



USAID OIG AFGHANISTAN AND PAKISTAN OVERSIGHT REPORT

January – March 2012



Message From the Deputy Inspector General

The U.S. Agency for International Development (USAID) Office of Inspector General (OIG) is responsible for providing oversight of USAID programs and activities. Our work promotes the integrity of USAID programs and activities and the efficiency and effectiveness of its assistance efforts around the world. Provided limited oversight resources, OIG takes a targeted approach to executing its mission, prioritizing oversight activities in high-risk settings of particular interest to Congress and the administration.

USAID programs and activities in Afghanistan and Pakistan are undertaken in a challenging operating environment that exposes them to increased risks of fraud, waste, and abuse. Because the large-scale programs in these countries support U.S. national security interests as well as reconstruction, stabilization, and development goals, oversight of them is the top priority for OIG.



OIG has been providing oversight of USAID activities in Afghanistan and Pakistan since the Agency reopened its missions in these countries in 2002. Our oversight there covers the full spectrum of USAID programs and helps ensure that taxpayer dollars are being spent wisely.

We publish the following report quarterly to increase transparency about our work and observations regarding assistance programs in these countries. This edition of the report describes OIG's oversight program in Afghanistan and Pakistan and highlights our activities from January to March 2012.

Michael G. Carroll
Deputy Inspector General

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USAID Office of Inspector General Oversight

Established pursuant to the Inspector General Act, Public Law 95-452 (October 12, 1978), the Office of Inspector General (OIG) is an independent oversight organization within USAID. Responsible for oversight of approximately \$31 billion in foreign assistance funds, OIG received \$51 million in fiscal year (FY) 2012 appropriations.

OIG executes its mission to protect and enhance the integrity of the U.S. Government's foreign assistance programs through audit and investigative efforts. OIG maintains a staff of approximately 195 direct-hire employees and 38 other personnel that includes auditors, certified public accountants, investigators, and program analysts, as well as specialists in management, budget, information technology, and personnel operations.

Approximately 70 direct-hire OIG positions are based overseas, and the remaining workforce is stationed in Washington, D.C. OIG has overseas offices in Baghdad, Cairo, Dakar, Kabul, Islamabad, Manila, Port-au-Prince, Pretoria, San Salvador, and Tel Aviv.

Some of OIG's work is mandated by statute or regulation. Other work is performed at OIG's discretion after considering risks associated with program activities and assessing potential internal control vulnerabilities. OIG places a high priority on oversight of foreign assistance efforts in Afghanistan and Pakistan and balances these critical oversight requirements with other important oversight responsibilities around the world.

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.

Inspector General Act of 1978

The Inspector General Act establishes Offices of Inspector General as independent, objective units responsible for conducting and supervising audits and investigations of agency programs and activities. It directs OIGs to provide leadership and coordination and recommend policies to promote economy, efficiency, and effectiveness and prevent and detect fraud and abuse. The act also requires Inspectors General to keep Congress and the head of the agency fully and currently informed about related problems and deficiencies and the need for and progress of corrective actions.

The Inspector General Act gives the Inspector General the authority to:

- Make investigations and reports the Inspector General deems necessary or desirable.
- Access all records and other materials related to programs and operations under the Inspector General's purview.
- Require production of information and documentary evidence by subpoena.
- Request information or assistance from any federal, state, or local unit of government.
- Administer oaths and take affidavits.

Financial Returns on OIG Work in Afghanistan and Pakistan, FYs 2003-2012



OIG's considered approach to oversight in these settings has produced dividends for taxpayers. Whereas we have expended \$24.6 million on oversight activities in Afghanistan and Pakistan since FY 2003, our audit and investigative work has yielded \$324.7 million in returns to the Government in the form of audit and investigative savings and recoveries. This amounts to a \$13.21 return on each dollar spent on USAID OIG oversight in these countries. In addition to these direct savings and recoveries for the Government, USAID OIG prevents a significant amount of waste, fraud, and abuse, and contributes to future economies and efficiencies through investigative and audit work.

Audit Program

USAID OIG is responsible for conducting and supervising audits involving USAID programs and operations. OIG auditors, certified public accountants, and program analysts 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, audits related to financial accountability of grantees and contractors, and audits of information technology systems.

Performance Audits and Reviews

OIG performance audits and reviews provide an independent assessment of the performance and management of USAID systems, programs, activities, and functions against objective criteria, best practices, and other information. Performance audits and reviews address a wide variety of objectives, including those related to assessing program effectiveness and results; economy and efficiency; internal controls; and adherence to legal and other requirements and standards.

When OIG auditors find areas for improvement, they make recommendations to the corresponding organizational unit within USAID. When Agency officials agree with an OIG recommendation and present a plan of action with milestones that would fully address a recommendation, OIG determines that a "management decision" has been reached. When the Agency confirms that corrective actions have been implemented, we consider that USAID has taken "final action" in response to the recommendation.

USAID managers have an opportunity to review and comment on OIG findings and recommendations before they are published. USAID management comments on draft performance audits and reviews are included in their entirety in an appendix of the final report.

OIG engages in an extensive planning process to determine where to focus performance audit and review work. This planning process accounts for program risks and is intended to identify topics of interest to OIG customers and stakeholders. OIG's annual plan, which represents the culmination of the yearly planning cycle, provides information on audits and reviews scheduled for the ensuing fiscal year. OIG adjusts these plans throughout the year as circumstances warrant.

OIG provides particularly intensive oversight of programs in high-risk settings such as Afghanistan and Pakistan, where program success or failure can have national security implications. OIG's performance audit program in Afghanistan and Pakistan is particularly robust as a result.

Financial Audits

USAID OIG uses different approaches to audit USAID funds expended by different types of organizations.

USAID requires foreign nonprofit organizations that expend \$300,000 per year or more in USAID funds to undergo an annual financial audit. These audits focus specifically on USAID funds and follow the rules and procedures contained in USAID's *Guidelines for Financial Audits Contracted by Foreign Recipients*. For routine audits, the recipient awards the audit contract using a standard statement of work developed by OIG. The audits are performed by public accounting firms vetted by OIG. OIG reviews final audit reports and transmits them to USAID for action. For a subset of these audits, OIG also visits the audit firms, examines audit documentation, and interviews the auditors responsible for the work. These audits are called recipient-contracted audits.

USAID may also award audit contracts directly. For agency-contracted audits, OIG is involved in the audit from the outset, approving the audit program, attending entrance and exit briefings, and approving draft and final audit reports. OIG is responsible for the quality of all recipient-contracted and agency-contracted audits.

Enhanced Personnel Authorities

A key ingredient in OIG's success in conflict and postcrisis settings has been the organization's temporarily enhanced hiring authority. The Supplemental Appropriations Act of 2010, Public Law 111-212 (July 29, 2010), gave OIG the authority to waive compensation restrictions for reemployed annuitants so that they can earn pay for their services while receiving retirement benefits.

This authority has enabled us to hire experienced personnel with the specialized skills we require to respond to emerging oversight needs. OIG has used this authority in both Afghanistan and Pakistan.

Unfortunately, this OIG authority is set to expire in the coming months. Unless Congress acts to extend this enhanced hiring authority, OIG will not be able to retain reemployed annuitants on a continuing basis after the end of FY 2012.

U.S.-based nonprofit organizations that expend \$500,000 or more in federal awards annually are required to be audited under the provisions of the Single Audit Act, Public Law 98-502 (October 19, 1984), as amended, and Office of Management and Budget (OMB) Circular A-133. These A-133 audits cover a sample of expenditures under federal awards.

For-profit entities are also subject to financial audit. USAID conducts annual risk assessments of for-profit entities to decide when a for-profit entity should be audited. Financial audits of for-profit organizations examine the direct and indirect costs incurred under the awards to determine the allowable direct costs and recommend indirect cost rates. These audits are performed by the Defense Contract Audit Agency (DCAA) or by public accounting firms.

Fraud Reporting

USAID implementing partners have an obligation to report allegations of fraud related to USAID projects under the Federal Acquisition Regulation and USAID requirements.

USAID award recipients can use this [form](#) on USAID OIG's Web site to satisfy the requirement that they notify OIG whenever they have credible evidence that a principal, employee, agent, or subcontractor of USAID has committed a violation of the Civil False Claims Act or a violation of federal criminal law involving fraud, conflict of interest, bribery, or gratuity violations in connection with a federal award or the performance or closeout of a contract or any related subcontract.

Members of the public, USAID employees, and employees of USAID contractors and grantees are encouraged to use the OIG hotline to report fraud, waste, or abuse in USAID programs or activities:

- E-mail: IG.Hotline@usaid.gov
- Phone: 1-800-230-6539 or 202-712-1023
- Web form: transition.usaid.gov/oig/hotline/hotline.htm

Audits often identify questioned costs and sometimes recommend that funds be put to better use. Auditors question as ineligible any costs that are not reasonable, allowable under the terms of the underlying contract or grant, or allocable to the program they were charged to. They question as unsupported any costs that lack evidence, such as bidding documents, invoices, or receiving reports, that the auditors would need to examine to determine whether the costs are reasonable, allowable, and allocable. USAID contracting or agreement officers make final determinations on questioned costs and seek reimbursement for any sustained questioned costs. Funds recommended to be put to better use are funds that could be used more efficiently if managers take action to implement OIG recommendations. Unnecessary expenditures that can be avoided in the future and costs that will not be incurred if operational changes are made in response to OIG recommendations are examples of funds put to better use.

Investigations

OIG conducts investigations into possible violations of federal laws, rules, and regulations to preserve and protect the integrity of the programs and activities we oversee. OIG investigations of criminal, civil, and administrative violations cover all facets of USAID programs and operations.

Most OIG investigations are conducted in response to reported allegations of wrongdoing on the part of Agency personnel or implementing partners. However, OIG also conducts proactive investigations into programs and activities vulnerable to fraud.

Complaints regarding USAID programs and activities may be made through the OIG hotline or in person to OIG personnel. OIG protects the confidentiality of complainants' identity pursuant to Section 7(b) of the Inspector General Act. This provision prohibits OIG from disclosing the identity of an employee who reports an allegation without first obtaining the employee's consent, unless OIG determines that disclosure is unavoidable during the course of the investigation.

Whistleblower protections are available to Federal employees and applicants who report information that is reasonably believed to provide evidence of violations of law, rule, or regulation; gross mismanagement; gross waste of funds; abuse of authority; or a substantial and specific danger to public health or safety (unless disclosure of such information is specifically prohibited by law and such information is specifically required by executive order to be kept secret in the interest of national defense or the conduct of foreign affairs). Retaliation against an employee or applicant for making a protected disclosure is prohibited by law. Managers are strictly prohibited from taking, failing to take, or threatening to take or not take a personnel action on an employee or applicant because of the employee's or applicant's disclosure of covered information.



A billboard advertises the Anti-Fraud Hotline to passersby in Pakistan's Punjab Province. (Photo by OIG, 2011)

In order to promote fraud reporting, OIG works to establish or link to existing country-specific hotlines in high-risk environments such as conflict and postcrisis settings. Newly established hotlines like the Anti-Fraud Hotline in Pakistan are supported by local marketing efforts, translation services, and top-of-the-line security controls, vetting, and analytical capabilities.

When our investigations confirm allegations of wrongdoing, OIG special agents collaborate with U.S. and local law enforcement and prosecutors, other federal agencies and offices, and implementing partners to put a stop to the prohibited activity. OIG special agents are sworn law enforcement officers with the authority to carry firearms, execute search warrants, and make arrests.

Outreach and Coordination

Outreach and coordination are important elements of the oversight process, and OIG extensively engages in these activities. OIG investigators conduct fraud awareness briefings to alert participants to fraudulent practices and schemes and to provide guidance on how to report fraud if it is encountered. OIG auditors provide training to Agency personnel, host-government audit authorities, and local audit firms on cost principles and federal audit and accountability procedures and requirements.

USAID OIG works with other law enforcement agencies including the Federal Bureau of Investigation's International Contract Corruption Task Force, the National Procurement Fraud Task Force, the Financial Crimes Enforcement Network, and U.S. embassies' legal attaché offices to coordinate investigative work, eliminate duplication, and maximize the efficient use of government resources.

When OIG identifies fraud, waste, or abuse in foreign assistance programs, we seek to neutralize this activity by any legal means at our disposal. OIG routinely works with prosecutors from the U.S. Department of Justice to put an end to civil and criminal violations and frequently works with other U.S.-based and foreign prosecutorial authorities to bring perpetrators to justice. Investigative findings on administrative matters are referred to Agency management for action. OIG also works with USAID implementing partners to resolve investigative matters with a bearing on their activities.

OIG auditors work closely with Agency managers to address our findings and identify appropriate corrective actions in response to our recommendations. We also routinely collaborate and consult with other oversight organizations. We work with DCAA in conducting audits, reviews, and preaward surveys related to foreign assistance programs. USAID OIG employees regularly meet with representatives from the OIGs of the Departments of State and Defense to coordinate plans, reports, and activities of mutual interest. We also work with the Government Accountability Office (GAO) in developing our audit plans to prevent duplication and ensure effective coordination.

OIG is also a key participant in the Southwest Asia Joint Planning Group. The group, which is led by the Department of Defense OIG, helps coordinate oversight of U.S. Government activities in Southwest Asia. Other members of the group include representatives from the Office of Inspector General for the Department of State, DCAA, the Government Accountability Office, the Special Inspector General for Afghanistan Reconstruction, and the Special Inspector General for Iraq Reconstruction. The group issues a coordinated oversight plan for the region on an annual basis that includes planned and ongoing oversight activities by the member organizations.

OIG has taken a leadership role in working to harmonize audit standards among international donors, working initially with eight bilateral donors. We work extensively with supreme audit institutions and public accounting firms overseas, and endeavor to expand and deepen those relationships wherever they would be mutually beneficial.



Photo of flood plain cultivation with the Pamir Mountains as a backdrop in Wakhan, Afghanistan. (Photo by John Winnie Jr., Wildlife Conservation Society-Afghanistan, 2011)

Afghanistan Oversight Program and Activities

USAID OIG provides oversight of USAID activities in Afghanistan through an intensive program of audits, investigations, and outreach and coordination activities.

To execute this program as effectively as possible, OIG has expanded its presence in Afghanistan in recent years. In the past, OIG provided oversight remotely using personnel based in Washington, D.C., and our regional office in the Philippines. In 2009, we established a permanent, on-the-ground presence in Kabul. Our Country Office in Afghanistan currently has 17 personnel.

OIG spent approximately \$16.4 million to provide oversight for Afghanistan from FY 2003 through the second quarter of FY 2012. USAID OIG oversight activities there during the same period produced \$199.2 million in returns to the U.S. Government.

The U.S. Government reopened the USAID mission in Kabul in 2002. Since FY 2002, USAID has provided approximately \$14.0 billion to increase Afghan stability, provide humanitarian assistance, and address needs in education, health, economic growth, and governance.

In recent years, OIG has covered a wide array of USAID programs in Afghanistan, including those for relief and stabilization, reconstruction, economic growth, education, and health care. Since the start of FY 2003, USAID OIG has issued 97 financial audits, performance audits, and reviews of Afghanistan-related assistance efforts. These reports made 326 recommendations for improvements to USAID programs and activities.

Performance Audits and Reviews

USAID OIG has issued 50 performance audits and reviews relating to USAID programs and activities in Afghanistan since FY 2003. Performance audits and reviews conducted in recent years have noted the need for improvements in a range of management and performance areas. Six in ten reports have identified contract or project management deficiencies and noncompliance with relevant procedures or regulations. More than a third have found internal control weaknesses, and three in ten have noted risks to project sustainability and that security problems hampered project implementation or monitoring.



Map of Afghanistan. (Central Intelligence Agency World Factbook, 2011)

OIG completed one performance audit in Afghanistan during the quarter:

- **Audit of USAID/Afghanistan’s Skills Training for Afghan Youth Project (Report No. F-306-12-002-P).** In April 2010, USAID awarded the Education Development Center, Inc. (EDC) a \$49.9 million, 3-year cooperative agreement to design and implement the Skills Training for Afghan Youth (STAY) Project. An important element of the project is providing financial and technical assistance to two Afghan vocational skills training centers: the Afghanistan Technical Vocational Institute (ATVI) and the Kunar Vocational Organization (KVO).

By funding operational costs, the project has enabled ATVI and KVO to continue conducting vocational training. In addition, the project has trained staff at ATVI and KVO in financial management, procurement, and reporting. However, after 16 months, little evidence exists that the project has made progress toward strengthening the overall technical capacity of these institutions or empowering youth.

The “design and build” strategy used for the project, which was incorporated in the cooperative agreement’s program description, allowed EDC to design and present its implementation plan to USAID for approval after the award. However, the description included in the cooperative agreement was loosely defined and largely illustrative, and there was little to demonstrate that

USAID and EDC agreed on key elements of the design. Further, USAID and EDC differed on whether the design had been approved and on what specific activities were to be implemented during the second phase. OIG determined that without a clearly defined program description outlining USAID's expectations for results and a mutual understanding of an approved design, the project is less likely to implement activities that contribute to the overall goals of the mission.



A carpentry student works at Kunar Vocational Organization in Shigal, Laghman Province. (Photo by OIG, July 2011)

The program description also did not clearly communicate the project's purpose, goals, objectives, priorities, and activities. In fact, a report by an education specialist who assessed the project in May 2011 noted that the mission could aid program progress by clearly articulating its priorities to EDC and that it should address key issues such as what deliverables are of critical importance, what targets are acceptable, and which program areas should be prioritized for implementation. These factors contributed to the lack of a clear purpose, goals, objectives, priorities, and activities in the project.

OIG made four recommendations. Management decisions were made on all four, and final action has been taken on two.

Four additional OIG performance audits and reviews were under way on March 31, 2012:

- **Audit of Internal Controls Over the Separate Maintenance Allowance at USAID/Afghanistan.** This audit will determine whether USAID/Afghanistan has adopted appropriate internal controls to prevent improper use of the separate maintenance allowance benefit.
- **Audit of USAID/Afghanistan’s Incentives Driving Economic Alternatives for the North, East, and West Program.** This audit will determine whether the program is increasing licit and commercially viable agricultural employment alternatives for rural Afghans.
- **Review of USAID/Afghanistan’s Monitoring and Evaluation System.** This review will assess whether the USAID mission in Afghanistan has a monitoring and evaluation system in place to manage program activities effectively.
- **Review of USAID/Afghanistan’s Use of the Commander’s Emergency Response Program (CERP) Funds for Selected Projects.** The objectives of this review are to determine (1) whether CERP funds provided to USAID by U.S. Forces-Afghanistan for specific projects were used for their intended purposes and in compliance with applicable laws and regulations, and (2) whether costs charged to CERP-funded projects were reasonable, allowable, and allocable.

In addition to these performance audits and reviews, OIG has 17 others planned for FY 2012. These planned audits and reviews will address the following topics:

- Kandahar Power Initiative
- The Regional Municipalities Program for Urban Populations for Regional Platforms
- The Regional Municipalities Program for Urban Populations—East
- The Performance-Based Governor’s Fund
- The Limited Scope Grant in Support of the District Development Program
- Sustainability in Office of Infrastructure, Engineering, and Energy programs
- Sustainability in the education program
- Financial sustainability of energy sector programs
- Gender-related activities in selected programs
- Approaches to providing technical assistance to the Government of Afghanistan
- Transition plans
- Field staff monitoring of programs
- Management controls for efficiently managing program operations
- Internal controls for payroll
- Contracts and cooperative agreements
- Use of third-country national employees
- Follow-up on selected OIG recommendations

Financial Audits

In addition to organization-wide audits of U.S.-based firms operating in Afghanistan, OIG has overseen 47 financial audits of Afghanistan-based programs and activities since FY 2003. These financial audits have covered more than \$1.081 billion in funds and identified approximately \$150.1 million in questioned costs. Of this total, USAID had sustained more than \$2.5 million in questioned costs by the end of the reporting period.

OIG works with private accounting firms to conduct financial audits in Afghanistan. Before using any private accounting firms for this type of work, OIG assesses their capability to perform the work. As of March 31, 2012, USAID OIG had a roster of 13 eligible audit firms to call on in Afghanistan.

In addition to required audits of local recipients and U.S.-based NGOs and for-profit entities operating in Afghanistan, USAID funds audits of all locally incurred costs to enhance the accountability of its programs.

From January 1 to March 31, 2012, OIG issued two financial audits in Afghanistan:

- **Financial Audit of Costs Incurred in Afghanistan Under USAID Contract No. 306-DOT-I-01-08-00033-00 With Chemonics International Inc. for the Period October 1, 2009, to September 30, 2010 (Report No. F-306-12-005-N).** This audit covered \$13,839,901 in USAID funds associated with the Afghanistan Stabilization Initiative. The auditors did not identify any questioned costs or weaknesses in internal control or material instances of noncompliance. However, auditors noted that their work was subject to scope limitations including the cancellation of planned site visits due to security conditions in Kandahar Province.
- **Financial Audit of the Local (Non-U.S.) Costs (Costs Incurred and Paid in Afghanistan) Under USAID Contract No. 306-I-00-06-00517-00 With the Joint Venture Louis Berger Group Inc./Black & Veatch Corp., for the Period October 1, 2009, to September 30, 2010 (Report No. F-306-12-004-N).** The fourth in a series of five planned financial audits of the Joint Venture contract, this audit covered \$10,779,112 in locally incurred costs and payments. The auditors identified 20 material weaknesses, 8 significant deficiencies in internal control, and 4 material instances of noncompliance. Auditors also found \$2,196,583 in questioned costs.

As of March 31, 2012, eight financial audits of USAID funds were in progress in Afghanistan:

- **Audit of Local Costs Incurred by International Relief and Development Inc. for the Strategic Provincial Road—Southern and Eastern Afghanistan Program, for the Period October 1, 2009, to September 30, 2010.**

- **Concurrent Financial Audit of the Local Costs Under USAID Contract No. 306-I-00-06-00517 With the Joint Venture Louis Berger Group Inc./Black & Veatch Special Projects Corp. for the Period October 1, 2009, Through September 30, 2010.**
- **Closeout Audit of Costs Incurred and Billed by Oasis International Schools Inc. to USAID Under Agreement No. 306-A-00-05-00522-00, Establishment of International School of Kabul for the Period May 27, 2005, Through December 31, 2010.**
- **Audit of Local Costs Incurred by United Nations Office of Project Services for the Kabul Schools Construction Program for the Period October 1, 2009, Through September 30, 2010.**
- **Audit of Costs Incurred in Afghanistan by the Citizen Network for Foreign Affairs, Afghanistan Farm Services Alliance for the Period January 1, 2010, Through September 30, 2011.**
- **Closeout Financial Audit of Local Costs Incurred by Creative Associates International Inc. Under the Ambassador's Small Grants Program, Cooperative Agreement No. 306-A-00-09-00517-00, for the Period July 2, 2009, Through January 31, 2012, and Assessment of Procurement Systems.**
- **Statement of Work Financial Audits of the Local Costs Incurred and Paid in Afghanistan Under Contract No. 306-EEM-I-04-07-00005 With Deloitte Consulting for the Period August 15, 2009, to September 30, 2010.**
- **Financial Audit of Local Costs Incurred by the American University of Afghanistan, Cooperative Agreement No. 306-A-00-08-00525-00, for the Period July 1, 2009, Through December 31, 2010, and Assessment of Procurement Systems.**

Thirty-six other financial audits of USAID funds in Afghanistan were in the planning stage at the end of the quarter.

Investigations

As of March 31, 2012, USAID OIG had 67 ongoing investigations pertaining to Afghanistan. During the reporting period, OIG investigators opened nine cases in Afghanistan and closed eight others. Since FY 2002, OIG has initiated 182 investigations related to Afghanistan. These investigations have been associated with a range of different types of allegations. In most cases, underlying allegations have pertained to program fraud (38 percent) or bribery and kickbacks (23 percent).

Investigative Outcomes

Since FY 2003, OIG investigations in Afghanistan have resulted in:

- 38 referrals for civil or criminal prosecution
- 13 arrests
- 13 indictments
- 11 convictions and pleadings
- 104 administrative actions (e.g., contract and employee terminations)
- \$163 million in savings and recoveries

During the January 1 through March 31, 2012, reporting period, an OIG investigation resulted in the suspension of two employees of USAID implementing partners:

Two Contractor Employees Suspended for Sharing Sensitive Information Inappropriately.

The Louis Berger Group/Black & Veatch Special Projects Corp. subcontracts for security services as part of its Kabul Power Plant expansion and improvement efforts on behalf of USAID in Afghanistan. OIG investigated allegations that Louis Berger Group/Black & Veatch's corporate security manager illegally obtained confidential information from the firm's security subcontractor and shared it with a representative of a firm bidding to take over the security subcontract. The investigation confirmed the allegation and found that the information provided to the firm bidding on the security subcontract gave it an unfair and illegal advantage over other bidders. As a result of the investigation, USAID has suspended both individuals involved in the illicit exchange of information from participating in future federal contracts, grants, cooperative agreements, or other awards.

Outreach and Coordination

OIG investigators conduct fraud awareness briefings to alert participants—employees, contractors, grantees, and subrecipients—to fraudulent practices and schemes and to provide guidance on how to report fraud. OIG has provided 118 fraud awareness briefings in Afghanistan to 2,293 participants since FY 2003. During the reporting period, special agents in Afghanistan delivered 22 fraud awareness briefings attended by 414 participants, including representatives of USAID implementing partners.

OIG conducts many of its investigations in concert with other law enforcement agencies, often in association with the International Contract Corruption Task Force, a joint law enforcement agency task force that seeks to detect, investigate, and dismantle corruption and contract fraud resulting from U.S. contingency operations. When cases involving Afghan nationals are declined for prosecution by the U.S. Department of Justice, the matters are presented to the local public prosecutor, with whom OIG has developed a successful working relationship.

OIG also has a close working relationship with USAID/Afghanistan, and investigators regularly brief contracting personnel on fraud detection and prevention. OIG provides an orientation to all incoming USAID staff members in Afghanistan on their role in helping promote effectiveness and accountability in USAID projects and programs, as well as on the operating environment in Afghanistan, fraud indicators, and the OIG's audit and investigative programs.

OIG has also established working relationships with many implementing partners and regularly provides fraud awareness briefings for their staff. OIG also supports implementing partners in their efforts to identify and address allegations of fraud by quickly referring cases to USAID's Office of Acquisitions and Assistance (OAA) and local prosecutors when appropriate. OIG continues to

collaborate with OAA by referring entities for possible suspension or debarment and meeting regularly to review referrals. As this process becomes more robust, it will become increasingly difficult for individuals to prey on multiple USAID projects. Since FY 2011, OAA has taken suspension or debarment actions against 40 individuals and firms based on OIG referrals related to Afghanistan.

USAID OIG coordinates audit plans and ongoing activities with other oversight bodies through the Inspector General Shura, a body made up of the OIGs for USAID and the Departments of State and Defense, the Special Inspector General for Afghanistan Reconstruction, and GAO.



Image of a field cultivated under USAID's Agricultural Recovery Project in Khyber Pakhtunkhwa, Pakistan. (Photo by USAID/Pakistan, March 2011)

Pakistan Oversight Program and Activities

USAID OIG provides oversight of USAID activities in Pakistan through rigorous audit and investigative work and extensive outreach and coordination.

To execute this program as effectively as possible, the OIG has expanded its presence in Pakistan in recent years. In the past, the OIG provided oversight remotely using personnel based in Washington, D.C., and our regional office in the Philippines. In 2009, we established a permanent, on-the-ground presence in Islamabad. As of March 31, 2012, OIG's Pakistan Country Office had 14 permanent staff supplemented by a staff member on temporary duty.

OIG has spent approximately \$8.2 million to provide oversight for Pakistan from FY 2003 through the second quarter of FY 2012. USAID OIG oversight activities there during the same period have produced \$125.5 million in returns to the U.S. Government.

The U.S. Government reopened the USAID mission in Islamabad in 2002. From FY 2002 through the second quarter of FY 2012, USAID provided more than \$5.4 billion to address needs in education, health, economic growth, and good governance and to help with reconstruction and recovery after earthquakes, floods, and armed conflict.

In recent years, OIG has covered a wide array of USAID programs in Pakistan, for relief and stabilization, reconstruction, sustainable development, education, and health care. Since the start of FY 2003, USAID OIG has issued 73 financial audits, performance audits, and reviews of Pakistan-related assistance efforts. These reports made 128 recommendations for improvements to USAID programs and activities.

Performance Audits and Reviews

USAID OIG has issued 19 performance audits and reviews relating to USAID programs and activities in Pakistan since FY 2003. Performance audits and reviews conducted in recent years have noted the need for improvements in a range of management and performance areas. Most have identified contract or project management deficiencies and internal control weaknesses, and more than four in ten have found noncompliance with relevant procedures or regulations.



Map of Pakistan. (Central Intelligence Agency World Factbook, 2011)

From January 1 to March 31, 2012, OIG completed two performance audits.

- **Audit of USAID/Pakistan’s Pre-Service Teacher Education Program (Report No. F-306-11-003-P).** To improve teacher education in Pakistan, in September 2008 USAID/Pakistan awarded a \$37 million cooperative agreement to the Academy for Educational Development (AED) to implement the Pre-Service Teacher Education Program (Pre-STEP). After the Government of Pakistan terminated its memorandum of understanding with AED, USAID canceled the cooperative agreement as well and awarded the program to EDC.

In its first 3 years, the program made progress toward achieving improved teacher education by developing and helping the Pakistani Government implement education policy reforms. The Higher Education Commission approved two new education degree programs based in part on Pre-STEP recommendations. These programs, introduced with USAID’s support, should ultimately affect teacher training colleges and universities throughout Pakistan and help improve the overall quality of education. In part because of Pre-STEP’s efforts, 16 Pakistani teaching institutions have adopted the new degree programs. Pre-STEP plans to increase the number of colleges and universities offering the new degrees over the next 2 years by supporting their implementation at target colleges and universities and expanding the number of students enrolled in the new degree programs.

Despite the progress in developing and implementing policy reforms at the provincial and national levels, the program did not achieve most of its targets. For example, USAID funded only 410 of 2,297 planned scholarships to students enrolled in the new teaching curriculum and distributed only 10 of 36 planned research grants with an average value of \$9,000 to teaching institutions in 2011. These shortfalls occurred in part because key personnel hired to manage the program did not have the necessary management skills. Another contributing factor was the change in implementers. Even though the mission awarded the new agreement the day after terminating the AED agreement, EDC still needed time to hire additional staff, find new office space, develop work plans, and establish internal controls.

In addition, the mission's technical office had many competing priorities and lacked time to provide adequate oversight. During the period under review, the mission assigned one agreement officer's representative to manage Pre-STEP's \$75 million agreement. This individual was assigned to manage three other projects whose average budget was \$9 million. This situation contributed to the missed targets.

OIG made two recommendations, and management decisions have been reached on both.

- **Audit of USAID's Pakistan Transition Initiative Program (Report No. G-391-12-003-P).** Assisting the Government of Pakistan in bringing peace and security to the unstable regions of Pakistan—the Federally Administered Tribal Areas (FATA) and Khyber Pakhtunkhwa—is pivotal to U.S. foreign policy objectives and national security. To achieve this goal, USAID awarded a 3-year, \$102 million contract in September 2009 to implement a portion of the Pakistan Transition Initiative in FATA and Khyber Pakhtunkhwa. USAID's Office of Transition Initiatives (OTI) manages the program with a staff of seven located at USAID/Pakistan.

OIG confirmed that the program is a quick, efficient mechanism to deliver projects that the local communities want—like the suspension bridge pictured on the next page—and it has allowed the Government of Pakistan to cultivate trust and confidence in its services. Key accomplishments include 48,000 meters of streets paved, 22,800 meters of drainage and sanitation piping constructed, and 7,000 meters of retaining walls built to withstand flooding.

The program formed committees for each project that were made up of community representatives who then conducted inspections and evaluations throughout project implementation. For example, the audit team interviewed the community members who had overseen the installation of a water supply system. They explained that, after extremists destroyed portions of their water system, villagers had been forced to get water from a distant well, exposing themselves to danger along the path. After the Pakistani military cleared the area, the program installed a new water tank and pumps.

An overarching goal of the program is to improve relations between the Government of Pakistan and communities in FATA and Khyber Pakhtunkhwa, thereby reducing violence and extremism. In addition to the infrastructure projects, the program rehabilitated 92 educational facilities, including the Government Girls' High School. After the school closed for several months to house displaced persons during military operations and sustained significant damage, the program rehabilitated the school and provided school supplies.



A bridge funded by the Pakistan Transition Initiative Program allows for quick and safe river crossing. (Photo by OIG, October 2011)

However, OIG found that the mission had not developed a formal written plan with clear criteria linking the implementation of program activities with long-term activities planned for FATA and Khyber Pakhtunkhwa. As a result, OTI officials agree that, if funding stops, the program will collapse.

A management decision has been made on the one recommendation in this report.

As of March 31, 2012, USAID OIG had three performance audits and one review in progress.

- **Audit of USAID/Pakistan’s Entrepreneurs Program.** The objective of this audit is to determine whether USAID/Pakistan’s Entrepreneur Project made progress building the capacity of partners and expanding opportunities for owners of microenterprises.
- **Audit of USAID/Pakistan’s Benazir Income Support Program.** This audit will determine whether USAID/Pakistan’s cash transfers provided to the Benazir Income Support Program reached intended beneficiaries.
- **Audit of USAID/Pakistan’s Reconstruction Activities in Earthquake Affected Areas.** The objective of this audit is to determine whether USAID/Pakistan’s reconstruction activities in earthquake-affected areas have been implemented effectively.
- **Review of USAID/Pakistan’s Cost Estimates for Shipping and Storage.** The objective of this review is to develop a more reasonable way to estimate how much funding to obligate for the shipping and storage of goods for employees assigned to USAID/Pakistan.

OIG has plans to conduct four other performance audits during FY 2012. These performance audits will assess USAID/Pakistan’s Jamshoro Thermal Power Station Repair and Maintenance Activity, Gomal Zam Multipurpose Dam Project, Assessment and Strengthening Program for local organizations and Government of Pakistan entities, and Monitoring and Evaluation Program.

Financial Audits

In addition to organization-wide audits of U.S.-based firms operating in Pakistan, OIG has overseen 54 financial audits of Pakistan-based programs and activities since FY 2003. These financial audits have covered more than \$829 million in funds and identified approximately \$6.7 million in questioned costs. Of this total, USAID has sustained more than \$3.1 million in questioned costs to date.

OIG has developed relationships with local institutions, such as the Auditor General of Pakistan, to help strengthen the accountability environment. OIG’s memorandum of understanding with the Auditor General permits that organization’s audits to be accepted as meeting the requirement for annual audits of Pakistani Government entities implementing USAID-funded programs. Before accepting Auditor General audits as meeting this requirement, however, OIG reviews them to verify that they were performed in accordance with OIG guidelines. OIG recently provided a financial audit training session with a segment on fraud awareness to the Auditor General’s staff.

OIG also uses local accounting firms to conduct financial audits in Pakistan. Before using any local firms for this type of work, OIG assesses their capability to perform the work. As of March 31, 2012, USAID OIG had a roster of 27 eligible audit firms in Pakistan to call on. OIG has nearly doubled the size of this roster since the start of FY 2010.

From January 1 to March 31, 2012, USAID OIG issued six financial audits and one quality control review:

- **Financial Audit of the Aga Khan University Flood Response Program, USAID/Pakistan Cooperative Agreement No. 391-G-00-10-01188-00, Managed by Aga Khan University, for the Period August 30 to December 31, 2010 (Report No. G-391-12-003-R).** This audit covered Aga Khan University program revenues and costs of \$723,764 and \$1,057,045, respectively. The audit firm concluded that the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the agreement for the period audited. The audit firm did not identify any questioned costs, material internal control weaknesses, or material instances of noncompliance. However, the audit report identified two significant deficiencies in internal control over fixed assets and inventory and recommended that USAID/Pakistan ensure that the Aga Khan University corrects these significant deficiencies.
- **Financial Audit of the Anti-Corruption Program in Pakistan, USAID/Pakistan Cooperative Agreement No. 391-A-00-09-01117-00, and Anti-Fraud Hotline Project in Pakistan, USAID/Pakistan Cooperative Agreement No. 391-A-00-10-01194-00, Managed by Transparency International-Pakistan, for the Year Ended June 30, 2011 (Report No. G-391-12-004-R).** This audit covered Transparency International-Pakistan's program revenues and costs of \$450,829 and \$387,825, respectively. The audit concluded that the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the agreement for the period audited. The audit did not identify any questioned costs, material internal control weaknesses, or material instances of noncompliance, and the report did not make any recommendations.
- **Financial Audit of the Merit- and Need-Based Scholarship Project, USAID/Pakistan Agreement No. 391-G-00-04-01023-00, Managed by the Higher Education Commission, for the Period July 2, 2004, to June 30, 2010 (Report No. G-391-12-005-R).** This audit covered project revenues and costs of \$6,089,134 and \$6,055,675, respectively. The Auditor General concluded that all six fund accountability statements audited presented fairly, in all material respects, program revenues and costs incurred under the agreement for the period audited. The Auditor General did not identify any material internal control weaknesses or material instances of noncompliance in its audit report. However, in a separate management letter issued to the Higher Education Commission, the Auditor General questioned costs of \$1,665,174. These questioned costs stemmed from a number of observations in the audit report involving noncompliance with the agreement and policies and procedures. The report made five recommendations to address these issues.
- **Financial Audit of Budgetary Support, USAID/Pakistan Program Assistance Agreement No. 391-012, Implementation Letter No. 1, Managed by the Economic Affairs Division of**

the Government of Pakistan, for the Period June 8, 2009, to June 15, 2011 (Report No. G-391-12-006-R). This audit covered budgetary support of \$44 million to the Government of Pakistan. The Auditor General concluded that the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the agreement for the period audited. The Auditor General did not identify any questioned costs, material internal control weaknesses, or material instances of noncompliance in its audit report. However, in a separate management letter issued to the management of the Economic Affairs Division, the Auditor General highlighted a number of report observations including those related to issues with eligibility criteria for program beneficiaries, unclaimed funds for beneficiaries, and quarterly reporting to USAID. The Auditor General did not make any related recommendations because the program had ended.

- **Financial Audit of the Pakistan Competitiveness Support Fund, USAID/Pakistan Grant Agreement No. 391-G-00-06-01073-00, Managed by the Competitiveness Support Fund, for the Period July 1, 2010, to June 30, 2011 (Report No. G-391-12-007-R).** This audit covered Competitiveness Support Fund program revenues and costs of \$2,318,674 and \$2,197,622, respectively. USAID OIG reviewed the report and found that it generally met the requirements of U.S. Government Auditing Standards and OIG guidelines. The audit firm concluded that the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the cooperative agreement for the period audited. The audit firm did not identify any questioned costs or material internal control weaknesses. However, the audit identified two material instances of noncompliance and made one recommendation to USAID/Pakistan to correct them.
- **Financial Audit of USAID/Pakistan's Rupee Trust Fund, for the Period October 1, 2009, to September 30, 2011 (Report No. G-391-12-001-N).** This audit covered USAID/Pakistan's rupee trust fund receipts of \$167,886 and costs of \$859,543. USAID OIG reviewed the report and found that the audit was performed in accordance with U.S. Government Auditing Standards and OIG guidelines. The audit firm concluded that the fund accountability statement presented fairly, in all material respects, funds received and costs incurred under the agreement. The audit firm did not identify any questioned costs or make any recommendations.
- **Quality Control Review of the Financial Audit Conducted by the Directorate General for Audit, Federal Government, Department of the Auditor General of Pakistan, of the Merit- and Need-Based Scholarship Project, USAID/Pakistan Agreement No. 391-G-00-04-01023-00, Managed by the Higher Education Commission, for the Period July 2, 2004, to June 30, 2010 (Report No. G-391-12-001-Q).** OIG reviewed the audit to determine whether Pakistan's Office of the Auditor General performed the subject audit in accordance with the auditing standards promulgated by the International Organization of Supreme Audit Institutions and USAID's *Guidelines for Financial Audits Contracted by Foreign Recipients*. OIG

auditors found that the audit work generally met international standards and USAID requirements. However, the review noted that the Office of the Auditor General could have improved documentation, analytical procedures, and risk assessments.

As of March 31, 2012, USAID OIG had seven financial audits, one agreed-upon procedures engagement, and one quality control review in progress:

- **Financial Audit of USAID Funds Managed by the Ministry of Economic Affairs and Statistics (Economic Affairs Division) Under the Cash Transfer Grant Agreement, Activity No. 391-012-IL-03 for University and Technical Education in FATA Through the Pakistan Higher Education Commission, for the Period September 30, 2009, to June 30, 2010.**
- **Financial Audit of USAID Funds Managed by the Water and Power Development Authority Under Agreement No. 391-TDR-FARA-002-00 for the Year Ended June 30, 2011.**
- **Financial Audit of USAID Funds Managed by the Water and Power Development Authority Under Agreement No. 391-PEPA-ENR-GOMAL-PIL-001 for the Year Ended June 30, 2011.**
- **Financial Audit of USAID Funds Managed by the Water and Power Development Authority Under Agreement No. 391-PEPA-ENR-SATPARA-PIL-001 for the Year Ended June 30, 2011.**
- **Financial Audit of USAID Funds Managed by Jamshoro Power Company Limited Under Agreement No. 391-JAM-FARA-003-00 for the Year Ended June 30, 2011.**
- **Financial Audit of USAID Funds Managed by Northern Power Generation Company Limited Under Agreement No. 391-MUZ-FARA-004-00 for the Year Ended June 30, 2011.**
- **Financial Audit of the Assessment and Strengthening Program, USAID/Pakistan Cooperative Agreement No. 391-A-00-11-01202-00, and Financial Audit of Merit- and Needs-Based Scholarship Program, Subaward Under USAID/Pakistan Cooperative Agreement No. 391-G-00-04-01023-00, Managed by Lahore University of Management Sciences, for the Year Ended June 30, 2011.**
- **Agreed-Upon Procedures Engagement on USAID/Pakistan Resources Managed by the Rural Support Programmes Network Under Agreement No. 391-A-00-11-01213-00, for the Sindh Agricultural Recovery Project, for the Period November 13, 2010, to July 31, 2011.**

- **Quality Control Review of the Audit Report and Audit Documentation for the Financial Audit Conducted by Avais Hyder Liaqut Nauman for the Anti-Corruption Pakistan Program, USAID/Pakistan Cooperative Agreement No. 391-A-00-09-01117-00, and Anti-Fraud Hotline Program, USAID/Pakistan Cooperative Agreement No. 391-A-00-10-01194-00, Managed by Transparency International-Pakistan, for the Year Ended June 30, 2011.**

Ten other financial audits of USAID funds in Pakistan were in the planning stage on March 31, 2012.

Investigations

As of March 31, 2012, USAID OIG had 26 ongoing investigations pertaining to Pakistan. During the reporting period, OIG investigators opened seven cases in Pakistan and closed six others. Since FY 2003, OIG has initiated 84 investigations related to Pakistan. These investigations have been associated with a range of different types of allegations. In most cases, underlying allegations have pertained to program fraud (32 percent) or bribery and kickbacks (31 percent).

During the January 1 through March 31, 2012, reporting period, an OIG investigation resulted in the recovery of funds from a USAID implementing partner, as detailed below:

Investigative Outcomes

Since FY 2003, OIG investigations in Pakistan have resulted in:

- 4 referrals for civil or criminal prosecution
- 1 civil judgment
- 33 administrative actions (e.g., contract and employee terminations)
- \$102 million in savings and recoveries

Funds Collected From Implementer for Fraud and Theft in FATA Program. In April 2008, USAID's primary implementer for the FATA Livelihood Development Program entered into a subcontract with Abt Associates Inc. to undertake a \$6 million cash-for-work tree-planting program in FATA with the aim of creating job opportunities for youth and unemployed individuals in the area. Abt Associates, in turn, sought competitive bids from vendors to supply tree saplings.

As a result of allegations made to USAID OIG, the primary implementer, CHF International, conducted an audit of the program and determined that, of the 2.2 million trees contracted to be planted, only 1.2 million trees were documented as having been purchased. In addition, three of the five vendors that Abt Associates had selected to procure saplings were owned and controlled by the same family. OIG's investigation confirmed that USAID funds were lost as a result of theft, overpayment, fraud, and mismanagement by Abt Associates. In response to the investigative findings, USAID collected \$336,603 in reimbursements from CHF International in March 2012.

Outreach and Coordination

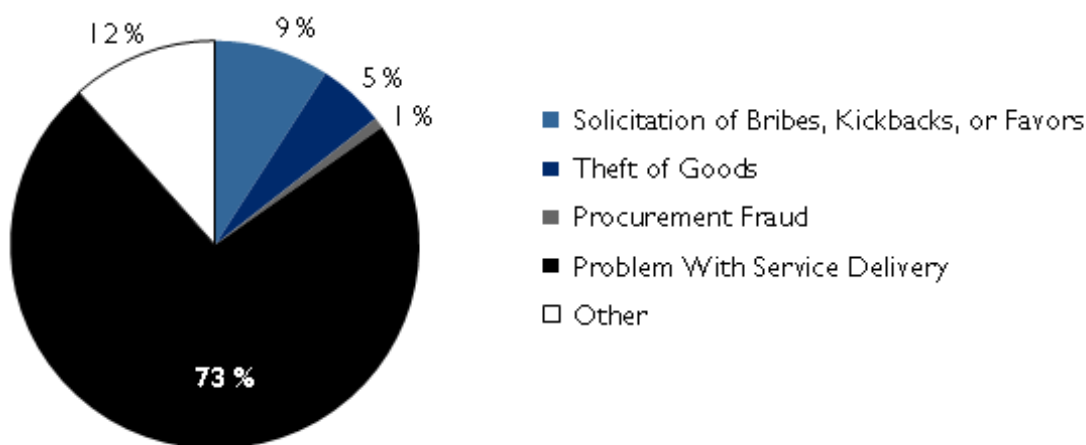
USAID OIG collaborates with the OIGs for the Departments of State and Defense to prepare a quarterly report on the progress and oversight of the U.S. Government’s civilian assistance program in Pakistan. Now in its ninth edition, this report provides information on developments related to the full scope of U.S. civilian assistance programs and activities in Pakistan. The report informs stakeholders about progress achieved to date, problems encountered during program implementation, and actions taken to address them.

With the aim of increasing reporting on fraud, waste, and abuse in assistance programs, OIG and USAID/Pakistan collaborated to establish an anti-fraud hotline in Pakistan. The Anti-Fraud Hotline became fully operational in February 2011. This 5-year project is funded by a cooperative agreement between USAID/Pakistan and Transparency International–Pakistan in partnership with OIG.

OIG is solely responsible for handling complaints received through the hotline. During the reporting period, USAID OIG continued to work closely with the hotline to vet and investigate incoming complaints. This quarter, the hotline received 605 complaints.

As shown in the following graphic, the majority of complaints received during the reporting period related to service delivery.

Distribution of Hotline Complaints by Type



Source: Transparency International-Pakistan.

Since its introduction in February 2011, the Anti-Fraud Hotline has been widely advertised on television, radio, newspaper, and billboards. As the only one of its kind in Pakistan, the hotline has

received a large volume of complaints related to programs implemented by other agencies. USAID OIG refers these complaints to the appropriate agency for further review and investigation. From January 1 to March 31, 2012, OIG referred 314 hotline complaints to outside entities, including the U.N. World Food Programme, UNICEF, the U.N. Development Programme, the U.N. Office for Project Services, the U.N. Food and Agriculture Organization, the World Bank, the United Kingdom's Department for International Development, Pakistan's Benazir Income Support Program (BISP), Save the Children, Mercy Corps, and the Awaz Foundation (a Pakistani NGO).

OIG also works closely with hotline personnel to monitor and address complaints regarding violations of the Pakistan Public Procurement Rules (PPR) of 2004 in the tendering of USAID-funded projects being carried out by the Government of Pakistan. Allegations of PPR violations received through the hotline are handled in accordance with the procedures set forth in the PPR, which require the tendering government agency to review and respond to the complaint within a set period. When a violation of the PPR has occurred, the tendering agency is required to cancel or correct the procurement. If the issue is not properly resolved by the tendering agency, the Pakistan Public Procurement Regulatory Agency and the Supreme Court of Pakistan can intervene.

In February 2012, the hotline received a complaint from a Pakistani firm relating to BISP, the Government of Pakistan's program designed to set up an effective national safety net and foster the long-term development of the poor.

According to the complaint, actions by BISP staff on bids for a data-processing contract violated the PPR. The bid from one bidder on the contract arrived shortly after the deadline for submissions, but the other bidder consented to including the late bid in the evaluation process. BISP personnel consulted with the Pakistan Public Procurement Regulatory Agency on what action to take in the procurement and were advised to evaluate both bids or call for new ones. Despite this, BISP officials initially elected to evaluate only the first bid. After hotline personnel advised BISP officials of their responsibilities under the PPR, they reconsidered and reinvited the tendering of bids for the data-processing contract.

OIG has established a working relationship with Pakistan's National Accountability Bureau (NAB), the primary law enforcement agency in Pakistan responsible for investigating white-collar crime and public corruption and the only national law enforcement agency authorized to conduct investigations in FATA. OIG has coordinated efforts with NAB since early 2010 and collaborates with it on investigations.

OIG investigators also conduct fraud awareness briefings to alert participants—employees, contractors, grantees, and subrecipients—to fraudulent practices and schemes and to provide

Accessing the Hotline

The Anti-Fraud Hotline operates 24 hours a day and accepts allegations in English, Urdu, Pashto, Baloch, and Punjabi.

Complaints may be made to the hotline via a toll-free number (0800-84700), online (www.anti-fraudhotline.com), by mail or fax, or in person.

guidance on how to report fraud. OIG has provided 39 fraud awareness briefings in Pakistan to 1,055 participants since FY 2003. During the reporting period, special agents in Pakistan delivered seven fraud awareness briefings attended by 275 participants, including representatives of USAID implementing partners and NAB.

In late February 2012, USAID's Acting Inspector General and the special agent in charge for the region participated in a fraud awareness and prevention seminar in Karachi sponsored by Transparency International–Pakistan. More than 80 people attended the seminar, including representatives of USAID implementing partners, Government of Pakistan personnel implementing USAID-funded projects, and staff and cooperating partners of the U.N. World Food Programme. The seminar featured presentations by USAID OIG, the Sindh Public Procurement Regulatory Authority, and the staff of the Anti-Fraud Hotline. USAID OIG's presentation focused on recent fraud trends and reporting requirements. Other presenters at the event provided an overview of hotline work to date and discussed Pakistani public procurement rules that apply to USAID-funded projects implemented by provincial government agencies.

OIG also provides training on standards and requirements for financial audits of U.S. Government funds. To date, OIG has provided this training to 60 staff members at USAID/Pakistan and 26 employees from ten Pakistani provincial government ministries. In FY 2012, USAID OIG also provided this training to 13 employees of Pakistan's Office of the Auditor General and 55 participants from 24 local public accounting firms.

Appendix 1 – Suspension and Debarment Exclusions Resulting From OIG Investigations

OIG works with USAID’s OAA to prevent individuals and organizations that are not presently responsible from receiving federal awards. OIG gives information to OAA to assist with Agency determinations on whether to suspend or debar individuals and organizations, thereby preventing them from receiving federal contracts, grants, cooperative agreements, and other awards.

OIG investigations in Afghanistan and Pakistan have been an important source of information for USAID in making suspension and debarment decisions. The following individuals and organizations were ineligible for federal awards as of March 31, 2012, pursuant to Afghanistan- and Pakistan-related information that was developed by our office.

Excluded Entity	Action Date	End Date
Suspensions		
Cameron, Ian	02/24/12	02/24/13
Peel, Ian	03/12/12	03/12/13
Wolff, Derish	12/22/11	<i>Indefinite</i>
Debarments		
Ahsan Aman Construction Company (AACC)	08/01/11	05/24/14
Burrows, Bryan Lee	06/02/11	05/27/13
Masud, Atif	08/27/10	08/27/13
McMonigle, Ryan Scott	05/07/10	05/07/13
Mehr, Behzad	12/13/11	09/27/14
Mohammad, Raz (Roz)	08/01/11	05/24/14
Pellettieri, Precy	07/15/11	01/11/14
Pepe, Salvatore	07/15/11	01/11/14
Samimi, Mohammed Qaseem	02/09/12	11/15/12
Sediqi, Ahman Samim	07/12/11	01/11/14
SERVCOR, LLC	07/07/11	12/15/13

Appendix 2 – Recommendations Pending Management Decisions

USAID OIG establishes the basis for audit findings and recommendations to persuade Agency officials that recommended corrective actions are warranted. Agency officials communicate their agreement or disagreement with OIG recommendations upon review of draft OIG reports. When Agency officials agree with an OIG recommendation and present a plan of action with milestones that would fully address the recommendation, OIG determines that a management decision has been reached.

The following OIG recommendations were pending management decisions as of March 31, 2012. USAID management decisions were pending on 11 recommendations related to Agency programs in Afghanistan and on 2 relating to Pakistan. The following table lists these recommendations by country and by the USAID office to which the recommendation was directed.

Report Date	Report Title*	Recommendation
Afghanistan		
USAID/Afghanistan		
10/03/11	Financial Audit of the Partnership Contracts for Health Services Program Managed by the Ministry of Public Health, for the Period July 20, 2008, Through September 22, 2010 (F-306-12-001-N)	1. Determine the allowability of and recover, as appropriate, questioned costs of \$1,328,310.
12/20/11	Independent Audit of Black & Veatch Special Projects Corporation Direct Costs Incurred and Billed on Contract No. 306-I-00-06-00517-00 From August 25, 2006, to September 30, 2008 (F-306-12-001-D)	1. Determine the allowability of and recover, as appropriate, unsupported questioned costs of \$32,198,382.
12/26/11	Review of Responses to Internal Audit Findings on the Local Governance and Community Development Project (F-306-12-001-S)	1. Determine the allowability of \$748,683 in questioned costs related to vehicles leased without proper approvals and without full and open competition and recover from Development Alternatives Inc. (DAI) any amounts determined to be unallowable. 2. Determine the allowability of \$325,500 in questioned costs associated with lease payments for the Local Governance and Community Development Project office space and guesthouses disclosed in the DAI internal audit report, and recover from DAI any amounts determined to be unallowable.

Report Date	Report Title*	Recommendation
		<p>3. Determine the allowability of \$2,019,036 in questioned costs related to services procured without full and open competition and recover from DAI any amounts determined to be unallowable.</p> <hr/> <p>4. Determine the allowability of and recover from DAI, as appropriate, \$3,424,400 in inadequately supported fuel purchases for the Local Governance and Community Development Project.</p> <hr/> <p>5. Determine whether DAI billed USAID for \$48,530 in unliquidated and uncollectible project advances and, if so, determine the allowability of these costs and recover from DAI any amounts determined to be unallowable.</p>
02/15/12	Financial Audit of Local (non-U.S.) Costs (Costs Incurred and Paid in Afghanistan) Under USAID Contract No. 306-I-00-06-00517-00 With the Joint Venture Louis Berger Group Inc./Black & Veatch Corp. for the Period October 1, 2009, to September 30, 2010 (F-306-12-004-N)	<p>1. Determine the allowability of and recover, as appropriate, questioned costs of \$2,196,583 (\$114,669 ineligible and \$2,081,914 unsupported) identified in the fund accountability statement.</p> <hr/> <p>2. Ensure that the Joint Venture Louis Berger Group Inc./Black & Veatch Special Projects Corp. (LBGI/B&V) corrects the 20 material weaknesses and 8 significant deficiencies identified in the report.</p> <hr/> <p>3. Ensure that LBGI/B&V corrects the four material instances of noncompliance identified in the report.</p>
Office of Transition Initiatives		
10/13/11	Audit of USAID/Afghanistan's Afghanistan Stabilization Initiative for the Southern Region (F-306-12-001-P)	<p>14. Determine the allowability of \$6.5 million in security costs and recover costs determined to be unallowable.</p>
Pakistan		
USAID/Pakistan		
11/03/11	Audit of USAID/Pakistan's Firms Project (G-391-12-001-P)	<p>5. Determine the allowability of \$1,359,337 in unsupported questioned costs and recover those costs determined to be unallowable.</p>

Report Date	Report Title*	Recommendation
03/06/12	Financial Audit of the Pakistan Competitiveness Support Fund, USAID/Pakistan Grant Agreement No. 391-G-00-06-01073-00, Managed by the Competitiveness Support Fund, for the Period July 1, 2010, to June 30, 2011 (G-391-12-007-R)	I. Instruct the Competitiveness Support Fund to correct two material instances of noncompliance related to revenue generation and procurement without competition identified in the audit report.

* Hyperlinks are provided to the OIG performance audits and reviews referenced in this table and the tables in the following two appendices. Hyperlinks are not provided to financial audits in these tables, however, because financial information in these reports may be privileged.

Appendix 3 – Recommendations Pending Final Action for 6 Months

After we have agreed to the course of action USAID managers have proposed to address an OIG recommendation, we track the implementation of the actions. When the Agency confirms these corrective actions, we consider that USAID has taken final action on the recommendation and that it is closed. In some cases, we conduct follow-up audits and reviews to verify that corrective actions were taken and that they have had the intended effect of improving Agency programs and operations.

Final action had been pending for 6 months or longer on the following recommendations as of March 31, 2012. In particular, final action had been pending for 6 months or more on 28 recommendations related to USAID programs in Afghanistan and on 4 relating to Pakistan. Target action dates that passed without final action are indicated in red below.

Date	Report	Recommendation	Target Action Date
Afghanistan			
USAID/Afghanistan			
12/20/10	Financial Audit of Fiduciary Support to the American University of Afghanistan Subgrant Under the Asia Foundation for the Period July 1, 2008, to June 30, 2009 (F-306-11-002-R)	2. Ensure that the American University of Afghanistan corrects the three significant internal control deficiencies identified in the report.	03/21/12
		3. Obtain evidence that the American University of Afghanistan has made additional cost sharing contributions of \$688,901 as required by the cooperative agreement.	03/21/12
03/27/11	Audit of USAID/Afghanistan's Construction of Health and Education Facilities Program (F-306-11-002-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.	03/31/12
		9. 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.	02/16/12

Date	Report	Recommendation	Target Action Date
06/09/11	Review of USAID/Afghanistan's Portion of the Embassy Air Program (F-306-11-004-S)	<ol style="list-style-type: none"> 1. Implement a nominal charge for no-show passengers. 2. Clarify the contract's environmental requirements and obtain evidence that the contractor is complying with them. 	04/30/12
06/19/11	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)	<ol style="list-style-type: none"> 5. Prepare an implementation plan for use of the \$1.4 million in supplemental funding for rural radios consistent with the goals of the program, or reprogram these funds for other mission programs. 7. 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. 	04/30/12
07/21/11	Financial Audit of the Civilian Technical Assistance Program, USAID/Afghanistan Grant Agreement No. 306-09-CTAP-0001, Managed by the Ministry of Finance, for the Period September 30, 2009, to September 30, 2010 (F-306-11-001-N)	<ol style="list-style-type: none"> 1. Determine the allowability of and recover, as appropriate, ineligible questioned costs of \$2,045. 	05/05/12
08/23/11	Audit of Technologist Inc. Costs Incurred/Billed Under USAID Task Order No. 306-O-00-04-00539-00, for the Afghanistan Industrial Estate Development Program for the Period May 24, 2004, Through December 31, 2007 (F-306-11-001-D)	<ol style="list-style-type: none"> 1. Determine the allowability of and recover, as appropriate, questioned costs of \$6,563,050 detailed in the report. 	04/10/12
08/31/11	Review of USAID/Afghanistan's Afghan Civilian Assistance Program (F-306-11-005-S)	<ol style="list-style-type: none"> 2. 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. 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. 	05/31/12

Date	Report	Recommendation	Target Action Date
		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.	05/31/12
		6. Determine the allowability of and recover, as appropriate, \$180,000 that was reportedly embezzled from the program.	05/31/12
		7. 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.	05/31/12
09/29/11	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)	1. In collaboration with the Ministry of Public Health, develop and implement a plan that (1) improves the nongovernmental organization contractors' supervision, monitoring, and problem solving at their health facilities and (2) 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.	05/31/12
		2. 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.	05/31/12
		3. 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 to sustain the ministry's capacity for managing the Partnership Contracts for Health Services Program and (2) provide the training.	05/31/12
		4. 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.	05/31/12

Date	Report	Recommendation	Target Action Date
		5. 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.	05/31/12
		6. 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.	05/31/12
		7. Review 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.	05/31/12
		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.	05/31/12
		9. Provide a formal designation letter similar to an officer's technical representative designation letter to staff members monitoring implementation of on-budget assistance agreements.	05/31/12
		10. Work with the Ministry of Public Health to prepare a performance management plan for the Partnership Contracts for Health Services Program.	05/31/12
		11. Provide the Ministry of Public Health with clearly written definitions of Afghan Info performance indicators.	05/31/12
		12. Implement procedures to review and verify the accuracy of data entered into Afghan Info and provide timely feedback to users.	05/31/12

Date	Report	Recommendation	Target Action Date
		13. In collaboration with the Ministry of Public Health, implement a plan to confirm and document accurate GPS coordinates for the ministry's health facilities.	05/31/12
Pakistan			
USAID/Pakistan			
12/10/10	Audit of USAID/Pakistan's Livelihood Development Program in the Lower Region of the Federally Administered Tribal Areas (G-391-11-001-P)	5. Make a management decision regarding the allowability of \$767,841 in questioned costs identified in the financial review and recover those costs determined to be unallowable.	04/18/12
06/20/11	Audit of USAID/Pakistan's Road Rehabilitation and Reconstruction Activities Under the Quick Impact Projects in South Waziristan (G-391-11-005-P)	5. Provide implementers with copies of USAID's policies on ethics and conflicts of interest and with written explanations and examples of potential conflicts.	05/31/12
		8. 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. ¹	05/31/12
		9. 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.	05/31/12

¹ The Automated Directives System is USAID's system for managing internal policies, procedures, and guidance. Chapter 320 of the Automated Directives System pertains to branding and marking.

Appendix 4 – Audited Amounts, Questioned Costs, and Funds Recommended to Be Put to Better Use

Financial audits examine designated funds over a given period of time. The dollar value of the funds audited, regardless of whether they are defined in terms of costs, expenditures, or revenues, is the “amount audited.”² As shown in the following table, OIG has presided over financial audits of more than \$1.9 billion in USAID funds since FY 2003.

Financial audits, like performance audits and reviews, sometimes identify questioned costs and recommend that funds to be put to better use. Questioned costs are costs determined not to be allowable, allocable, or reasonable, or costs that auditors cannot determine to be allowable, allocable, or reasonable because documentation or other evidence to support these determinations is not available for their review. USAID contracting or agreement officers make final determinations on identified questioned costs and seek reimbursement for any “sustained” questioned costs. Funds recommended to be put to better use are funds that could be used more efficiently if managers take action to implement OIG recommendations. When Agency managers agree to implement OIG recommendations to put funds to better use, the Agency is regarded as having “concurred” that the funds could be put to better use.

The following table provides information on dollars audited during the course of financial audits. It also lists all financial audits, performance audits, and reviews that identified questioned costs or funds recommended to be put to better use since FY 2003. This information is presented alongside Agency determinations regarding these funds (i.e., determinations to sustain questioned costs or agree that funds could be put to better use. The corresponding audit reports are listed by country and presented in reverse chronological order.

Date	Report Title and Number				
	Amount Audited (\$)	Questioned Costs	Amount Sustained	Funds to Be Put to Better Use	Amount Concurred
Afghanistan					
03/15/12	Financial Audit of Costs Incurred in Afghanistan Under USAID Contract No. 306-DOT-I-01-08-00033-00 With Chemonics International Inc. for the Period October 1, 2009, to September 30, 2010 (F-306-12-005-N)				
	13,839,901	–	–	–	–

² Because performance audits and reviews do not apply the same procedures as financial audits, we do not compute an “amount audited” for that work.

Date	Report Title and Number				
	Amount Audited (\$)	Questioned Costs	Amount Sustained	Funds to Be Put to Better Use	Amount Concurred
02/15/12	Financial Audit on the Local (Non-U.S.) Costs (Costs Incurred and Paid in Afghanistan) Under USAID Contract No. 306-I-00-06-00517-00 With the Joint Venture Louis Berger Group Inc./Black & Veatch Corp., for the Period October 1, 2009, to September 30, 2010 (F-306-12-004-N)				
	10,779,108	2,196,583	-	-	-
12/26/11	Review of Responses to Internal Audit Findings on the Local Governance and Community Development Project (F-306-12-001-S)				
	N/A	6,570,931	-	-	-
12/20/11	Independent Financial Audit of Black & Veatch Special Projects Corporation Direct Costs Incurred and Billed on Contract No. 306-I-00-06-00517-00, From August 25, 2006, to September 30, 2008 (F-306-12-001-D)				
	136,000,000	32,198,382	-	-	-
12/19/11	Financial Audit on the Local (non-U.S.) Costs (Costs Incurred and Paid in Afghanistan) Under USAID Contract No. 306-I-00-06-00517-00 With the Joint Venture Louis Berger Group Inc./Black & Veatch Corp. for the Period October 1, 2009, to September 30, 2010 (F-306-12-004-N)				
	10,779,108	2,196,583	-	-	-
11/13/11	Audit of USAID/Afghanistan's Afghanistan Stabilization Initiative for the Southern Region (F-306-12-001-P)				
	N/A	6,512,200	-	-	-
10/13/11	Financial Audit of the Ministry of Finance-Salary Support Program, USAID/Afghanistan Project Implementation No. 306-IL-10-01, Managed by the Ministry of Finance, for the Period June 6, 2010, to September 30, 2010 (F-306-12-003-N)				
	1,000,000	356,469	-	-	-
10/10/11	Local Costs' Financial Audit of the Small and Medium Sized Enterprise Development Activity Managed by Development Alternatives Inc. Contract No. 306-C-00-07-00503-00, for the Period October 1, 2009, to September 30, 2010 (F-306-12-002-N)				
	18,631,159	88,650	-	-	-
10/03/11	Financial Audit of the Partnership Contracts for Health Services Program, USAID/Afghanistan Grant Agreement No. 306-08-IL-06-00, Managed by the Ministry of Public Health, for the Period From Program Inception on July 20, 2008, Through September 22, 2010 (F-306-12-001-N)				
	32,812,937	1,328,310	-	-	-

Date	Report Title and Number				
	Amount Audited (\$)	Questioned Costs	Amount Sustained	Funds to Be Put to Better Use	Amount Concurred
09/29/11	Financial Audit of the Policy Capacity Initiative Activity Project, 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 on April 09, 2009, Through September 30, 2010 (F-306-11-003-N)				
	450,138	118,478	–	–	–
08/31/11	Review of USAID/Afghanistan's Afghan Civilian Assistance Program (F-306-11-005-S)				
	N/A	8,379,055	5,142,039	–	–
08/23/11	Financial Audit Report of Technologist Inc. Costs Incurred/Billed Under USAID Task Order No. 306-O-00-04-00539-00, for the Afghanistan Industrial Estate Development Program for the Period May 24, 2004, Through December 31, 2007 (F-306-11-001-D)				
	21,463,590	6,563,050	493,444	–	–
07/21/11	Financial Audit of the Civilian Technical Assistance Program, USAID/Afghanistan Grant Agreement No. 306-09-CTAP-0001, Managed by the Ministry of Finance, for the Period September 30, 2009, to September 30, 2010 (F-306-11-001-N)				
	5,500,000	2,045	77	–	–
07/14/11	Financial Audit of the Regenerating Murad Khane, Restoring Refurbishing and Revitalizing the Old City Program, USAID/Afghanistan Cooperative Agreement No. 306-A-09-00503-00, Managed by the Turquoise Mountain Trust, for the Period From January 1, 2010, to December 31, 2010 (F-306-11-003-R)				
	2,551,558	–	–	–	–
06/19/11	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)				
	N/A	6,350,319	–	1,400,000	1,400,000
06/09/11	Review of USAID/Afghanistan's Portion of the Embassy Air Program (F-306-11-004-S)				
	N/A	525,467	31,902	9,440,000	9,440,000
03/27/11	Audit of USAID/Afghanistan's Construction of Health and Education Facilities Program (F-306-11-002-P)				
	N/A	309,011	299,811	762,153	762,153
12/20/10	Financial Audit of Fiduciary Support to the American University of Afghanistan (AUAF), Subgrant Under Asia Foundation Award No. 306-G-00-05-00525-00, and USAID Direct Support to AUAF, Cooperative Agreement No. 306-A-00-08-00525-00, for the Period July 1, 2008, to June 30, 2009 (F-306-11-002-R)				
	9,539,090	685,643	116,273	–	–

Date	Report Title and Number				
	Amount Audited (\$)	Questioned Costs	Amount Sustained	Funds to Be Put to Better Use	Amount Concurred
11/16/10	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 October 1, 2008 to September 30, 2009 (5-306-11-002-N)				
	10,773,130	2,292,891	76,046	-	-
10/26/10	Financial Audit of the Regenerating Murad Khane, Restoring Refurbishing and Revitalizing the Old City Program, USAID/Afghanistan Cooperative Agreement No. 306-A-09-00503-00, Managed by the Turquoise Mountain Trust, for the Period January 1, 2009 to December 31, 2009 (F-306-11-001-R)				
	2,501,824	-	-	-	-
09/28/10	Financial Audit of Cost Incurred and Billed for the Human and Institutional Capacity Building for Afghanistan Energy and Natural Resources Sector Project, Task Order No. DOT-I-04-04-00022-00, USAID/Afghanistan Cooperative Agreement No. 306-P-00-10-00514-00, Managed by Advanced Engineering Associates International, for the Period July 3, 2008, to June 30, 2009 (5-306-10-002-D)				
	3,523,452	12,115	12,115	-	-
03/30/10	Financial Audit of the Afghanistan First Loss Reserve Fund, USAID/Afghanistan Cooperative Agreement No. 306-A-00-05-00512-00, Managed by Deutsche Investitions und Entwicklungsgesellschaft mbh, for the Period February 4, 2005, to December 31, 2008 (5-306-10-001-D)				
	1,281,561	56,974	1,952	-	-
02/25/10	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 October 1, 2007, to September 30, 2008 (5-306-10-002-N)				
	5,594,190	46,912	4,200	-	-
11/10/09	Audit of USAID/Afghanistan's Power Sector Activities Under Its Afghanistan Infrastructure Rehabilitation Program (5-306-10-002-P)				
	N/A	2,078,426	2,078,426	-	-
09/29/09	Financial Audit of the Regenerating Murad Khane, Restoring, Refurbishing and Revitalizing the Old City Program, USAID/Afghanistan Cooperative Agreement No. 306-A-00-09-00503-00, Managed by the Turquoise Mountain Trust, for the Period November 2, 2008, to December 31, 2008 (5-306-09-021-R)				
	421,310	17,781	17,781	-	-
08/19/09	Financial Audit of Costs Incurred and Billed by BearingPoint Inc. USAID/Afghanistan Contract No. 306-C-00-03-00001-00, for the Period November 1, 2002, to December 15, 2005 (5-306-09-002-D)				
	95,817,000	95,817,000	-	-	-

Date	Report Title and Number				
	Amount Audited (\$)	Questioned Costs	Amount Sustained	Funds to Be Put to Better Use	Amount Concurred
06/25/09	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 August 25, 2006, to September 30, 2007 (5-306-09-005-N)				
	2,268,126	267,556	254,526	-	-
06/18/09	Financial Audit of Costs Incurred in the United States by 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 January 1, 2007, to May 31, 2008 (5-306-09-001-D)				
	18,579,476	3,142,521	264,651	-	-
09/30/08	Audit of USAID/Afghanistan's Capacity Development Program (5-306-08-012-P)				
	N/A	-	-	11,100,000	-
08/08/08	Audit of USAID/Afghanistan's Accelerating Sustainable Agriculture Program (5-306-08-009-P)				
	N/A	210,006	172,433	-	-
05/16/08	Financial Audit of Costs Incurred in the United States by 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 July 1, 2006, to December 31, 2006 (5-306-08-003-D)				
	39,274,703	846,872	51,014	-	-
04/25/08	Closeout Financial Audit of the Business Advisory Services to Small and Medium-Sized Enterprises in Afghanistan Project, USAID/Afghanistan Cooperative Agreement No. 306-A-00-04-00570-00, Managed by Acap Management Limited, for the Period September 30, 2004, to March 29, 2007 (5-306-08-019-R)				
	925,459	695,374	695,374	-	-
11/27/07	Financial Audit of Local Costs Incurred by 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 April 1, 2007, to June 30, 2007 (5-306-08-001-N)				
	1,262,209	-	-	-	-
06/27/07	Financial Audit of Local Costs Incurred by 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 January 1, 2007, to March 31, 2007 (5-306-07-008-N)				
	1,299,053	-	-	-	-

Date	Report Title and Number				
	Amount Audited (\$)	Questioned Costs	Amount Sustained	Funds to Be Put to Better Use	Amount Concurred
05/25/07	Financial Audit of Costs Incurred in the United States by 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 January 1, 2006, to June 30, 2006 (5-306-07-002-D)				
	53,702,753	581,418	124,108	-	-
04/18/07	Financial Audit of Local Costs Incurred by 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 October 1, 2006, to December 31, 2006 (5-306-07-006-N)				
	1,488,612	-	-	-	-
12/11/06	Financial Audit of Local Costs Incurred by 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 July 1, 2006, to September 30, 2006 (5-306-07-004-N)				
	1,740,855	-	-	-	-
10/16/06	Financial Audit of Local Costs Incurred by 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 April 1, 2006, to June 30, 2006 (5-306-07-001-N)				
	2,121,214	-	-	-	-
08/10/06	Financial 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 September 30, 2004, to February 25, 2006 (5-306-06-004-D)				
	261,390	221,509	31,509	-	-
08/02/06	Financial Audit of Costs Incurred in the United States by 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 April 1, 2005, to December 31, 2005 (5-306-06-003-D)				
	181,086,841	528,239	36,248	-	-
06/28/06	Financial Audit of Local Costs Incurred by 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 January 1, 2006, to March 31, 2006 (5-306-06-005-N)				
	3,097,361	-	-	-	-
03/21/06	Financial Audit of Local Costs Incurred by 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 October 1, 2005, to December 31, 2005 (5-306-06-004-N)				
	2,144,967	-	-	-	-

Date	Report Title and Number				
	Amount Audited (\$)	Questioned Costs	Amount Sustained	Funds to Be Put to Better Use	Amount Concurred
12/21/05	Audit of Funds Earmarked by Congress to Provide Assistance for Displaced Persons in Afghanistan (9-306-06-004-P)				
	N/A	–	–	14,366,000	14,366,000
12/19/05	Financial Audit of Costs Incurred in the United States by 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 July 1, 2004, to March 31, 2005 (5-306-06-002-D)				
	125,286,559	348,122	3,399	–	–
12/08/05	Financial Audit of Local Costs Incurred by 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 July 1, 2005, to September 30, 2005 (5-306-06-002-N)				
	2,114,250	–	–	–	–
08/29/05	Financial Audit of Local Costs Incurred by 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 April 1, 2005, to June 30, 2005, Including Contract Line Item No. 2 Costs, for the Period July 1, 2004, to June 30, 2005 (5-306-05-009-N)				
	2,944,192	–	–	–	–
06/30/05	Financial Audit of Local Costs Incurred by 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 January 1, 2005, to March 31, 2005, Including Contract Line Item No. 2 Costs, for the Period April 1, 2004, to June 30, 2004 (5-306-05-008-N)				
	1,606,343	–	–	–	–
04/19/05	Financial Audit of Costs Incurred in the United States by 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 October 1, 2003, to June 30, 2004 (5-306-05-006-D)				
	185,440,813	1,049,881	98,146	–	–
03/14/05	Financial Audit of Local Costs Incurred by 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 October 1, 2004, to December 31, 2004 (5-306-05-006-N)				
	1,525,711	–	–	–	–
12/09/04	Financial Audit of Local Costs Incurred by 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 July 1, 2004, to September 30, 2004 (5-306-05-002-N)				
	1,539,697	3,056	779	–	–

Date	Report Title and Number				
	Amount Audited (\$)	Questioned Costs	Amount Sustained	Funds to Be Put to Better Use	Amount Concurred
09/16/04	Financial Audit of Costs Incurred in the United States by 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 July 1, 2003, to September 30, 2003 (5-306-04-003-D)				
	40,486,450	109,186	91,678	-	-
08/23/04	Financial Audit of Local Costs Incurred by 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 April 1, 2004, to June 30, 2004 (5-306-04-006-N)				
	2,039,979	14,112	-	-	-
07/09/04	Financial Audit of Local Costs Incurred by 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 January 1, 2004, to March 31, 2004 (5-306-04-005-N)				
	1,578,442	137,596	9,127	-	-
05/17/04	Financial Audit of Local Costs Incurred by 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 October 1, 2003, to December 31, 2003 (5-306-04-004-N)				
	863,610	115,136	44,738	-	-
05/17/04	Audit of the Application of Agreed-Upon Procedures on Costs Incurred in the United States by 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 September 30, 2002, to June 30, 2003 (5-306-04-002-D)				
	23,096,297	92,983	90,022	-	-
03/26/04	Financial Audit of Local Costs Incurred by 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 July 1, 2003, to September 30, 2003 (5-306-04-003-N)				
	666,841	114,020	13,001	-	-
01/23/04	Financial Audit of Local Costs Incurred by 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 September 30, 2002, to June 30, 2003 (5-306-04-001-N)				
	1,227,901	29,449	3,882	-	-
Afghanistan Total					
	1,072,150,052	181,013,728	10,258,701	37,068,153	25,968,153

Date	Report Title and Number				
	Amount Audited (\$)	Questioned Costs	Amount Sustained	Funds to Be Put to Better Use	Amount Concurred
Pakistan					
03/20/12	Financial Audit of USAID/Pakistan's Rupee Trust Fund for the Period October 1, 2009, to September 30, 2011 (G-391-12-001-N)				
	859,543	-	-	-	-
03/06/12	Financial Audit of the Pakistan Competitiveness Support Fund, USAID/Pakistan Grant Agreement No. 391-G-00-06-01073-00, Managed by the Competitiveness Support Fund, for the Period July 1, 2010, to June 30, 2011 (G-391-12-007-R)				
	2,197,662	-	-	-	-
02/24/12	Financial Audit of Budgetary Support, USAID/Pakistan Program Assistance Agreement No. 391-012, Implementation Letter No. 1, Managed by the Economic Affairs Division of the Government of Pakistan, for the Period June 8, 2009, to June 15, 2011 (G-391-12-006-R)				
	44,000,000	-	-	-	-
02/17/12	Financial Audit of the Merit and Need Based Scholarship Project, USAID/Pakistan Agreement No. 391-G-00-04-01023-00, for the Period July 2, 2004, to June 30, 2010, Managed by the Higher Education Commission (G-391-12-005-R)				
	6,055,675	428,144	-	-	-
01/13/12	Financial Audit of the Anti-Corruption Program Pakistan, USAID/Pakistan Cooperative Agreement No. 391-A-00-09-01117-00, and the Anti-Fraud Hotline Program, USAID/Pakistan Cooperative Agreement No. 391-A-00-10-01194-00, Managed by Transparency International-Pakistan, for the Year Ended June 30, 2011 (G-391-12-004-R)				
	387,825	-	-	-	-
01/06/12	Financial Audit of Aga Khan University's Flood Response Program, USAID/Pakistan Cooperative Agreement No. 391-G-00-10-01188-00, for the Period August 30, 2010, to December 31, 2010, Managed by Aga Khan University (G-391-12-003-R)				
	1,057,045	-	-	-	-
11/23/11	Audit of USAID/Pakistan's Energy Efficiency and Capacity Program (G-391-12-002-P)				
	N/A	-	-	20,000,000	20,000,000
11/03/11	Audit of USAID/Pakistan's Firms Project (G-391-12-001-P)				
	N/A	1,359,337	-	-	-

Date	Report Title and Number				
	Amount Audited (\$)	Questioned Costs	Amount Sustained	Funds to Be Put to Better Use	Amount Concurred
11/03/11	Financial Audit of Budgetary Support to the Government of Pakistan, USAID/Pakistan Program Assistance Agreement No. 391-005-ES-07, Managed by the Ministry of Finance, for the Year Ended June 30, 2008 (G-391-12-002-R)				
	200,000,000	-	-	-	-
10/26/11	Financial Audit of Budgetary Support, USAID/Pakistan Program Assistance Agreement No. 391-AAG-012-IL-02, Managed by the Benazir Income Support Program, for the Period September 30, 2009, to March 31, 2011 (G-391-12-001-R)				
	85,000,000	-	-	-	-
09/21/11	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 February 6, 2010, to December 31, 2010 (G-391-11-005-R)				
	8,443,128	-	-	-	-
06/23/11	Closeout Financial Audit of the Forman Christian College, USAID/Pakistan Grant Agreement No. 391-G-00-04-01036-00, Managed by Forman Christian College, for the Period July 1, 2009, to March 31, 2010 (G-391-11-004-R)				
	1,974,491	122,515	90,655	-	-
05/26/11	Financial Audit of USAID/Pakistan's Rupee Trust Fund for the Period October 1, 2006, to September 30, 2009 (G-391-11-001-N)				
	1,511,547	-	-	-	-
05/10/11	Financial Audit of the Pakistan Competitiveness Support Fund, USAID/Pakistan Grant Agreement No. 391-G-00-06-1073-00, Managed by the Competitiveness Support Fund, for the Period July 1, 2009, to June 30, 2010 (G-391-11-003-R)				
	2,184,844	2,822	-	-	-
04/08/11	Closeout Financial Audit of the Interactive Teaching and Learning Project, USAID/Pakistan Cooperative Agreement No. 391-A-00-06-01075-00, and the Financial Audit of Links to Learning Education Support to Pakistan Program, Subaward Under USAID/Pakistan Cooperative Agreement No. 391-A-00-08-01100-00, Managed by Children's Global Network Pakistan Limited, for the Period July 1, 2008, to February 26, 2010 (G-391-11-002-R)				
	1,315,348	12,669	-	-	-
12/30/10	Closeout 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 January 1, 2009, to September 30, 2009 (G-391-11-001-R)				
	450,607	-	-	-	-

Date	Report Title and Number				
	Amount Audited (\$)	Questioned Costs	Amount Sustained	Funds to Be Put to Better Use	Amount Concurred
12/10/10	Audit of USAID/Pakistan's Livelihood Development Program in the Lower Region of the Federally Administered Tribal Area (G-391-11-001-P)				
	N/A	767,841	352,470	–	–
11/08/10	Audit of Costs Incurred Under the 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 RTI International, for the Period December 4, 2002, to December 31, 2007 (G-391-11-001-D)				
	14,432,228	–	–	–	–
08/04/10	Financial Audit of the Pakistan Competitiveness Support Fund, USAID/Pakistan Grant Agreement No. 391-G-00-06-01073-00, Managed by the Competitiveness Support Fund, for the Period February 3, 2006, to June 30, 2009 (G-391-10-001-R)				
	5,637,011	355,471	–	–	–
05/18/10	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 July 1, 2007, to June 30, 2009 (5-391-10-033-R)				
	394,255	–	–	–	–
04/30/10	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)				
	1,653,377	89,934	65,652	–	–
03/24/10	Closeout Financial Audit of the Improved Pakistani Family Planning and Reproductive Health Services Program, USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01016-00, Managed by Greenstar Social Marketing Pakistan (Guarantee) Limited, for the Period July 1, 2007, to December 31, 2007 (5-391-10-026-R)				
	2,146,908	–	–	–	–
02/10/10	Closeout Financial Audit of the Aga Khan University Examination Board, USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01003-00, for the Period January 1, 2007, to December 31, 2007 (5-391-10-020-R)				
	1,853,975	63,367	63,367	–	–
12/22/09	Financial Audit of USAID Funds Managed by Children's Global Network Pakistan (Guarantee) Limited, for the Year Ended June 30, 2008 (5-391-10-012-R)				
	1,863,786	376,942	242	–	–

Date	Report Title and Number				
	Amount Audited (\$)	Questioned Costs	Amount Sustained	Funds to Be Put to Better Use	Amount Concurred
08/13/09	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)				
	400,000,000	-	-	-	-
06/25/09	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 January 1 to December 31, 2007 (5-391-09-013-R)				
	1,776,113	-	-	-	-
05/11/09	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)				
	979,028	-	-	-	-
04/30/09	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 August 23, 2004, to June 30, 2007 (5-391-09-008-R)				
	2,631,254	1,163,564	56,008	-	-
04/29/09	Financial Audit of the Aga Khan University Examination Board, USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01003-00, for the Period January 1, 2006, to December 31, 2006 (5-391-09-007-R)				
	979,040	-	-	-	-
12/15/08	Financial Audit of the Interactive Teaching and Learning Program in Pakistan, USAID/Pakistan Cooperative Agreement No. 391-A-00-06-01075-00, Managed by Children's Resources International Pakistan (Guarantee) Limited, for the Period March 1, 2006, to June 30, 2007 (5-391-09-006-R)				
	1,557,736	763,449	158	-	-
09/26/08	Financial Audit of the Improved Pakistani Family Planning and Reproductive Health Services Program, USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01016-00, Managed by Greenstar Social Marketing Pakistan (Guarantee) Limited, for the Period July 1, 2006, to June 30, 2007 (5-391-08-035-R)				
	4,295,177	-	-	-	-
09/25/08	Financial Audit of the Improved Pakistani Family Planning and Reproductive Health Services Program, USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01016-00, Managed by Greenstar Social Marketing Pakistan (Guarantee) Limited, for the Period July 1, 2005, to June 30, 2006 (5-391-08-034-R)				
	5,399,408	-	-	-	-

Date	Report Title and Number				
	Amount Audited (\$)	Questioned Costs	Amount Sustained	Funds to Be Put to Better Use	Amount Concurred
09/19/08	Financial Audit of the Improved Pakistani Family Planning and Reproductive Health Services Program, USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01016-00, Managed by Greenstar Social Marketing Pakistan (Guarantee) Limited, for the Period July 1, 2004, to June 30, 2005 (5-391-08-032-R)				
	5,707,948	-	-	-	-
08/27/08	Closeout Financial Audit of the Rewarding Innovation at the District Level Program, USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01015-00, for the Period July 1, 2005, to March 31, 2006, and the Establishing Tent Schools and Cash for Work Program, Grant Agreement No. 391-G-00-06-0169-00, for the Period December 9, 2005, to June 15, 2006, Managed by the Rural Support Programmes Network (5-391-08-030-R)				
	2,847,871	222,294	222,294	-	-
08/20/08	Financial Audit of the Technical Assistance and Training to Improve Project and Financial Management of Provincial and District Health and Population Welfare Services in Pakistan Project, USAID/Pakistan Limited Scope Grant Agreement No. 391-G-00-04-01020-00, Managed by Options Consultancy Services Limited—Technical Assistance Management Agency, for the Period January 1, 2004, to March 31, 2006 (5-391-08-005-N)				
	697,058	-	-	-	-
08/15/08	Closeout 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 July 1, 2006, to September 30, 2007 (5-391-08-029-R)				
	734,597	-	-	-	-
07/02/08	Financial Audit of the Aga Khan University Examination Board, USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01003-00, for the Period January 1, 2005, to December 31, 2005 (5-391-08-027-R)				
	902,755	-	-	-	-
04/15/08	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 January 1, 2005, to December 31, 2006 (5-391-08-017-R)				
	2,662,527	82,126	66,916	-	-
09/28/07	Financial Audit of the 4-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 July 1, 2005, to June 30, 2006 (5-391-07-024-R)				
	769,134	-	-	-	-

Date	Report Title and Number				
	Amount Audited (\$)	Questioned Costs	Amount Sustained	Funds to Be Put to Better Use	Amount Concurred
08/22/07	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 July 1, 2005, to June 30, 2006 (5-391-07-023-R)				
	1,160,768	951,400	921,512	-	-
07/25/07	Financial Audit of the Improved Pakistani Family Planning and Reproductive Health Services Program, USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01016-00, Managed by Greenstar Social Marketing Pakistan (Guarantee) Limited, for the Period November 7, 2003, to June 30, 2004 (5-391-07-020-R)				
	1,805,257	34,804	-	-	-
05/03/07	Financial Audit of the Aga Khan University Examination Board, USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01003-00, for the Period July 1, 2003, to December 31, 2004 (5-391-07-014-R)				
	771,546	-	-	-	-
02/22/07	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 September 1, 2004, to August 31, 2005 (5-391-07-010-R)				
	234,757	-	-	-	-
01/12/07	Financial Audit of the 4-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 August 23, 2004, to June 30, 2005 (5-391-07-006-R)				
	764,472	-	-	-	-
01/12/07	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 October 1, 2003, to June 30, 2005 (5-391-07-007-R)				
	3,194,633	1,999,553	1,639,230	-	-
09/27/06	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 October 1, 2003, to December 31, 2004 (5-391-06-033-R)				
	1,853,591	-	-	-	-
09/26/06	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)				
	997,500	-	-	-	-

Date	Report Title and Number				
	Amount Audited (\$)	Questioned Costs	Amount Sustained	Funds to Be Put to Better Use	Amount Concurred
09/13/06	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 9-Month Period Ended June 30, 2004 (5-391-06-031-R)				
	471,255	-	-	-	-
05/11/06	Financial Audit of the Improved Pakistani Family Planning and Reproductive Health Services Program, USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01016-00, Managed by Greenstar Social Marketing Pakistan (Guarantee) Limited, for the Period November 7, 2003, to June 30, 2004 (5-391-06-020-R)				
	1,805,257	830	-	-	-
01/10/06	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)				
	432,270	-	-	-	-
Pakistan Total					
	828,850,207	8,797,062	3,478,504	20,000,000	20,000,000

Appendix 5 – Completed Audit Reports

The following table provides a listing of OIG audits by the country they pertain to and fiscal year in which they were issued. For purposes of this report, the term “financial audit” refers to both financial audits and quality assurance reviews. As it is used in this report, the term “performance audit and review”, in turn, refers to other audits, reviews, risk assessments, and survey reports.

Date	Number	Title
Afghanistan		
FY 2012		
03/15/12	F-306-12-005-N	Financial Audit of Costs Incurred in Afghanistan Under USAID Contract No. 306-DOT-I-01-08-00033-00 With Chemonics International Inc. for the Period October 1, 2009, to September 30, 2010
02/07/12	F-306-12-002-P	Audit of USAID/Afghanistan’s Skills Training for Afghan Youth Project
02/15/12	F-306-12-004-N	Financial Audit on the Local (Non-U.S.) Costs (Costs Incurred and Paid in Afghanistan) Under USAID Contract No. 306-I-00-06-00517-00 With the Joint Venture Louis Berger Group Inc./Black & Veatch Corp., for the Period October 1, 2009, to September 30, 2010
12/26/11	F-306-12-001-S	Review of Responses to Internal Audit Findings on the Local Governance and Community Development Project
12/20/11	F-306-12-001-D	Independent Financial Audit of Black & Veatch Special Projects Corporation Direct Costs Incurred and Billed on Contract No. 306-I-00-06-00517-00 From August 25, 2006, to September 30, 2008
12/19/11	F-306-12-004-N	Financial Audit on the Local (non-U.S.) Costs (Costs Incurred and Paid in Afghanistan) Under USAID Contract No. 306-I-00-06-00517-00 With the Joint Venture Louis Berger Group Inc./Black & Veatch Corp., for the Period October 1, 2009, to September 30, 2010
11/13/11	F-306-12-001-P	Audit of USAID/Afghanistan’s Afghanistan Stabilization Initiative for the Southern Region
10/13/11	F-306-12-003-N	Financial Audit of the Ministry of Finance Salary Support Program, USAID/Afghanistan Project Implementation Number 306-IL-10-01, Managed by the Ministry of Finance, for the Period June 6, 2010, to September 30, 2010
10/10/11	F-306-12-002-N	Local Costs' Financial Audit of the Small and Medium Sized Enterprise Development Activity by Development Alternatives Inc. Contract No. 306-C-00-07-00503-00, for the Period October 1, 2009, to September 30, 2010
10/03/11	F-306-12-001-N	Financial Audit of the Partnership Contracts for Health Services Program, USAID/Afghanistan Grant Agreement No. 306-08-IL-06-00, Managed by the Ministry of Public Health, for the Period From Program Inception on July 20, 2008, Through September 22, 2010

FY 2011

09/29/11	F-306-11-004-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
09/29/11	F-306-11-003-N	Financial Audit of the Policy Capacity Initiative Activity Project, 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 on April 9, 2009, Through September 30, 2010
08/31/11	F-306-11-005-S	Review of USAID/Afghanistan's Afghan Civilian Assistance Program
08/23/11	F-306-11-001-D	Financial Audit of Technologist Inc. Costs Incurred/Billed Under USAID Task Order No. 306-O-00-04-00539-00, for the Afghanistan Industrial Estate Development Program for the Period May 24, 2004, Through December 31, 2007
07/21/11	F-306-11-001-N	Financial Audit of the Civilian Technical Assistance Program, USAID/Afghanistan Grant Agreement No. 306-09-CTAP-0001, Managed by the Ministry of Finance, for the Period September 30, 2009, to September 30, 2010
07/14/11	F-306-11-003-R	Financial Audit of the Regenerating Murad Khane, Restoring Refurbishing and Revitalizing the Old City Program, USAID/Afghanistan Cooperative Agreement No. 306-A-09-00503-00, Managed by the Turquoise Mountain Trust, for the Period From January 1, 2010, to December 31, 2010
06/19/11	F-306-11-003-P	Audit of USAID/Afghanistan's Support to the Electoral Process (STEP) and Support for Increased Electoral Participation in Afghanistan (IEP) Programs
06/09/11	F-306-11-004-S	Review of USAID/Afghanistan's Portion of the Embassy Air Program
03/27/11	F-306-11-002-P	Audit of USAID/Afghanistan's Construction of Health and Education Facilities Program
03/16/11	F-306-11-003-S	Review of USAID/Afghanistan's Bank Supervision Assistance Activities and the Kabul Bank Crisis
03/07/11	F-306-11-002-S	Review of Cash Disbursement Practices Employed by Selected USAID/Afghanistan Contractors and Grantees
02/13/11	F-306-11-001-P	Audit of USAID/Afghanistan's Agriculture, Water, and Technology Transfer Program
12/20/10	F-306-11-002-R	Financial Audit of the Fiduciary Support to the American University of Afghanistan (AUAF) Program, Subgrant Under Asia Foundation Award No. 306-G-00-05-00525-00, and USAID Direct Support to AUAF, Cooperative Agreement No. 306-A-00-08-00525-00, for the Period July 1, 2008, to June 30, 2009
11/16/10	5-306-11-002-N	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 October 1, 2008, to September 30, 2009
11/06/10	F-306-11-001-S	Review of USAID/Afghanistan's Ministerial Assessment Process
11/05/10	5-306-11-002-P	Audit of USAID/Afghanistan's Support to the American University of Afghanistan
10/28/10	5-306-11-001-P	Audit of USAID/Afghanistan's Partnership for Advancing Community-Based Education in Afghanistan (PACE-A) Program

10/26/10	F-306-11-001-R	Financial Audit of the Regenerating Murad Khane, Restoring Refurbishing and Revitalizing the Old City, Program, USAID/Afghanistan Cooperative Agreement No. 306-A-09-00503-00, Managed by the Turquoise Mountain Trust, for the Period January 1, 2009, to December 31, 2009
FY 2010		
09/29/10	5-306-10-002-S	Review of Security Costs Charged to USAID Projects in Afghanistan
09/28/10	5-306-10-002-D	Financial Audit of Cost Incurred and Billed for the Human and Institutional Capacity Building for Afghanistan Energy and Natural Resources Sector Project (Task Order No. DOT-I-04-04-00022-00), USAID/Afghanistan Cooperative Agreement No. 306-P-00-10-00514-00, Managed by Advanced Engineering Associates International, for the Period July 3, 2008, to June 30, 2009
07/29/10	5-306-10-011-P	Audit of USAID/Afghanistan's Alternative Development Program Expansion, South West
06/24/10	5-306-10-002-O	Review of School and Health Clinic Buildings Completed Under the Schools and Clinics Construction and Refurbishment Program
05/21/10	5-306-10-009-P	Audit of USAID/Afghanistan's Oversight of Private Security Contractors in Afghanistan
05/18/10	5-306-10-001-Q	Quality Control Review of the Financial Audit Conducted by KPMG Afghanistan Limited of the Local Costs Incurred by the Louis Berger Group Inc./Black & Veatch Special Projects Joint Venture to Implement the Afghanistan Infrastructure Rehabilitation Program, USAID/Afghanistan Contract No. 306-I-00-06-00517-00, for the Period October 1, 2007, to September 30, 2008
04/20/10	5-306-10-008-P	Audit of USAID/Afghanistan's Afghanistan Vouchers for Increased Productive Agriculture (AVIPA) Program
03/31/10	5-306-10-007-P	Audit of USAID/Afghanistan's Human Resources and Logistical Support Program
03/30/10	5-306-10-001-D	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, for the Period February 4, 2005, to December 3, 2008
02/25/10	5-306-10-002-N	Financial Audit of Local Costs Incurred by the Louis Berger Group Inc./Black & Veatch Special Projects Joint Venture to Implement the Afghanistan Infrastructure Rehabilitation Program, USAID/Afghanistan Contract No. 306-I-00-06-00517-00, for the Period October 1, 2007, to September 30, 2008
01/29/10	5-306-10-006-P	Audit of USAID/Afghanistan's Building Education Support Systems for Teachers Project
12/15/09	5-306-10-004-P	Audit of USAID/Afghanistan's Afghan Civilian Assistance Program
11/10/09	5-306-10-002-P	Audit of USAID/Afghanistan's Power Sector Activities Under Its Afghanistan Infrastructure Rehabilitation Program

FY 2009

09/29/09	5-306-09-021-R	Financial Audit of the Regenerating Murad Khane, Restoring, Refurbishing and Revitalizing the Old City Program, USAID/Afghanistan Cooperative Agreement No. 306-A-00-09-00503-00, Managed by the Turquoise Mountain Trust, for the Period November 2, 2008, to December 31, 2008
08/19/09	5-306-09-002-D	Financial Audit of Costs Incurred and Billed by BearingPoint Inc. USAID/Afghanistan Contract No. 306-C-00-03-00001-00, for the Period November 1, 2002, to December 15, 2005
06/25/09	5-306-09-005-N	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 August 25, 2006, to September 30, 2007
06/18/09	5-306-09-001-D	Financial Audit of Costs Incurred in the United States by 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 January 1, 2007, to May 31, 2008
06/08/09	5-306-09-004-P	Audit of USAID/Afghanistan's Land Titling and Economic Restructuring in Afghanistan Project
05/11/09	5-306-09-003-P	Audit of USAID/Afghanistan's Local Governance and Community Development Project in Southern and Eastern Regions of Afghanistan
12/04/08	5-306-09-002-P	Audit of USAID/Afghanistan's Higher Education Project

FY 2008

09/30/08	5-306-08-012-P	Audit of USAID/Afghanistan's Capacity Development Program
08/08/08	5-306-08-009-P	Audit of USAID/Afghanistan's Accelerating Sustainable Agriculture Program
06/23/08	5-306-08-006-P	Audit of USAID/Afghanistan's Small and Medium Enterprise Development Activity
05/16/08	5-306-08-003-D	Financial Audit of Costs Incurred in the United States by 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 July 1, 2006, to December 31, 2006
04/25/08	5-306-08-019-R	Closeout Financial Audit of the Business Advisory Services to Small and Medium-Sized Enterprises in Afghanistan Project, USAID/Afghanistan Cooperative Agreement No. 306-A-00-04-00570-00, Managed by Acap Management Limited, for the Period September 30, 2004, to March 29, 2007
03/17/08	5-306-08-003-P	Audit of USAID/Afghanistan's Alternative Development Program-Southern Region
01/22/08	5-306-08-001-P	Audit of USAID/Afghanistan's Agriculture, Rural Investment and Enterprise Strengthening Program
11/27/07	5-306-08-001-N	Financial Audit of Local Costs Incurred by 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 April 1, 2007, to June 30, 2007

FY 2007

08/31/07	5-306-07-009-P	Audit of Selected Follow-On Activities Under USAID/Afghanistan's Economic Program
06/27/07	5-306-07-008-N	Financial Audit of Local Costs incurred by 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 January 1, 2007, to March 31, 2007
06/07/07	5-306-07-006-P	Audit of USAID/Afghanistan's Urban Water and Sanitation Program
05/25/07	5-306-07-002-D	Financial Audit of Costs Incurred in the United States by 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 January 1, 2006, to June 30, 2006
05/21/07	5-306-07-004-P	Audit of Critical Power Sector Activities Under USAID/Afghanistan's Rehabilitation of Economic Facilities and Services Program
04/18/07	5-306-07-006-N	Financial Audit of Local Costs Incurred by 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 October 1, 2006, to December 31, 2006
02/13/07	5-306-07-002-P	Audit of USAID/Afghanistan's Alternative Livelihoods Program-Eastern Region
12/11/06	5-306-07-004-N	Financial Audit of Local Costs Incurred by 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 July 1, 2006, to September 30, 2006
10/16/06	5-306-07-001-N	Financial Audit of Local Costs Incurred by 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 April 1, 2006, to June 30, 2006

FY 2006

08/18/06	5-306-06-008-P	Audit of USAID/Afghanistan's School and Health Clinic Reconstruction Activities
08/16/06	5-306-06-007-P	Audit of USAID/Afghanistan's Rural Expansion of Afghanistan's Community-Based Healthcare Program
08/10/06	5-306-06-004-D	Financial 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 September 30, 2004, to February 25, 2006
08/02/06	5-306-06-003-D	Financial Audit of Costs Incurred in the United States by 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 April 1, 2005, to December 31, 2005

06/28/06	5-306-06-005-N	Financial Audit of Local Costs Incurred by 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 January 1, 2006, to March 31, 2006
05/18/06	5-306-06-005-P	Audit of USAID/Afghanistan's Reconstruction of the Kandahar-Herat Highway Under the Rehabilitation of Economic Facilities and Services Program
03/28/06	5-306-06-002-P	Audit of USAID/Afghanistan's Rebuilding Agricultural Markets Program
03/21/06	5-306-06-004-N	Financial Audit of Local Costs Incurred by 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 October 1, 2005, to December 31, 2005
01/10/06	5-306-06-001-P	Audit of USAID/Afghanistan's Cashiering Operations
12/21/05	9-306-06-004-P	Audit of Funds Earmarked by Congress to Provide Assistance for Displaced Persons in Afghanistan
12/19/05	5-306-06-002-D	Financial Audit of Costs Incurred in the United States by 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 July 1, 2004, to March 31, 2005
12/08/05	5-306-06-002-N	Financial Audit of Local Costs Incurred by 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 July 1, 2005, to September 30, 2005
FY 2005		
08/29/05	5-306-05-009-N	Financial Audit of Local Costs Incurred by 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 April 1, 2005, to June 30, 2005, Including Contract Line Item No. 2 Costs for the Period July 1, 2004, to June 30, 2005
06/30/05	5-306-05-008-N	Financial Audit of Local Costs Incurred by 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 January 1, 2005, to March 31, 2005, Including Contract Line Item No. 2 Costs for the Period April 1, 2004, to June 30, 2004
04/19/05	5-306-05-006-D	Financial Audit of Costs Incurred in the United States by 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 October 1, 2003, to June 30, 2004
04/14/05	5-306-05-005-P	Audit of USAID/Afghanistan's Primary Education Program
03/14/05	5-306-05-003-P	Audit of USAID/Afghanistan's School and Clinic Reconstruction Program

03/14/05	5-306-05-006-N	Financial Audit of Local Costs Incurred by 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 October 1, 2004, to December 31, 2004
12/09/04	5-306-05-002-N	Financial Audit of Local Costs Incurred by 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 July 1, 2004, to September 30, 2004
FY 2004		
09/21/04	5-306-04-006-P	Audit of the Kabul to Kandahar Highway Reconstruction Activities Financed by USAID/Afghanistan's Rehabilitation of Economic Facilities and Services Program
09/16/04	5-306-04-003-D	Audit of Costs Incurred in the United States by 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 July 1, 2003, to September 30, 2003
08/23/04	5-306-04-006-N	Financial Audit of Local Costs Incurred by 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 April 1, 2004, to June 30, 2004
08/17/04	5-306-04-005-P	Audit of the Sustainable Economic Policy and Institutional Reform Support Program at USAID/Afghanistan
07/09/04	5-306-04-005-N	Financial Audit of Local Costs Incurred by 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 January 1, 2004, to March 31, 2004
05/17/04	5-306-04-004-N	Financial Audit of Local Costs Incurred by 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 October 1, 2003, to December 31, 2003
05/17/04	5-306-04-002-D	Audit of the Application of Agreed-Upon Procedures on Costs Incurred in the United States by 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 September 30, 2002, to June 30, 2003
05/11/04	5-306-04-001-F	Audit of USAID/Afghanistan's Cashiering Operations
04/15/04	5-306-04-002-S	Risk Assessment of Major Activities Managed by USAID/Afghanistan
03/31/04	RIG Memo 04-003	Second Review of the Road Project Financed by USAID/Afghanistan's Rehabilitation of Economic Facilities and Services Program
03/26/04	5-306-04-003-N	Financial Audit of Local Costs Incurred by 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 July 1, 2003, to September 30, 2003

01/23/04	5-306-04-001-N	Financial Audit of Local Costs Incurred by 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 September 30, 2002, to June 30, 2003
11/13/03	RIG Memo 04-002	Review of the Road Project Financed by USAID/Afghanistan's Rehabilitation of Economic Facilities and Services Program
FY 2003		
03/11/03	5-306-03-001-S	Risk Assessment of Major Activities Managed by USAID/Afghanistan
Pakistan		
FY 2012		
03/20/12	G-391-12-001-N	Financial Audit of USAID/Pakistan's Rupee Trust Fund for the Period October 1, 2009, to September 30, 2011
03/16/12	G-391-12-004-P	Audit of USAID/Pakistan's Pre-Service Teacher Education Program
03/06/12	G-391-12-007-R	Financial Audit of the Pakistan Competitiveness Support Fund, USAID/Pakistan Grant Agreement No. 391-G-00-06-01073-00, Managed by the Competitiveness Support Fund, for the Period July 1, 2010, to June 30, 2011
02/24/12	G-391-12-006-R	Financial Audit of Budgetary Support, USAID/Pakistan Program Assistance Agreement No. 391-012, Managed by the Economic Affairs Division of the Government of Pakistan, for the Period June 8, 2009, to June 15, 2011
02/03/12	G-391-12-003-P	Audit of USAID's Pakistan Transition Initiative Program
02/17/12	G-391-12-001-Q	Quality Control Review of the Financial Audit Conducted by the Directorate General Audit, Federal Government, Department of the Auditor General of Pakistan, of the Merit and Need Based Scholarship Project, USAID/Pakistan Agreement No. 391-G-00-04-01023-00, Managed by the Higher Education Commission, for the Period July 2, 2004, to June 30, 2010
02/17/12	G-391-12-005-R	Financial Audit of the Merit and Need Based Scholarship Project, USAID/Pakistan Agreement No. 391-G-00-04-01023-00, Managed by the Higher Education Commission, for the Period July 2, 2004, to June 30, 2010
01/13/12	G-391-12-004-R	Financial Audit of Anti-Corruption Program Pakistan, USAID/Pakistan Cooperative Agreement No. 391-A-00-09-01117-00, and Anti-Fraud Hotline Pakistan, USAID/Pakistan Cooperative Agreement No. 391-A-00-10-01194-00, Managed by Transparency International-Pakistan, for the Year Ended June 30, 2011
01/06/12	G-391-12-003-R	Financial Audit of the Aga Khan University Flood Response Program, USAID/Pakistan Cooperative Agreement No. 391-G-00-10-01188-00, for the Period August 30, 2010, to December 31, 2010
11/23/11	G-391-12-002-P	Audit of USAID/Pakistan's Energy Efficiency and Capacity Program
11/03/11	G-391-12-001-P	Audit of USAID/Pakistan's Firms Project

11/03/11	G-391-12-002-R	Financial Audit of Budgetary Support to the Government of Pakistan, USAID/Pakistan Program Assistance Agreement No. 391-005-ES-07, Managed by the Ministry of Finance, for the Year Ended June 30, 2008
10/26/11	G-391-12-001-R	Financial Audit of Budgetary Support, USAID/Pakistan Program Assistance Agreement No. 391-AAG-012-IL -02, Managed by the Benazir Income Support Program, for the Period September 30, 2009, to March 31, 2011
FY 2011		
09/21/11	G-391-11-005-R	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 February 6, 2010, to December 31, 2010
08/29/11	G-391-11-006-P	Audit of USAID/Pakistan's Community Rehabilitation Infrastructure Support Program
06/23/11	G-391-11-003-Q	Quality Control Review of the Audit Report and Audit Documentation for the 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, for the Period July 1, 2009 to March 31, 2010
06/23/11	G-391-11-004-R	Closeout Financial Audit of the Development of a 4-Year Bachelor Degree Program and Strengthening Programs in Basic Science and Information Technology, USAID/Pakistan Grant Agreement No. 391-G-00-04-01036-00, Managed by Forman Christian College, for the Period July 1, 2009, to March 31, 2010
06/20/11	G-391-11-005-P	Audit of USAID/Pakistan's Road Rehabilitation and Reconstruction Activities Under the Quick Impact Projects in South Waziristan
05/26/11	G-391-11-001-N	Financial Audit of USAID/Pakistan's Rupee Trust Fund for the Period October 1, 2006, to September 30, 2009
05/10/11	G-391-11-002-Q	Quality Control Review of the Audit Report and Audit Documentation for the Financial Audit Conducted by Nasir Javaid Maqsood Imran of the Pakistan Competitiveness Support Fund, USAID/Pakistan Grant Agreement No. 391-G-00-06-10730, Managed by the Competitiveness Support Fund, for the Period from July 1, 2009, to June 30, 2010
05/10/11	G-391-11-003-R	Financial Audit of the Pakistan Competitiveness Support Fund, USAID/Pakistan Grant Agreement No. 391-G-00-06-01073-00, Managed by the Competitiveness Support Fund, for the Period July 1, 2009, to June 30, 2010
05/06/11	G-391-11-004-P	Audit of USAID/Pakistan's Management of Preaward Assessments
04/08/11	G-391-11-001-Q	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 and 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 July 1, 2008, to February 26, 2010

04/08/11	G-391-11-002-R	Closeout Financial Audit of the Interactive Teaching and Learning Project, USAID/Pakistan Cooperative Agreement No. 391-A-00-06-01075-00, and Financial Audit of Links to Learning Education Support to Pakistan Program, Subaward Under USAID/Pakistan Cooperative Agreement No. 391-A-00-08-01100-00, Managed by Children's Global Network Pakistan Limited, for the Period July 1, 2008, to February 26, 2010
01/24/11	G-391-11-003-P	Audit of USAID/Pakistan's Flood Relief Efforts as Administered by Local Nongovernmental Organizations
12/30/10	G-391-11-001-R	Closeout 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 Limited, for the Period January 1, 2009, to September 30, 2009
12/10/10	G-391-11-002-P	Audit of USAID/Pakistan's Livelihood Development Program for the Upper Region of the Federally Administered Tribal Areas
12/10/10	G-391-11-001-P	Audit of USAID/Pakistan's Livelihood Development Program for the Lower Region of the Federally Administered Tribal Areas
11/08/10	G-391-11-001-D	Financial Audit of Costs Incurred Under the School Enhancement Program Component of the Education Sector Reform Assistance Program, USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01000-00, Managed by RTI International, for the Period December 4, 2002, to September 30, 2007

FY 2010

08/31/10	5-391-10-012-P	Audit of USAID/Pakistan's Family Advancement for Life and Health Program
08/04/10	G-391-10-001-R	Financial Audit of the Pakistan Competitiveness Support Fund, USAID/Pakistan Grant Agreement No. 391-G-00-06-01073-00, Managed by the Competitiveness Support Fund, for the Period February 3, 2006, to June 30, 2009
06/28/10	5-391-10-010-P	Audit of USAID/Pakistan's Primary Healthcare Revitalization, Integration and Decentralization in Earthquake-Affected Areas Project
06/28/10	5-391-10-001-S	Review of USAID's Internally Displaced Persons Programs in Pakistan
05/18/10	5-391-10-033-R	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 July 1, 2007, to June 30, 2009
04/30/10	5-391-10-029-R	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
03/24/10	5-391-10-026-R	Closeout Financial Audit of the Improved Pakistani Family Planning and Reproductive Health Services Program, USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01016-00, Managed by Greenstar Social Marketing Pakistan (Guarantee) Limited, for the Period July 1, 2007, to December 31, 2007

02/11/10	5-391-10-020-R	Closeout Financial Audit of the Aga Khan University Examination Board, USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01003-00, for the Period January 1, 2007, to December 31, 2007
01/28/10	5-391-10-005-P	Audit of USAID/Pakistan's Capacity Building for the Federally Administered Tribal Areas Development Program
12/22/09	5-391-10-012-R	Financial Audit of USAID Funds Managed by Children's Global Network Pakistan (Guarantee) Limited for the Year Ended June 30, 2008

FY 2009

08/13/09	5-391-09-006-N	Financial Audit of 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
06/25/09	5-391-09-013-R	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 January 1 to December 31, 2007
05/11/09	5-391-09-002-N	Financial Audit of USAID/Pakistan's Rupee Trust Fund for Operating Expenses, for Fiscal Years Ended September 30, 2005, and 2006
04/30/09	5-391-09-008-R	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 August 23, 2004, to June 30, 2007
04/30/09	5-391-09-001-Q	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 August 23, 2004, to June 30, 2007
04/29/09	5-391-09-007-R	Financial Audit of the Aga Khan University Examination Board, USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01003-00, for the Period January 1, 2006, to December 31, 2006
12/15/08	5-391-09-006-R	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 (Guarantee) Limited, for the Period March 1, 2006, to June 30, 2007
11/25/08	5-391-09-001-P	Audit of USAID/Pakistan's Earthquake Reconstruction Activities

FY 2008

09/26/08	5-391-08-035-R	Financial Audit of the Improved Pakistani Family Planning and Reproductive Health Services Program, USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01016-00, Managed by Greenstar Social Marketing Pakistan (Guarantee) Limited, for the Period July 1, 2006, to June 30, 2007
09/25/08	5-391-08-034-R	Financial Audit of the Improved Pakistani Family Planning and Reproductive Health Services Program, USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01016-00, Managed by Greenstar Social Marketing Pakistan (Guarantee) Limited, for the Period July 1, 2005, to June 30, 2006

09/19/08	5-391-08-032-R	Financial Audit of the Improved Pakistani Family Planning and Reproductive Health Services Program, USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01016-00, Managed by Greenstar Social Marketing Pakistan (Guarantee) Limited, for the Period July 1, 2004, to June 30, 2005
08/27/08	5-391-08-030-R	Closeout Financial Audit of the Rewarding Innovation at the District Level Program, USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01015-00, for the Period July 1, 2005, to March 31, 2006, and the Establishing Tent Schools and Cash for Work Program, Grant Agreement No. 391-G-00-06-0169-00, for the Period December 9, 2005, to June 15, 2006, Managed by Rural Support Programmes Network
08/20/08	5-391-08-005-N	Financial Audit of the Technical Assistance and Training to Improve Project and Financial Management of Provincial and District Health and Population Welfare Services in Pakistan Project, USAID/Pakistan Limited Scope Grant Agreement No. 391-G-00-04-01020-00, Managed by the Options Consultancy Services Limited- Technical Assistance Management Agency, for the Period January 1, 2004, to March 31, 2006
08/15/08	5-391-08-029-R	Closeout 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 July 1, 2006, to September 30, 2007
07/02/08	5-391-08-027-R	Financial Audit of the Aga Khan University Examination Board, USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01003-00, for the Period January 1, 2005, to December 31, 2005
04/15/08	5-391-08-017-R	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 January 1, 2005, to December 31, 2006
03/28/08	5-391-08-004-P	Audit of USAID/Pakistan's Education Sector Reform Assistance Program
FY 2007		
09/28/07	5-391-07-024-R	Financial Audit of the 4-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 July 1, 2005, to June 30, 2006
08/22/07	5-391-07-023-R	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 July 1, 2005, to June 30, 2006
07/25/07	5-391-07-020-R	Financial Audit of the Improved Pakistani Family Planning and Reproductive Health Services Program, USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01016-00, Managed by Greenstar Social Marketing Pakistan (Guarantee) Limited, for the Period November 7, 2003, to June 30, 2004
05/23/07	5-391-07-005-P	Audit of Selected Activities Under USAID/Pakistan's Basic Health Program
05/03/07	5-391-07-014-R	Financial Audit of the Aga Khan University Examination Board, USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01003-00, for the Period July 1, 2003, to December 31, 2004

02/22/07	5-391-07-010-R	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 September 1, 2004, to August 31, 2005
01/12/07	5-391-07-007-R	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 October 1, 2003, to June 30, 2005
01/12/07	5-391-07-006-R	Financial Audit of the 4-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 August 23, 2004, to June 30, 2005
10/06/06	5-391-07-001-Q	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, USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01003-00, for the Period July 1, 2003, to December 31, 2004
FY 2006		
09/27/06	5-391-06-033-R	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 October 1, 2003, to December 31, 2004
09/26/06	5-391-06-003-Q	Quality Control Review of the Audit Report and Audit Documentation for the Financial Audit Conducted by Ford Rhodes Sidat Hyder & Co., Pakistan, of the Improved Pakistani Family Planning and Reproductive Health Services Program, USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01016-00, Managed by Greenstar Social Marketing Pakistan (Guarantee) Limited, for the Period November 7, 2003, to June 30, 2004
09/26/06	5-391-06-032-R	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
09/13/06	5-391-06-031-R	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 9-Month Period Ended June 30, 2004
05/11/06	5-391-06-020-R	Financial Audit of the Improved Pakistani Family Planning and Reproductive Health Services Program, USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01016-00, Managed by Greenstar Social Marketing Pakistan (Guarantee) Limited, for the Period November 7, 2003, to June 30, 2004
01/10/06	5-391-06-003-N	Financial Audit of USAID/Pakistan's Rupee Trust Fund for Operating Expenses, for Fiscal Years Ended September 30, 2002, 2003, and 2004
FY 2004		
10/30/03	5-391-04-001-S	Risk Assessment of Major Activities Managed by USAID/Pakistan
FY 2003		
01/07/03	0-000-03-001-F	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

Appendix 6 – Summaries of Performance Audit and Review Findings, FYs 2010-2012

The following pages provide summaries of OIG performance audit and review findings from October 1, 2009, to the end of the last reporting period, December 31, 2011. Report summaries are presented by country with the most recent performance audits and reviews noted first.

Afghanistan

Review of Responses to Internal Audit Findings on the Local Governance and Community Development Project (Report No. F-306-12-001-S, December 26, 2011)

Launched in October 2006, the Local Governance and Community Development Project sought to promote stability in Afghanistan. Focused in Kandahar City and the Maywand District, Development Alternatives Inc. (DAI) implemented the project through a contract that ended in August 2011.

The project had many successes, including the completion of more than 2,500 community stabilization projects; generation of immediate short-term employment totaling 1.5 million employment days through cash-for-work activities; and completion of significant and lasting improvements in rural infrastructure, including gravel roads, footbridges, and irrigation systems. However, in March 2011, OIG received a copy of a DAI internal audit report detailing financial and internal control problems occurring from August 2008 through August 2009. DAI had not provided this report to USAID or returned any funds related to questioned expenditures identified in the report.

Procurements for the project, including service contracts, fuel supply, and building and vehicle leasing had several deficiencies. For instance, analysis of payment vouchers and the associated procurement documents revealed \$2,019,036 in noncompetitive procurements. In addition, OIG's review of leases for office space and guesthouses, at an amount of \$6.7 million over 4½ years, revealed that project personnel had entered into several leases without the required competition, and without required approvals. In addition, some rental payments were apparently made to the project cashier, instead of to the lessors identified in the lease agreements. DAI staff explained that because many of the property owners did not have bank accounts, lease payments needed to be in cash. OIG found no documentation showing that the lessors had signed for receipt of their monthly rents.

Furthermore, OIG determined the contract files for three vehicle leasing companies lacked preaward documents, bid solicitations, other vendors' quotations, and approvals from DAI procurement managers. In one incident, a bid submitted for one procurement (to provide armored and unarmored vehicles) was copied and included as proof of competitive bidding in another procurement, and correction fluid had been used to obscure relevant information. DAI staff members were also unable to locate the contract file, payment vouchers, or project receipts for fuel purchases totaling \$3,424,400 from Khyber Afghan Petroleum, one of DAI's suppliers. DAI staff had no explanation for this lack of documentation.

Audit of USAID/Afghanistan's Afghanistan Stabilization Initiative for the Southern Region (Report No. F-306-12-001-P, November 13, 2011)

In June 2009, the USAID's OTI signed a 3-year, \$159.6 million contract with Chemonics International Inc. (Chemonics) to implement the Afghanistan Stabilization Initiative for the Southern Region (ASI-SR). ASI-SR implemented project activities through grants in districts and municipalities in Kandahar and Helmand Provinces.

OIG was unable to reach a conclusion about whether the program as a whole was achieving its goal because of multiple issues with the program. Many of these problems stemmed from program implementation, which was delayed by a lack of formal work plans, inadequate OTI oversight, staffing difficulties, and poor quality subcontractors. In addition, Chemonics did not properly manage its budget and began running out of funds in the first quarter of FY 2011.

Some security costs incurred for the initiative were questionable. Chemonics paid \$1.2 million for personal security details for staff members who lived on military bases and traveled exclusively in military convoys, even though no other contractor incurred this type of cost when the contractor's staff members resided on a military installation.

Furthermore, Chemonics officials stated that the company had leased 13 armored vehicles because it felt the vehicles were needed to provide sufficient security. However, Chemonics' security personnel prohibited expatriate staff from traveling into the field, and to maintain a low profile, local staff members were using unarmored vehicles. In addition, vehicle leasing costs were unreasonably high.

The long-term benefits of the initiative were also undercut by a lack of planning. Although some key districts were ready for longer-term development projects, no comprehensive plans were in place to guide this transition. Without a comprehensive transition plan to prepare for longer-term development, key districts may not be able to sustain gains in stability, as district governors may not have the resources to meet the needs of their communities.

Financial controls were also problematic. For example, Chemonics used cash to make large tax payments to the Afghan Government, increasing the risk that a payment may be stolen. In May 2011, an employee sent to a bank in Lashkar Gah with \$62,398 to pay taxes to the Ministry of Finance disappeared with the money. Although most of the money was ultimately recovered, this incident exposed weaknesses in Chemonics' internal controls.

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 (Report No. F-306-11-004-P, September 29, 2011)

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 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 to 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 sometimes waited 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.

Review of USAID/Afghanistan's Afghanistan Civilian Assistance Program (Report No. F-306-11-005-S, August 31, 2011)

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). Program beneficiaries 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. 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.

Audit of USAID/Afghanistan's Support to the Electoral Process (STEP) and Support for Increased Electoral Participation in Afghanistan (IEP) Programs (Report No. F-306-11-003-P, June 19, 2011)

To help strengthen Afghanistan's electoral system, USAID/Afghanistan has provided assistance through the STEP Program implemented under a contract with the International Foundation for Electoral Systems, and the IEP Program implemented through a cooperative agreement with the Consortium for Election and Political Process Strengthening.

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 and the Electoral Complaints Commission. 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 Electoral Commission and Electoral Complaints Commission, 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.

Review of USAID/Afghanistan's Portion of the Embassy Air Program (Report No. F-306-11-004-S, June 9, 2011)

On January 4, 2010, USAID awarded Aircraft Charter Solutions Inc. a 2-year, \$361 million contract to supply air transportation in Afghanistan. The contractor provided 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 include 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 was 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 monitor the program effectively.

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.

Audit of USAID/Afghanistan's Construction of Health and Education Facilities Program (Report No. F-306-11-002-P, March 27, 2011)

To help respond to unmet health and education needs in Afghanistan, USAID/Afghanistan entered into a \$57 million cooperative agreement with IOM in January 2008, effective through January 2011, to implement the Construction of Health and Education Facilities 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 the Islamic Republic of Afghanistan's (GIROA'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. Achievement of 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 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 cases we reviewed in which 7-day

concrete compression strength tests were required, IOM could only provide evidence that 35 were performed.

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

Review of USAID/Afghanistan's Bank Supervision Assistance Activities and the Kabul Bank Crisis (Report No. F-306-11-003-S, March 16, 2011)

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. 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 OIG assistance in determining whether USAID or Deloitte staff members were negligent in failing to report Kabul Bank fraud.

In response to USAID/Afghanistan's request, OIG 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 they took once they became aware of the fraud.

The audit found that 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. OIG auditors also concluded 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.

Review of Cash Disbursement Practices Employed by Selected USAID/Afghanistan Contractors and Grantees (Report No. F-306-11-002-S, March 7, 2011)

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.

OIG examined the cash disbursement practices of ten USAID contractors and grantees. Selected 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. Using an OIG risk assessment of USAID/Afghanistan'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 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. 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.

Overall, OIG auditors determined that audited 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. And, following the review, five of the ten selected implementing partners took steps to reduce their cash exposure risk by proactively seeking ways to make payments through electronic funds transfers, 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.

Audit of USAID/Afghanistan's Agriculture, Water, and Technology Transfer Program (Report No. F-306-11-001-P, February 13, 2011)

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. 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 remained 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, 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.

USAID's cooperative agreement with NMSU also established the development of an institutional framework for effective supply and demand management of the country's limited water resources as a key objective. NMSU demonstrated a number of water-conserving technologies and successfully stimulated demand for some of them. However, farmers had not adopted these technologies for wider use, and NMSU placed relatively little emphasis on improving distribution of irrigation water resources.

NMSU's efforts had not yet resulted in a more equitable, community-based system for managing irrigation water. NMSU officials noted that the water-conserving technologies that 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.

Review of USAID/Afghanistan's Ministerial Assessment Process (Report No. F-306-11-001-S, November 6, 2010)

The U.S. Government planned to deliver 50 percent of its development aid to Afghanistan through GIRA's core budget by the end of calendar year 2011. With this expectation, USAID/Afghanistan conducted a series of preaward assessments of GIRA ministries to see whether the ministries could responsibly manage U.S. Government resources. A preaward assessment (sometimes called a preaward survey or preaward audit) involves inquiries, observations, and tests to see whether the assessed entity has the requisite procedures,

internal controls, experienced personnel, and other resources needed to manage U.S. Government funds responsibly.

OIG's review—which focused on assessments already performed by USAID/Afghanistan, as well as draft scopes of work for future assessments—found that those conducted did not provide reasonable assurance of detecting significant vulnerabilities. The scope of the assessments varied from one ministry to another, but some significant limitations existed. For example, reviewers did not know what programs the ministries would be asked to manage and could not therefore address the ministries' capacity in these areas. In addition, none of the assessments explicitly considered the control environment in Afghanistan or in individual ministries (e.g., the existence of widespread impunity or the ability of high-level officials to interfere with law enforcement institutions and processes).

OIG found a need for more testing to see whether internal control procedures were followed. In addition, more coverage of controls over fixed assets and payroll and attendance was required. Reviewers needed more guidance on how to assess compliance with applicable laws and regulations, and more extensive USAID supervisory review of assessment reports was also required.

Audit of USAID/Afghanistan's Support to the American University of Afghanistan (Report No. 5-306-11-002-P, November 5, 2010)

The Afghan Constitution and Civil Code, which took effect in July 2004, chartered the American University of Afghanistan to provide a high-quality education that meets international standards and emphasizes a liberal arts curriculum and higher education for the professions (e.g., offering courses in business English, information technology, leadership, and business management). The university began offering undergraduate courses and professional programs in September 2006.

To assist in the university's development, USAID/Afghanistan entered into a \$42 million cooperative agreement with the university in August 2008, effective through July 2013.

OIG's audit found that the university, with USAID/Afghanistan's support, had increased student enrollment and improved school infrastructure, although the development of a new campus was behind schedule. The university had increased the number of qualified staff, one of the program goals. However, the university had not made progress in becoming self-sustaining. Despite increasing revenue from student tuition, it was struggling with fund-raising, which is essential for sustainability. As of May 2010, AUAF had raised only \$4.5 million of the \$14 million required and only \$2.2 million had been collected, the remainder consisting only of pledges. Additionally, although the university planned to raise \$23 million in capital for the construction of the new campus, as of May 2010, AUAF had identified only two donors; therefore, OIG questioned whether AUAF will become self-sustaining after U.S. Government funding ceases.

The audit found that the university was also behind schedule in reforming its undergraduate program, which is making it less competitive with other private universities in Afghanistan. Furthermore, the University's Professional Development Institute had poor attendance because students lacked interest, and most of the reviewed course syllabi contained no written completion requirements. Because the university had not submitted required planning documents, including its second-year budget, the mission was withholding additional funding. Further, the university was unlikely to meet its goal of increasing

enrollment of women to 30 percent; Afghan cultural norms make families unwilling to send girls to an American higher education facility because of the stigma against associating with people from other countries.

In addition to documenting funding and curriculum problems, OIG found that the university did not follow environmental procedures in construction of the new campus or in renovations of existing facilities.

Audit of USAID/Afghanistan’s Partnership for Advancing Community-Based Education in Afghanistan (PACE-A) (Report No. 5-306-11-001-P, October 28, 2010)

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 program activities involved primary education classes covering grades 1 through 6, the program also offered 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 while the program was partially achieving its goals but was not offering its teachers 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 Ministry of Education system were not always implemented effectively.

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 Ministry of Education system, with 51 percent of the program’s primary classes integrated into the 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.

Review of Security Costs Charged to USAID Projects in Afghanistan (Report No. 5-306-10-002-S, September 29, 2010)

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. 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.:

- 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.

Audit of USAID/Afghanistan's Alternative Development Program Expansion, South West (Report No. 5-306-10-011-P, July 29, 2010)

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 was 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 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 presented challenges that could hamper program implementation if not properly managed.

Review of School and Health Clinic Buildings Completed Under the Schools and Clinics Construction and Refurbishment Program (Report No. 5-306-10-009-P, June 24, 2010)

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, OIG audited school and health clinic reconstruction activities.³ The audit found that the program was behind schedule, and it recommended that the mission develop a new implementation plan.

OIG contracted with KPMG Afghanistan—whose staff could travel more easily within Afghanistan—to conduct site visits for this review. OIG 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

³ *Audit of USAID/Afghanistan's School and Clinic Reconstruction Program*, Report No. 5-306-05-003-P, March 14, 2005.

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.

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 GIRoA.

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 did 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.

Audit of USAID/Afghanistan's Oversight of Private Security Contractors in Afghanistan (Report No. 5-306-10-009-P, May 21, 2010)

USAID program implementers rely on 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.

Audit of USAID/Afghanistan's Afghanistan Vouchers for Increased Productive Agriculture (AVIPA) Program (Report No. 5-306-10-008-P, April 20, 2010)

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 officials outside of USAID. 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.

Audit of USAID/Afghanistan's Human Resources and Logistical Support Program (Report No. 5-306-10-007-P, March 31, 2010)

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 had a database of 1,474 USAID-built structures, but the database was not complete. As of October 2009, the program had completed preliminary assessments of 468 of these structures and detailed structural seismic evaluations of 35. At that point, the program had 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 had succeeded in providing these services for projects initiated by the mission's Office of Infrastructure, Engineering and Energy. However, the mission had 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," Report No. 5-306-08-009-P, August 8, 2008) had 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.

Audit of USAID/Afghanistan's Building Education Support Systems for Teachers Project (Report No. 5-306-10-006-P, January 29, 2010)

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 was making progress in helping to improve the quality of education in Afghanistan but had 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 worked with USAID and other donors to implement a 5-year National Education Strategic Plan (2006–2010).

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 in-service training for teachers already working for the Ministry of Education. Although the project had not attempted to measure the extent to which teaching had 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 in-service 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.

Audit of USAID/Afghanistan's Civilian Assistance Program (Report No. 5-306-10-004-P, December 15, 2009)

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—was not on target to assist eligible program beneficiaries.

Assistance under the program was 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 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.

Audit of USAID/Afghanistan's Power Sector Activities Under Its Afghanistan Infrastructure Rehabilitation Program (Report No. 5-306-10-002-P, November 10, 2009)

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 to complete the Kabul Power Plant by December.

The audit also found that the host government might 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 could not be completed until a new subcontractor is selected. USAID had 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 had been delivered.

Pakistan

Audit of USAID/Pakistan's Energy Efficiency and Capacity Program (Report No. G-391-12-002-P, November 23, 2011)

To help address power blackouts and other severe supply shortages, USAID/Pakistan awarded a 3-year, \$23.5 million contract in March 2009 to the International Resources Group to focus on training in the energy sector and on a variety of conservation activities throughout Pakistan. In April 2010, in response to a shift in U.S. Government strategy, the mission modified the program's goal to focus on reducing energy demand through an activity to improve the efficiency of tube wells. This activity was designed to replace irrigation pumps used by farmers with more energy-efficient models.

In the first year of the program, OIG found that the mission had not achieved the majority of its targets. It had not helped any distribution companies implementing conservation strategies or any energy companies evaluating energy efficiency, upgrading equipment, or with energy conservation plans.

It also had trained less than half the energy sector individuals intended.

After the shift in strategy, the mission planned to install 11,000 energy efficient irrigation pumps. Although a pilot phase determined that the activity was unlikely to succeed, the mission proceeded with the program. By September of 2011, less than 1,000 pumps, or 9 percent, had been installed. This was the result of multiple problems, including the mission setting unrealistic goals and budgets. For instance, the mission budgeted almost \$1,500 per pump, but in actuality paid almost \$9,000. In addition, partners and beneficiaries often did not participate as intended. The regional energy distribution company, a key partner, did not fully support the program and farmers would not pay the additional cost of installing the pumps, including the costs of masonry and electrical work.

Audit of USAID/Pakistan's Firms Project (Report No. G-391-12-001-P, November 3, 2011)

To help improve Pakistan's economic stability, USAID/Pakistan awarded a 4-year, \$89.8 million contract to Chemonics International to implement the Firms Project. In 2010, 14 months after the project began, USAID modified the project goal to promote economic development in vulnerable areas as an alternative to extremism.

Despite the mission's attempt to increase sales and employment in a number of sectors—leather, livestock, textile, dates, and mangoes—project activities did not increase sales or employment. Efforts to boost sales and jobs were stalled, and activities to improve competitiveness through economic policy reform were behind schedule. This is in part because of shifts in the mission's strategy that resulted in the cancellation of these activities. In addition, the mission did not set realistic targets. For example, though Chemonics was tasked with working with the Government of Pakistan to enact regulatory reform, they are not expected to achieve this by 2013. According to Chemonics, long term reform is a 10- to 12-year process because of all of the stakeholders involved.

The mission also focused activities around increasing sales and production of mangoes, but these activities were a year behind schedule. Further, the implementer intended to supply processing equipment to the mango farmers, but did not deliver them on schedule. One farmer did receive all of the equipment promised, but was unable to operate it because a design flaw prevented its assembly.

Although a performance management plan was approved by the mission, it did not comply with Agency standards. As a result, sales and employment figures were overstated and methods for collecting data were inconsistent and unreliable. In addition, the contracting officer's technical representative did not provide sufficient monitoring and oversight, in particular for the procurement process.

For instance, the contracting officer's technical representative did not conduct any site visits to the project and approved over 20 invoices without knowing whether the material ordered had been received. Consequently, the mission did not discover multiple problems in the process.

Audit of USAID/Pakistan's Community Rehabilitation Infrastructure (Report No. G-391-11-006-P, August 29, 2011)

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.

OIG found that the program had 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 that 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 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.

Audit of USAID/Pakistan's Road Rehabilitation and Reconstruction Activities Under the Quick Impact Projects in South Waziristan (Report No. G-391-11-005-P, June 20, 2011)

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 FATA Secretariat to implement Quick Impact Projects (i.e., rebuild roads, develop water infrastructure, and improve power systems).

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 strengthened the management of the road activities, and the use of fixed-amount reimbursement agreements 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 building roads and other infrastructure projects, and both will work on all of 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, as required, to ensure that employees working on projects were aware of the USAID's ethical standards and its position on conflicts of interest.

Audit of USAID/Pakistan's Management of Preaward Assessments (Report No. G-391-11-004-P, May 6, 2011)

The Enhanced Partnership with Pakistan Act of 2009 (Public Law 111-73) 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 use of 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.

OIG's audit on USAID/Pakistan's management of preaward assessments found that mission's preaward process provided 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 manage funds properly. 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.

Audit of USAID/Pakistan's Flood Relief Efforts as Administered by Local Nongovernmental Organizations (Report No. G-391-11-003-P, January 24, 2011)

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 NGOs: the Pakistan Poverty Alleviation Fund (PPAF) and Rural Support Programmes Network.

The two NGOs were to provide immediate relief in the provinces of Balochistan, Punjab, Sindh, and Khyber Pakhtunkhwa 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.

Audit of USAID/Pakistan's Livelihood Development Program for the Upper Region of the Federally Administered Tribal Areas (Report No. G-391-11-002-P, December 10, 2010)

FATA has 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 2 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 the implementer working in lower FATA, 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 6 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 Livelihood Development Program 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 needed to address the following problems that were 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 audit showed 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 Livelihood Development Program activities. In addition, allowing outside pressures to take precedence over important management controls contributed to poor program results.

Audit of USAID/Pakistan's Livelihood Development Program for the Lower Region of the Federally Administered Tribal Areas (Report No. G-391-11-001-P, December 10, 2010)

Pakistan's mountains 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. 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.

Audit of USAID/Pakistan’s Family Advancement for Life and Health Program (Report No. 5-391-10-012-P, August 31, 2010)

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 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 placed a team of master trainers in each of the 26 program districts. The trainers were 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 had trained providers for family planning counseling and services in their facilities. Furthermore, FALAH planned 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 hoped 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 was operating a national hotline serviced by its physicians.

Audit of USAID/Pakistan’s Primary Healthcare Revitalization, Integration and Decentralization in Earthquake-Affected Areas Project (Report No. 5-391-10-010-P, June 28, 2010)

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 Project and awarded a \$28.5 million cooperative agreement

to the International Rescue Committee, 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 scheduled to work with the project implementer. Moreover, other project activities took precedence over revamping the patient referral system.

Review of USAID's Internally Displaced Persons Programs in Pakistan (Report No. 5-391-10-001-S, June 28, 2010)

Between August 2008 and September 2009, conflict between the Government of Pakistan and militant groups in the North-West Frontier Province (NWFP, subsequently renamed Khyber Pakhtunkhwa) and the 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 (IDPs) 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 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.

USAID/Pakistan’s Capacity Building Program for the Federally Administered Tribal Areas Development Program (Report No. 5-391-10-005-P, January 28, 2010)

This audit pointed to several implementation difficulties in USAID’s capacity building programs in the 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 manage services and development resources effectively. In an attempt to remedy this problem, in 2008 USAID awarded a 3-year, \$46 million contract to Development Alternatives Inc. 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 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 existed lacked 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.

Abbreviations

AED	Academy for Educational Development
ASI-SR	Afghanistan Stabilization Initiative for the Southern Region
ATVI	Afghanistan Technical Vocational Institute
AUAF	American University of Afghanistan
AVIPA	Afghanistan Vouchers for Increased Productive Agriculture Program
BISP	Benazir Income Support Program
CERP	Commander's Emergency Response Program
COPP	Compliance and Oversight of Partner Performance Division, Office of Acquisitions and Assistance, U.S. Agency for International Development
DAB	Afghanistan Central Bank
DAI	Development Alternatives Inc.
DCAA	Defense Contract Audit Agency
DOD	Department of Defense
EDC	Education Development Center Inc.
FALAH	Family Advancement for Life and Health Program
FATA	Federally Administered Tribal Areas
FY	fiscal year
GAO	Government Accountability Office
GIRoA	Government of the Islamic Republic of Afghanistan
IDP	internally displaced person

IEP	Increased Electoral Participation in Afghanistan Program
IOM	International Organization for Migration
KVO	Kunar Vocational Organization
LBGI/B&V	Joint Venture Louis Berger Group Inc./Black & Veatch Special Projects Corp.
LGCD	Local Governance and Community Development Program
MoPH	Ministry of Public Health, Government of the Islamic Republic of Afghanistan
NAB	National Accountability Bureau, Government of Pakistan
NESPAK	National Engineering Services Pakistan Limited
NGO	nongovernmental organization
NMSU	New Mexico State University
NWFP	North-West Frontier Province (now Khyber Pakhtunkhwa)
OAA	Office of Acquisitions and Assistance, U.S. Agency for International Development
OIG	Office of Inspector General, U.S. Agency for International Development
OMB	Office of Management and Budget, Executive Office of the President
OTI	Office of Transition Initiatives, U.S. Agency for International Development
PACE-A	Partnership for Advancing Community-Based Education in Afghanistan
PPAF	Pakistan Poverty Alleviation Fund
PPR	Pakistan Public Procurement Rules
Pre-STEP	Pre-Service Teacher Education Program
PSC	private security contractor
STAY	Skills Training for Afghan Youth Project

STEP Support to the Electoral Process

USAID U.S. Agency for International Development

USAID Office of Inspector General
1300 Pennsylvania Ave, NW
Washington, DC 20235
www.usaid.gov/oig
202.712.1150