that the Office of Acquisition and Assistance provide acquisition and assistance award language to regulate subcontracted private security services.

USAID/Afghanistan's Office of Acquisition and Assistance is coordinating additional reporting requirements with USAID/Washington's Management Bureau's Office of Acquisition and Assistance. The additional standard provisions or clauses in agreements are subject to the Paperwork Reduction Act and require approval by OMB. Upon approval of the standard provisions or clauses, USAID will modify the acquisition and assistance agreements accordingly. This recommendation is closed.

Audit of USAID/Afghanistan's Afghanistan Vouchers for Increased Productive Agriculture (AVIPA) Program (No. 5-306-10-008-P)

Date: April 20, 2010
Implementing Partner: International Relief and Development
Audit Period: September 2008 to December 2009
Funding: As of December 31, 2009, cumulative obligations under the program totaled approximately \$185.2 million, and expenditures were about \$93.4 million.

Background—Summary of Findings

The AVIPA Program was initially designed to provide wheat seed and fertilizer to drought-affected subsistence farmers to help them increase wheat production in targeted areas of the country.

The audit found that the program had contributed to the country's increase in wheat production; however, the extent of the program's role in this increase was unclear, since the audit determined that some of the reported results were not reliable. In addition, the program's stabilization activities in the country's southern region were not being implemented as widely as originally planned.

The audit identified several other problems: In addition to the lack of reliable data to measure program results, the program suffered from insufficient oversight. The implementer could not retain staff, in part because of death threats, and project staff members were overburdened by requests for information and briefings from non-USAID Government officials. In some cases, materials did not reach beneficiaries (a finding that has been referred to OIG's Office of Investigations). Moreover, the audit noted that up to \$50 million in unspent program funds could be reprogrammed for other activities.

Recommendations—Management Decisions

OIG made three recommendations:

1. That USAID/Afghanistan require its implementer to establish appropriate procedures and controls to strengthen its monitoring of AVIPA program activities to ensure that intended beneficiaries receive program inputs and irregularities, such as those identified by this audit, are detected and addressed in a timely manner.

USAID/Afghanistan determined and the RIG/Manila agreed that a management decision had been reached. USAID/Afghanistan confirmed that the implementer had established a "most robust" monitoring system to more effectively monitor program activities which included: 1) an independent Quality Assurance/Quality Control (QA/QC) team which samples selected activities for testing; 2) programmatic QA/QC teams that are dedicated to a specific program component (e.g., cash for work) and responsible for monitoring and ensuring that prescribed procedures are adhered to; and 3) a telephone

“hotline” that allows the general public to express any concerns they may have regarding AVIPA activities. This recommendation is closed.

2. That USAID/Afghanistan require its implementer to reassess the impact of its 2008–2009 wheat seed distributions using a justifiable methodology and report the results to the mission along with supporting calculations that clearly show the basis for the assessed impact.

A management decision was reached. USAID/Afghanistan discussed the concerns regarding the assessment and the methodology with International Research & Development (IRD), and required them to undertake a new assessment of the 2008-2009 wheat seed distribution. On August 21, 2010, IRD presented the Mission with a report entitled "Note on the Effects of the AVIPA Plus Voucher Distribution Program on Wheat Yields in Northern Afghanistan". According to this document, IRD reviewed and adjusted data sets in order to capture the effects of the voucher packages. This recommendation is closed.

3. That USAID/Afghanistan determine the amount of projected surplus funds under the program and reprogram these funds to make them available for other activities under this or other programs.

A management decision was reached. USAID/Afghanistan determined the amount of unexpended funds projected to be available in June 2010 to be \$131 million. The projected surplus funds were reprogrammed through a no-cost extension to AVIPA for the period September 1, 2010 through March 31, 2011. This recommendation is closed.

Audit of USAID/Afghanistan’s Human Resources and Logistical Support Program (No. 5-306-10-007-P)

Date: March 31, 2010

Implementing Partner: International Relief and Development, Inc.

Audit Period: March 1, 2006, to October 29, 2009

Funding: As of September 30, 2009, \$47 million had been obligated, and \$36 million had been spent for project activities

Background—Summary of Findings

USAID/Afghanistan launched its Human Resources and Logistical Support Program in February 2007 to help design, monitor, and support the activities of USAID-funded contractors. The program intended to (1) enhance capacity at selected ministries, (2) identify USAID-constructed buildings that do not meet seismic standards, and (3) provide quality assurance and engineering oversight for mission construction projects. USAID awarded a 5-year, \$72 million contract to International Relief and Development, Inc., to implement the program.

The audit found that the program had made progress in capacity building within selected Afghan ministries, identified defective USAID-built structures, and provided engineering oversight for mission construction projects.

In support of its first goal, the program provided the Afghan Government with additional capacity. Technical consultants hired under the program assisted Ministry of Mines personnel in preparing a proposal for the rehabilitation of gas fields to generate electrical power for the country. Meanwhile, at the Ministry of Public Works, program advisers initiated the development of a pilot program to teach ministry staff how to implement and monitor road construction projects and provide them with a more

efficient means of managing and maintaining roads in the future. At the Ministry of Energy and Water, the program contractor provided a transboundary water-rights adviser to help the ministry develop water policies for negotiations with neighbors in other countries.

With regard to the second goal—evaluating and identifying USAID-built structures that did not meet seismic standards—the program was successful in establishing a process for identifying structures that are not earthquake resistant. The mission has a database of 1,474 USAID-built structures, but the database is not complete. As of October 2009, the program had completed preliminary assessments of 468 of these structures and detailed structural seismic evaluations of 35. So far, the program has found 15 structures to be unsafe for occupancy.

With regard to the third goal, of providing quality assurance and engineering oversight on USAID construction projects, the program has succeeded in providing these services for projects initiated by the mission’s Office of Infrastructure, Engineering and Energy. However, the mission has not been so successful in providing quality-assurance services for construction projects initiated by other program offices within the mission.

Despite the program's progress in addressing its three main goals, it has serious issues that need to be addressed. The most critical issue is to identify the many defective structures that likely remain among the estimated 1,474 mission-built structures. The total number of defective structures will be determined when the remainder of the preliminary assessments and any subsequent detailed seismic evaluations are completed. The mission anticipates that the contractor will complete 200 seismic evaluations by the end of the

contract. In addition, significant defects in five buildings reported in a prior Office of Inspector General audit report ("Audit of USAID/Afghanistan's Accelerating Sustainable Agriculture Program," Audit Report No. 5-306-08-009-P, August 8, 2008) have yet to be corrected.

If all defective structures are not identified, and if those already identified are not repaired or rebuilt, a catastrophic earthquake could cause many injuries and deaths.

Recommendations—Management Decisions

This report makes 12 recommendations to improve mission implementation of its construction programs:

1. That USAID/Afghanistan establish a separate reconstruction program that will provide prompt implementation of reconstruction action plans for defective structures and ensure that all defective USAID-built structures are reconstructed.

The mission will implement the required changes using an alternative implementation strategy than that proposed in the recommendation. Rather than establishing a separate reconstruction program, the mission will use existing contracting mechanisms. A structural engineer will manage the assessment of buildings while a new construction manager will supervise the reconstruction of defective buildings. This recommendation is closed.

2. That USAID/Afghanistan take immediate action to secure and vacate the two currently occupied defective buildings constructed under the Accelerating Sustainable Agriculture Program.

USAID/Afghanistan determined and the RIG/Manila agreed that a management decision had been reached. In May 2010, USAID/Afghanistan completely demolished the Agricultural Network (AgNet) building in Parwan Province. The demolition was monitored and documented by the International Relief and Development, the contractor for the Human Resource and Logistical Support (HRLS) Program. However, USAID/Afghanistan stated that the AgNet building in Kunduz Province has not been demolished because it is occupied by a unit of Afghanistan's National Police (ANP), which commenced occupancy without the knowledge or consent of the Ministry of Agriculture, Irrigation and Livestock (MAIL), USAID, or Chemonics. According to the USAID/Afghanistan, all attempts to have ANP vacate the building have been unsuccessful and as result, MAIL and the Ministry of Interior (MOI), which has authority over ANP, jointly executed a full waiver of liability releasing USAID and Chemonics from any current or future liability for the Kunduz AgNet Building. Therefore, this recommendation is closed.

3. That USAID/Afghanistan complete an implementation plan for the demolition and retrofitting of the five buildings constructed under the Accelerating Sustainable Agriculture Program either by compelling Chemonics to perform or by using a third party.

If a third party is used, the implementation plan should include requirements to reduce Chemonics' future billings in accordance with Federal Acquisition Regulation 52.246-5(e) for the cost of demolishing or retrofitting the structures.

USAID/Afghanistan completed an implementation plan for the demolition and reconstruction of the five AgNet buildings, which was conveyed by the contracting officer in an email dated December 14, 2009. All demolition work was being conducted by Chemonics. To carry out the demolition, Chemonics awarded four subcontracts to local firms, and was processing a subcontract for the demolition of the fifth building. According to the schedule submitted, demolition of all five buildings will be completed by the third week of May 2010. In accordance with the implementation plan, Chemonics submitted two documents that comprise the demolition plan. Thus, this recommendation is closed.

4. That USAID/Afghanistan revise and reissue the November 2008 Office of Acquisition and Assistance notice on quality assurance to include requirements for quality assurance of construction performed under subcontracts and subagreements.

On December 7, 2009, USAID issued a notice to revise previous guidelines pertaining to construction requirements in subcontracts and subagreements. This recommendation is closed.

5. That USAID/Afghanistan revise its contracting officer's technical representative (COTR) designation letter to communicate the need to comply with construction oversight and quality-assurance requirements.

USAID/Afghanistan's Office of Acquisition and Assistance (OAA) issued an internal notice on December 30, 2010. The notice includes requirements that any award containing a construction and/or Architecture and Engineering component as defined by Mission Order No. 302-03 must include the requirements for construction monitoring and quality assurance services. Therefore, this recommendation is closed.

6. That USAID/Afghanistan develop written procedures covering the types of roads that require mandatory engineering oversight and quality assurance.

USAID/Afghanistan's has drafted procedures for providing the appropriate engineering oversight and quality-assurance services to specific types of roads. This recommendation is closed.

7. That USAID/Afghanistan take appropriate action during each portfolio review to require that all in-process and completed construction projects during the review cycle are documented and shared with the Office of Infrastructure, Engineering and Energy as a means for it to ensure the existing database of constructions projects is complete and provide engineering quality-assurance oversight for those projects lacking it.

USAID/Afghanistan determined and the RIG/Manila agreed that a management decision had been reached.. USAID/Afghanistan determined that using portfolio reviews as a vehicle would not adequately address the underlying problem that led to the recommendation. Accordingly, USAID/Afghanistan instituted a more systemic and comprehensive approach and modified project and activity approval and review to require OIEE review and clear on activity planning documents that include construction or infrastructure development components. With this systemic and

comprehensive approach, USAID/Afghanistan believes that Quality Assurance & Quality Control and data management for the Mission infrastructure projects will vastly improve, helping to ensure the protection and sustainment of the United States Government's investments in infrastructure and the safety of Afghans who utilize structures funded by USAID. This recommendation is closed.

8. That USAID/Afghanistan establish procedures to grant the mission engineers or their designated representatives the right to communicate directly with the construction contractors or subcontractors on deviations from approved engineering designs.

USAID/Afghanistan's Office of Acquisition and Assistance (OAA) issued an internal notice on December 30, 2010. The notice included language that allows Mission engineers or their designated representatives to directly communicate to construction contractors and assistance providers any observed deviations from approved engineering designs. Such communications should be limited to observed deviations and should not include instructions to construction contractors or assistance providers that could result in constructive changes to the construction agreement. This recommendation is closed.

9. That USAID/Afghanistan require that the final subcontract requirements for the design of the new campus for the American University of Afghanistan be reviewed for adherence to appropriate engineering standards.

On December 7, 2009, USAID issued a notice requiring that subcontract requirements for construction and architectural and engineering services be reviewed and approved by the Office of Infrastructure, Engineering, and Energy (OIEE) before the Office of Acquisition and Assistance accepts them for processing.

To ensure that the design of the American University of Afghanistan (AUAF) campus adheres to engineering standards and USAID requirements, USAID decided to implement the design activity through a separate mechanism managed by OIEE. This was conveyed to the AUAF president in a letter from the agreement officer dated March 2, 2010. Because of AUAF's reticence about USAID's determination, discussions are ongoing to determine the best option for proceeding with the design, including whether the design should be funded by USAID. Should AUAF and its Board of Trustees opt to use USAID funds for the design activity, the procurement requirements will have to be reviewed for adherence to appropriate engineering standards. This recommendation is closed.

10. That USAID/Afghanistan require that all engineering drawings related to the American University of Afghanistan Campus be reviewed for compliance with specified standards before the mission accepts delivery of the drawings.

In order to ensure compliance with specified standards, USAID has determined and conveyed to AUAF that, if USAID funds are used for the design of the new campus, OIEE would implement the activity under a separate mechanism that it manages. USAID plans to present AUAF with several options for proceeding with design activities, with or without funding. This recommendation is closed.

11. That USAID/Afghanistan require that the final statement of work clearly identifies the continuation of the Afghan Infrastructure Data Center as a core aspect of the follow-on

contract, to include training of Afghan Ministries in the maintenance and use of the data center.

The statement of work for the Engineering Quality Assurance and Logistical Support Program, the follow-on activity, has been revised to include training of Afghan Ministries. Meanwhile, the ongoing Human Resource and Logistical Support Program has completed an assessment of the Ministry of Public Works' requirements to enable them to operate and maintain the roads database. A presentation is also scheduled at the Ministry of Energy and Water to inform the staff about the roll-out of the infrastructure database—Afghanistan Infrastructure and Security Cartography System—and to discuss their involvement in a user needs assessment and training. This recommendation is closed.

12. That USAID/Afghanistan complete all required contractor performance reviews of International Relief and Development, Inc., in accordance with Agency procedures.

Contractor performance reviews for the contract have been completed and submitted to the Contractor Performance System of the National Institutes of Health. This recommendation is closed.

Audit of USAID/Afghanistan’s Building Education Support Systems for Teachers Project (No. 5-306-I0-006-P)

Date: January 29, 2010
Implementing Partner: Creative Associates International, Inc.
Audit Period: May 20 through June 10, 2009
Funding: As of September 30, 2009, \$56 million had been obligated, and \$48 million had been spent for project activities

Background—Summary of Findings

Almost 4 years into a \$94 million, 5-year contract with Creative Associates International, Inc., to implement USAID’s Building Education Support Systems for Teachers project, OIG’s audit concluded that the project is making progress in helping to improve the quality of education in Afghanistan but has not achieved its two main goals: improving teaching through teacher training, and institutionalizing ministry structures and systems that support high-quality teaching.

Afghanistan has one of the highest illiteracy rates in the world. More than 11 million Afghans over the age of 15 cannot read or write. In rural areas, where three-fourths of all Afghans live, 90 percent of the women and over 60 percent of the men are illiterate. Under the Taliban, girls were not allowed to go to school, fewer than 900,000 boys were enrolled, and many received religious education in lieu of academics. The implications of this lack of education can be felt in all domains of life. Afghans have little access to information about good health practices, and most of the country’s judges and civil servants do not have more than a high school diploma. Today more than 5.7 million students attend school. However, the Afghan Government is striving to improve education for its people, and the Ministry of Education is working with USAID and other donors to implement a

5-year National Education Strategic Plan (2006–10).

The audit found that much of the training of teachers had been completed. For example, 50,600 of the target of 54,000 teachers in the 11 provinces had received inservice training for teachers already working for the Ministry of Education. Although the project has not attempted to measure the extent to which teaching has actually been improved, teachers we spoke with expressed satisfaction with the training they had received. And much of the technical assistance to the Ministry of Education had been completed. For example, Creative Associates had assisted in recruiting and selecting most of the 444 candidates who were expected to help the Ministry of Education develop its capacity to improve the quality of teaching.

In addition, the audit found that district teacher training teams had been established to help conduct training in all 11 provinces. This approach used a cascading process of training existing teachers as instructors who in turn would train other teachers. The project teamed with subcontractors to select and hire 181 team leaders, 1,361 team members, and 8 provincial project monitoring officers, all by December 2007. Moreover, the project developed (1) an action plan for the Ministry of Education’s 5-year strategic plan, (2) a human resources policy manual, (3) a training

curriculum for management skills, and (4) an action plan for the integration of the Human Resources Department and the Reform Implementation and Management Unit at the Ministry of Education.

Notwithstanding these accomplishments, the audit found that some significant tasks and activities included in the project's contract and work plan had not been completed. For example, the project had not completed the curriculum development and related inservice teacher training or the accelerated program for teachers who did not meet Ministry of Education teaching qualifications for their

specific subject/grade level, as planned under component 1 of the project. The project also did not complete some activities planned under component 2—for example, technical assistance intended for the Ministry of Education's Human Resources Department, such as development of a curriculum and staff training on a human resource database; creation of a training manual for the payroll database for budget staff; and preparation of at least one workshop on pedagogical methods for faculty at each provincial teacher training college. The contractor hoped to complete these efforts by the contract's end.

Recommendations—Management Decisions

The audit made four recommendations to help the mission properly oversee implementation and evaluation of the project:

1. That USAID/Afghanistan negotiate a new memorandum of agreement with the Afghan Ministry of Education to formalize a working relationship between the mission, Creative Associates International, Inc., and the Ministry of Education to be used for accomplishing tasks and activities for the remaining period of the Building Education Support Systems for Teachers Project (BESST).

USAID/Afghanistan determined and the RIG/Manila agreed that a management decision had been reached to implement the recommendation. A new memorandum of agreement (MOA) between the Ministry of Education, Creative Associates International and USAID was signed on January 25, 2011. The revised MOA formalizes the relationship between the Mission, Creative Associates International, and the Ministry of Education by defining roles and responsibilities of the partners and the activities to be implemented during the remaining period of the BESST project. Activities include the accelerated learning program for teachers, building the capacity of the Human Resources Department of the MoE, and delivery of radio-based long-distance education. This recommendation is closed.

2. That USAID/Afghanistan require Creative Associates International, Inc., to submit all pertinent information related to all Building Education Support Systems for Teachers Project subcontract modifications for which the mission has not been notified. After receipt of the pertinent information from Creative Associates International, Inc., the mission should determine and document the acceptability of the subcontract modifications.

Since contract inception, Creative Associates International, Inc. (CAII), has sought initial consent from the contract office for all subcontracts with individual organizations. After receiving approval from USAID for subcontractor budget estimates, documents on administrative actions between CAII and the subcontractors, such as funding modifications, were not submitted to USAID for approval. CAII has now provided USAID with all subcontract modifications. Each subcontract modification will be reviewed by the contracting officer for acceptability and approval. This recommendation is closed.

3. That USAID/Afghanistan require a closeout audit of the subcontract between Creative Associates International, Inc., and JBS International, Inc.-Aquirre Division related to the Building Education Support Systems for Teachers Project and take all corrective actions detailed in the closeout audit report.

USAID/Afghanistan determined and the RIG/Manila agreed that a management decision had been reached to implement the recommendation. USAID/Afghanistan verified that Creative Associates procured an audit of their subcontract with JBS International, Inc. - Aguirre Division (JBS). According to Creative Associates, all cost samples were tested as to their compliance with the Federal Acquisition Regulations (FAR) and USAID regulations and allowability to be billed to USAID. Also, JBS Aguirre termination costs were determined by Creative as being within reason. This recommendation is closed.

4. That USAID/Afghanistan require Creative Associates International, Inc., and its subcontractors to provide documented proof of compliance with the requirements of USAID Automated Directive System Chapter 320, "Branding and Marking," or submit a written request to the mission for a waiver from the requirements.

The mission has formally advised the contractor of its responsibility to be compliant with the approved branding and marking plan and has received the contractor's plan. This recommendation is closed.

Audit of USAID/Afghanistan’s Civilian Assistance Program (No. 5-306-10-004-P)

Date: December 15, 2009
Implementing Partner: International Organization for Migration
Audit Period: April 2007 to February 2009
Funding: As of December 31, 2008, \$18.5 million had been obligated and about \$6.4 million had been spent for program activities

Background—Summary of Findings

The Civilian Assistance Program is being implemented through a \$27 million, 3-year cooperative agreement (April 2007 to April 2010) with the International Organization for Migration. OIG’s audit found that the program—which is intended to provide help to Afghan families and communities that have suffered losses because of military operations—is not on target to assist eligible program beneficiaries.

Assistance under the program is generally provided in the form of goods and services to those who have suffered losses—a farmer might receive a tractor or livestock and a grocer might receive merchandise to restock his store. At the midpoint of the program, just over 800 of the more than 6,000 eligible families in the program were receiving assistance, about 13 percent. As of January 22, 2009, the implementer reported that it had assisted only about 40 percent of families included in its revised recovery plan, which had been submitted just after the implementation midpoint.

In addition, until the program was halfway through, USAID officials had very limited involvement in the program and little

information about its progress. Officials had not followed up regularly on the status of the implementer’s implementation plan, monitoring and evaluation plan, or quarterly program reports. The mission also had not made sufficient site visits to adequately evaluate the program’s progress and had not properly monitored the staffing of positions for the implementing organization.

Security concerns contributed to the program’s understaffing, which continued to be a challenge at the time of the audit. As of January 2009, a subcontractor for the implementer had hired only 56 of the 86 employees that it believed necessary to meet program targets. At the time of the audit, the implementer’s documents indicated that its subcontractor was still in the process of hiring 30 staff members for the 6 regional offices where the program was being implemented. In addition, the implementer had not taken advantage of opportunities to improve the effectiveness and efficiency of the program, such as limiting the program’s eligibility period and requiring beneficiaries to present Afghan national identification cards.

Recommendations—Management Decisions

The audit made seven recommendations that were deemed necessary to help the mission properly oversee implementation and evaluation of the program.

1. That USAID/Afghanistan develop a plan that will provide sufficient work time for the agreement officer's technical representative assigned to the Afghan Civilian Assistance Program to properly monitor and evaluate the programmatic needs for the program so that it can be implemented effectively and on schedule.

USAID dedicated a full-time technical representative to the program in July 2009 and ensured that the incumbent had a limited scope of work to enable them to better manage the program. The incumbent is assigned to the Provincial Reconstruction Team Office and reports directly to the office director, ensuring that the individual's duties will not be divided between oversight of the program and other outside duties. USAID also arranged for a four-member monitoring team, using an existing support services contract, to conduct site visits at four locations throughout Afghanistan in January 2010. This recommendation is closed.

2. That USAID/Afghanistan require the International Organization for Migration to adhere to a schedule in preparing and submitting the required planning and program reporting documents, such as implementation plans, monitoring and evaluation plans, and program reports to help the mission monitor and evaluate the implementation of the Afghan Civilian Assistance Program.

Consistent with the requirements of the cooperative agreement between USAID and the International Organization for Migration, USAID stated that the implementer has been adhering to specified reporting requirements for the past 3 quarters. With the establishment of a dedicated technical representative to provide oversight, USAID believes that the implementer will continue to meet its reporting requirements throughout the remainder of the program. This recommendation is closed.

3. That USAID/Afghanistan require the International Organization for Migration to take appropriate action to adequately staff the Afghan Civilian Assistance Program at a level sufficient to provide timely and effective assistance to eligible beneficiaries.

Following the audit, the implementer reassessed its staffing needs on the basis of the number of new incidents occurring in 2009, as well as the number of eligible families still requiring program assistance. The International Organization for Migration (IOM) has increased its staff to 161 as agreed upon in the management decision. With the hiring of this additional staff, IOM increased by 78.7 percent the total program number of families receiving assistance to 3,653 families as of December 31, 2009. This recommendation is closed.

4. That USAID/Afghanistan require that the International Organization for Migration review its policy on the eligibility period for which applicants under the Afghan Civilian Assistance Program can apply and receive benefits to determine whether a more appropriate eligibility period should be used.

The technical representative instructed the implementer to modify the targeting of program assistance to newly occurring incidents. The implementer will prioritize newly occurring cases over those that occurred

previously and will focus efforts primarily on those incidents occurring within the life of the current award (April 2007 through November 2010).

For incidents prior to April 2007 that have been entered into the database and have yet to receive program assistance, the implementer will determine which ones it can realistically access and respond to with available resources and which ones will need to be removed from the database. In eliminating selected past incidents from the database, the implementer's staff will be able to more readily focus the majority of their efforts and resources on newly occurring incidents and those that have occurred within the life of the project. This recommendation is closed.

5. That USAID/Afghanistan require that the International Organization for Migration review its policy on completed and closed-out grants to determine whether the policy should be revised and, if appropriate, revise the policy so that completed grants can be closed out more rapidly.

The technical representative and the implementer's management staff met to review standing program policies and discuss steps to expedite the delivery of program assistance. The performance period of assistance grants was reduced, and as of September 2009, all program assistance grants were set at a maximum of 6 months. The implementer conducts a final monitoring visit at the end of the grant and aims to close out the grant 30 days thereafter. This will enable the implementer to close out assistance grants in half the time it had previously spent completing grants. This recommendation is closed.

6. That USAID/Afghanistan require that the International Organization for Migration review its policy on the acceptance of identification from applicants under the Afghan Civilian Assistance Program to determine whether the policy should be revised, and, if appropriate, revise the policy to require that national identity cards be used for identification.

The technical representative instructed the implementer to report to USAID on the costs, benefits, and feasibility of requiring recipients of program assistance to possess a national identification (ID) card, and the implementer responded with its revised policy on identification cards. In addition, it has taken the following steps to ensure that assistance is not provided to the same beneficiaries more than once:

All program beneficiaries are asked to present their national ID card when the implementer's staff conducts the family assessment. The national ID card number is recorded in the program's grants database following the interview. If beneficiaries do not possess a national ID card, implementing staff members ask them to obtain one as soon as possible and request that the beneficiaries to produce another form of identification.

Program staff search the implementing database by ID number, name (including father's name), and location (village) before issuing new grants to avoid any duplication. This recommendation is closed.

7. That USAID/Afghanistan require that the International Organization for Migration review its procedures on the distribution of education and tailoring kits to program beneficiaries, under the Afghan Civilian Assistance Program, to determine whether the kits are being distributed expeditiously and, if not, initiate actions to remedy the distribution.

The technical representative instructed the implementer to develop a plan for preordering and prepositioning standard forms of assistance, including education and tailoring kits. Following this instruction, the implementer reviewed its procedures and determined that the procurement process was the primary cause of its inability to expeditiously distribute assistance kits. The implementer provided a revised policy on

preordering and prepositioning standard forms of assistance and signed long-term agreements with various local vendors. To attract possible bidders, implementers provide an estimate for the total value of the business.

The long-term agreements are valid for 6 months. After 6 months, depending on the performance of the vendors, the implementer will conduct another bid or negotiate with existing vendors to renew the agreements under the same prices, terms, and conditions. This recommendation is closed.

Audit of USAID/Afghanistan's Power Sector Activities Under Its Afghanistan Infrastructure Rehabilitation Program (No. 5-306-10-002-P)

Date: November 10, 2009

Implementing Partner: Louis Berger Inc./Black and Veatch Special Projects Corp.
Joint Venture

Audit Period: January 2007 through April 2009

Funding: As of April 30, 2009, the combined ceiling price for these two task orders was \$305.5 million, and USAID/Afghanistan had obligated \$290.8 million and expended \$249.6 million for the two projects

Background—Summary of Findings

Providing electrical power to the Afghan population is crucial to Afghanistan's development. As a key to political stability, sufficient, reliable electrical power is especially important for both the capital city of Kabul and the southern agricultural provinces of Helmand and Kandahar. To improve the availability of electricity in these areas, USAID/Afghanistan awarded two major task orders under its Afghanistan Infrastructure Rehabilitation Program to the Louis Berger Inc./Black and Veatch Special Projects Corp. Joint Venture.

OIG's audit report highlighted problems faced by two power projects in Afghanistan—building a 105-megawatt plant in Kabul and making improvements in the Kajakai Dam—which were intended to supply power to key cities and provinces.

The audit concluded that, because of construction delays, USAID had not increased reliable power supplies to these two areas within the planned timeframes. For the Kabul power plant, the delays were caused by an initial inability to obtain adequate title to land for the power plant, an ambiguous

statement of work resulting in poor planning and implementation, subcontractor performance problems, a lack of onsite quality assurance, and problems clearing equipment and material through customs. For the Kajakai Dam project, deteriorating security in southern Afghanistan and inconsistent contractor performance contributed to the delay.

By May 2009, the USAID-funded projects had completed construction of generators with the ability to produce only 12 megawatts of power out of the original goal of 140 megawatts—and this increase in power had not actually been delivered to the Afghan population. As a result, the economic benefits anticipated for Kabul and the southern provinces of Helmand and Kandahar were not being realized. Additionally, the contractor estimated that cost overruns attributable to the delays would amount to \$39 million in order to complete the Kabul power plant by December.

The audit also found that the host government may not be able to afford to operate the Kabul power plant because of the

rising cost of diesel fuel and the government's inability to collect revenue for the generated electricity. Further complicating operation of the power plant is the configuration of the Kabul transmission system, which does not allow for the use of other power sources at times of year when those power sources are more competitive.

With regard to subcontractor performance on the Kabul power plant, the audit found that the contractor had charged USAID for subcontractor costs that the contractor had not paid. The contractor had not paid these costs because of disputes and questionable claims in subcontractor invoices. The total amount the contractor received from USAID

for these questionable costs (including contractor overhead, fixed fees, and imputed interest) amounted to an overbilling of USAID by \$2.1 million.

As for the Kajakai Dam project, the original subcontractor left after its personnel received kidnapping threats, and the project cannot be completed until a new subcontractor is selected. USAID will have to continue paying the fixed costs of securing and maintaining the facility until work on the plant can be resumed. These fixed costs amount to an estimated \$1 million per month, even though none of the 35 extra megawatts of power has been delivered.

Recommendations—Management Decisions

The Office of Inspector General audit report made eight recommendations:

1. That USAID/Afghanistan require that its training on statement-of-work preparation be provided to all new COTRs.

USAID established the appropriate contractual mechanisms for COTRs to receive statement of work training. This course was intended to improve the COTRs' capacity in both technical writing and the review of statements of work, and it will be provided to all new COTRs. This recommendation is closed.

2. That USAID/Afghanistan develop procedures, such as the use of quality control checklists, to ensure that statements of work include such critical elements as clear deliverables with specified due dates.

The contracting officer for the Office of Infrastructure, Engineering and Energy (OIEE) issued a statement of work template to all OIEE COTRs in June 2009. The template serves as a quality control checklist that describes the required elements for the statement of work and provides detailed instruction for preparing each section. This recommendation is closed.

3. That USAID/Afghanistan establish procedures requiring that a labor skills assessment be performed by a contractor, either upon award of a construction contract or upon the award of a task order under the contract. The assessment would include, as appropriate but not limited to, the availability of qualified local labor, vocational training needed to cultivate local labor, and plans to coordinate with the mission to obtain appropriate visas for non-Afghan labor.

Workforce capacity in designing infrastructure projects is being assessed, and new mission staff will be hired to perform preaward surveys of potential contractors and their proposed personnel. However, the mission does not agree that a blanket procedure should be put in place that requires contractors to perform a labor skills assessment. Meaningful labor assessments are difficult to maintain in Afghanistan, given the fluidity

of the workforce and the high demand for skilled labor. Instead, the mission expects to use preaward personnel surveys to help verify the availability of qualified staff proposed by the contractor. This recommendation is closed.

4. That USAID/Afghanistan establish written procedures to ensure that all significant construction projects have onsite quality-assurance engineers.

On November 22, 2008, the Office of Acquisition and Assistance (OAA) issued a notice requiring all offices to ensure that a quality-assurance surveillance program is included during the construction of vertical structures. To cover the road and power construction activities, OAA will issue a similar notice that will define the technical standards to be observed and require quality-assurance monitoring during construction. This recommendation is closed.

5. That the mission develop an overall implementation plan for the Kabul power plant project that incorporates updated construction schedules for the contractor and subcontractor, identifies delays in critical tasks, and establishes steps to keep the project on track.

At the October 4, 2009, management meeting for the Infrastructure Rehabilitation Program, the contractor presented a detailed construction schedule and discussed how progress on each of the project components is being tracked against the schedule, on the basis of staff utilization. To provide an independent assessment of the progress of work, the mission has tasked the Human Resource and Support Program to monitor work progress and to bring to the mission's attention possible constraints in meeting the schedule. In addition, the COTR conducts weekly visits to the project to review the existing construction schedule, identify delays in critical tasks, and determine next steps. The contractor provides daily reports on the project status. This recommendation is closed.

6. That USAID/Afghanistan develop a comprehensive sustainability plan that includes considerations for anticipated fuel purchases as well as the impact and timing of future mission projects affecting the 105-megawatt plant.

A plan to improve long-term plant performance and to implement a training program to develop local skills and expertise in plant operation and maintenance is being developed. The Afghan Government has provided 50,343 liters of fuel to operate the plant and has established the new national electricity corporation, Da Afghanistan Breshna Sherkat (DABS), which lays the foundation for commercializing the country's energy sector and improving services for the Afghan people. USAID is implementing the Kabul Electricity Directorate (KED) commercialization contract to improve the commercial performance of the KED so that it can operate on a full-cost recovery basis assuming that by 2012, this contract results in a reduction in system losses and increase in collections and revenues to be directed toward fuel purchases. This recommendation is closed.

7. That USAID/Afghanistan prepare a detailed implementation plan that documents the current status of the Kajakai project and explains how the mission intends to proceed with installation of turbine 2, including potential barriers to successful installation of the turbine and contingency plans to overcome these barriers.

USAID/Afghanistan determined and the RIG/Manila agreed that a management decision had been reached. USAID/Afghanistan prepared a detailed implementation plan that documents the current status of the Kajakai project. The Mission also indicated that the installation of Turbine 2 continues to be delayed due to the ongoing volatile and dangerous security environment, which is preventing ground transportation of necessary equipment and material to the site. The Mission continues to coordinate with the International Security Assistance Force (ISAF) assessing the security situation to determine when it might be feasible to proceed with the installation of Turbine 2. Additionally, USAID is taking action to be ready to install Turbine 2 if the security environment changes quickly. USAID is also contracting to finish installation design of Turbine 2 and obtain detailed convoy size and frequency information for equipment and material that will require ground transportation to the site. Therefore, this recommendation is closed.

8. That USAID/Afghanistan recover at least \$2.1 million (including interest imputed through May 13, 2009) from the contractor.

USAID/Afghanistan has recovered the amount owed from the contractor. This includes \$2,042,680 that was billed for collection and \$35,746 in accrued interest. This recommendation is closed.

Afghanistan Performance Audits

Fiscal Year 2009

Audit of USAID/Afghanistan's Land Titling and Economic Restructuring in Afghanistan Project (No. 5-306-09-004-P)

Date:	June 8, 2009
Implementing Partner:	Emerging Markets Group, Limited
Audit Period:	September 2004 to September 2008
Funding:	As of September 30, 2008, \$45.9 million had been obligated and \$37.7 million disbursed

Background—Summary of Findings

In September 2004, USAID awarded a 3-year, \$29.2 million task order contract to Emerging Markets Group, Limited (EMG), under the Support for Economic Growth and Institutional Reform Privatization II Indefinite Quantity Contract. In October 2007, after the initial project implementation, USAID extended the task order for an additional 2 years to 2009 and increased the estimated costs to \$56.3 million to further expand the project activities in 22 provinces. The project has two components. The first focuses on land titling and registration to help the Government of Afghanistan improve land tenure security in urban areas, with the ultimate goal of introducing a consolidated land administration system in Afghanistan. The second focuses on privatizing state-owned enterprises.

The audit found that, as a whole, the project had achieved positive results under both

components. Under the first component, the project laid a foundation that could benefit the Government of Afghanistan's land administration system. Under the second component, in the first 3 years, the project provided technical assistance toward liquidating 23 state-owned enterprises, 3 state-owned banks, and 1 state-owned corporation. As a result, state-owned assets valued at \$10.6 million have been auctioned to successful bidders.

The audit also found that the liquidation process had taken longer than expected and that the State-Owned Enterprise Department had lacked the capacity to manage the liquidation process. Furthermore, OIG found that USAID's investment in privatization had not always been successful and that more collaboration was needed to strengthen the project's impact.

Recommendations—Management Decisions

The audit report made four recommendations:

1. That USAID, in collaboration with EMG and the Ministry of Finance, develop a plan to redirect remaining resources toward achieving the best results by the end of the contract. The plan should take into account the complexity of the outstanding issues that are barring final resolution and include a realistic assessment of what tasks can be completed by the end of the contract.

The Land Titling and Economic Restructuring in Afghanistan Project (LTERA) developed a work plan from March to September 2009, which was reviewed by the Minister of Finance and endorsed by the Deputy Minister of Finance. The COTR will oversee LTERA's continued implementation of the work and training plan until project completion. This recommendation is closed.

2. That USAID, in collaboration with EMG and the Ministry of Finance, develop and implement a training strategy to provide a core group of State-Owned Enterprise Department employees with the expertise to help them carry out their roles and responsibilities on the project team.

A work and training plan was formulated and endorsed by Afghanistan's Deputy Minister of Finance. This recommendation is closed.

3. That USAID assess the feasibility of coordinating with other donors to improve the infrastructure and quality of life within the informal settlements.

Since November 2008, LTERA has intensified its contacts with other donor-funded projects and agencies. LTERA helped establish the Informal Settlements Upgrading Steering Committee, chaired by the Minister of Urban Development, which is intended to coordinate and harmonize strategies of urban regularization and upgrading throughout the country. LTERA has met with representatives of major donors funding the reconstruction of Afghanistan along with USAID—the Australian Government Overseas Aid Program, the United Kingdom's Department for International Development, the World Bank, and the Japan International Cooperation Agency. The mission has agreed to the feasibility of coordination with other donors to improve the infrastructure and quality of life within the informal settlements. Specific actions have been taken and an action plan is being implemented. This recommendation is closed.

4. That USAID determine whether these unfinished tasks will have a negative impact on the project if left undone. If the mission believes that the tasks should be completed according to the original agreement, the Contracting Office should direct EMG to complete the tasks; otherwise, USAID and EMG should formally modify the contract.

At the beginning of the project, mission and project personnel mutually decided that some activities outlined in the scope of work were not going to have a significant impact on the overall outcomes and that resources could be better directed. This recommendation is closed.

**Audit of USAID/Afghanistan's
Local Governance and Community
Development Project in
Southern and Eastern Regions of Afghanistan
(No. 5-306-09-003-P)**

Date: May 11, 2009
Implementing Partner: Development Alternatives, Inc.
Audit Period: October 2006 to August 2008
Funding: As of August 31, 2008, \$119 million had been obligated and \$41 million disbursed

Background—Summary of Findings

USAID awarded a \$95 million contract (subsequently increased to \$164 million) to Development Alternatives, Inc. (DAI), to implement the Local Governance and Community Development (LGCD) Project in the southern and eastern provinces. This project was intended to assist the provincial governments and improve stability within the provinces. The project had four main components: (1) supporting local public administration and governance, (2) promoting community mobilization and development, (3) aiding local stability initiatives, and (4) providing expertise to support the provincial reconstruction teams' (PRTs') mandate.

The audit disclosed that the project had experienced severe delays. In addition, the

audit determined that the contractor needed to improve its monitoring and evaluation system and the mission needed to refine its operational plan indicators and promptly approve annual contractor work plans. Furthermore, the contractor did not properly establish performance targets for the 14 key indicators in its performance monitoring plan for FY 2008.

The project achieved some planned results, such as on-the-job training for government staff, assistance to ministries in preparing solicitations for donor funds, and construction of a school in the Nangarhar Province that brought two competing tribes together for a common project.

Recommendations—Management Decisions

The audit report made 12 recommendations:

1. That USAID, in order to prevent additional delays, develop contingency plans on how it intends to complete construction of buildings before the end of the contract.

In November 2008, USAID instructed DAI to stop the work on construction of all new government buildings and limit construction to renovations of existing buildings. The LGCD contract was extended 60 days to allow adequate time for all projects to be completed. This recommendation is closed.

2. That USAID develop a detailed implementation plan that identifies the activities it can successfully complete by the end of the project and explains how it intends to use unexpended funds.

The COTR initiated a two-step project development process that requires more planning before a project is approved. The new process ensures that projects have local support and can be implemented quickly and safely once approved. USAID is confident that all funds will be spent by December 2009. However, if any funds remain, they will be deobligated from LGCD and used to fund a new, follow-on project that USAID is designing in the same province. This recommendation is closed.

3. That USAID develop procedures to provide training to all new and existing field program officers as to their roles and responsibilities.

All existing field program officers (FPOs) attend USAID COTR training during their tours. The LGCD COTR is working with the contracting officer to draft specific "activity manager" memorandums that outline each FPO's roles and responsibilities as they relate to the project. The COTR has designed an LGCD orientation session for each new FPO. USAID is developing a U.S.-based orientation course to familiarize incoming FPOs with USAID culture, rules, and regulations. This recommendation is closed.

4. That USAID develop procedures requiring technical review of statements of work for specificity to assist in project implementation.

USAID/Afghanistan issued a mission notice requiring technical review of all statements of work. The review will occur either at the time of the activity approval or at the time of the modified acquisition and assistance request document. This recommendation is closed.

5. That USAID establish procedures for subproject development and approval of component 3 activities and communicate these to DAI and the mission's development adviser.

The COTR has worked with DAI to develop a "toolkit" and action plan for the development and approval of component 3 activities (local stability initiatives). This toolkit specifies intervention criteria for subprojects, gives examples of interventions, and describes mechanisms for implementing these interventions. This recommendation is closed.

6. That USAID develop procedures for providing training to existing and new development advisers on their roles and responsibilities as they relate to program implementation.

USAID is developing a U.S.-based orientation course to address the roles of FPOs and development advisers in program implementation and their relationship with the COTRs. Development advisers are not activity managers for the LGCD program and no longer have responsibilities related to program implementation. However, they will attend all the training that has been instituted for the FPOs. This recommendation is closed.

7. That USAID review DAI's draft performance monitoring plan for compliance with contract terms and approve the performance monitoring plan once all terms have been met.

The draft performance monitoring plan was approved by the COTR in November 2008 and is fully operational. DAI's internal systems and data collection procedures have been updated, and all current and past subprojects are now measured against this new plan. This recommendation is closed.

8. That USAID's COTR direct DAI to develop standardized procedures for data collection and retention.

The COTR for LGCD has been working with DAI to develop standardized procedures for data collection and retention, and these procedures are now in place. This recommendation is closed.

9. That USAID's COTR obtain an implementation plan from DAI that requires completion of the reprogramming of its automated system by April 30, 2009.

DAI's automated system was fully reprogrammed as of February 2009. This system now includes indicator data for all subprojects as well as data source documents (e.g., training attendance sheets and handover documents), and monitoring reports are now attached to more than 90 percent of all subprojects. This recommendation is closed.

10. That USAID establish procedures to review operational plan indicators to ensure that targets with input from multiple implementers are developed by each implementer and then consolidated.

The mission has issued a mission directive that sets forth the responsibilities for review and approval of performance monitoring plans and the establishment of indicators. This recommendation is closed.

11. That USAID/Afghanistan develop procedures to ensure that operational plan indicators represent how funds are being expended.

The mission has issued a mission directive that sets forth the responsibilities for review and approval of performance monitoring plans and the establishment of indicators. This recommendation is closed.

12. That USAID review the operational plan indicators for the LGCD project and either develop customized indicators or select additional common indicators to reflect more accurately the project's expenditure of funds.

The PRT Office is working with USAID/Washington's Conflict Mitigation and Management Office to develop customized indicators that more accurately reflect the goals of the project. This recommendation remains open.

Audit of USAID/Afghanistan's Higher Education Project (No. 5-306-09-002-P)

Date:	December 4, 2008
Implementing Partner:	Academy for Educational Development
Audit Period:	January 2006 to June 2008
Funding:	As of June 30, 2008, the mission had obligated \$23 million and disbursed \$14 million in support of this project

Background—Summary of Findings

USAID/Afghanistan's Higher Education Project involves a 5-year agreement between USAID and the Government of Afghanistan to develop a better educated population in that country. A \$38 million cooperative agreement was awarded to the Academy for Educational Development (AED) to implement the project.

Specifically, the project set out to transform instructional methods in 16 postsecondary institutions and to institutionalize structures and systems to sustain high-quality instruction and professionalism. At the end of the project in 2014, the institutions will be expected to take full responsibility for the reform systems and teacher training.

Thus far, the project has achieved some of the intended results. Training was provided in teaching methods, basic information technology skills, and graduate-level

education, along with workshops and seminars on institutional and leadership development. The project initiated a master's degree program and trained several candidates in the United States. Faculty members who participated in the project's activities were exposed to new and more effective teaching methodologies in their classes, and they advanced their English-language skills. Moreover, they had greater access to training and educational materials not available in their local language.

Despite these accomplishments, the audit identified three areas that, if not addressed during the second half of the project, will threaten the sustainability of the project's results. In addition, the audit identified that the mission's technical oversight of the project has fallen short of what is required by the agreement and USAID's policies.

Recommendations—Management Decisions

The audit report made four recommendations:

1. That USAID/Afghanistan determine the key indicators to measure and report results and revise the indicators at the implementer level, the mission level, or both to more accurately link the activity data to the mission's planned results.

The mission stated that USAID reached an agreement with the Academy for Educational Development to jointly define critical performance indicators, incorporate data collection directly into the acquisition mechanism, and put in place a revised monitoring and evaluation (M&E) plan that would more accurately link activity data to the mission's planned results. A revised M&E plan was submitted to USAID on January 22, 2009, and formally approved on April 6, 2009. This recommendation is closed.

2. That USAID/Afghanistan intervene with the Ministry of Education and Ministry of Higher Education to reach an agreement on appropriate collaborative actions to further the higher education project.

The mission stated that initial efforts to establish cooperation between the Afghan Ministries of Education and Higher Education took place during the project-sponsored Teacher Standards Conference held November 17 and 18, 2008. Representatives from both ministries attended, as well as rectors from the 16 pedagogical universities and Kabul Education University. A memorandum of understanding among the Ministries of Education and Higher Education, the implementer, and USAID confirming the adoption of secondary and higher education standards of teacher education has been completed. This recommendation is closed.

3. That USAID/Afghanistan collaborate with AED and applicable Afghan universities to develop an exit strategy so that key services of professional development centers will continue after project completion.

AED and USAID/Afghanistan have begun a series of meetings designed to devise a mechanism for ensuring the sustainability of each of the 16 professional development centers. The centers are expected to be operational by January 31, 2011.

A consortium meeting involving program partners was held from November 12 to November 13, 2008, to discuss development of a comprehensive sustainability plan. The draft exit strategy was submitted to the mission on December 28, 2008. This recommendation is closed.

4. That USAID/Afghanistan implement appropriate procedures to strengthen (1) project monitoring, (2) review and approval of project documents, and (3) maintenance of the cognizant technical officer (CTO) project file for the Higher Education Project.

The mission stated that the short-term staff assignments prevalent in Afghanistan prevent a CTO's term of more than 1 year. The mission also acknowledges that CTO turnover for the project has been unacceptably high, and it will make every effort to curtail turnover. The mission anticipates that the current CTO will remain in place until August 2009. It is expected that a longer-term CTO will alleviate the project management issues cited by the audit. This recommendation is closed.

Afghanistan Performance Audits

Fiscal Year 2008

Audit of USAID/Afghanistan's Capacity Development Program (No. 5-306-08-012-P)

Date:	September 30, 2008
Implementing Partner:	BearingPoint, Inc.
Audit Period:	February 2, 2007, to March 31, 2008
Funding:	As of March 31, 2008, USAID had obligated \$49.6 million and disbursed \$24.4 million

Background—Summary of Findings

Capacity building is needed in almost every sector in Afghanistan in order to rebuild and promote economic expansion. In February 2007, USAID/Afghanistan awarded a \$218.6 million contract to BearingPoint, Inc., to implement the Capacity Development Program with an expected end date of 2012. USAID intended the program to be a broad, crosscutting capacity-building initiative to support all of the mission's objectives. The program aims to strengthen Afghan capacity-building institutions; build near-term capacity with target institutions in the public, private, and educational sectors; and develop a critical mass of Afghans trained in management and other basic skills. These goals are expected to be accomplished through a combination of training and technical assistance.

The audit found insufficient evidence to demonstrate that the program was on track to achieve planned results. Specifically, the program lacked key deliverables necessary for effective implementation, monitoring, and reporting of program activities and results, such as work plans and results monitoring plans with performance indicators and targets. Given these shortcomings and the fact that the contract had been in place for just over 1

year, OIG was unable to assess the program's impact.

Moreover, the contractor and the mission spent an inordinate amount of time attempting to define the program's activities and priorities and implementing tasks that did not always appear to contribute directly to the overall program. For example, the contractor, at the direction of USAID, was paying the salaries for approximately 460 employees of Afghanistan's Ministry of Education, which would amount to \$11.1 million over a 2-year period. Because the contractor did not have a detailed work plan identifying the specific activities it intended to implement for the program's participant training component, OIG questioned whether the program would achieve its intended objectives under this component, which according to the contract was to constitute almost two-thirds of the program's funding.

In addition, the audit report addresses the contractor's lack of the required approved branding implementation and marking plan. USAID policy requires that contractors develop a plan to describe how the program will be promoted to beneficiaries and host-country citizens.

The branding implementation plan requires key milestones or opportunities anticipated to generate awareness that the program, project, or activity is from the American people.

Further, contractors are to develop a marking plan to ensure that programs, projects,

activities, public communications, or commodities implemented or delivered under contracts and subcontracts funded only by USAID are marked exclusively with the USAID identity. These requirements were included in the Capacity Development Program contract.

Recommendations—Management Decisions

The audit includes four recommendations:

1. That USAID direct the contractor to develop a detailed work plan to align with expected results for FY 2009 and require the contractor to submit the work plan 15 days prior to the start of the fiscal year, as required by the contract.

The mission stated that on September 1, 2008, it had directed the contractor to submit the draft work plan 15 days prior to the start date of FY 2009, as required by the contract. The draft work plan for FY 2009 was submitted by the contractor on September 14, 2008. This recommendation is closed.

2. That USAID direct the contractor to put in place an approved results monitoring plan to measure the progress and results of the activities detailed in the work plan addressed in the previous recommendation.

The mission approved the performance management plan (2008–12) on September 6, 2008, and the mission has put in place an approved results monitoring plan for FY 2009 to measure the progress. This recommendation is closed.

3. That USAID reevaluate the appropriateness of funding salaries for approximately 460 of Afghanistan's Ministry of Education employees through the Capacity Development Program.

In the short term, USAID believes that supporting these technical advisers in the Ministry of Education in combination with an intensive training component does have merit and does contribute to the core capacity-building objective of this contract. The mission and contractor are taking various steps to evaluate, implement, and improve training. This recommendation was closed upon the report's issuance.

4. That USAID/Afghanistan take immediate action to approve and ensure implementation of a branding implementation and marking plan under its Capacity Development Program.

The mission approved the branding implementation and marking plan under its Capacity Development Program on September 17, 2008. Therefore, this recommendation was closed upon report issuance.

Audit of USAID/Afghanistan's Accelerating Sustainable Agriculture Program (No. 5-306-08-009-P)

Date: August 8, 2008

Implementing Partner: Chemonics International, Inc.

Audit Period: November 2006 to December 2007

Funding: As of November 2007, the contract ceiling was increased to \$102 million. As of December 31, 2007, USAID had obligated \$77 million and disbursed \$16 million.

Background—Summary of Findings

Afghanistan, a country that once had a strong agricultural sector, has become dependent on international food aid. To deal with ongoing political instability and economic hardship, farmers turned to the cultivation of opium poppies to provide necessary income. In an effort to respond to this agricultural crisis, USAID/Afghanistan launched its Accelerating Sustainable Agriculture Program in the northern, northwestern, and western provinces. The intent of the program was to accelerate broad-based, market-led agricultural development that is capable of responding and adapting to market forces and, in the process, provide new economic opportunities for rural Afghans.

OIG conducted an audit of USAID's efforts in August 2008. Because the program had begun on November 22, 2006, it was too early to judge whether it was succeeding in accelerating broad-based, market-led agricultural development in areas of Afghanistan where it is being implemented. However, the audit identified the following

issues that affected the mission's management of the program during the first year:

- The Mazar Foods Initiative—a key agricultural activity—experienced significant delays.
- Environmental evaluations and assessments were not conducted in accordance with regulations.
- Significant defects in constructed buildings have delayed handover to the Government of Afghanistan.
- The contractor did not comply with USAID's branding and marking requirements, have adequate support for reported results, receive prior written approval to purchase restricted commodities, provide performance reports that were in accordance with contract terms, or properly account for program income.
- The USAID mission approved an incomplete performance management plan.

Recommendations—Management Decisions

OIG issued 15 recommendations:

1. The USAID/Afghanistan CTO should prepare an implementation plan identifying the critical tasks needed to implement the Mazar Foods Initiative. This implementation plan should identify all tasks that are behind schedule and show how the mission is going to address the delay. Further, the mission should develop a process for periodically updating the implementation plan.

The mission agreed with the recommendation. Prior to the issuance of the audit, the Mazar Foods Initiative had an implementation plan in place. The mission stated that any outstanding delays were associated with obtaining an Overseas Private Investment Corporation loan and that it would direct Chemonics to resubmit an updated implementation plan when program plans change. This recommendation is closed.

2. USAID/Afghanistan should require its environmental officer to provide annual training to CTOs and require mission personnel to comply with the environmental regulations outlined in Mission Order 04-14 and USAID's Automated Directives System 204.

The mission agreed with the recommendation and has completed written procedures. This recommendation is closed.

3. USAID/Afghanistan should revise its mission order to be consistent with USAID's Automated Directives System 204 defining CTO responsibilities for monitoring compliance with environmental regulations.

The mission has issued written procedures. This recommendation is closed.

4. USAID/Afghanistan should obtain a written legal decision from its general counsel on how to proceed for completed and in-process projects in which environmental regulations were not followed.

The mission consulted with the USAID/Afghanistan Legal Advisor, the USAID Office of the General Counsel, and the USAID Agency Environmental Coordinator. In accordance with 22 CFR 216.3(a)(7), USAID stated that it would require the contractor to conduct the environmental review of the ongoing or completed subprojects or aspects thereof, as required by the Initial Environmental Evaluation for the SOAG. USAID would also require the contractor to take any mitigating measures developed as a result of the review. This recommendation is closed.

5. USAID/Afghanistan should prepare procedures requiring review of construction design plans and provide quality assurance oversight by the Office of Infrastructure, Engineering and Energy.

The mission has completed the written procedures. This recommendation is closed.

6. USAID/Afghanistan should require engineers from the Office of Infrastructure, Engineering and Energy to work with Chemonics to take corrective action on each of the construction defects and to require these engineers to be part of the final inspection.

USAID instructed Chemonics International to demolish/reconstruct the Parwan, Panjshir, and Kunduz buildings and to demolish/rehabilitate the Mazar and Heart buildings, and Chemonics agreed to comply with the contracting officer's instructions. Chemonics International will collaborate with USAID in the reconstruction and rehabilitation of the buildings. USAID has issued a mission directive to ensure that engineers are involved so that the projects meet all building requirements. This recommendation is closed.

7. USAID/Afghanistan should reevaluate Chemonics' March 2008 revised marking and branding plan and make a determination whether to approve any exceptions to marking requirements included in the plan.

The mission agreed with the recommendation. A revised marking and branding plan was approved by the contracting officer, and the contract was modified on October 13, 2008. This recommendation is closed.

8. USAID/Afghanistan should develop procedures requiring CTOs to verify and document, as part of their site visits, that items purchased or built with USAID funds are properly marked.

The mission agreed with the recommendation and issued a May 12, 2008, mission order that addresses CTO certification of contractor/recipient compliance with delivery requirements under their respective awards. Marking of the items purchased or built with USAID funds is part of the delivery requirement. This recommendation is closed.

9. USAID/Afghanistan's CTO should issue a technical directive that requires Chemonics to define the roles and responsibilities of the monitoring and evaluation staff, to include a system to ensure that the program's data is accurate and easily accessible.

The mission agreed with the recommendation and had Chemonics submit a revised performance management plan. The revision was sent to the CTO on July 17, 2008. The mission did not believe that an additional technical directive was necessary, since the response to the recommendation was included in the July 17, 2008, performance management plan. This recommendation is closed.

10. USAID/Afghanistan's CTO should require Chemonics to perform a data quality assessment before the issuance of the next annual report.

A data quality assessment was completed by the Alternative Development and Agriculture (ADAG) Monitoring and Evaluation Staff of the Accelerating Sustainable Agriculture Program, jointly undertaken with Chemonics. The data quality assessment checklists for the program's 21 performance indicators were approved by the mission in November 2008. The mission has determined that, in order to increase the level of monitoring and evaluation of all ADAG programs, an annual program statement will be issued. An independent third party will be made available to provide monitoring, evaluation, and DQAs for various projects, which will include random sampling for onsite, field verifications of activity data indicators, and reported outcomes. This recommendation is closed.

11. USAID/Afghanistan should determine the allowability and collect as appropriate \$37,573 for commodities purchased by Chemonics without prior written approval from the mission.

The mission agreed with the recommendation. It obtained a letter from Chemonics dated May 31, 2008, stating that the contractor would credit all program income, including the questioned amount, to the contract. The mission stated that it would evaluate new invoices to ensure Chemonics' compliance. In

addition, Chemonics has established a separate bank account and separate expense books to account for program income. This recommendation is closed.

12. USAID/Afghanistan's CTO should issue a technical directive to require Chemonics to identify in its invoices costs associated with restricted commodities.

The mission agreed with the recommendation. In a CTO meeting with ASAP on July 11, 2008, ASAP agreed to begin identifying restricted commodity purchases in its monthly invoices. USAID stated that it would verify compliance with the requirement in Chemonics' July 2008 invoice. Since ASAP agreed to the monthly invoice changes as recommended, the mission felt that a separate technical directive was not necessary. This recommendation is closed.

13. USAID/Afghanistan should direct Chemonics to reduce future billings to USAID by \$129,731 for program income collected as of March 31, 2008, and comply with the terms of the contract for any income received after March 31, 2008.

USAID sustained the total \$129,731 in questioned program income and has recovered the costs from Chemonics. This recommendation is closed.

14. USAID/Afghanistan should develop procedures requiring the Program and Project Development Office to review performance management plans of contractors and grantees for compliance with USAID's Automated Directives System 203 prior to approval by the CTO.

The mission has completed written procedures. This recommendation is closed.

15. USAID/Afghanistan should determine the nature, format, and timing of the reports required to monitor contract performance effectively and align the contract reporting requirements to these expectations.

The mission agreed with the recommendation. The contracting officer and CTO have already addressed these concerns in a draft modification to the ASAP contract. Thus, a management decision was made in August 2008. This recommendation is closed.

Audit of USAID/Afghanistan's Small and Medium Enterprise Development Activity (No. 5-306-08-006-P)

Date: June 23, 2008
Implementing Partner: Development Alternatives, Inc.
Audit Period: January to December 2007
Funding: As of December 31, 2007, \$20.4 million had been obligated and \$13.2 million disbursed.

Background—Summary of Findings

USAID awarded a \$36.8 million contract to Development Alternatives, Inc., to implement the Afghanistan Small and Medium Enterprise Development Activity. This project was intended to support the rapid transition of Afghanistan to a more stable and productive state by promoting sustainable economic and social development. The project had several goals: promoting a thriving licit economy led by the private sector, working with the Government of Afghanistan to develop sound economic governance, and partnering with the private

sector to stimulate investment and business opportunities.

One of the problems that the audit disclosed was the unreliability of the contractor's performance data. Auditors were unable to determine whether the majority of performance indicators (11 out of 18) were showing results because of a lack of proper management controls, which in turn produced overstated project results. Moreover, the audit documented a need for a Web-based management information system and realistic project goals.

Recommendations—Management Decisions

The audit report made four recommendations:

1. That USAID require its CTO to work with the contractor to refine the project database and eliminate duplicate records, as well as to ensure that the data in the project database are reliable.

On May 21, 2008, a mission-hired expert determined that the contractor had effectively corrected the duplication errors and developed a productive and comprehensive method of reducing duplications and identifying those that occur. This recommendation is closed.

2. That USAID require the contractor to develop a plan of action to implement a Web-based information system.

The mission and contractor worked together to develop the recommended plan of action, which included training for monitoring and evaluation staff, creation of a user's manual, and planned visits to regional offices for data verification and oversight. This recommendation is closed.

3. That USAID require the CTO to provide technical direction to the contractor in updating the performance management plan, redefining performance indicators and targets, and redirecting resources to areas where more of an impact can be made.

The mission has developed the recommended plan of action to modify the contract to better align the scope of work with the current situation in Afghanistan and to develop a new performance monitoring plan. The new plan will be discussed with the Office of Program and Project Development to ensure consistent monitoring and evaluation of the activity. This recommendation is closed.

4. That the CTO formally approve the revised performance management plan.

The mission's CTO formally approved the updated performance monitoring plan, and the recommendation was closed in October 2008. This recommendation is closed.

Audit of USAID/Afghanistan's Alternative Development Program—Southern Region (No. 5-306-08-003-P)

Date: March 17, 2008

Implementing Partner: Chemonics International, Inc.

Audit Period: February 2005 to September 2007

Funding: As of September 30, 2007, USAID/Afghanistan had obligated \$76 million and disbursed \$60 million for the Alternative Development Program—South.

Background—Summary of Findings

In February 2005, USAID awarded a 4-year, \$120 million contract to Chemonics International, Inc., to implement Alternative Development Program—South in the Helmand, Kandahar, and Uruzgan Provinces. In May 2007, supplemental funding raised the contract ceiling to \$166 million. The program has two objectives: (1) to help accelerate licit economic growth and business activity in selected provinces in which poppy cultivation is thriving and (2) to help provide an immediate alternative source of income to poor households whose livelihoods depend, directly or indirectly, on the opium economy.

The mission exceeded its planned targets for six of the indicators, partially achieved its target for eight indicators, and did not achieve its target for one indicator. The mission's

efforts have had little impact on the overall U.S. strategy for reducing poppy production in Afghanistan.

The program could have been more successful had it started when originally planned. Chemonics evacuated in May 2005 because of security issues and did not return until September 2005. The mission did not approve the Chemonics work plan until February 2006, focusing on long-term planning rather than rolling out program activities. Chemonics and the mission experienced turnover in critical program positions. As a result, the program missed the opportunity to induce more Afghans not to plant poppies in the fall of 2005 by providing them with immediate alternative sources of income.

Recommendations—Management Decisions

OIG recommended that the mission develop procedures setting requirements to ensure the timely review and approval of work plans.

On March 12, 2009, a mission notice was issued, providing the necessary guidelines to ensure CTOs' adherence to annual work plan submittal and approval requirements. This recommendation is closed.

Audit of USAID/Afghanistan's Agriculture, Rural Investment, and Enterprise Strengthening Program (No. 5-306-08-001-P)

Date: January 22, 2008

Implementing Partners: Academy for Educational Development, et al.

Audit Period: September 16, 2006, to September 30, 2007

Funding: As of September 2006, the Academy for Educational Development was awarded a 3-year, \$80 million cooperative agreement. As of September 30, 2007, \$54 million had been obligated and \$30 million had been disbursed for program activities.

Background—Summary of Findings

In September 2006, USAID awarded a 3-year contract to the Academy for Educational Development (AED) to implement the Agriculture, Rural Investment and Enterprise Strengthening (ARIES) Program. The overall purpose of the program was to provide expanded access to rural financial services, primarily in alternative development program regions' key poppy-growing provinces, and to create a strong private sector foundation to provide a spectrum of substantial financial services. USAID/Afghanistan's Alternative Development Program (ADP) was to have included activities to accelerate legitimate economic growth in key poppy-growing provinces by creating or strengthening credit and financing institutions. However, credit and financing activities were not implemented

under the program because of contract restrictions, which prevented issuing grants to fund such activities.

The audit found that in its first year the ARIES Program had achieved or exceeded most of its goals and had helped make a significant impact in expanding Afghanistan's licit rural economy by creating nearly 63,000 jobs. Despite these achievements, OIG found that the ARIES Program could have been more successful with implementing small and medium enterprise program loan segment activities and investment and finance cooperatives (IFCs). OIG also found several areas in which the implementation and management of the program could be improved.

Recommendations—Management Decisions

This report made six recommendations to help USAID/Afghanistan improve its oversight of the ARIES Program in the remaining 2 years of the cooperative agreement:

1. AED is required to make clear to its partners that the ARIES Program is to be implemented primarily in ADP regions and to dovetail with regional ADP priorities.

The mission informed AED that it should emphasize to its partners the importance of reports and publications that accurately reflect the priority given to ADP regions and document how they are dovetailing with the ADP as required by the cooperative agreement. This recommendation is closed.

2. Work with AED to establish formal goals in its work plan for implementing ARIES activities in ADP regions.

The ARIES second-year work plan submitted to and subsequently approved by the mission clearly describes the provinces where the program creates new financial service outlets, supports existing outlets, and disburses micro- and SME loans. All of the provinces referenced in the work plan are considered part of the ARIES target regions, as described in the cooperative agreement, and fall within the ADP priority areas. This recommendation is closed.

3. Direct AED to communicate success stories related to shifting opium-poppy workers into licit livelihoods as a result of ARIES loans in ADP regions.

The mission directed AED to submit a minimum of two articles per month to ensure effective communication of success stories. This recommendation is closed.

4. Direct AED to revise its ARIES performance monitoring plan to include appropriate performance indicators and targets and provide quarterly reports of those results to USAID.

The revised performance monitoring plan for FY 2008, which has been submitted for approval to the mission, includes specific targets in ADP regions for activities in the remaining 2 years of the cooperative agreement and will measure SME and micro-finance activities. These results will also be submitted on a quarterly basis. This recommendation is closed.

5. Direct AED to ensure that one of its partners, the World Council of Credit Unions (WOCCU), establishes and maintains appropriate systems and processes for recording, reporting, and internal monitoring of the operating activities of its IFCs as required by the ARIES work plan.

A strategic decision was made in November 2006 to begin installing Micro Banker, an integrated accounting software program, in each IFC 6 months after the startup of operations in order to increase the efficiency and accuracy of WOCCU's monitoring and reporting as well as to consolidate information more easily across different IFCs. This strategy is based on WOCCU's previous experience in Uzbekistan, which shows that training IFC staff on a manual accounting system is a necessary prerequisite to introducing an integrated accounting software program. This recommendation is closed.

6. Direct AED to ensure that WOCCU implements an integrated accounting system at each of its IFCs as required by its subagreement.

In accordance with mission suggestions, WOCCU planned to adopt the International Financial Reporting Standard for the IFCs and install Micro Banker, an integrated accounting software program, in each IFC 6 months after the startup of operations. This recommendation is closed.

Afghanistan Performance Audits

Fiscal Year 2007

Audit of Selected Follow-on Activities Under USAID/Afghanistan's Economic Program (No. 5-306-07-009-P)

Date:	August 31, 2007
Implementing Partner:	BearingPoint, Inc.
Audit Period:	September 2005 to May 2007
Funding:	As of May 2007, obligations and expenditures totaled \$33 million and \$19 million respectively for a 3-year, \$46 million contract.

Background—Summary of Findings

The Economic Governance and Private Sector Strengthening Program's central goal is to assist the Government of Afghanistan (GoA) in establishing an environment that will promote rapid economic development and sustained high rates of economic growth led by the private sector. Under the contract, USAID signed six agreements with the GoA for BearingPoint, Inc., to provide technical assistance and support for capacity building to six ministries and organizations: (1) Da Afghanistan Bank; (2) the Ministry of Commerce and Industry; (3) the Ministry of Communications and Information Technology; (4) the Ministry of Finance Customs, Human Resources, and Secretariat; (5) the Ministry of Finance state-owned banks; and (6) the Office of the President/Office of the Senior Economic Adviser to the President.

USAID and the GoA agreed to work plans and activities with which BearingPoint would be engaged. Technical advisory services were intended to contribute to aspects of one or more of the following objects: (1) restructuring of the governmental ministries and organizations, (2) legal and regulatory reform, and (3) capacity building. As of May 2007, BearingPoint had 37 advisers providing assistance to the above ministries and

organizations in support of the three objectives.

The audit found that some results had been achieved. This finding was based on a selected review of technical services provided by BearingPoint over a 20-month period (September 2005 to May 2007). For instance, advisers developed diagnostic reports that analyzed the deficiencies in two state-owned banks, made recommendations needed to revitalize the banks, contributed to the establishment of the Afghanistan Telecommunications Regulatory Authority, helped improve accounting functions in a bank to ensure international standards, assisted in drafting 10 commercial laws, and assisted in automating the Ministry of Finance customs functions to comply with international standards.

The audit also found instances in which results had not been achieved. BearingPoint did not assist the Ministry of Finance in promoting a modern human resources management system because the GoA did not have a counterpart with which it could work. As a result, progress had not been realized toward accomplishing agreed-upon activities established in the work plan for the Ministry

of Finance, and the ministry had difficulty acquiring trained staff.

The audit also found that USAID and BearingPoint did not have agreed-upon performance indicators, contrary to USAID's written policy, which requires the establishment of set performance targets that can be achieved within a specific timeframe.

There were three CTOs for the contract, and each had a different opinion as to what the indicators should be. While the contractor did provide monthly reports that described activities accomplished, there were no set indicators to report how the accomplishments compared to planned targets at any given time, thus compromising the effective management of the contract.

Recommendations—Management Decisions

Two recommendations were made by the audit:

1. That USAID/Afghanistan reevaluate the work plan for one particular project implementation letter and decide whether to allow BearingPoint to continue with the planned activities to provide a human resources adviser to the Ministry of Finance for the duration of the contract or to revise the plan.

The mission decided to assign a human resources adviser to the Ministry of Finance, and that person started in June 2007. This recommendation is closed.

2. That USAID/Afghanistan require BearingPoint to review, reassess, and update the work plans for the six project implementation letters issued under the program, and to include agreed-upon performance indicators and set targets that will be used to measure the program's intended results.

The mission and BearingPoint developed a combined work plan for all implementation letters, which included indicators and targets. This recommendation is closed.

Audit of USAID/Afghanistan's Urban Water and Sanitation Program (No. 5-306-07-006-P)

Date: June 7, 2007

Implementing Partner: Camp Dresser and McKee, Inc.

Audit Period: September 2004 to December 2006

Funding: As of December 20, 2006, USAID had obligated \$37.3 million and disbursed \$36.2 million.

Background—Summary of Findings

OIG conducted this audit to determine whether selected activities under USAID's Urban Water and Sanitation Program were on schedule to achieve planned results (contract deliverables). Although planned contract deliverables were generally being achieved under the mission's Afghanistan Urban Water and Sanitation Program, OIG concluded that the long-term program was questionable and that contract administration problems existed between the mission and Camp Dresser and McKee, Inc. (CDM), the implementing contractor.

Under the program, CDM was contracted to design and construct or improve water distribution systems, prepare water system feasibility studies, deliver capacity-building assistance, and provide water and sanitation technical advisory services. CDM was able to achieve several of the program objectives (e.g., completing water distribution systems in Gardez, Ghazni, and Chil Duktharan and extending the water distribution system in Karte Se). However, OIG noted concerns about the sustainability of the newly constructed and extended water distribution systems that could affect the program's future benefits or impact. For example, after

recognizing the need for operator training for the newly built water distribution systems, the mission did not properly assess the training provided to proposed operators or the Afghan Government's plans to ensure the financial and operational sustainability of the newly built systems.

In addition, substantive contract administration problems were identified with the implementation of program activities. First, the mission's CTO requested that CDM make unauthorized changes in its work efforts in Kandahar. Second, the mission did not require CDM to comply with all contract work requirements or to meet reporting requirements needed to assist the mission in evaluating the program. Third, the mission did not require CDM to provide it with necessary financial information to help monitor contract costs. As a result, the mission's system for controlling, projecting, and monitoring the contract costs did not provide for the necessary information to foresee the contractor's requests for \$1.6 million in additional funds a month prior to the end of the contract.

Recommendations—Management Decisions

The audit report made five recommendations to help correct the identified problems:

1. That USAID/Afghanistan assess particular sites and provide any necessary training.

The mission agreed with the recommendation. USAID/Afghanistan's monitoring contractor, International Relief & Development, Inc., conducted an assessment of the operators' training needs and provided the necessary practical and in-class training to 10 operators and 16 operator trainees of the water supply projects in Ghazni, Gardez, and Chil Dukhtaran from November 10 to 30, 2007. This recommendation is closed.

2. That USAID/Afghanistan assist the relevant Government of Afghanistan ministries in determining the appropriate user fees to be charged to water system clients and how to increase usage of water system services by potential clients.

The mission planned to have an assessment conducted and then provide technical assistance to the ministries as needed by the end of April 2008. This recommendation is closed.

3. That USAID/Afghanistan require briefings for all incoming CTOs to reinforce the knowledge of applicable contractual delegated authorities and limitations for the duration of their stay in Afghanistan.

The mission institutionalized a practice and developed new procedures to brief all incoming cognizant technical officers. This recommendation is closed.

4. That USAID/Afghanistan require that CTOs fulfill their contract administration responsibilities at least quarterly, as applicable, by confirming and documenting that contractors are complying with specific contract reporting requirements.

The mission planned to develop a new mission order by May 2008 to provide for quarterly reporting and certifications by CTOs that applicable monitoring duties were performed. This recommendation is closed.

5. That USAID/Afghanistan strengthen its system for controlling, projecting, and monitoring contract costs.

The mission developed new procedures for controlling, projecting, and monitoring contractor costs. This recommendation is closed.

Audit of Critical Power Sector Activities Under USAID/Afghanistan’s Rehabilitation of Economic Facilities and Services (REFS) Program (No. 5-306-07-004-P)

Date: May 21, 2007

Implementing Partner: Louis Berger Group, International (LBGI)

Audit Period: January to December 2006

Funding: The critical power sector activities audited under the REFS program were estimated to cost \$25 million. As of December 31, 2006, \$15.6 million had been spent.

Background—Summary of Findings

The Rehabilitation of Economic Facilities and Services (REFS) Program was one of the largest and most visible programs implemented by USAID/Afghanistan. Its purpose was to promote economic recovery and political stability by repairing infrastructure.

Providing electrical power to Afghans was considered important to the development of Afghanistan and key to its political stability. To this end, the country’s power and energy sector was targeted for rehabilitation under the REFS Program. LBGI concentrated on activities that provided electrical power to Kabul and the southern provinces of Helmand and Kandahar—the agricultural breadbasket of the country. The most critical activities involved the rehabilitation of the Kajakai Dam power plant through the refurbishing of two turbines and the manufacturing and installing of a third.

The audit found that one turbine had been refurbished as planned, but work on the other two turbines was significantly behind schedule

because of security problems at the dam. Although the refurbished turbine delivered 16.5 megawatts of reliable hydroelectric power, delays in the other two activities postponed the delivery of 35 megawatts of reliable hydroelectric power to about 2 million people in southern Afghanistan.

After numerous attacks around the dam and the subsequent evacuation of LBGI personnel, USAID/Afghanistan, the U.S. Embassy, and LBGI took action in response. LBGI prepared a security plan to upgrade its own security at the dam, while USAID and the Embassy lobbied the International Security Assistance Force, which had replaced U.S. forces in the area, to provide more military protection. The International Security Assistance Force increased its presence around the Kajakai Dam. Nonetheless, LBGI was unable to return to the dam to resume its rehabilitation work as of January 29, 2007.

Recommendations—Management Decisions

Because the mission could not control the security situation around the dam, and because its actions as of the time of the audit seemed appropriate, OIG did not make any recommendations.

**Audit of USAID/Afghanistan's
Alternative Livelihoods Program—Eastern Region
(No. 5-306-07-002-P)**

Date: February 13, 2007

Implementing Partner: Development Alternatives, Inc.

Audit Period: February 2005 to September 2006

Funding: As of September 30, 2006, USAID had obligated \$54 million and disbursed \$24 million.

Background—Summary of Findings

In February 2005, USAID awarded a 4-year, \$108 million contract to Development Alternatives, Inc. (DAI), to implement the Alternative Livelihoods Program—Eastern Region (ALP/E) in the provinces of Kunar, Laghman, and Nangarhar. ALP/E's goal is to accelerate broad-based, sustainable regional economic development to provide new opportunities for Afghans to seek livelihoods in the licit economy in the eastern region of Afghanistan. The program has two objectives: (1) to help accelerate licit economic growth and business activity and (2) to help provide an immediate alternative source of income to poor households whose livelihoods depend, directly or indirectly, on the opium economy.

In FY 2006, ALP/E achieved significant results for 13 of 15 performance indicators used by USAID to measure whether the program was achieving planned results. Achievements that supported ALP/E's objective of accelerating licit economic growth and business activity included 27,534 hectares devoted to licit agricultural production and 98,154 farmers trained in agricultural practices.

Achievements that supported ALP/E's objective of providing an immediate alternative source of income to those who depend on the opium economy included \$4,209,670 paid to 19,698 Afghans through cash-for-work projects. Two performance indicators could not be evaluated because sufficient information on actual accomplishments was not available or the related program activities were not fully implemented.

Despite its achievements, ALP/E could have been more successful had the program started when originally planned and had contracting snags been quickly resolved. For example, ALP/E missed the opportunity to induce more Afghans not to plant opium poppies in the winter of 2005 because the implementing contractor did not roll out the program as quickly as had been expected. Further, ALP/E did not deliver the anticipated \$1.6 million in microfinance loans intended to provide about 8,000 Afghans with alternatives to growing opium poppies because USAID had used a contracting mechanism that impaired its contractor's ability to fully implement credit and finance activities.

Recommendations—Management Decisions

The audit made four recommendations:

1. USAID should require DAI to replace the performance indicator on the number of Afghans receiving agricultural credit through ALP/E with a performance indicator that reflects the program's shift from funding microfinance loans to facilitating the issuance of such loans.

On January 30, 2007, the mission issued a technical directive to DAI directing that the indicator "Afghans receiving credit through ALP" be removed from the performance management plan and replaced by "number of loan agreements facilitated." This recommendation is closed.

2. USAID should update its performance target for kilometers of rural roads repaired in poppy regions to a realistic level that reflects the additional \$11 million of funding for this activity.

DAI updated its FY 2006 target for kilometers of rural roads repaired in poppy regions. This recommendation is closed.

3. USAID should develop a plan of action to ensure that performance targets are updated for future significant program changes.

On January 30, 2007, the mission issued a technical directive to DAI indicating that all required performance targets will be reviewed with the CTO on a monthly basis, with revisions made as appropriate. This recommendation is closed.

4. USAID should develop mission-specific procedures requiring that site visits of program activities be documented and maintained in CTO files.

On December 17, 2006, the mission issued Mission Notice No. 2006-106, Roles and Responsibilities of CTOs. This notice was issued to (1) require all CTOs to document and keep files of site visit reports; (2) remind COs/agreement officers, CTOs, and the supervisors of CTOs, about the interrelated nature of CTO performance and the monitoring thereof in the context of how designated CTOs perform their CTO duties and responsibilities as stated in their CTO designation letter; and (3) encourage joint site visits by CTOs and representatives from other offices who are involved in monitoring the performance and financial status of USAID/Afghanistan projects. This recommendation is closed.

Afghanistan Performance Audits

Fiscal Year 2006

Audit of USAID/Afghanistan's School and Health Clinic Reconstruction Activities (No. 5-306-06-008-P)

Date:	August 18, 2006
Implementing Partners:	Cooperative Housing Foundation International International Organization for Migration Louis Berger Group, Inc. Shelter for Life International United Methodist Committee on Relief United Nations Office for Project Services U.S. Army Corps of Engineers
Audit Period:	September 2002 to April 2006
Funding:	As of April 2006, the mission had recorded obligations of about \$92 million and disbursements of about \$81 million for program activities.

Background—Summary of Findings

USAID's school and health clinic reconstruction activities were on schedule to achieve planned results. Specifically, as of April 19, 2006, USAID and its implementing partners were on schedule to complete 705 of the 776 school and health clinic buildings (91 percent) planned to be constructed or refurbished under the Schools and Clinics Construction and Refurbishment Program. Further, 511 of the 705 buildings had already been completed and turned over to the Government of Afghanistan.

Although it was on schedule to achieve 91 percent of its planned results, USAID had taken much longer than anticipated to reach this point. Factors such as deteriorating security and weather restrictions were often responsible for the delay in completion dates and changes to the number of buildings to be reconstructed under the program. Although some factors were beyond its control, the mission contributed to delays in getting 71 buildings completed.

Recommendations—Management Decisions

The audit made two recommendations:

1. USAID should make a final decision on what to do with the 13 buildings that the Louis Berger Group, Inc., did not complete and take any actions necessary to carry out its decision.

USAID/Afghanistan management concluded that security conditions still prevented reconstruction of the 13 schools and health clinics that the Louis Berger Group, Inc. (LBGI), could not complete. Consequently,

the mission director signed an action memorandum formally canceling work on the 13 buildings. This recommendation is closed.

2. USAID should immediately modify the scope of work in its agreement with the International Organization for Migration to add the 51 buildings not completed by Cooperative Housing Foundation International and the 2 buildings not completed by the United Methodist Committee on Relief.

Audit of USAID/Afghanistan's Rural Expansion of Afghanistan's Community-Based Healthcare (REACH) Program (No. 5-306-06-007-P)

Date: August 16, 2006
Implementing Partner: Management Sciences for Health
Audit Period: April 2003 to March 2006
Funding: Estimated costs at the time of audit totaled \$88 million.

Background—Summary of Findings

Afghanistan's health care system is among the worst in the developing world, and access to care is extremely limited after two decades of war and neglect. Development indicators published by the World Bank and the United Nations rank Afghanistan at the bottom of virtually every category, including nutrition, life expectancy, literacy, and infant, child, and maternal mortality. The health status of Afghans is among the worst in the world. The average life expectancy is approximately 43 years. About one out of every six Afghan children dies before the age of 5. The majority of Afghans in more than one-third of rural districts have no access to health care.

In May 2003, USAID awarded a 3-year, \$100 million contract to Management Sciences for Health to implement the REACH Program in order to improve access to basic health services for Afghans and to strengthen Afghanistan's health systems. The focus of this program is to provide access by moving health care closer to women of reproductive age and children under age 5 living in rural communities. The contract was subsequently increased to about \$139 million and extended

to September 30, 2006. The Regional Inspector General/Manila conducted this audit to determine whether USAID/Afghanistan's school and health clinic reconstruction activities were on schedule to achieve planned results.

The audit concluded that selected activities under USAID's REACH program achieved their planned results. Specifically, 19 of 20 selected activities (95 percent) achieved their planned outputs, and one partly achieved its planned result as of March 31, 2006. For example, the REACH program awarded \$56.2 million to 28 grantees to provide basic health care to Afghans, and the grantees were providing such health care at 329 sites in 14 Afghan provinces. The program also distributed \$4.7 million of essential drugs to its health care providers and trained 568 midwives to provide reproductive health care services. Additionally, the program completed some activities aimed at improving the management and leadership capacity of Afghanistan's Ministry of Public Health.

Recommendations—Management Decisions

No recommendations were made by the audit.

Audit of USAID/Afghanistan's Reconstruction of the Kandahar–Herat Highway Under the Rehabilitation of Economic Facilities and Services (REFS) Program (No. 5-306-06-005-P)

Date: May 18, 2006

Implementing Partner: Louis Berger Group, Inc. (LBGI)

Audit Period: June 2004 to October 2005

Funding: As of October 1, 2005, reconstruction of the Kandahar–Herat Highway was estimated to cost \$162 million.

Background—Summary of Findings

The Rehabilitation of Economic Facilities and Services (REFS) Program is the largest and most visible program being implemented by USAID in Afghanistan. Its purpose is to promote economic recovery and political stability by repairing infrastructure. In September 2002, LBGI was awarded a contract to implement the program with the contract base period ending December 2005. USAID submitted a request to extend the contract to July 31, 2007, and to increase its cost to \$730 million. Reconstruction of the Kandahar–Herat portion of the east–west highway is a multinational effort. The Kandahar–Herat Highway, about 557 kilometers long, was divided into five sections for reconstruction purposes. The Governments of Japan and Saudi Arabia are funding the reconstruction of sections 1 and

2, respectively, which have a combined length of about 231 kilometers; and the United States, through USAID, is funding the reconstruction of sections 3, 4, and 5, which have a combined length of about 326 kilometers.

USAID's goal was to have all 326 kilometers of the highway paved with three layers of asphalt by December 31, 2005. As of the time of audit fieldwork (September 26 to October 19, 2005), reconstruction activities were on schedule to have 302 of 326 kilometers (92.6 percent) paved with three layers of asphalt. Although the remaining 24 kilometers were also to have been completed by December 31, 2005, they were not finished on time because of funding shortages, which the mission could have addressed sooner.

Recommendations—Management Decisions

OIG recommended that USAID develop and implement procedures with milestones to document, track, and promptly resolve significant issues uncovered in its own monitoring efforts that could affect the progress of its reconstruction activities. USAID implemented the recommendation, and it was closed at the time the audit report was issued.

Audit of USAID/Afghanistan's Rebuilding Agricultural Markets Program (No. 5-306-06-002-P)

Date: March 28, 2006
Implementing Partners: Chemonics International, Inc.
Audit Period: July 2003 to September 2005
Funding: As of December 2005, USAID had approved 51 job orders with a total value of \$114 million.

Background—Summary of Findings

USAID's Rebuilding Agricultural Markets Program (RAMP) aimed to help Afghanistan rehabilitate its rural sector, focusing specifically on enhancing food security and increasing rural incomes. In July 2003, USAID awarded Chemonics a 3-year, cost-plus, fixed-fee contract for \$153.4 million to implement the activities under this program. As prime contractor, Chemonics was responsible for providing effective leadership, management, and coordination of program activities, which ranged from assessments, program design and planning, procurement of services in support of the core program activities, activity monitoring, and reporting.

Of the six activities reviewed, five achieved their selected planned results and one did not. The five that achieved the planned results were the rehabilitation of irrigation canals, agricultural microloans disbursed, livestock vaccinated or treated, farmers served by extension, and women trained in poultry management as of September 30, 2005. Efforts on irrigation canals resulted in 415 kilometers rehabilitated. Additionally, more than 20,000 women were trained in poultry management, and more than 16 million livestock vaccination/treatments were performed. The one activity that did not meet the planned output was the rehabilitation of farm-to-market roads.

Recommendations—Management Decisions

The audit made three recommendations:

1. USAID should obtain updated work plans from the contractor as required by the contract.

USAID/Afghanistan obtained an updated FY 2006 work plan and an updated life-of-project work plan from the contractor implementing RAMP. Additionally, the mission had incorporated these updated plans into its RAMP contract through a contract modification. This recommendation is closed.

2. USAID should determine whether the added work under the original contract should have been approved and modified within the original contract prior to implementation, in accordance with Federal Acquisition Regulation, part 43, on contract modifications. If necessary, USAID's contracting officer should modify the contract accordingly.

USAID/Afghanistan determined that, for three principal reasons, a modification to the RAMP contract was not required to approve activities subsequently added to the activities listed in the original contract. First, since RAMP implementation is accomplished through work orders, the activities that were added were also done through work orders. Second, the mission asserted that the added activities fell within or were consistent with the objectives of the RAMP contract. Third, the mission noted that updated work plans (obtained and incorporated into the RAMP contract as discussed in the preceding paragraph) included the added activities. This recommendation is closed.

3. USAID should implement an action plan to require staff to complete and issue contractor performance reports to comply with Automated Directives System 302.5.9.

USAID/Afghanistan issued Mission Notice 2006-05, which established procedures and timelines to ensure that contractor performance reports are continually updated and current. Additionally, the mission completed a performance evaluation of the RAMP contractor. This recommendation is closed.

Audit of USAID/Afghanistan’s Cashiering Operations (No. 5-306-06-001-P)

Date: January 10, 2006
Implementing Partners: None
Audit Period: September 26–28, 2006
Funding: N/A

Background—Summary of Findings

USAID/Afghanistan managed its cashiering operations in accordance with established regulations, policies, and procedures.

The principal requirements to be followed by missions in managing their cashiering operations are established in title 31 of the Code of Federal Regulations, part 208; U.S. Department of Treasury’s Manual of Procedures and Instructions for Cashiers; U.S. Department of State’s Foreign Affairs Handbook; and USAID’s published guidance such as the Automated Directives System, chapter 630. These requirements address such issues as making cash payments when a country’s infrastructure does not support payment by a noncash mechanism, establishing imprest funds at appropriate levels, designating cashiers, establishing roles and responsibilities for cashiers and their supervisors, and installing adequate physical security and separation of duties.

USAID/Afghanistan provided guidance to cashiers and implemented other internal controls to carry out its cashiering operations according to established requirements. For example, the mission took the following steps:

- Followed appropriate procedures in establishing its imprest fund.
- Formally designated its cashiers.

- Established authorities for cashiers commensurate with size of the imprest fund.
- Provided training to its cashiers.
- Issued its own policies and procedures to provide supplemental guidance.
- Implemented adequate segregation of duties.
- Periodically performed and documented unannounced cash counts.
- Periodically reviewed and adjusted the level of its imprest fund.

In addition to the measures noted above, USAID/Afghanistan installed physical safeguards that were commensurate with the size of its imprest fund. For example, the cashiers’ office was segregated from other mission offices. Additionally, the principal and the alternate cashiers each had a U.S. Government-approved safe for storing cash, paid vouchers, checks, and other cashiering documentation. The two safes had different combinations that were appropriately safeguarded. The mission also installed a security camera to monitor the cashiers’ office 24 hours a day, 7 days a week. Moreover, the mission routinely requested that the regional security officer provide armed escorts when mission cashiers went to the bank to replenish the imprest fund.

OIG performed an unannounced cash count of the imprest fund maintained by the

principal and alternate cashiers. Specifically, OIG verified the accuracy of the cashiers' reconciliation statement to account for the imprest fund total of \$230,587. The cash count found that the \$230,587—consisting of cash and other cashiering documentation such as paid vouchers, cash advances to

subcashiers, and accommodation exchange transactions—was accounted for and properly documented except for an immaterial shortage of \$22. Additionally, our testing found that the size of the imprest fund was not excessive but in line with the mission's needs.

Recommendations—Management Decisions

The audit made no recommendations.

Audit of Funds Earmarked by Congress to Provide Assistance for Displaced Persons in Afghanistan (No. 9-306-06-004-P)

Date: December 21, 2005

Implementing Partners: U.S. Army Corps of Engineers, the Government of Afghanistan, and local contractors

Audit Period: FY 2004 and 2005 earmarked funds—fieldwork occurred in October 2005

Funding: Earmarked funds totaled \$15 million.

Background—Summary of Findings

Congress appropriated emergency supplemental funds to assist in meeting the urgent humanitarian and housing needs of displaced Afghans. The United Nations estimated that 1 million Afghans had unmet shelter and basic necessity needs for the winter of 2005–2006 and that there were more than 3 million Afghan refugees in Pakistan and more in Iran, many of whom would be forced to return to Afghanistan. It was estimated that approximately 80 percent of these returnees did not own land and would require shelter and other basic necessities.

As of September 30, 2005, only \$600,000 of the \$10 million appropriated for FY 2004 had been used to provide shelter materials and basic necessities for displaced persons in Kabul. Additionally, as of September 30, 2005, although Congress had been notified that the funds would be transferred to the Department of State’s Bureau of Population, Refugees, and Migration, none of the \$5 million appropriated for FY 2005 had been transferred or spent by the mission.

Recommendations—Management Decisions

The audit made three recommendations:

1. USAID should, for the \$9.4 million obligated under the limited-scope grant agreement (and to fund specifically identified assistance activities for displaced Afghans in and around Kabul), reprogram the balance of approximately \$4.97 million that was subobligated under the participating agency program agreement and subobligate the \$4.4 million not yet subobligated.

USAID deobligated all unexpended funds, totaling \$4.9 million, and reprogrammed the funds to an Office of Foreign Disaster Assistance contract with CARE to provide shelter to displaced Afghans. USAID also subobligated the remaining \$4.5 million into a participating agency program agreement with the Department of State’s Bureau of Population, Refugees, and Migration. This recommendation is closed.

2. In coordination with the Department of State’s Bureau of Population, Refugees, and Migration, develop a plan to use the balance of approximately \$9.37 million to meet the basic necessities of displaced Afghans in and around Kabul.

USAID and the Department of State's Bureau of Population, Refugees, and Migration developed a plan to use the \$9.4 million for shelter related needs and other emergency activities for displaced Afghans in Kabul and other provinces. This recommendation is closed.

3. Inform Congress, as appropriate, of its plans to use the \$5 million earmarked in FY 2005 for assistance to displaced Afghans and use these funds for this assistance, as Congress intended.

Through a revised December 2005 report, dated May 15, 2006, USAID notified Congress of its plans to use the \$5 million. This recommendation is closed.

Afghanistan Performance Audits

Fiscal Year 2005

Audit of USAID/Afghanistan's Primary Education Program (No. 5-306-05-005-P)

Date:	April 14, 2005
Implementing Partner:	Creative Associates International, Inc. (CAII)
Audit Period:	January 2004 to December 2004
Funding:	Estimated costs at the time of audit totaled \$88 million.

Background—Summary of Findings

USAID designed the Afghanistan Primary Education Program (APEP) using a two-phase strategy. Phase 1 included reproducing and distributing 10.2 million textbooks, training 600 teachers, developing and broadcasting radio-based teacher training programs, and providing accelerated-learning classes to 15,706 students. Phase 2 included expanding APEP activities to 17 provinces, distributing a second round of 16.2 million textbooks, enhancing the quality of teaching by providing training to 6,800 teachers, expanding accelerated-learning classes to reach 170,000 students, and providing technical

assistance to the Ministries of Education and Higher Education.

As of December 31, 2004, 3 of 10 APEP activities audited had not achieved their planned results, although significant progress had been made. Specifically, both textbook distribution and grade equivalents for accelerated-learning students were delayed, and the female student enrollment target was not achieved. These activities did not achieve their planned results for a number of reasons, including a delay in receiving funding for APEP.

Recommendations—Management Decisions

Four recommendations were made:

1. Obtain from CAII a distribution plan identifying the specific dates and locations for delivering the remaining textbooks in storage to ensure that the correct quantity, grade level, and language of textbooks are distributed to schools.

CAII sent USAID a distribution plan identifying the grade level and language of textbooks and the specific dates and locations for delivering the remaining textbooks in storage. This recommendation is closed.

2. Define the method to compute grade equivalents to be achieved. If change is needed to meet the planned results, the mission should obtain a detailed action plan from CAII showing how the grade-equivalent shortfalls will be achieved.

USAID changed the language for the planned results so that computing grade equivalents is clearly understood as grades “in process.” This recommendation is closed.

3. Reassess the female enrollment target to ensure that performance can be managed toward an obtainable target.

USAID revised the female enrollment to “52.2 percent of girls participate in learning activities.” This recommendation is closed.

4. Conduct a current performance evaluation of the contractor and prepare a report documenting the results.

The CTO completed and submitted a contractor performance report for the Afghanistan Primary Education Program on March 27, 2005. This recommendation is closed.

Audit of USAID/Afghanistan's School and Clinic Reconstruction Program (No. 5-306-05-003-P)

Date:	March 14, 2005	
Implementing Partners and Estimated Costs to Complete:	Cooperative Housing Foundation International (CHF)	\$11.7 million
	International Organization for Migration (IOM)	18.6 million
	Louis Berger Group, Inc. (LBGI)	23.8 million
	Shelter for Life International (SFL)	7.6 million
	United Methodist Committee on Relief (UMCOR)	4.6 million
	United Nations Office for Project Services (UNOPS)	6.9 million
	<i>Total costs</i>	\$73.2 million
Audit Period:	September 2002 to October 2004	
Funding:	At the time of audit, USAID had obligated \$73 million for the six implementing partners.	

Background—Summary of Findings

As of October 31, 2004, program activities were well behind schedule. For example, at the conclusion of audit fieldwork, only 91 of the 300 schools and clinics (30 percent) were completed. Additionally, no more than 328 of the 533 (62 percent) were anticipated to be completed by the end of the calendar year. Further, mission officials estimated that not all 533 schools and clinics would be completed until August 2005, at the earliest. Accomplishments as of October 31, 2004, were as follows:

Implementing Partner	Buildings To Be Completed by 12/31/04	Completed at Time of Audit	On Schedule To Be Completed by 12/31/04	Total Completed or on Schedule	Percentage Completed or on Schedule
CHF	59	3	0	3	5
IOM	215	54	64	118	55
LBGI	105	15	74	89	85
SFL	57	0	46	46	81
UMCOR	24	0	15	15	63
UNOPS	73	19	38	57	78
Total	533	91	237	328	62

Recommendations—Management Decisions

The audit made three recommendations:

1. USAID should finalize an alternative implementation plan with timeframes for the uncompleted portion of its school and clinic reconstruction program. The plan should include measures to strengthen the capabilities of the Transitional Islamic State of Afghanistan's Ministries of Education and Health to contract for and manage construction projects.

The recommendation was closed on January 17, 2006, after USAID finalized an acceptable plan.

2. USAID should require that all of its school and clinic implementing partners and their subcontractors use the IRD method for calculating the percentage of completion for a school or clinic.

USAID notified implementing partners and contractors at a biweekly meeting of the requirement to use the IRD method of calculating the percentage of completion. This IRD method was used during the period July 2004 through February 2005. Subsequently, the IRD method was revised and received concurrence by the implementing partners and contractors. This recommendation is closed.

3. USAID should regularly merge the percent of completion data for each school and clinic from IRD's database into its own database to use as a tool for assessing the accuracy of the percent of completion data reported by implementing partners.

Although it was not possible to merge the two systems because of information technology security reasons, each partner and ministry provide data biweekly to USAID that is selectively entered into the USAID master list archives for schools and clinics. This recommendation is closed.

Afghanistan Performance Audits

Fiscal Year 2004

Audit of the Kabul to Kandahar Highway Reconstruction Activities Financed by USAID/Afghanistan's Rehabilitation of Economic Facilities and Services Program (No. 5-306-04-006-P)

Date: September 21, 2004

Implementing Partner: Louis Berger Group, Inc. (LBGI)

Audit Period: August 2003 to June 2004

Funding: At the time of audit, the reconstruction of the Kabul-Kandahar Highway was estimated to cost \$269 million.

Background—Summary of Findings

The purpose of the Rehabilitation of Economic Facilities and Services (REFS) Program was to promote economic recovery and political stability by repairing infrastructure. In September 2002, LBGI was awarded a contract to implement the program, including road reconstruction and other infrastructure activities, with the contract base period ending December 2005. At the time of audit, contract modifications had increased estimated costs to \$665 million. Reconstruction of the Kabul-Kandahar segment of Afghanistan's major east-west highway was the largest activity being implemented under the REFS Program. The east-west highway runs approximately 1,200

kilometers from Kabul to Herat. In April 2003, the U.S. Government assumed responsibility for 389 kilometers of the Kabul-Kandahar Highway, starting 43 kilometers outside of Kabul and ending 50 kilometers before Kandahar.

OIG found that the mission (1) generally had checked the timeliness of reconstruction activities but had not fully monitored the quality of the road reconstruction, in part because of security restrictions, and (2) had not verified whether the contractor's performance conformed to its contract. According to LBGI, the following outputs had been achieved as of June 22, 2004.

Reconstruction Outputs as of June 22, 2004	Planned	Completed
Paving a first layer of asphalt (Phase 1)	389 km	359 km
Paving a second layer of asphalt (Phase 2)	389 km	310 km
Paving a third layer of asphalt (Phase 2)	389 km	117 km
Completing six bridges (Phase 2)	6	0

Recommendations—Management Decisions

The audit made two recommendations:

1. Develop a comprehensive monitoring plan to ensure quality, timeliness, and compliance with contract terms, including requiring the contractor to submit a comprehensive quality control and assurance program for USAID approval.

The mission developed the recommended plan, which required site inspection teams to be present onsite on each section of road. The teams were also tasked with monitoring the quality control program of the contractor and preparing daily and weekly reports. In addition, the mission's project manager and quality assurance manager were to make semimonthly visits to the site. This recommendation is closed.

2. Perform an analysis of contractor claims to ensure that USAID does not pay for the defective roadwork.

The mission identified deficiencies in the work of the contractor and had the contractor replace the defective work at the contractor's expense. This recommendation is closed.

Audit of the Sustainable Economic Policy and Institutional Reform Support (SEPIRS) Program at USAID/Afghanistan (No. 5-306-04-005-P)

Date: August 17, 2004
Implementing Partner: BearingPoint, Inc.
Audit Period: January 2003 to April 2004
Funding: As of April 30, 2004, the 3-year, \$96 million contract had expenditures that totaled \$28 million.

Background—Summary of Findings

In December 2002, USAID/Afghanistan awarded a contract to BearingPoint to carry out the SEPIRS Program. BearingPoint used expatriate and local consultants to provide technical assistance to various ministries of the Transitional Afghan Authority. For example, under “fiscal reform,” consultants worked with the Ministry of Finance on activities such as establishing an efficient tax administration system and a budget planning and reporting system. “Banking reform” included not only strengthening the Central Bank but also working with it on activities such as licensing and regulating banks and maintaining a stable currency. “Legal/regulatory reform” included activities such as the drafting and passing of laws governing banking, taxation, property, and natural resources. Under “trade reform,”

consultants provided technical assistance to the Ministry of Commerce on activities such as entering the World Trade Organization, developing exports, and organizing women entrepreneurs.

OIG could not determine whether the SEPIRS Program was on schedule to achieve planned results because the program had no current work plan that contained expected accomplishments and milestones against which to measure progress. USAID had not required the contractor implementing the program to prepare quarterly work plans, even though such work plans were required under the contract. However, OIG found that progress was being made and that USAID had monitored the program in other ways.

Recommendations—Management Decisions

The audit made one recommendation: USAID/Afghanistan should require BearingPoint to comply with the SEPIRS contract by submitting quarterly work plans to USAID that include expected accomplishments and milestones.

In July 2004, the contractor put in place a monitoring system that included updated work plans. Further, USAID/Afghanistan provided a schedule of due dates for the quarterly work plans required under the contract. USAID/Afghanistan submitted the most recent contractor work plan it had approved in July 2004, as well as other detailed supporting documentation that illustrated additional corrective actions to enforce contract requirements.

This recommendation was closed prior to the issuance of the audit report.

Second Review of the Road Project Financed by USAID/Afghanistan's Rehabilitation of Economic Facilities and Services (REFS) Program (Regional Inspector General/Manila Memorandum 04-003)

Date: March 31, 2004
Implementing Partner: Louis Berger Group, Inc. (LBGI)
Audit Period: Not applicable
Funding: \$500 million

Background—Summary of Findings

The Rehabilitation of Economic Facilities and Services (REFS) Program was intended to promote economic recovery and political stability by repairing infrastructure. In September 2002, LBGI was awarded a \$143 million contract to implement the REFS Program, including road reconstruction and other infrastructure activities, with the contract base period ending December 31, 2005. At the time of the audit, contract modifications had increased estimated costs to \$500 million. In April 2003, the U.S. Government assumed responsibility for 389 kilometers of the road project, starting 43 kilometers outside of Kabul and ending 50 kilometers before Kandahar. After assuming responsibility for the Kabul-Kandahar segment, the U.S. Government tasked USAID with reconstructing the 389-kilometer highway. In response, LBGI developed and USAID approved a two-phased strategy.

Phase 1 of the Kabul-Kandahar Highway was to be completed by December 31, 2003. USAID reported that, for all 389 kilometers of the Kabul-Kandahar Highway, either the surface had been paved with a single layer of new asphalt up to 10 centimeters thick or existing asphalt had been repaired.

The phase 1 goal under the strategy included completing a 9-meter-wide road (including two 1-meter wide shoulders) that had at least one layer of asphalt, 10 centimeters thick, on the driving surface for all 389 kilometers by

December 31, 2003. Phase 2 envisioned completing the road by widening it to 12 meters (including two 2.5-meter wide shoulders), and adding three additional layers of asphalt for a total of four layers, 31 centimeters thick, by October 2004. However, LBGI's implementation plan dated January 30, 2004, revised the road design of the completed road to only three layers of asphalt, totaling 25 centimeters. LBGI made this change because load-bearing tests indicated that 6 centimeters of asphalt could be eliminated without compromising road durability. As a result of this change and the elimination of certain contingency costs, the road, although estimated in May 2003 to cost as much as \$273 million, was later estimated to cost \$229 million.

OIG conducted fieldwork to report on the progress of the road project during January 2004. The results are described below.

USAID/Afghanistan reported that LBGI met the phase 1 goal of paving 328 kilometers of the 389-kilometer road project with at least one layer of new asphalt and repairing the remaining 61 kilometers by December 31, 2003, as planned. However, reconstruction of six bridges along the Kabul-Kandahar Highway, also included in phase 1, was not completed by the end of December 2003 as planned. LBGI estimated at the time that the bridges were over 50 percent complete and cited security incidents and logistical problems

for the delays in their completion. Although most phase 2 reconstruction was not scheduled to begin until the spring of 2004, some work was already under way. For example, timeframes for completing phase 2 had been developed, and subcontractors had begun paving a second layer of asphalt. In addition, 93 of the 389 kilometers had reportedly already been paved with a second layer of asphalt. USAID and LBGI officials stated they were on schedule to complete the Kabul-Kandahar Highway by October 2004.

At the time of this review, although winter weather had prevented most phase 2 operations from beginning, LBGI reported that 93 kilometers of the Kabul-Kandahar Highway had already been paved with a second layer of asphalt as of February 23, 2004. Additionally, subcontractors were able to do some work on widening highway shoulders, building culverts, and reconstructing bridges.

Recommendations—Management Decisions

Mission officials stated that the contents of this memorandum were generally consistent with their knowledge of the project and mission files. However, they commented that the road design had not been changed to reduce the number of layers of asphalt from four to three as the OIG reports. The officials claimed that the road design still requires four layers of asphalt: two base layers, one binder course, and one wearing course. However, as noted on page 3 of this memorandum, LBGI's implementation plan dated January 30, 2004, revised the road design to delete the binder course. This reduction in the number of layers was confirmed by LBGI's project manager, who stated that the current road design calls for two base layers and one wearing course layer. Consequently, OIG did not change the number of layers in this report from three to four, as suggested by the mission, since both the January 2004 implementation plan and project manager's comments seem to support three layers. There was, however, no disagreement as to the total thickness of asphalt required. Nevertheless, OIG recommended that the mission discuss with LBGI this apparent inconsistency in the required number of layers.

**Review of the Road Project Financed by
USAID/Afghanistan’s
Rehabilitation of Economic Facilities and
Services (REFS) Program
(Regional Inspector General/Manila Memorandum 04-002)**

Date: November 13, 2003
Implementing Partner: Louis Berger Group, Inc. (LBGI)
Audit Period: August and October 2003
Funding: \$284 million

Background—Summary of Findings

The Rehabilitation of Economic Facilities and Services (REFS) Program was intended to promote economic recovery and political stability by repairing infrastructure, including a major road reconstruction project.

After assuming responsibility for the Kabul-Kandahar segment of the road project, the U.S. Government tasked USAID with reconstructing the 389-kilometer highway. In response, LBGI developed and USAID approved a two-phased strategy to accelerate the reconstruction. The strategy set a first-phase goal of completing a 9-meter-wide road (including two 1-meter-wide shoulders) that had at least one layer of asphalt 15 centimeters thick on the driving surface for all 389 kilometers by December 31, 2003. Because of the accelerated reconstruction schedule, the estimated cost to complete all phases of the Kabul-Kandahar Highway reconstruction had risen to nearly \$284 million (including, according to the mission, \$40 million for contingencies).

To report on the progress of the road project, OIG traveled to Afghanistan in August and October 2003. Officials reviewed documentation from the mission and LBGI, interviewed officials, and visited reconstruction sites. Despite the complexity of the road project, LBGI and USAID/Afghanistan had accomplished the following:

- Hired four subcontractors from India and Turkey.
- Mobilized heavy equipment, rock-crushing plants, and asphalt-mixing plants.
- Deployed security teams to patrol construction zones and camps.
- Located, imported, and processed supplies.
- Collaborated with the United Nations to expedite the clearing of mines.

Nevertheless, in September 2003, USAID officials said that asphalt-paving activities were about 4 weeks behind the schedule set in April 2003, due in part to demining security incidents. As of November 1, 2003, LBGI reports showed that 222 kilometers of road had been paved to a 10-centimeter depth. Barring unforeseen problems, USAID officials stated that they planned to have the 389 kilometers paved to this depth by the end of December 2003, excluding 68 kilometers of existing pavement that only needed repair, as USAID stated in its management comment.

Problems had delayed the project’s progress:

- Security incidents increased.
- The area had to be demined.

- Almost none of the equipment and materials needed to construct a road were available locally.
- Some equipment and materials being brought into the country had been detained by neighboring country customs authorities.
- The onset of winter weather might affect LBGI's ability to achieve the accelerated goals.

Recommendations—Management Decisions

OIG recommended that LBGI maintain a detailed, updated implementation plan for its REFS activities. According to its contract, LBGI was to prepare an implementation plan within 30 days of arrival in Afghanistan and updated plans by the end of every January to ensure that all REFS activities—including the road project—would be completed on time and within budget. The contract required that the plan be flexible to respond to changes in the number, type, and location of REFS activities. LBGI prepared an initial plan in December 2002. However, LBGI did not update its December 2002 implementation plan to reflect changes made to the road reconstruction schedule through December 2003 or beyond.

LBGI issued an updated implementation plan for its REFS activities on January 30, 2004. This recommendation is closed.

Afghanistan Performance Audits

Fiscal Year 2003

Risk Assessment of Major Activities Managed by USAID/Afghanistan (No. 5-306-03-001-S)

Date: March 11, 2003
Implementing Partner: N/A
Audit Period: N/A
Funding: N/A

Background—Summary of Findings

The Afghanistan Freedom Support Act of 2002 authorized \$1.7 billion over 4 fiscal years (beginning with FY 2003) for economic, humanitarian, and development assistance to Afghanistan.

To prioritize OIG workload and determine what type of audit coverage would be appropriate for each individual activity being funded and managed by the mission, OIG performed risk assessments of USAID/Afghanistan's operations as a whole and of activities planned.

OIG assessed the overall risk related to USAID/Afghanistan's ability to manage assistance activities. The overriding constraint to managing assistance activities in Afghanistan was the tenuous security situation in the country. Because of security concerns, travel within and particularly outside of Kabul was heavily restricted. Most U.S. direct hires were required to live and work in the U.S. Embassy compound, and approval was required for all trips outside its walls. For trips outside of Kabul, approval was contingent upon taking along at least two vehicles and two armed U.S. military

personnel. USAID/Afghanistan's own assessment identified three material weaknesses in its system of management controls, all of which are related to the country's difficult security situation:

1. Unsuitable working and living conditions.
2. Inability to readily travel to project sites.
3. Retention of personnel and delays in the assignment of personnel.

In assessing overall risk, OIG reviewed the mission's own candid assessment of risk, which it had undertaken to meet the annual certification requirement of the Federal Managers' Financial Integrity Act of 1982. OIG—and the mission's own assessment—concluded that, overall, the risks were high for program goals not being attained, noncompliance with laws and regulations, inaccurate reporting, and illegal or inappropriate use of assets or resources.

Generally, the risks associated with the three material weaknesses were amplified by (1) the magnitude of the funding being provided to Afghanistan, (2) the pressure to implement activities in extremely short timeframes, (3) the lack of stable host government

institutions, and (4) the pervasiveness of corruption and lawlessness in the country—not to mention the presence in-country of some 5 to 7 million mines.

The mission reported that because of the three material weaknesses it had identified, its

ability to achieve objectives was significantly impaired—as well as its ability to obtain, report, and use reliable and timely information for decision making. The mission also reported that, as a result of these weaknesses, statutory or regulatory requirements could be violated.

Recommendations—Management Decisions

While USAID/Afghanistan proposed a number of corrective actions for the material weaknesses it had identified, most of these proposals were not entirely within its control. Many were under the control of the U.S. Embassy in Kabul—especially those relating to working and living arrangements. However, USAID/Afghanistan was exploring the possibility of obtaining its own building and its own employee residences.

OIG agreed that each of these weaknesses presented a challenge for the mission and for the achievement of program objectives. Although the mission had proposed corrective actions for the material weaknesses it identified, most of the proposals would require the support of the U.S. Embassy in Kabul.

Afghanistan Investigative Case Work and Fraud Prevention Briefings

Case Number	Criminal Law Enforcement Records System	Source	Allegation	Status	Program Integrity (PI) or Employee Integrity (EI)	Savings and Recoveries (\$)	Department of Justice Civil/Criminal Actions	Results
A03101		USAID employee	Improper use/diversion of government property/personnel	Closed	EI			Employee reprimand
A04031		Contractor	False claim	Closed	PI			
A04083		USAID employee	Bribery/gratuity/kickback	Closed	PI			Contract employee termination
A04144		Contractor	Conflict of interest	Closed	EI			
A04147		USAID employee	Reciprocal fraud/procurement investments	Closed	EI	\$11,275,000	1 civil referral, 1 criminal referral	Savings, declinations (2)
A05041		Other	Theft of government property	Closed	PI	\$4,000		Administrative recovery
A05042		Other	False claim	Closed	PI	\$46,670		Administrative recovery
A05052		USAID employee	Theft of government property	Closed	PI			
A05083		Other	False claim	Closed	PI			
A06002		USAID employee	Intimidation/extortion	Closed	PI			
A06003		Unknown	False claim	Closed	PI			
L05046	LA-MA-08-0005-I	Contractor	Conspiracy; false claim; obstruction of justice; wire/mail fraud	Open	PI	\$27,057,074	1 civil referral, 5 criminal referrals	Arrests (6), indictments (8), convictions (5), debarments (5), contract termination with savings of \$24,055,074, restitution of \$3,000,000 and fines of \$2,000
L07023		USAID employee	Pay and allowance matters	Closed	EI			Employee resignation
L07089	LA-MA-08-0004-I	Anonymous	False claim	Closed	PI	\$22,155,361	1 civil referral, 1 criminal referral	Savings, bills of collection: \$612,870; \$11,500,000; \$2 million; \$22,392; \$40,053; \$7,480,046; \$500,000
L07090		Unknown	Bribery/gratuity/kickback	Closed	EI			
L07093		Walk-in	Collusive bidding	Closed	PI			Employee termination
L08002		Other	False claim	Closed	PI			
O03007		Proactive	Proactive	Closed	PI			
	LA-KA-09-0197-I	Contractor	Collusive bidding	Open	PI		1 criminal referral	
	LA-H0-08-0175-R	Congressional inquiry	Program fraud	Closed	PI			
	LA-H0-09-0034-G	Anonymous	Program fraud	Closed	PI			
	LA-H0-09-0177-I	Case spinoff	Bribery/gratuity/kickback	Open	PI		1 criminal referral	Arrest, indictment, conviction, debarment

Afghanistan Investigative Case Work and Fraud Prevention Briefings

Case Number	Criminal Law Enforcement Records System	Source	Allegation	Status	Program Integrity (PI) or Employee Integrity (EI)	Savings and Recoveries (\$)	Department of Justice Civil/Criminal Actions	Results
	LA-KA-09-0201-I	Private citizen	Program fraud	Closed	PI		1 civil referral	
	LA-KA-10-0005-I	Private citizen	Program fraud	Closed	PI			
	LA-KA-10-0006-I	Private citizen	Program fraud	Closed	PI			
	LA-KA-10-0011-G	USAID employee	Bribery/gratuity/kickback	Closed	PI			
	LA-KA-10-0032-G	USAID employee	Bribery/gratuity/kickback	Closed	PI			
	LA-KA-10-0035-I	Contractor	Bribery/gratuity/kickback	Closed	PI			
	LA-KA-10-0039-I	Former contractor	Program fraud	Closed	PI			
	LA-KA-10-0057-G	Private citizen	Bribery/gratuity/kickback	Closed	PI			
	LA-KA-10-0062-I	Former contractor	Bribery/gratuity/kickback	Open	PI	\$200,598		Contract employee terminations (22), savings \$81,524, debarments (22), recovery \$119,074
	LA-KA-10-0071-I	IG/Audit	Theft	Open	PI		1 criminal referral	
	LA-KA-10-0074-G	Anonymous	Program fraud	Closed	PI			
	LA-KA-10-0078-R	Private citizen	Conflict of interest	Closed	PI			
	LA-KA-10-0079-R	Contractor employee	Program fraud	Closed	PI			
	LA-MA-08-0097-G	USAID employee	Procurement integrity	Closed	EI			
	LA-MA-08-0106-G	USAID employee	Extortion	Closed	PI			
	LA-MA-08-0107-G	Other agency referral	False statement	Closed	PI			
	LA-MA-08-0159-I	USAID employee	Collusive bidding	Closed	PI			
	LA-MA-08-0169-R	Private citizen	Program fraud	Closed	PI			
	LA-MA-08-0178-I	USAID employee	Program fraud	Closed	PI			
	LA-MA-08-0179-I	Anonymous	Bribery/gratuity/kickback	Closed	PI	\$509,554		Resignation, contract terminations (4) with savings of: \$51,551; \$14,533; \$433,270; and \$10,200; Afghan declination
	LA-MA-09-0021-R	Confidential source	Program fraud	Closed	PI			

Afghanistan Investigative Case Work and Fraud Prevention Briefings

Case Number	Criminal Law Enforcement Records System	Source	Allegation	Status	Program Integrity (PI) or Employee Integrity (EI)	Savings and Recoveries (\$)	Department of Justice Civil/Criminal Actions	Results
	LA-MA-09-0024-G	Private citizen	Program fraud	Closed	PI			
	LA-MA-09-0031-I	Case spinoff	Theft	Closed	PI			
	LA-MA-09-0065-I	Anonymous	Bribery/gratuity/kickback	Closed	PI	\$29,300,000	1 criminal referral, 1 civil referral	Contract employee removed, contract terminated with savings, declination, savings \$29,300,000
	LA-MA-09-0073-I	Contractor	Bribery/gratuity/kickback	Closed	PI			Contract employee termination
	LA-MA-09-0078-I	Self-initiated; spinoff	False statement	Closed	PI	\$1,217		Personnel suspension, bill of collection, recovery, systemic change; \$671; \$546
	LA-MA-09-0079-G	Anonymous	Bribery/gratuity/kickback	Closed	PI			
	LA-MA-09-0104-I	Self-initiated; spinoff	Conspiracy	Closed	PI			
	LA-MA-09-0121-I	Contractor	Bribery/gratuity/kickback	Closed	PI	\$62,030,589	2 criminal referrals	Arrests (2), indictments (2), convictions (2), debarments (2), employee termination, contract cancellation, savings \$62,030,589
	LA-MA-09-0124-I	Private citizen	Conflict of interest	Open	PI			
	LA-MA-09-0136-I	Anonymous	Program fraud	Closed	PI	\$78,926	1 criminal referral	Arrest, debarment, indictment, conviction; restitution \$78,926
	LA-MA-09-0161-G	Other agency referral	Program fraud	Closed	PI			
	LA-MA-09-0164-I	Contractor	Program fraud	Open	PI			
	LA-MA-09-0166-I	USAID employee	False claim	Open	PI		1 criminal referral, 1 civil referral	Declination
	LA-MA-09-0168-I	Other agency referral	Theft	Closed	PI		1 criminal referral	Declination
	LA-MA-09-0140-G	Private citizen	Conspiracy	Open	PI			
	LA-MA-10-0013-I	USAID employee	Conflict of interest	Open	PI			
	LA-MA-10-0063-G	USAID employee	Conflict of interest	Closed	PI			
	LA-KA-10-0093-I	Anonymous	False claim	Closed	PI			
	LA-KA-10-0100-I	Outside agency referral	Bribery/gratuities/ kickbacks	Closed	PI			
	LA-KA-10-0105-I	USAID employee	Bribery/gratuities/ kickbacks	Closed	PI			
	LA-KA-10-0130-I	OIG audit	Program fraud	Closed	PI			

Afghanistan Investigative Case Work and Fraud Prevention Briefings

Case Number	Criminal Law Enforcement Records System	Source	Allegation	Status	Program Integrity (PI) or Employee Integrity (EI)	Savings and Recoveries (\$)	Department of Justice Civil/Criminal Actions	Results
	LA-KA-10-0142-I	Former contractor employee	False claim	Closed	PI			
	LA-KA-10-0156-I	USAID employee	Conflict of interest	Closed	PI			
	LA-KA-10-0189-I	Confidential source	Bribery/gratuities/ kickbacks	Closed	PI		2 criminal referrals	
	LA-H0-10-0125-I	Other agency referral	Program fraud	Open	PI			
	LA-KA-10-0099-G	USAID employee	Program fraud	Closed	PI			
	LA-KA-10-0103-G	Private citizen	Bribery/gratuities/ kickbacks	Closed	PI			
	LA-KA-10-0109-G	Private citizen	False statement	Closed	PI			
	LA-KA-10-0124-G	Other agency referral	Bribery/gratuities/ kickbacks	Closed	PI			
	LA-KA-10-0132-I	Other agency referral	Bribery/gratuities/ kickbacks	Closed	EI			
	LA-KA-10-0140-G	Contractor employee	Bribery/gratuities/ kickbacks	Closed	PI			
	LA-KA-10-0141-G	Private citizen	Program fraud	Closed	PI			
	LA-KA-10-0153-G	Other agency referral	False statement	Closed	PI			
	LA-KA-10-0162-R	Private citizen	Program fraud	Closed	PI			
	LA-KA-10-0164-G	Private citizen	Program fraud	Closed	PI			
	LA-KA-10-0193-R	Private citizen	Program fraud	Closed	PI			
	LA-KA-10-0203-I	USAID employee	Conflict of interest/ethics	Closed	EI			
	LA-KA-10-0209-I	Confidential source	Bribery/gratuity/kickback	Open	EI		1 criminal referral	Employee termination (1), suspension, indictment
	LA-KA-10-0214-R	Contractor employee	Computer crimes	Open	EI			
	LA-KA-10-0225-G	Contractor employee	Extortion	Closed	PI			
	LA-KA-10-0242-I	Contractor employee	Theft/wire/mail fraud	Open	EI	\$20,000		
	LA-KA-10-0275-I	Other agency employee	Collusive bidding/false claim	Closed	PI			

Afghanistan Investigative Case Work and Fraud Prevention Briefings

Case Number	Criminal Law Enforcement Records System	Source	Allegation	Status	Program Integrity (PI) or Employee Integrity (EI)	Savings and Recoveries (\$)	Department of Justice Civil/Criminal Actions	Results
	LA-KA-10-0285-G	Confidential source/Informant	Conflict of interest/ethics	Closed	EI			
	LA-KA-10-0297-I	Contractor employee	Program fraud	Open	PI	\$9,900,000		Savings \$9,900,000
	LA-H0-10-0118-G	Private citizen	Bribery/gratuities/ kickback	Closed	PI			
	LA-H0-10-0126-G	Other agency referral	Program fraud	Closed	PI			
	LA-H0-10-0151-R	Private citizen	Program fraud	Closed	PI			
	LA-H0-10-0155-R	Private citizen	Conflict of interest/ethics	Closed	PI			
	LA-H0-10-0160-G	Private citizen	Conflict of interest	Closed	PI			
	LA-H0-10-0186-G	Private citizen	Program fraud	Closed	PI			
	LA-H0-10-0201-R	Private citizen	Conflict of interest	Closed	PI			
	LA-H0-10-0261-I	Private citizen	False statement	Closed	EI			
	LA-KA-10-0319-R	GAO	Program fraud	Closed	PI			Debarment (2)
	LA-KA-10-0291-R	Private citizen	Program fraud	Closed	PI			
	LA-KA-11-0015-I	Audit	False claim	Closed	EI			Reprimand
	LA-H0-11-0008-I	Contractor	Theft	Closed	PI			
	LA-KA-11-0018-I	Private citizen	Program fraud	Open	PI			
	LA-H0-11-0045-I	Private citizen	Program fraud	Open	PI			
	LA-H0-11-0043-I	USAID employee	False statement	Open	PI			Debarment
	LA-KA-11-0055-I	Anonymous	False claim	Closed	PI			
	LA-H0-11-0056-I	Self-initiated; spinoff	Program fraud	Open	PI		1 criminal referral, 2 civil referrals	Declination
	LA-KA-11-0024-G	Private citizen	Program fraud	Closed	PI			
	LA-KA-11-0030-I	Contractor	Bribery/gratuity/kickback	Closed	PI			
	LA-H0-11-0040-I	Private citizen	Program fraud	Open	PI			
	LA-H0-11-0068-G	Contractor	Program fraud	Closed	PI			
	LA-H0-11-0072-G	Private citizen	Program fraud	Closed	EI			
	LA-KA-11-0089-I	USAID employee	Program fraud	Open	EI			
	LA-KA-11-0090-G	Contractor	Program fraud	Open	PI			
	LA-KA-11-0074-R	Contractor	Program fraud	Open	PI			
	LA-H0-11-0009-I	Proactive	Program fraud	Open	PI			
	LA-KA-11-0079-I	Private citizen	Bribery/gratuity/kickback, conflict of interest	Closed	PI			Removal/termination
	LA-KA-11-0138-R	Contractor	False statement	Open	PI			Removal/termination
	LA-KA-10-0296-G	Contractor	Conflict of interest	Closed	PI			
	LA-KA-10-0312-I	Anonymous	Program fraud	Open	EI			
	LA-KA-11-0022-G	Private citizen	Program fraud	Closed	PI			
	LA-KA-11-0114-G	Anonymous	Bribery/gratuity/kickback, conflict of interest/ethics	Closed	EI			
	LA-KA-10-0287-G	Audit	False claim	Closed	EI			
	LA-H0-10-265-R	Private citizen	Program fraud	Closed	PI			

Afghanistan Investigative Case Work and Fraud Prevention Briefings

Case Number	Criminal Law Enforcement Records System	Source	Allegation	Status	Program Integrity (PI) or Employee Integrity (EI)	Savings and Recoveries (\$)	Department of Justice Civil/Criminal Actions	Results
	LA-H0-10-293-R	Private citizen	Program fraud	Closed	PI			
	LA-KA-11-0140-I	Private citizen	Bribery/gratuity/kickback	Open	PI			
	LA-KA-11-0152-I	Private citizen	Program fraud	Open	PI			
	LA-KA-11-0166-I	USAID employee	False claim, false statement, program fraud, theft	Open	PI			
	LA-KA-11-0129-I	Confidential source/informant	Bribery/gratuity/kickback	Open	PI			
	LA-KA-10-0262-I	USAID employee	Conflict of interest/ethics	Closed	PI			
	LA-KA-11-0189-I	Private citizen	Theft	Open	PI			Removal/termination
	LA-KA-11-0195-I	Contractor employee	Program fraud	Open	PI			
	LA-KA-11-0182-I	Contractor employee	Bribery/gratuity/kickback; conflict of interest/ethics	Open	PI			
	LA-KA-11-0183-I	Contractor employee	Bribery/gratuity/kickback; conspiracy	Open	PI			
	LA-KA-11-0185-I	Contractor employee	Bribery/gratuity/kickback, conflict of interest/ethics, conspiracy, false statement, Procurement Integrity Act	Open	PI			
	LA-KA-11-0174-I	Contractor employee	Bribery/gratuity/kickback	Open	PI			
	LA-KA-11-0210-G	Contractor employee	Conflict of interest/ethics	Closed	EI			
	LA-KA-11-0211-I	USAID employee	Conflict of interest/ethics	Open	EI			
	LA-KA-11-0212-R	Former contractor employee	Conflict of interest/ethics	Closed	PI			
	LA-KA-11-0215-G	Anonymous	Conflict of interest/ethics	Closed	EI			
	LA-KA-11-0197-I	Contractor employee	Bribery/gratuity/kickback, conflict of interest/ethics, conspiracy	Open	PI	\$105,000		Savings \$105,000; termination of contract, removal/termination
	LA-KA-11-0179-I	Contractor employee	Bribery/gratuity/kickback; conflict of interest/ethics	Open	PI			
	LA-KA-11-0176-I	Contractor employee	Bribery/gratuity/kickback, conflict of interest/ethics, conspiracy, collusive bidding, program fraud, extortion	Open	PI			
	LA-KA-11-0115-I	Former contractor employee	Theft	Open	PI			
	LA-KA-11-0225-I	Other agency referral	Program fraud	Open	PI			
	LA-KA-11-0240-I	Contractor employee	Bribery/gratuity/kickback; conflict of interest/ethics, program fraud	Open	PI	\$40,005		Recovery \$40,005; Removal/termination
	LA-KA-11-0267-I	Private citizen	Bribery/gratuity/kickback; collusive bidding; conspiracy	Open	PI			
	LA-KA-11-0275-I	Case spinoff	False statement	Open	PI			

Afghanistan Investigative Case Work and Fraud Prevention Briefings

Case Number	Criminal Law Enforcement Records System	Source	Allegation	Status	Program Integrity (PI) or Employee Integrity (EI)	Savings and Recoveries (\$)	Department of Justice Civil/Criminal Actions	Results
	LA-KA-11-0274-I	Contractor	Conflict of interest; conspiracy; false statement; program fraud; theft; wire/mail fraud	Open	PI			
	LA-KA-11-0281-I	Contractor	False claim; false statement; program fraud	Open	PI			
	LA-KA-11-0284-P	Private citizen	False statement	Open	PI			
	LA-KA-11-0286-G	Private citizen	Program fraud	Open	PI			
	LA-KA-11-0264-I	Private citizen	Program fraud	Open	PI			
	LA-KA-11-0280-I	USAID employee	False claim; conflict of interest/ethics	Open	PI	\$842		Savings \$842
	LA-KA-11-0306-I	Contractor	Theft	Open	PI			
	LA-KA-11-0319-G	Private citizen	Program fraud	Open	PI			
	LA-KA-11-0328-I	Contractor	Program fraud	Open	PI			
	LA-KA-11-0330-P	Private citizen	Program fraud	Open	PI			
	LA-KA-11-0342-G	USAID employee	False claim; Program fraud	Open	PI			
						\$162,724,836		

	FY 2011 Fourth Quarter Results	Cumulative Results*
Cases opened	14	155
Cases closed	10	93
Cases pending	4	62
Department of Justice referrals	0	35
Arrests	0	10
Indictments/criminal complaints/criminal information	0	13
Convictions/pleas	0	9
Administrative actions	1	87
Fraud awareness briefings	6	90
Attendees at fraud awareness briefings	147	1,779

*2003 through September 2011

Afghanistan Investigative Summaries Fiscal Years 2004–11

Suspension of Afghan Construction Company with Connections to Terrorist Organizations

Allegation

On September 30, 2010, International Relief and Development Incorporated (IRD) and USAID OIG received information from the U.S. Army that it had detained and arrested the president of Ashan Aman Construction Company (AACC) for supporting and facilitating Taliban attacks in Kandahar, Afghanistan. After confirming AACC was a subcontractor on the USAID-funded Afghanistan Vouchers for Increased Productive Agriculture (AVIPA) program, USAID OIG worked with the U.S. Army and the USAID Office of Security to confirm the company's president was a known insurgent sympathizer and material supporter.

Status

Based on the referral from USAID OIG, the company's president and AACC were subsequently debarred from any involvement with U.S. Government programs, effective May 25, 2011.

Investigation Leads to \$105,000 in Savings and Termination of Subcontract by DAI

Allegation

A DAI procurement officer instructed his subordinate to contact companies bidding on subcontracts under the RAMP UP EAST program in Afghanistan and request that they increase their bids in order to cover the cost of a kickback to the DAI employees for awarding the subcontract. Farid Construction Professional Company (FCPC) subsequently entered into an agreement with the DAI employee to increase its bid to cover the cost of the kickback. In exchange for this payment, FCPC would be awarded the contract.

Status

DAI terminated the employee on April 20, 2011. Because of these findings, DAI did not award the contract to FCPC, resulting in a savings of \$105,000.

Afghan Sentenced to Prison on Child Pornography Charges

Allegation

In April, 2011, an employee of DAI, (formerly known as Development Alternative Initiatives) working on a project funded by the U.S. Agency for International Development (USAID), was found guilty of child pornography and sentenced by an Afghan court to 1 ½ years in prison. DAI, a U.S.-based corporation has a \$36 million contract with USAID to implement the Afghanistan Small and Medium Size Development program which is designed to promote small and medium size businesses in Afghanistan. USAID OIG obtained and executed a U.S. Federal search warrant on the employee's computer which revealed clips of child pornography.

Status

The employee was terminated and arrested by Afghan authorities in January, 2011. The case was prosecuted locally in Herat Province.

Civil Settlement Related to Fraud in USAID-Funded Programs in Afghanistan and Pakistan

Allegation

In June 2011, the Academy for Educational Development (AED) agreed to settle allegations that the company submitted false claims to USAID in connection with two cooperative agreements under which AED provided foreign assistance in Afghanistan and Pakistan.

Status

Although certain terms of the settlement with the Department of Justice are contingent on future events, AED has already paid \$5,635,000 towards these claims and could potentially pay up to an additional \$15 million over the next three years. In the settlement agreement, the government alleged that AED failed to ensure that its actions under these two cooperative agreements complied with applicable regulations concerning competition in procurements, adherence to contract specifications, and supervision of its subcontractors. The government further alleged that AED failed to inform USAID that it had discovered defects in its internal control systems and that certain AED subcontractors may have been involved in corruption and wrongful activities.

USAID Contractor Debarred in Connection with Principal's Misconduct and Lack of Adherence to Federal Regulations

Allegation

As the result of an OIG investigation, SERVCOR, a provider of security services, has been debarred from contracting with the U.S. Government for 3 years. The debarment is based on the company's

affiliation with United States Protection and Investigations (USPI), whose principals were prohibited in 2008 from working with U.S. Government agencies for 3 years. The former executives of USPI were convicted of conspiracy, major fraud, and wire fraud in connection with USPI's subcontract with the Louis Berger Group, Inc. (LBG), in the performance of USAID-funded rebuilding efforts in Afghanistan.

In 2009, SERVCOR signed a \$2.3 million contract with a company doing business with the U.S. Army Corps of Engineers. The principals, through their management and control of the company, continued to subcontract with organizations that had been barred from doing business with the U.S. Government.

Status

During the period of debarment—in the absence of compelling reasons otherwise—federal agencies may not award or renew contracts with SERVCOR nor may other Government contractors award subcontracts to the company that exceed \$30,000. SERVCOR will also be excluded from certain federal assistance and benefits programs during the period of debarment.

Australian Arrested for Accepting Bribe Related to Construction Program in Afghanistan

Allegation

A senior construction manager working for an intergovernmental organization implementing a \$260 million project to build health and education facilities in Afghanistan was arrested by Indian authorities and ultimately extradited to the United States to stand trial on bribery charges. The contractor allegedly solicited a \$190,000 bribe to allow an Afghan company to continue working on USAID-funded subcontracts.

Status

The subsequent arrest was the culmination of an investigation and undercover operation conducted by OIG and members of the International Contract Corruption Task Force.

Two Louis Berger Group Employees Plead Guilty to Fraud

Allegation

LBG is a corporation that focuses on infrastructure engineering, environmental science and economic development. USAID awarded large, multiyear, multi-million-dollar contracts to LBG, most of which involved reconstruction efforts in Afghanistan.

An investigation spanning several years substantiated that, during the life of these contracts, high-ranking employees of LBG manipulated overhead rates, submission of incurred costs, and corporate salaries to overcharge the U.S. Government.

Status

On November 5, 2010, two high-ranking LBG employees pleaded guilty to conspiracy to defraud the U.S. Government. As part of the plea agreement, LBG agreed to a settlement, which resulted in a reimbursement to the U.S. Government of \$69 million. Sentencing for the two LBG employees is pending.

Afghan Sentenced to Prison and Debarred for Fraud against USAID

Status

A former finance coordinator for Associates for Rural Development (ARD) was found guilty of embezzlement and falsification of tax records in connection with the theft of approximately \$200,000 from ARD. The company is the implementer of an \$80 million contract under USAID's Local Governance and Community Development (LGCD) Program in Afghanistan.

The individual was sentenced to 7½ years in an Afghan prison, fined \$160,000, and is now prohibited from participating in procurement transactions with any federal government agency. The individual's 3-year debarment took effect January 2011.

Ongoing Investigation Results in Multiple Debarments, Terminations, Savings, and Recoveries

Allegation

As a follow-up to OIG's previous semiannual report, Development Alternatives Inc., a USAID contractor managing a \$349 million governance and community development project in Afghanistan, has terminated 12 additional employees because of information revealed by ongoing internal investigations being conducted in conjunction with OIG. USAID also debarred 22 former employees of the implementing partner who were implicated in misconduct, including the solicitation of kickbacks and conflicts of interest.

Status

To date, the investigations have resulted in the recovery of \$119,074 and \$81,524 in savings.

Contractor Terminates 22 Employees for Soliciting Kickbacks

Allegation

Employees of a USAID contractor allegedly approached owners of various companies bidding for subcontracts and offered to help them win awards in exchange for a percentage of the total dollar value of the project.

Status

Our investigation resulted in the termination of 22 of the contractor's Afghan employees, including several engineers and other staff members. OIG secured evidence that the employees were engaged in schemes to defraud the U.S. Government and demanded kickbacks from local subcontractors. After OIG brought the information to the contractor's attention, the contractor terminated the employees and prohibited them from future employment with the company.

OIG will recommend that the terminated employees be debarred from future U.S. Government contracts. In addition, OIG has provided evidence to local authorities for prosecutorial consideration.

Afghan Citizen Arrested in Scheme to Defraud USAID

Allegation

An Afghan citizen was accused of embezzling nearly \$193,000 while working as a finance coordinator on a \$229 million local governance program financed by USAID and implemented by an American contractor.

Status

The individual was arrested by Afghan law enforcement authorities in May 2010. The defendant was responsible for depositing into a local bank account the contractor's monthly tax payments to Afghanistan's Ministry of Finance. When the Ministry reported that it had not received the payments, an investigation was initiated. Law enforcement officials found that the bank deposit slips the defendant had submitted to the contractor as proof of payment were fraudulent.

Arrests Made and \$62 Million Solicitation Canceled Following Investigation of Conspiracy to Solicit Kickbacks

Allegation

OIG initiated an investigation into an alleged conspiracy to sell privileged information in connection with the award of a private security services subcontract to protect U.S. Government personnel and contractors in Afghanistan. The subcontract was valued at more than \$60 million.

Status

The investigation identified three subjects who were involved in a conspiracy to solicit kickbacks from private security vendors in return for favorable consideration for the awarding of subcontracts in connection with USAID's Afghanistan Infrastructure Rehabilitation Program. USAID, upon learning of the full nature of the conspiracy, canceled the subcontract.

One of the co-conspirators, an Australian, voluntarily surrendered and was arrested upon entry into the United States. The subject subsequently pleaded guilty on November 16, 2009, to one count of conspiracy to solicit a kickback and received a 9-month prison sentence. The subject will be deported after the conclusion of the sentence.

Another of the co-conspirators, an American, pleaded guilty on January 26, 2010, to one count of aiding and abetting the solicitation of a kickback. The subject is free on bail awaiting sentencing, scheduled for later this year.

A third coconspirator, an American, was sentenced on December 19, 2009, to 12 months and 1 day. The subject has reported to the Bureau of Prisons to commence the sentence.

Savings Mount to \$22 Million in OIG Investigation

Allegation

In August 2007, OIG initiated an investigation on the basis of an anonymous complaint that a grantee linked to the United Nations Development Fund may have improperly drawn funds from a USAID agreement. The organization, the UN Office for Project Services (UNOPS), reportedly withdrew millions of dollars from its letter of credit after being notified that it could bill only nominal closeout costs for projects it was implementing. The projects were alleged not to have been completed as claimed, and others had defects and warranty issues that the organization would not address.

Status

OIG uncovered many performance and financial control problems and potential violations of law. Relying on a USAID letter of credit, UNOPS had transferred funds to and from a USAID project systematically without USAID's knowledge or consent. When asked to explain the transfers, the organization refused to justify the use of the questioned funds. The investigation further cited poor design and poor performance on construction projects and false reporting on projects. Some projects were not completed, and others had defects and warranty issues, including some life-threatening oversights. Projects had numerous design errors, repairs left undone, and equipment and materials never installed that had been billed as completed. Savings and recoveries from this investigation total more than \$22 million thus far.

Criminal Investigation Yields \$24 Million in Savings and Recoveries

Allegation

OIG received complaints of widespread fraud, waste, and abuse on the part of a primary USAID contractor in Iraq and Afghanistan, United States Protection and Investigations (USPI), LLC. Among the allegations were billing of the same labor costs to multiple contracts, inflation of rental car receipts, and kickbacks to local officials. The security contracts were intended to support USAID's Rehabilitation of Economic Facilities and Services Program in Afghanistan.

Status

Following an investigation, a seven-count indictment was returned on September 30, 2008, involving four individuals charged with conspiracy, major fraud, and wire fraud arising from a scheme to defraud the United States in connection with the war and reconstruction efforts in Afghanistan. The subcontractors defrauded USAID by obtaining reimbursement for inflated expenses purportedly incurred for rental vehicles, fuel, and security personnel. These false invoices inflated the amounts the contractor actually had paid for rental vehicles and fuel.

The co-owners of the security company pleaded guilty on September 9, 2009, to conspiracy, major fraud, and wire fraud. Their plea agreements require them to forfeit \$3 million in proceeds that can be traced to the fraud. Further, USAID realized additional savings after the contract with USPI was canceled in March 2009.

The company and the other individuals charged have been suspended indefinitely from doing business with the U.S. Government. One is serving a 2-year sentence in Kabul. The second individual was placed on trial on March 20, 2010. A mistrial was declared, and the Department of Justice is considering whether to retry the individual.

This case was investigated jointly by USAID/OIG, the Federal Bureau of Investigation, and the National Procurement Fraud Task Force.

Employee Resigns When Investigation Uncovers Conflicts of Interest

Allegation

OIG received an allegation that USAID employees were committing fraud in connection with the purchase of supplies and services. One employee reportedly demanded kickbacks from a vendor and conspired with a third-country national to inflate costs for bulletproof vests and helmets and then share the profits. The allegation also claimed that two employees working for the first suspect were paying him shares of money they had received fraudulently, and one was given unfair advantage in the hiring process by being provided interview questions in advance.

Status

A USAID employee responsible for purchasing equipment and supplies for the mission in Afghanistan resigned after an investigation uncovered conflicts of interest and fraud. The employee was found to be conducting business with people to whom he was personally connected, and he produced false records from a nonexistent business as proof of various business transactions. Some transactions were cancelled as a result of the investigation, saving USAID more than \$500,000.

Inflated Claims for Medical Costs Result in Resignation

Allegation

OIG received an allegation that a USAID employee was committing fraud by submitting vouchers and being paid for the reimbursement of medicine and medical treatment that cost less than the employee claimed. The allegation claimed that the employee had self-audited one such voucher, in violation of USAID's internal controls.

Status

The investigation substantiated the claims of the allegation, and the employee voluntarily resigned after being suspended by USAID.

Employee Fired for Promoting Corruption

Allegation

OIG received allegations that a company responsible for building industrial parks in Afghanistan was undertaking unfair and illegal procedures to award generator contracts, in collusion with a USAID Foreign Service National (FSN) employee who was reportedly soliciting kickbacks in exchange for future contracts.

Status

Investigators were unable to produce sufficient evidence to substantiate the allegations; however, they did uncover other abuses in which the employee had been engaging, such as instructing friends to lie on their applications to USAID and advising them that he would obtain the questions to be asked in their interviews ahead of time. The FSN was subsequently fired.

Subgrantee Bills Inappropriate Costs to USAID Grantee

Allegation

Allegations were received that a subgrantee of a USAID prime grantee billed unallowable costs in connection with a \$128 million cooperative agreement to provide basic health care services, including family planning and immunizations, throughout Afghanistan.

Status

The OIG investigation identified \$80,000 in questioned costs given as vouchers to the grantee by its subgrantee, more than \$46,000 of which was determined unallowable and inappropriately billed to USAID. As a result of the investigation, USAID issued a demand letter to the grantee to repay the funds. The grantee then issued a credit to USAID for the amount in question.

Investigation Results in Savings of \$11 Million

Allegation

OIG received an allegation that a grantee, in order to win an award, had made misrepresentations in its proposal pertaining to the status of an agreement with a subgrantee.

Status

The investigation verified that the representations were false, but because there was insufficient evidence to prove intent, OIG could not secure prosecution. However, USAID terminated the cooperative agreement for material noncompliance with the terms and conditions of the award, leading to \$11.2 million in savings for USAID.