Afghanistan and Pakistan

April 2009

1300 PENNSYLVANIA AVENUE, SUITE 6.6.101, WASHINGTON, DC 20523

Executive Summary of Activities in Afghanistan and Pakistan

Overview

The Office of Inspector General (OIG) has been providing oversight of U.S. Agency for International Development (USAID) activities in Afghanistan since 2002. Oversight in Pakistan has been ongoing for nearly 30 years, and OIG has strengthened its focus in the country as more high-profile USAID programs have evolved. OIG covers a wide spectrum of USAID programs in the two countries, covering such areas as relief and stabilization, reconstruction, sustainable development, education, and health care. OIG's activities help USAID make sure that tax dollars are being spent wisely and effectively.

The most frequent types of recommendations in our Afghanistan audits have involved inadequate contract oversight or activities management (68 percent), data integrity or quality (24 percent), and contractor performance that needed improvement (20 percent). Similar problems were found in Pakistan. Of the recommendations in Pakistan audits, 60 percent involved problems with contract oversight or activities management as well as data quality. In both countries, security conditions either hindered program accomplishment or had the potential to create implementation problems (approximately 75 percent of audits in Afghanistan and 80 percent in Pakistan).

USAID obligations in Afghanistan for fiscal years 2002 through the second quarter of 2009 totaled over $7.5 billion, and in Pakistan during the same timeframe, obligations totaled more than $2.7 billion. Since fiscal year 2003, OIG has expended $3.85 million in base appropriations and supplemental funding to oversee USAID's activities in Afghanistan. We expect to expend approximately $3 million on oversight operations in Pakistan in fiscal years 2009 and 2010 alone.

From our office in Manila, 14 auditors and 2 investigators (direct-hire and Foreign Service national personnel) oversee USAID programs and operations in Afghanistan and Pakistan. We expect to place resident staff in Afghanistan this summer and in Pakistan later this year.

Cumulative Results—2003 to Present

Measure	Afghanistan	Pakistan
Performance audits or reviews conducted	25	5
Recommendations made[1]	68	12
Recommendations closed	59	7
Recommendations open	9	5
Questioned costs sustained	$1.35 million	$3.47 million
Investigations opened	32	7
Investigations closed	24	5
Investigations pending	8	2
Referrals for prosecution	6	1
Indictments	8	0
Convictions	3	0
Arrests	7	0
Administrative actions	13	2
Recoveries and savings	$87 million	0
Fraud awareness briefings	12	4
Attendees at briefings	411	78

[1] Performance audits only.

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Highlights—FY 2009 Second Quarter

Savings Mount to $14 Million in Case Against Contractor in Afghanistan

OIG previously reported that a contractor responsible for building small-scale infrastructure projects in Afghanistan, under a cooperative agreement with USAID, had withdrawn more than $6 million from a USAID letter of credit without explanation and had spent an additional $1.7 million without authorization. Further, some projects were not completed, and others had defects and warranty issues, including some life-threatening oversights. Projects had numerous design errors, repairs left undone, and equipment and materials never installed that had been billed as completed. During this reporting period, in response to the investigation, the contractor was ordered to pay $612,870 in additional bills for collection, and USAID saved close to $14 million through cancellation of contracts related to the cooperative agreement.

USAID Subcontractors in Afghanistan Arrested and Suspended Indefinitely From Business With U.S. Government

Pursuant to indictments previously reported, four USAID subcontractor principals were suspended from doing business with the U.S. Government. They had been charged with conspiracy, major fraud, and wire fraud in connection with rebuilding efforts. The subcontractors defrauded USAID by obtaining reimbursement for inflated expenses purportedly incurred for rental vehicles, fuel, and security personnel. These false invoices inflated the amounts the contractor had actually paid for rental vehicles and fuel.

The USAID contractor, its owners, and two former employees had been indicted for conspiring to defraud USAID of approximately $3 million during the performance of the contract. Subsequent to the indictment, the owners and a former employee were arrested. The remaining former employee, a local citizen, is serving a 2-year sentence for his involvement with the fraud. In addition, USAID suspended indefinitely all four employees and the corporation from doing business with the Government.

USAID Employee Resigns in Lieu of Termination for Contract Fraud

A USAID employee responsible for purchasing equipment and supplies for the mission in Afghanistan resigned after an investigation uncovered conflicts of interest and fraud. The employee was found to be conducting business with people to whom he was personally connected, and he produced false records from a nonexistent business as proof of various business transactions. Some transactions were cancelled as a result of the investigation, saving USAID over $500,000.

OIG—General Information

OIG's oversight covers programs and operations exceeding $15 billion in approximately 100 countries. We have 210 employees (including those assigned to cover the Millennium Challenge Corporation). Approximately 70 direct-hire auditors and investigators are based overseas, and the remaining workforce is stationed in Washington, DC. In addition to Manila, we have offices in Cairo, Dakar, Baghdad, Pretoria, San Salvador, and Washington, DC. OIG also provides oversight of the United States African Development Foundation, the Inter-American Foundation, and the Millennium Challenge Corporation on a cost-reimbursable basis. For more information about USAID OIG, visit our Web site at http://www.usaid.gov/oig or contact us at 202–712–1150.

Office of Inspector General

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USAID OIG Performance Audits and Reviews with Findings and Recommendations--Afghanistan
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	No.	Report Title	Report Date	Summary of Findings		Recommendations	USAID Response
FY 2003	1	**Risk Assessment of Major Activities Managed by USAID/Afghanistan (5-306-03-001-S)**	11-Mar-03	The report identified the need for concurrent financial audits of the infrastructure rehabilitation project and a performance audit of the economic governance project.		None.	
FY 2004	2	**Review of the Road Project Financed by USAID/Afghanistan's Rehabilitation of Economic Facilities and Services (REFS) Program (RIG Memo 04-002)**	13-Nov-03	As of November 1, 2003, 222 km of the 389 km Kabul–Kandahar Highway had been paved. USAID believed it was on schedule to lay 321 km of new asphalt and repair 68 km of existing road by December 31, 2003. However, the mission needed to have the contractor prepare an implementation plan as required by the contract.	1	(1) USAID/Afghanistan should require the Louis Berger Group, Inc., to maintain a detailed, updated implementation plan for its REFS activities, including the road project.	Louis Berger Group, Inc., issued an updated implementation plan for its REFS activities on January 30, 2004. Final action has been taken.
	3	**Second Review of the Road Project Financed by USAID/Afghanistan's Rehabilitation of Economic Facilities and Services (REFS) Program (RIG Memo 04-003)**	31-Mar-04	The contractor had paved or patched 389 km of the Kabul–Kandahar Highway by December 31, 2003. However, six bridges along the highway were not finished by the end of December 2003. The mission believed the contractor was on schedule to complete the highway by the end of October 2004 as planned.		None.	
	4	**Risk Assessment of Major Activities Managed by USAID/Afghanistan (5-306-04-002-S)**	15-Apr-04	The report noted (1) progress was made in addressing vulnerabilities identified in the mission's Federal Managers' Financial Management Integrity Act report and (2) certain high-profile, high-risk projects needed to be audited in fiscal year (FY) 2005.		None.	
	5	**Audit of USAID/Afghanistan's Cashiering Operations (5-306-04-001-F)**	11-May-04	The audit concluded that the mission managed its cashiering operations efficiently, economically, and in accordance with Agency policies and procedures except that certain internal controls needed to be improved.	2	(1) USAID/Afghanistan should obtain and keep on file all waivers from the U.S. Disbursing Officer documenting the disbursement authorities of its cashiers.	The mission obtained and now has on file waivers documenting the disbursement authorities of its cashiers. Final action has been taken.
					3	(2) USAID/Afghanistan should restrict the access rights of the alternate cashier to the mission accounting and control system and review access rights of other Controller Office employees.	The mission restricted the access rights of the alternate cashier to the mission accounting and control system and reviewed the access rights of other Controller Office employees. Final action has been taken.
					4	(3) USAID/Afghanistan should develop an action plan to strengthen the physical security of its cashiering operations.	The mission strengthened the physical security of its cashiering operations by constructing a cashier's cage. All activities are being performed in the cashier cage. Final action has been taken.

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	No.	Report Title	Report Date	Summary of Findings		Recommendations	USAID Response
	6	**Audit of the Sustainable Economic Policy and Institutional Reform Support (SEPIRS) Program at USAID/Afghanistan (5-306-04-005-P)**	17-Aug-04	The mission had not approved a work plan for the contractor, and quarterly work plans with expected accomplishments and milestones (required by the contract) had not been done. Without such work plans, OIG could not assess whether the program was on schedule to achieve planned outputs. As a result, the report disclaimed an opinion but acknowledged that some progress had been made.	5	(1) USAID/Afghanistan should require BearingPoint to comply with the Sustainable Economic Policy and Institutional Reform Support Program contract by submitting to USAID/Afghanistan for approval quarterly work plan reports that include expected accomplishments and milestones.	In July 2004, the contractor put in place a monitoring system that included updated work plans. Further, USAID/Afghanistan provided a schedule of due dates for the quarterly work plans required under the contract. In addition, USAID/Afghanistan submitted the most recent contractor work plan it had approved in July 2004 and other detailed supporting documentation, which illustrate additiona corrective actions to enforce contract requirements. Final action has been taken.
	7	**Audit of the Kabul to Kandahar Highway Reconstruction Activities Financed by USAID/Afghanistan's Rehabilitation of Economic Facilities and Services Program (5-306-04-006-P)**	21-Sep-04	The mission (1) generally checked the timeliness of reconstruction activities but did not fully monitor the quality of the road reconstruction, in part because of security restrictions, and (2) did not verify whether the contractor's performance conformed to its contract.	6	(1) USAID/Afghanistan should develop a comprehensive monitoring plan to ensure quality, timeliness, and compliance with contract terms, including requiring the contractor to submit a comprehensive quality control and assurance program for USAID approval.	The mission developed the recommended plan, which requires site inspection teams to be present at site on each section of road. The teams are also tasked with monitoring the quality control program of the contractor and preparing daily and weekly reports. In addition, the mission's project manager and quality assurance manager are to visit the site on a semimonthly basis. Final action has been taken.
					7	(2) USAID/Afghanistan should perform an analysis of contractor claims to ensure that USAID does not pay for the defective roadwork.	The mission identified deficiencies in the work of the contractor and had the contractor replace the defective work at the contractor's expense. Final action has been taken.
FY 2005	8	**Audit of USAID/Afghanistan's School and Clinic Reconstruction Program (5-306-05-003-P)**	14-Mar-05	The audit concluded that the school and clinic reconstruction program was not on schedule for a number of reasons, including insufficient oversight and monitoring. Specifically, no more than 328 (62 percent) of the 533 buildings planned to be completed by December 2004 were completed or on schedule to be completed.	8	(1) USAID/Afghanistan should finalize an alternative implementation plan with timeframes for the uncompleted portion of its School and Clinic Reconstruction Program. The plan should include measures to strengthen the capabilities of the Transitional Islamic State of Afghanistan's Ministries of Education and Health to contract for and manage construction projects.	USAID finalized an acceptable plan, and final action was completed on January 17, 2006.
					9	(2) USAID/Afghanistan should require that all its school and clinic implementing partners and their subcontractor use International Relief and Development (IRD) Incorporated's method for calculating the percent of completion for a school or clinic.	USAID notified implementing partners and contractors at a biweekly meeting of the requirement to use the IRD method of calculating the percentage of completion. This IRD method was used during the period July 2004 through February 2005. Subsequently, the IRD method was revised and received concurrence by the implementing partners and contractors. Final action has been taken.
					10	(3) USAID/Afghanistan should regularly merge the percent of completion data for each school and clinic from IRD's database into its own database to use as a tool for assessing the accuracy of the percentage of completion data reported by implementing partners.	Although it was not possible to merge the two systems because of information technology security reasons, each partner and Ministry provide data biweekly to USAID that is selectively entered into the USAID master list archives for schools and clinics. Final action has been taken.

USAID OIG Performance Audits and Reviews with Findings and Recommendations--Afghanistan
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	No.	Report Title	Report Date	Summary of Findings		Recommendations	USAID Response
	9	**Audit of USAID/Afghanistan's Primary Education Program (5-306-05-005-P)**	14-Apr-05	The audit found that (1) the Primary Education Program activities achieved key planned outputs in all but three activities and that (2) the mission had not done contractor performance evaluations. Specifically, textbook distribution was delayed, grade equivalents for accelerated learning students were also delayed, and the female student enrollment target was not achieved. These three activities did not achieve their planned outputs for a number of reasons, including a delay in receiving funding for the program.	11	(1) USAID/Afghanistan should obtain from Creative Associates International, Inc., a distribution plan identifying the specific dates and locations for delivering the remaining textbooks in storage to ensure that the correct quantity, grade level, and language of textbooks are distributed to schools.	Creative Associates sent USAID a distribution plan identifying the grade level/language of textbooks and the specific dates and locations for delivering the remaining textbooks in storage. Final action has been taken.
					12	(2) USAID/Afghanistan should clearly define the method by which to compute grade equivalents that are to be achieved in the Afghanistan Primary Education Program. If change is needed to meet the planned outputs, the mission should obtain a detailed action plan from Creative Associates International, Inc., showing how the grade equivalent shortfalls will be achieved.	USAID changed the language for the planned outputs so that computing grade equivalents is clearly understood as grades "in process." Final action has been taken.
					13	(3) USAID/Afghanistan should reassess the female enrollment target for its Afghanistan Primary Education Program to ensure that performance can be managed toward an obtainable target.	USAID revised the female enrollment to "52.2% of girls participate in learning activities." Final action has been taken.
					14	(4) USAID/Afghanistan should conduct a current performance evaluation of Creative Associates International, Inc.'s implementation of the Afghanistan Primary Education Program and prepare a contractor performance report documenting the results of the evaluation.	The cognizant technical officer completed and submitted a contractor performance report for the Afghanistan Primary Education Program on March 27, 2005. Final action has been taken.
FY 2006	10	**Audit of Funds Earmarked by Congress to Provide Assistance for Displaced Persons in Afghanistan (9-306-06-004-P)**	21-Dec-05	As of September 30, 2005, only $600,000 of the $10 million appropriated for FY 2004 had been used to provide shelter materials and basic necessities for displaced persons in Kabul. Additionally, as of September 30, 2005, although Congress had been notified that the funds would be transferred to the Department of State's Bureau of Population, Refugees, and Migration, none of the $5 million appropriated for FY 2005 had been transferred or spent by the mission. The report included three recommendations to ensure that the remaining balance of approximately $14.4 million in unspent earmarked funds is used for its intended purpose.	15	(1) USAID/Afghanistan should, for the $9.4 million obligated under the limited scope grant agreement and to fund specifically identified assistance activities for displaced Afghans in and around Kabul: (a) reprogram the balance of approximately $4.9 million that was subobligated under the participating agency program agreement and (b) subobligate the $4.4 million not yet subobligated.	USAID deobligated all unexpended funds totaling $4.9 million and reprogrammed the funds to an Office of Foreign Disaster Assistance contract with CARE to provide shelter to displaced Afghans. USAID also subobligated the remaining $4.5 million into a participating agency program agreement with the Department of State's Bureau of Population, Refugees, and Migration. Final action has been taken.
					16	(2) USAID/Afghanistan should, in coordination with the Department of State's Bureau of Population, Refugees, and Migration, develop a plan to use the balance of approximately $9.4 million to meet the basic necessities of displaced Afghans in and around Kabul.	USAID and the Department of State's Bureau of Population, Refugees, and Migration developed a plan to use the $9.4 million for shelter related needs and other emergency activities for displaced Afghans in Kabul and other provinces. Final action has been taken.
					17	(3) USAID/Afghanistan should inform Congress, as appropriate, of its plans to use the $5 million earmarked in fiscal year 2005 for assistance to displaced Afghans and use these funds for this assistance, as Congress intended.	Through a revised December 2005 report, dated May 15, 2006, USAID notified Congress of its plans to use the $5 million. Final action has been taken.

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No.	Report Title	Report Date	Summary of Findings		Recommendations	USAID Response
11	**Audit of USAID/Afghanistan's Cashiering Operations (5-306-06-001-P)**	10-Jan-06	The cashiers properly accounted for their imprest funds.		None.	
12	**Audit of USAID/Afghanistan's Rebuilding Agricultural Markets Program (5-306-06-002-P)**	28-Mar-06	The audit found that five of six activities were on schedule to achieve planned outputs. The sixth activity's planned output—rehabilitating 555 km of farm-to-market roads—was not achieved for a number of reasons, including poor security and poor subcontractor performance. Additionally, USAID/Afghanistan did not properly administer its Rebuilding Agricultural Markets Program (RAMP) contract.	18	(1) USAID/Afghanistan should obtain updated work plans from the contractor required by the contract.	USAID/Afghanistan obtained an updated fiscal year 2006 work plan and an updated life-of-project work plan from the contractor implementing RAMP. Additionally, the mission had incorporated these updated plans into its RAMP contract through a contract modification. Final action has been taken.
				19	(2) USAID/Afghanistan should determine whether the added work under the original contract should have been approved and modified within the original contract prior to implementation, in accordance with Federal Acquisition Regulation, part 43, on contract modifications. If so, USAID/Afghanistan's contracting officer should modify the contract accordingly.	USAID/Afghanistan determined that a modification to the RAMP contract was not required to approve activities subsequently added to the activities listed in the original contract for three principal reasons. First, since RAMP implementation is accomplished through work orders, the activities that were added were also done through work orders. Second, the mission asserted that the added activities fell within or were consistent with the objectives of the RAMP contract. Third, the mission noted that updated work plans (obtained and incorporated into the RAMP contract as discussed in the proceeding paragraph) included the added activities. Final action has been taken.
				20	(3) USAID/Afghanistan should implement an action plan to require its staff to complete and issue contractor performance reports to comply with Automated Directives System 302.5.9.	USAID/Afghanistan issued mission notice 2006-05, which established procedures and timelines to ensure that contractor performance reports are continually updated and current. Additionally, the mission completed a performance evaluation of the RAMP contractor. Final action has been taken.
13	**Audit of USAID/Afghanistan's Reconstruction of the Kandahar–Herat Highway Under the Rehabilitation of Economic Facilities and Services (REFS) Program (5-306-06-005-P)**	18-May-06	Kandahar–Herat Highway reconstruction activities were on schedule to achieve planned outputs, except for 24 km of roadwork. The remaining 24 kilometers were not completed by December 31, 2005, because of funding shortages, which the mission could have addressed sooner.	21	(1) USAID/Afghanistan should develop and implement procedures with milestones to document, track, and promptly resolve significant issues that could affect the progress of its reconstruction activities.	The mission developed and was implementing procedures to document, track, and promptly resolve significant issues uncovered in its own monitoring efforts that could affect the progress of its reconstruction activities. Final action has been taken.

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	No.	Report Title	Report Date	Summary of Findings		Recommendations	USAID Response
	14	**Audit of USAID/Afghanistan's Rural Expansion of Afghanistan's Community–Based Healthcare (REACH) Program (5-306-06-007-P)**	16-Aug-06	Nineteen of twenty selected activities achieved planned outputs. REACH awarded $56.2 million to 28 grantees who were providing basic healthcare in 14 provinces. The program distributed $4.7 million of essential drugs and trained 568 midwives and completed a number of activities to help improve capacity in the Afghan Public Health Ministry.		None.	
	15	**Audit of USAID/Afghanistan's School and Health Clinic Reconstruction Activities (5-306-06-008-P)**	18-Aug-06	The mission and its implementing partners were on schedule to complete 705 of 776 school and clinics to be constructed or refurbished under the Schools and Clinics Construction and Refurbishment Program, and 511 of the 705 buildings had been turned over to the Afghan Government. However, completion has taken longer than anticipated because the mission did not take timely action to resolve issues on program implementation.	22	(1) USAID/Afghanistan should make a final decision on what to do with the 13 buildings that the Louis Berger Group, Inc., did not complete and take any actions necessary to carry out its decision.	USAID/Afghanistan management concluded that security conditions still prevented reconstruction of the 13 schools and health clinics that the Louis Berger Group, Inc. (LBGI) could not complete. Consequently, the mission director signed an action memorandum formally canceling work on the 13 buildings. Final action has been taken.
					23	(2) USAID/Afghanistan should immediately modify the scope of work in its agreement with the International Organization for Migration to add the 51 buildings not completed by Cooperative Housing Foundation International and the two buildings not completed by the United Methodist Committee on Relief.	USAID/Afghanistan management modified its agreement with the International Organization for Migration to add the 51 buildings not completed by Cooperative Housing Foundation International and the two buildings not completed by United Methodist Committee on Relief. Final action has been taken.
FY 2007	16	**Audit of USAID/Afghanistan's Alternative Livelihoods Program–Eastern Region (5-306-07-002-P)**	13-Feb-07	In fiscal year 2006, the Alternative Livelihoods Program–Eastern Region (ALP/E) achieved significant results for 13 of 15 performance indicators used by USAID/Afghanistan to measure whether the program was achieving planned results. Achievements that supported ALP/E's objective of accelerating licit economic growth and business activity included 27,534 ha devoted to licit agricultural production and 98,154 farmers trained in agricultural practices. Achievements that supported ALP/E's objective of providing an immediate alternative source of income to those who depend on the opium economy included 19,698 Afghans paid $4,209,670 through cash-for-work projects. Two performance indicators could not be evaluated because sufficient information on actual accomplishments was not available or the related program activities were not fully implemented.	24	(1) USAID/Afghanistan should require Development Alternatives, Inc., to replace the performance indicator on the number of Afghans receiving agricultural credit through ALP/E with a performance indicator that reflects the program's shift from funding microfinance loans to facilitating the issuance of such loans.	On January 30, 2007, the mission issued a technical directive to Development Alternatives, Inc., directing that the indicator, "Afghans receiving credit through ALP," be removed from the performance management plan and be replaced by "Number of loan agreements facilitated." Final action has been taken.
					25	(2) USAID/Afghanistan should update its performance target for kilometers of rural roads repaired in poppy regions to a realistic level that reflects the additional $11 million of funding for this activity.	Development Alternatives, Inc., updated its FY 2006 target for kilometers of rural roads repaired in poppy regions. Final action has been taken.
					26	(3) USAID/Afghanistan should develop a plan of action to ensure that performance targets are updated for future significant program changes.	On January 30, 2007, the mission issued a technical directive to Development Alternatives, Inc., indicating that all required performance targets will be reviewed with the cognizant technical officer (CTO) on a monthly basis, with revisions made as appropriate. Final action has been taken.

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No.	Report Title	Report Date	Summary of Findings		Recommendations	USAID Response
				27	(4) USAID/Afghanistan should develop mission-specific procedures requiring that site visits of program activities be documented and maintained in CTO files.	On December 17, 2006, the mission issued Mission Notice No. 2006-106, Roles and Responsibilities of CTOs. This notice was issued (1) to require all CTOs to document and keep files of site visit reports; (2) to remind COs/agreement officers, CTOs, and the supervisors of CTOs, about the interrelated nature of CTO performance and the monitoring thereof in the context of how designated CTOs perform their CTO duties and responsibilities as stated in their CTO designation letter; and (3) to encourage joint site visits by CTOs together with representatives from other offices who are involved in monitoring the performance and financial status of USAID/Afghanistan projects. Final action has been taken.
17	**Audit of Critical Power Sector Activities Under USAID/Afghanistan's Rehabilitation of Economic Facilities and Services (REFS) Program (5-306-07-004-P)**	21-May-07	Under the REFS Program, one critical activity had been achieved, whereas two similar activities were significantly behind schedule because of security problem Although the activity that was achieved delivered 16.5 MW of reliable hydroelectric power, delays in the other two activities have delayed the delivery of 35 MW of reliable hydroelectric power to about 2 million Afghan people in southern Afghanistan.		None.	
18	**Audit of USAID/Afghanistan's Urban Water and Sanitation Program (5-306-07-006-P)**	7-Jun-07	Planned contract deliverables were generally being achieved under USAID/Afghanistan's Urban Water and Sanitation Project. However, long-term sustainability of the overall project was questionable and contract administration problems were found between the mission and Camp Dresser Mckee, Inc., the contractor hired to implement the project.	28	(1) USAID/Afghanistan should conduct an assessment at the Gardez and Ghazni sites where a water distribution system was installed; make a determination as to the extent that further training is required; and provide training, as necessary, for the Ministry of Urban Development and Housing operators to operate and maintain the water systems at a sustainable level.	The mission agreed with the recommendation. USAID/Afghanistan's monitoring contractor, International Relief & Development, Inc., conducted an assessment of the operators' training needs and provided the necessary practical and in-class training to 10 operators and 16 operator trainees of the water supply projects in Ghazni, Gardez, and Chil Dukhtaran from November 10-30, 2007. Final action has been taken.
				29	(2) USAID/Afghanistan should assist the relevant Government of Afghanistan ministries with water and sanitation responsibilities in determining the appropriate user fees to be charged to water system clients and how to increase usage of water system services by potential clients.	The mission planned to have an assessment conducted and then provide technical assistance to the ministries as needed by the end of April 2008. Final action has been taken.
				30	(3) USAID/Afghanistan should establish a practice that all incoming CTOs attend an incoming briefing given by the contracts office to reinforce the knowledge of applicable contractual delegated authorities and limitations for the duration of their stay in Afghanistan.	The mission has institutionalized a practice and developed new procedures to brief all incoming CTOs. Final action has been taken.

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	No.	Report Title	Report Date	Summary of Findings		Recommendations	USAID Response
					31	(4) USAID/Afghanistan should require that CTOs at least quarterly, as applicable, fulfill contract administration responsibilities by confirming and documenting that contractors are complying with specific contract reporting requirements.	The mission planned to develop a new mission order by May 2008 to provide for quarterly reporting and certifications by CTOs that applicable monitoring duties were performed. Final action has been taken.
					32	(5) USAID/Afghanistan should strengthen its system for controlling, projecting, and monitoring contract costs. It should stipulate the specifics of the type of financial reporting information that is required for quarterly and annual reports and require mission technical offices to use cumulative expenditures against total budget estimated costs by line item and obligations as a management tool for purposes of managing the contractor's performance.	The mission developed new procedures for controlling, projecting, and monitoring contractor costs. Final action has been taken.
	19	**Audit of Selected Follow-on Activities under USAID/Afghanistan's Economic Program (5-306-07-009-P)**	31-Aug-07	Selected follow-on activities, agreed to between USAID and the Government of Afghanistan under USAID/Afghanistan's economic program, were achieving results. However, USAID/Afghanistan had not established approved indicators or targets to measure its progress against. Therefore, the audit could not measure the activity accomplishments against planned interim goals or targets.	33	(1) USAID/Afghanistan should reevaluate the work plan for Project Implementation Letter 6-EG and decide whether to allow BearingPoint, Inc., to continue with the plan to assign a human resources adviser to the Ministry of Finance for the duration of the contract or to revise the plan.	The mission decided to assign a human resources adviser to the Ministry of Finance, and that person started in June 2007. Final action has been taken.
					34	(2) USAID/Afghanistan should require BearingPoint, Inc., to review, reassess, and update the work plans for the six project implementation letters issued under the Economic Governance and Private Sector Strengthening Program, and to include agreed-upon performance indicators and set targets that will be used to measure the program's intended results.	The mission and BearingPoint developed a combined work plan for all implementation letters, which included indicators and targets. Final action has been taken.
FY 2008	**20**	**Audit of USAID/Afghanistan's Agriculture, Rural Investment and Enterprise Strengthening Program (5-306-08-001-P)**	22-Jan-08	In its first year, the Agriculture, Rural Investment and Enterprise Strengthening (ARIES) program achieved or exceeded most of its goals and helped make a significant impact in expanding Afghanistan's licit rural economy by creating 62,674 jobs. Despite its achievements, ARIES could have been more successful with implementing small and medium enterprise (SME) loan segment activities and investment and finance cooperatives (IFCs). Additionally, the mission could improve the implementation and management of the ARIES program in four areas.	35	(1) USAID/Afghanistan should require the Academy for Educational Development (AED) to make clear to its partners that the ARIES program is to be implemented primarily in Alternative Development Program (ADP) regions and dovetail with regional ADP priorities as required by the cooperative agreement.	The mission informed AED that it should emphasize to its partners the importance of reports and publications that accurately reflect the priority given to ADP regions and document how they are dovetailing with the ADP as required by the cooperative agreement. Final action has been taken.
					36	(2) USAID/Afghanistan should work with AED to establish formal goals in its work plan for implementing ARIES program activities in Alternative Development Program regions for the remaining 2 years of the cooperative agreement.	The ARIES second-year work plan submitted to and subsequently approved by the mission clearly describes the provinces where the program creates new financial service outlets, supports existing outlets, and disburses micro and small and medium enterprise (SME) loans. All of the provinces referenced in the work plan are considered part of the ARIES target regions as described in the cooperative agreement and fall within the ADP priority areas. Final action has been taken.

No.	Report Title	Report Date	Summary of Findings		Recommendations	USAID Response
				37	(3) USAID/Afghanistan should direct AED to communicate success stories related to shifting opium poppy workers into licit livelihoods as a result of ARIES program loans in ADP regions.	The mission has directed AED to submit a minimum of two stories per month. Final action has been taken.
				38	(4) USAID/Afghanistan should direct AED to revise its ARIES program performance monitoring plan to include appropriate performance indicators and targets that measure both micro and SME finance activities by region and by partner and report those results in its quarterly reports to USAID/Afghanistan.	The revised FY 2008 performance monitoring plan, which has been submitted for approval to the mission, includes specific targets in ADP regions for activities in the remaining 2 years of the cooperative agreement and will measure both micro and SME finance activities. These results will also be submitted on a quarterly basis. Final action has been taken.
				39	(5) USAID/Afghanistan should direct AED to ensure that the World Council of Credit Unions (WOCCU) establishes and maintains appropriate systems and processes for recording, reporting, and internal monitoring of operating activities of its investment and finance cooperatives (IFCs) as required by the ARIES program work plan.	A strategic decision was made in November 2006 to begin installing Micro Banker, an integrated accounting software program, in each IFC 6 months after the startup of operations to increase WOCCU's monitoring and reporting and to make it easier to consolidate information across different IFCs. This strategy is based on WOCCU's previous experience in Uzbekistan, which shows that training IFC staff on a manual accounting system is a necessary prerequisite to introducing an integrated accounting software program. Final action has been taken.
				40	(6) USAID/Afghanistan should direct AED to ensure that the WOCCU implements an integrated accounting system at each of its IFCs as required by its subagreement.	In accordance with mission suggestions, WOCCU planned to adopt the International Financial Reporting Standard (IFRS) for the IFCs and install Micro Banker, an integrated accounting software program, in each IFC 6 months after the startup of operations. Final action has been taken.
21	**Audit of USAID/Afghanistan's Alternative Development Program-Southern Region (5-306-08-003-P)**	17-Mar-08	USAID/Afghanistan's Alternative Development Program/South (ADP/S) achieved some, but not all, of its planned results. However, despite its progress, opium production in the southern provinces continued to rise, diminishing the intended overall impact of the ADP/S program. This increase resulted from a rise in insurgency activities preventing the mission from delivering alternative livelihoods to key poppy-growing areas, the ineffectiveness and corruption in the eradication process, and the lack of rule of law and criminal penalties for growing poppies.	41	(1) USAID/Afghanistan should develop procedures setting requirements to ensure timely review and approval of contractor work plans.	On March 12, 2009, a mission notice was issued, that provides the necessary guidelines to ensure CTOs adhere to annual work plan submittal and approval requirements. Final action has been taken.

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No.	Report Title	Report Date	Summary of Findings		Recommendations	USAID Response
22	**Audit of USAID/Afghanistan's Small and Medium Enterprise Development Activity (5-306-08-006-P)**	23-Jun-08	It could not be determined whether 11 of the 18 performance indicators used to measure the progress of the project met planned results during the first year of implementation. The audit determined that the contractor's performance data for these 11 performance indicators were not reliable and therefore not useful in managing for results or credible for reporting. For the remaining seven indicators, the audit determined that the project partially met five indicators' regional performance targets, exceeded one indicator's nationwide target, and partially met one indicator's nationwide target.	42	(1) USAID/Afghanistan should require the CTO for the Afghanistan Small and Medium Enterprise Development Activity to work with Development Alternatives, Inc., in refining the project database to eliminate duplicate records and to ensure that the data are reliable.	On May 21, 2008, a mission-hired expert determined that the contractor had effectively corrected the duplication errors and developed a productive and comprehensive method of reducing duplications and identifying those that occur. Final action has been taken.
				43	(2) USAID/Afghanistan should require Development Alternatives, Inc., to develop a plan of action that will implement the Web-based management information system by May 31, 2008. This plan would include procedures on eliminating duplicate records and in ensuring that the data in this system are reliable.	The mission and contractor worked together to develop the recommended plan of action, which included training for monitoring and evaluation staff, creation of a user's manual, and planned visits to regional offices for data verification and oversight. Final action has been taken.
				44	(3) USAID/Afghanistan should develop and implement a plan of action that will require the CTO for the Afghanistan Small and Medium Enterprise Development Activity to provide technical direction to Development Alternatives, Inc., in updating the performance management plan; redefining the performance indicators and targets; and redirecting their resources to areas where progress can make more of an impact.	The mission has developed the recommended plan of action to modify the contract to better align the scope of work with the current situation in Afghanistan and to develop a new performance monitoring plan. The new plan will be discussed with the Office of Program and Project Development to ensure consistent monitoring and evaluation of the activity. Final action has been taken.
				45	(4) USAID/Afghanistan's CTO for the Afghanistan Small and Medium Enterprise Development Activity should formally approve the updated performance management plan resulting from recommendation 3.	The mission's CTO formally approved the updated performance monitoring plan and the recommendation was closed in October 2008.
23	**Audit of USAID/Afghanistan's Accelerating Sustainable Agriculture Program (5-306-08-009-P)**	8-Aug-08	Chemonics International, Inc., reported results for all eight indicators for the first year of the program. However, the audit identified that for two of the eight indicators, reported results fell considerably short of intended results. Targets had not been established for the other six indicators, making it difficult to tell how well the project was proceeding. In addition, Chemonics did not have documentation to adequately support reported results for six indicators. In two of the six cases, the support was inadequate, while in four cases there was no support at all. For example, Chemonics had inadequate support for the reported result that more than 1,700 individuals had received short-term agricultural training, and no support for the reported result that project activities had generated an economic value in excess of $59 million. In addition, the audit found that a major program activity—the Mazar foods initiative—was behind schedule. This $40 million initiative to cultivate 10,000 hectares for a commercial farm was not finalized in time to take advantage of the summer planting season as initially planned.	46	(1) The USAID/Afghanistan CTO should prepare an implementation plan identifying the critical tasks needed to implement the Mazar foods initiative. This implementation plan should identify all tasks that are behind schedule and show how the mission is going to address the delay. Further, the mission should develop a process for periodically updating the implementation plan.	The mission agreed with the recommendation. Prior to the issuance of the audit, the Mazar Foods Initiative had an implementation plan in place. The mission stated that any outstanding delays were associated with obtaining an Overseas Private Investment Corporation loan and that it would direct Chemonics to resubmit an updated implementation plan when program plans change. Final action has been taken.

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No.	Report Title	Report Date	Summary of Findings		Recommendations	USAID Response
				47	(2) USAID/Afghanistan should require its environmental officer to provide annual training to CTO and require mission personnel to comply with the environmental regulations outlined in Mission Order 04-14 and USAID's Automated Directives System 204.	The mission agreed with the recommendation and anticipates completing written procedures. This recommendation remains open.
				48	(3) USAID/Afghanistan should revise its mission order to be consistent with USAID's Automated Directives System 204 defining CTO responsibilities for monitoring compliance with environmental regulations.	The mission anticipates completing written procedures. This recommendation remains open.
				49	(4) USAID/Afghanistan should obtain a written legal decision from its general counsel on how to proceed for completed and in-process projects where environmental regulations were not followed.	The mission consulted with the USAID/Afghanistan Legal Advisor, the USAID Office of the General Counsel, and the USAID Agency Environmental Coordinator. In accordance with 22 CFR 216.3(a)(7), USAID stated that it would require the contractor to conduct the environmental review of the ongoing or completed subprojects or aspects thereof which was required by the Initial Environmental Evaluation for the SOAG. USAID would also require the contractor to take any mitigating measures developed as a result of the review. Final action has been taken.
				50	(5) USAID/Afghanistan should prepare procedures requiring review of construction design plans and provide quality assurance oversight by the Office of Infrastructure, Engineering and Energy.	The mission agrees with the recommendation and anticipates completing the written procedures. The recommendation remains open.
				51	(6) USAID/Afghanistan should require that engineers work with Chemonics to take corrective action on each of the construction defects and to require these engineers to be part of the final inspection.	The mission concurred that a licensed professional engineer should be involved in the final inspection process for all construction projects. The CTO and engineers from the mission are working with Chemonics to correct the identified construction defects. The recommendation remains open.
				52	(7) USAID/Afghanistan should reevaluate Chemonics' March 2008 revised marking and branding plan and make a determination whether to approve any exceptions to marking requirements included in the plan.	The mission agreed with the recommendation. A revised marking and branding plan was approved by the contracting officer, and the contract was modified on October 13, 2008. Final action has been taken.
				53	(8) USAID/Afghanistan should develop procedures requiring CTOs to verify and document, as part of their site visits, that items purchased or built with USAID funds are properly marked.	The mission agreed with the recommendation and issued a May 12, 2008, mission order that addresses CTO certification of contractor/recipient compliance with delivery requirements under their respective awards. Marking of the items purchased or built with USAID funds is part of the delivery requirement. Final action has been taken.

No.	Report Title	Report Date	Summary of Findings		Recommendations	USAID Response
				54	(9) USAID/Afghanistan's CTO should issue a technical directive, requiring Chemonics to define the roles and responsibilities of the monitoring and evaluation staff, to include a system to ensure that the program's data is accurate and easily accessible.	The mission agreed with the recommendation and had Chemonics/ASAP submit a revised PMP. The revision was sent to the CTO on July 17, 2008. The mission did not believe an additional technical directive was necessary since the response to the recommendation was included in the July 17, 2008, PMP. Final action has been taken.
				55	(10) USAID/Afghanistan's CTO should require Chemonics to perform a data quality assessment before the issuance of the next annual report.	A data quality assessment was completed by the Alternative Development and Agriculture (ADAG) Monitoring and Evaluation Staff of the Accelerating Sustainable Agriculture Program (ASAP), jointly undertaken with Chemonics. The data quality assessment checklists for the program's 21 performance indicators were approved by the mission in November 2008. The mission has determined that, in order to increase the level of monitoring and evaluation of all ADAG programs, an annual program statement will be issued. An independent third party will be made available to provide monitoring, evaluation, and DQAs for various projects, which will include random sampling for onsite, field verifications of activity data indicators, and reported outcomes.
				56	(11) USAID/Afghanistan should determine the allowability and collect as appropriate $37,573 for commodities purchased by Chemonics without prior written approval from the mission.	The mission agreed with the recommendation. It obtained a letter from Chemonics dated May 31, 2008, stating that the contractor would credit all program income, including the questioned amount, to the contract. The mission stated that it would evaluate new invoices to ensure Chemonics' compliance. In addition, Chemonics has established separate bank account and separate expense books to account for program income. Final action has been taken.
				57	(12) USAID/Afghanistan's CTO should issue a technical directive to require Chemonics to identify in its invoices costs associated with restricted commodities.	The mission agreed with the recommendation. In a CTO meeting with ASAP on 11 July 2008, ASAP agreed to begin identifying restricted commodity purchases in its monthly invoices. USAID stated that it would verify compliance with the requirement in Chemonics' July 2008 invoice. Since ASAP agreed to the monthly invoice changes as recommended, the mission felt that a separate technical directive was not necessary Final action has been taken.

No.	Report Title	Report Date	Summary of Findings		Recommendations	USAID Response
				58	(13) USAID/Afghanistan should direct Chemonics to reduce future billings to USAID by $129,731 for program income collected as of March 31, 2008, and comply with the terms of the contract for any income received after March 31, 2008.	The mission agreed with the recommendation and is awaiting the contracting officer's determination. The recommendation remains open.
				59	(14) USAID/Afghanistan should develop procedures requiring the Program and Project Development Office to review performance management plans of contractors and grantees for compliance with USAID's Automated Directives System 203 prior to approval by the CTO.	The mission agreed with the recommendation and anticipates completing written procedures. This recommendation remains open.
				60	(15) USAID/Afghanistan should determine the nature, format, and timing of the reports required to effectively monitor contract performance and align the contract reporting requirements to these expectations.	The mission agreed with the recommendation. The contracting officer and CTO have already addressed these concerns in a draft modification to the Accelerating Sustainable Agriculture Program contract. Thus, a management decision was made in August 2008. Final action has been taken.
24	**Audit of USAID/Afghanistan's Capacity Development Program (5-306-08-012-P)**	30-Sep-08	There was a lack of evidence to demonstrate that this program was on track to achieve planned results. The program lacked key deliverables necessary for effective implementation, monitoring, and reporting of program activities and results. Detailed work plans outlining what the contractor planned to accomplish and results monitoring plans with performance indicators, targets, and periodic reporting against these targets were not in place. Given these shortcomings and considering that the contract with BearingPoint, Inc. (contractor) was signed only in February 2007, the audit found that it was too early to assess the overall impact of this program.	61	(1) USAID/Afghanistan should direct the contractor to develop a detailed work plan to align with expected results for fiscal year 2009 and require the contractor to submit the work plan 15 days prior to the start of the fiscal year as required by the contract.	The mission stated that on September 1, 2008, it directed the contractor to submit the draft work plan 15 days prior to the start date of FY 2009 as required by the contract. The FY 2009 draft work plan was submitted by the contractor on September 14, 2008. Final action has been taken.
				62	(2) USAID/Afghanistan should direct the contractor to put in place an approved results monitoring plan to measure the progress and results of the activities detailed in the work plan addressed in recommendation 1.	The mission approved the performance management plan (2008–2012) on September 6, 2008, and the mission has put in place an approved results monitoring plan for FY 2009 to measure the progress. Final action has been taken.
				63	(3) USAID/Afghanistan should reevaluate the appropriateness of funding salaries for approximately 460 of Afghanistan's Ministry of Education (MOE) employees through the Capacity Development Program. If the mission determines that funding the Ministry's employees does not directly contribute to the Capacity Development Program, the estimated salary payments of $11.1 million should not be funded by this contract.	In the short term, USAID believes that supporting these technical advisers in the MOE in combination with an intensive training component does have meri and does contribute to the core capacity-building objective of this contract. The mission and contractor are taking various steps to evaluate, implement, and improve training. Therefore, final action was achieved by the time the audit report was issued.

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	No.	Report Title	Report Date	Summary of Findings		Recommendations	USAID Response
					64	(4) USAID/Afghanistan should take immediate action to approve and ensure implementation of a branding implementation and marking plan under its Capacity Development Program.	The mission approved the branding implementation and marking plan under its Capacity Development Program on September 17, 2008. Therefore, this recommendation was closed by the time the audit report was issued.
FY 2009	**25**	**Audit of USAID/Afghanistan's Higher Education Project (5-306-09-002-P)**	4-Dec-08	The project partially achieved planned results toward (1) transforming the instruction of teaching and learning in faculties and departments of education and (2) institutionalizing structures and systems to support and sustain high quality instruction and professionalism. The implementer measured its progress against nine objectives for which it met its target objectives for three, partially met the targets for four, and did not meet the targets for two. From an impact standpoint, faculty members who participated in the project's different activities were exposed to new and more effective teaching methodologies being used in their classes. Also, faculty members advanced their English-language skills through the English courses provided and had greater opportunities to access training and educational materials not available in their local language.	65	(1) USAID/Afghanistan should determine the key indicators to measure and report results and revise the indicators at the implementer level, the mission level, or both, to more accurately link the activity data to the mission's planned results.	The mission stated that on November 17, 2008, the CTO reached an agreement with AED, implementer of the Higher Education Project, to jointly define critical performance indicators and to incorporate data collection directly into the acquisition mechanism. This recommendation remains open.
					66	(2) USAID/Afghanistan should intervene with the Ministry of Education and Ministry of Higher Education to reach an agreement on appropriate collaborative actions to further the Higher Education Project.	The mission stated that initial efforts to establish cooperation between the Afghan Ministries of Education and Higher Education took place during the project-sponsored Teacher Standards Conference held November 17 and 18, 2008. Representatives from both ministries attended, as well as rectors from the 16 pedagogical universities and Kabul Education University. At this conference, a memorandum of understanding was drafted among the Ministries of Education and Higher Education, the implementer, and USAID confirming the adoption of secondary and higher education standards of teacher education. This recommendation remains open pending completion of the memorandum of understanding.

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No.	Report Title	Report Date	Summary of Findings		Recommendations	USAID Response
				67	(3) USAID/Afghanistan should collaborate with AED and applicable Afghanistan universities to develop an exi strategy so that key services of professional development centers will continue after project completion.	AED and USAID/Afghanistan have begun a series of meetings designed to put a mechanism in place for ensuring the sustainability of each of the 16 professional development centers. The centers are expected to be operational by January 31, 2011. A consortium meeting involving program partners was held from November 12 to November 13, 2008, to discuss development of a comprehensive sustainability plan. The draft exit strategy was submitted to the mission on December 28, 2008. This recommendation remains open.
				68	(4) USAID/Afghanistan should implement appropriate procedures to strengthen (a) project monitoring, (b) review and approval of project documents, and (c) maintenance of the CTO project file for the Higher Education Project.	The mission stated that the short-term staff assignments prevalent in Afghanistan prevent a CTO term of more than 1 year. However, the mission also acknowledges that CTO turnover for the project has been unacceptably high; however, it anticipates that the current CTO will remain in place until August 2009, and the mission will make every effort to curtail turnover. It is expected that a longer-term CTO will alleviate the project management issues cited by the audit. Final action has been taken on this recommendation.
25	**Performance Audits Issued**				**Total Recommendations**	**68**
					Recommendations Open	**9**
					Recommendations Open More Than 1 Year	**0**

*** Open Recommendations: 47, 48, 50, 51, 58, 59, 65, 66, 67**

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No.	Audit Title	Report Number	Report Date	Total Costs Audited	Questioned Costs	Sustained Costs	Details for Questioned Costs over $1 million
1	Financial Audit of Local Costs Incurred by the **Louis Berger Group, Inc**. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from September 30, 2002, to June 30, 2003	5-306-04-001-N	23-Jan-04	$1,227,901	$29,449	$3,882	
2	Financial Audit of Local Costs Incurred by the **Louis Berger Group, Inc**. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from July 1, 2003, to September 30, 2003	5-306-04-003-N	26-Mar-04	666,841	114,020	13,001	
3	Financial Audit of Local Costs Incurred by the **Louis Berger Group, Inc**. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from October 1, 2003, to December 31, 2003	5-306-04-004-N	17-May-04	863,610	115,136	44,738	
4	Application of Agreed-Upon Procedures on Costs Incurred in the United States by the **Louis Berger Group, Inc.** to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from September 30 2002, to June 30, 2003	5-306-04-002-D	17-May-04	23,096,297	92,983	90,022	
5	Financial Audit of Local Costs Incurred by the **Louis Berger Group, Inc**. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from January 1, 2004, to March 31, 2004	5-306-04-005-N	9-Jul-04	1,578,442	137,596	9,127	

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No.	Audit Title	Report Number	Report Date	Total Costs Audited	Questioned Costs	Sustained Costs	Details for Questioned Costs over $1 million
6	Financial Audit of Local Costs Incurred by the **Louis Berger Group, Inc**. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from April 1, 2004, to June 30, 2004	5-306-04-006-N	23-Aug-04	2,039,979	14,112	0	
7	Audit of Costs Incurred in the United States by The **Louis Berger Group, Inc**. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from July 1, 2003, to September 30, 2003	5-306-04-003-D	16-Sep-04	40,486,450	109,186	91,678	
8	Financial Audit of Local Costs Incurred by the **Louis Berger Group, Inc**. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from July 1, 2004, to September 30, 2004	5-306-05-002-N	9-Dec-04	1,539,697	3,056	779	
9	Financial Audit of Local Costs Incurred by the **Louis Berger Group, Inc**. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from October 1, 2004, to December 31, 2004	5-306-05-006-N	14-Mar-05	1,525,711			
10	Audit of Costs Incurred in the United States by the **Louis Berger Group, Inc**. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from October 1, 2003, to June 30, 2004	5-306-05-006-D	19-Apr-05	185,440,813	1,195,425	98,146	OIG questioned $785,716 in costs that were claimed by Louis Berger but were ineligible on the basis of its contract with USAID. These costs related to direct labor, subcontractors, equipment and furniture, and consultants. Additionally, OIG questioned $264,165 in costs that could not be supported by documentation.

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No.	Audit Title	Report Number	Report Date	Total Costs Audited	Questioned Costs	Sustained Costs	Details for Questioned Costs over $1 million
11	Financial Audit of Local Costs Incurred by the **Louis Berger Group, Inc**. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from January 1, 2005, to March 31, 2005, including Contract Line Item No. 2 costs for the period from April 1, 2004, to June 30, 2004	5-306-05-008-N	30-Jun-05	1,606,343			
12	Financial Audit of Local Costs Incurred by the **Louis Berger Group, Inc**. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from April 1, 2005 to June 30, 2005, including Contract Line Item No. 2 costs for the period from July 1, 2004 to June 30, 2005	5-306-05-009-N	29-Aug-05	2,944,192			
13	Financial Audit of Local Costs Incurred by the **Louis Berger Group, Inc**. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from July 1, 2005, to September 30, 2005	5-306-06-002-N	8-Dec-05	2,114,250			
14	Audit of Costs Incurred in the United States by the **Louis Berger Group, Inc**. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from July 1, 2004, to March 31, 2005	5-306-06-002-D	19-Dec-05	125,286,559	643,430	3,399	
15	Financial Audit of Local Costs Incurred by the **Louis Berger Group, Inc**. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from October 1, 2005, to December 31, 2005	5-306-06-004-N	21-Mar-06	2,144,967			

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No.	Audit Title	Report Number	Report Date	Total Costs Audited	Questioned Costs	Sustained Costs	Details for Questioned Costs over $1 million
16	Financial Audit of Local Costs Incurred by the **Louis Berger Group, Inc**. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from January 1, 2006 to March 31, 2006	5-306-06-005-N	28-Jun-06	3,097,361			
17	Audit of Costs Incurred in the United States by the **Louis Berger Group, Inc**. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from April 1, 2005, to December 31, 2005	5-306-06-003-D	2-Aug-06	181,086,841	528,239	36,248	
18	Audit of Treatment of Specified Costs Incurred by **Camp, Dresser & McKee Constructors, Inc**. Under the Afghanistan Water and Sanitation Program, USAID/Afghanistan Contract No. 306-C-00-04-00568-00 for the Period from September 30, 2004, to February 25, 2006	5-306-06-004-D	10-Aug-06	261,390	221,509	31,509	
19	Financial Audit of Local Costs incurred by the **Louis Berger Group, Inc**. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from April 1, 2006, to June 30, 2006	5-306-07-001-N	16-Oct-06	2,121,214			
20	Financial Audit of Local Costs incurred by the **Louis Berger Group, Inc**. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-00500-00, for the Period from July 1, 2006, to September 30, 2006	5-306-07-004-N	11-Dec-06	1,740,855			

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No.	Audit Title	Report Number	Report Date	Total Costs Audited	Questioned Costs	Sustained Costs	Details for Questioned Costs over $1 million
21	Financial Audit of Local Costs incurred by the **Louis Berger Group, Inc**. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from October 1, 2006, to December 31, 2006	5-306-07-006-N	18-Apr-07	1,488,612			
22	Audit of Costs Incurred in the United States by the **Louis Berger Group, Inc**. to Implement the Rehabilitation of Economic Facitlities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from January 1, 2006, to June 30, 2006	5-306-07-002-D	25-May-07	53,702,753	581,418	124,108	
23	Financial Audit of Local Costs incurred by the **Louis Berger Group, Inc**. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from January 1, 2007, to March 31, 2007	5-306-07-008-N	27-Jun-07	1,299,053			
24	Financial Audit of Local Costs incurred by the **Louis Berger Group, Inc**. to Implement the Rehabilitation of Economic Facilities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from April 1, 2007, to June 30, 2007	5-306-08-001-N	27-Nov-07	1,262,209			
25	Closeout Audit of the Project Titled "Business Advisory Services to Small and Medium-Sized Enterprises (SMEs) in Afghanistan," USAID/Afghanistan Cooperative Agreement No. 306-A 00-04-00570-00, Managed by **Acap Management Limited**, for the Period from September 30, 2004, to March 29, 2007	5-306-08-019-R	25-Apr-08	925,459	695,374	695,374	

USAID OIG Financial Audits Issued--Afghanistan
March 31, 2009

No.	Audit Title	Report Number	Report Date	Total Costs Audited	Questioned Costs	Sustained Costs	Details for Questioned Costs over $1 million
26	Audit of Costs Incurred in the United States by the **Louis Berger Group, Inc**. to Implement the Rehabilitation of Economic Facitlities and Services Program, USAID/Afghanistan Contract No. 306-C-00-02-00500-00, for the Period from July 1, 2006, to December 31, 2006	5-306-08-003-D	16-May-08	39,274,703	846,872	104,035	
26	**Financial Audits Issued**			**$678,822,502**	**$5,327,805**	**$1,346,046**	
					0.78%	**0.20%**	

USAID OIG Planned Fiscal Year 2009 Performance Audits of USAID/Afghanistan-Funded Activities

1. **Audit of USAID/Afghanistan's Afghan Civilian Assistance Program**

   USAID/Afghanistan awarded a $27 million cooperative agreement to the International Organization for Migration to implement the Afghan Civilian Assistance Program. The program will assist the U.S. Government in providing support for Afghan civilian families and communities who have suffered losses as a result of military operations against insurgents and the Taliban. This program will also contribute to the overall stabilization of Afghanistan by addressing the needs of those families and communities, thus mitigating potential causes for disorderly migration.

   This audit will (1) determine whether the program is achieving its intended results and (2) assess the program's impact.

   Status: Exit conference has been held with mission.

2. **Audit of USAID/Afghanistan's Technical Support to the Central and Provincial Ministry of Public Health**

   USAID/Afghanistan awarded a $24 million cooperative agreement to Management Services for Health to provide technical support to the Central and Provincial Ministry of Public Health. The program, called Tech-Serve, aims to contribute to an integrated health system that includes both public and private sectors. Tech-Serve's objective is to improve the capacity of the Ministry of Public Health to plan, manage, supervise, monitor, and evaluate the scale of access to quality health and hospital services, particularly among those at highest risk.

   This audit will (1) determine whether selected activities funded under Tech-Serve are achieving intended results and (2) assess the activities' impact.

3. **Audit of USAID/Afghanistan's School and Health Clinic Buildings Completed Under the Schools and Clinics Construction and Refurbishment Program**

   The objective of the schools and clinics construction and refurbishment program is to improve the educational and health services provided to Afghans, particularly those living in rural areas. As an integral part of this effort, USAID allocated $92 million through the Louis Berger Group, Inc., to construct or refurbish 776 schools and health clinics throughout Afghanistan by December 2006.

This audit will determine whether the schools and health clinics are being used for their intended purposes and what the impact has been. The RIG/Manila recently conducted two performance audits that focused on the construction of the schools and clinics. Now that reconstruction and refurbishment of these structures are complete, OIG will determine whether USAID's program is achieving its intended results.

Status: Because of the security situation and travel restrictions, RIG/Manila management is contracting out the post-occupancy evaluation of the school and health clinic buildings constructed and refurbished under the mission's program.

4. Audit of USAID/Afghanistan's Local Governance and Community Development Project in Northern and Western Regions of Afghanistan

The focus of U.S. Government assistance activity in Afghanistan is shifting to the outlying provinces. National programs are beginning to adjust to this shift, but their geographic reach is still limited in many areas. Provincial reconstruction teams (PRTs) have been an important vehicle for delivering U.S. Government and international assistance outside of Kabul, particularly in unstable regions. The PRTs are eight small, joint civilian-military organizations that were established in Afghanistan at the end of 2002. They are designed to improve security, extend the reach of the Afghan Government, and facilitate reconstruction in priority provinces. Particularly in insecure areas, the core objective of PRTs is to implement projects that will improve stability so that more traditional forms of development assistance can resume. USAID/Afghanistan awarded a $49.3 million contract to the Association for Rural Development, Inc., to implement the Local Governance and Community Development Project's activities in the northern and western regions. The project's principal goal is to help the Government of Afghanistan, in partnership with local communities, identify and address the issues that are driving instability and support for insurgency in outlying provinces and insecure areas. The ultimate objective is to help the Government of Afghanistan and local citizens create a stable environment for long-term political, economic, and social development.

This audit will (1) determine whether the project is achieving intended results and (2) assess the project's impact.

Status: Audit report is in draft.

5. Audit of USAID/Afghanistan's Basic Education Program

Afghanistan's educational system has been devastated by more than 2 decades of war. Many trained teachers and university professors either fled the country or took other jobs, and the Ministry of Education estimates a shortage of 44,000 teachers. Considerable progress has been made in the past 5 years, but the quality of education in Afghanistan remains generally low. Fewer than half of all

teachers are high school graduates. To improve the quality of basic education, in January 2006 USAID/Afghanistan awarded a 5-year, $48 million contract to Creative Associates International, Inc., to implement the Building Education Support Systems for Teachers (BESST) project. BESST's goal is to improve teacher performance and build the Ministry's capacity in education planning, management, and policymaking. Special emphasis has been placed on developing teacher education curriculums and support programs that promise not only to improve learning outcomes for Afghan children but also to provide the basis on which teaching and learning can be assessed. By developing national competency standards for teachers and administrators, along with teacher and administrator education systems and curriculums, BESST intends to create the conditions whereby the Ministry can articulate who is qualified to be a credentialed primary school teacher. Integral to this goal and overall capacity building is the establishment of a national Educational Management and Information System.

This audit will (1) determine whether critical activities under USAID/ Afghanistan's Basic Education Program implemented through the BESST project achieved intended results and (2) assess the project's impact.

6. Audit of USAID/Afghanistan's Land Titling and Economic Restructuring Program

USAID/Afghanistan's Land Titling and Economic Restructuring in Afghanistan Program is aimed at improving land tenure security for millions of Afghans and helping the Government of Afghanistan undertake a comprehensive privatization program in support of the Afghan National Development Strategy and international donor programs. The project is being implemented by the Emerging Markets Group, which was awarded a $56 million contract in 2004. By strengthening land titling and property rights and privatizing declining state-owned enterprises, USAID/Afghanistan is promoting economic growth in the country.

This audit will (1) determine whether USAID/Afghanistan's Land Titling and Economic Restructuring Program achieved its intended results and (2) assess the program's impact.

Status: A draft report has been sent to the mission for review.

7. Audit of Selected Activities Funded Under USAID/Afghanistan's Infrastructure Rehabilitation Program—Transport Sector

In August 2006, USAID/Afghanistan awarded a $1.4 billion contract to a joint venture to implement the Afghanistan Infrastructure and Rehabilitation Program. Under the program, which runs through 2011, the joint venture will rehabilitate and construct vital energy, water, and transportation infrastructure across Afghanistan. Initial work will focus on rehabilitating and extending roads, power

generation capacity, and power transmission networks. Subsequent work is expected to address water and sanitation infrastructure and a broad range of public building improvements. The joint venture will also help the Government of Afghanistan improve its institutional capabilities.

This audit will (1) determine whether selected activities funded under the program for the transport sector are achieving intended results and (2) assess the activities' impact.

8. Audit of Selected Activities Funded Under USAID/Afghanistan's Infrastructure Rehabilitation Program—Power Sector

In August 2006, USAID/Afghanistan awarded a $1.4 billion contract to a joint venture to implement the Afghanistan Infrastructure and Rehabilitation Program. Under the program, which runs through 2011, the joint venture will rehabilitate and construct vital energy, water, and transportation infrastructure across Afghanistan. Initial work will focus on rehabilitating and extending roads, power generation capacity, and power transmission networks. Subsequent work is expected to address water and sanitation infrastructure and a broad range of public building improvements. The joint venture will also help the Government of Afghanistan improve its institutional capabilities.

This audit will (1) determine whether selected activities funded under the program for the power sector achieved intended results and (2) assess the program's impact.

USAID OIG Investigative Case Work -- Afghanistan
March 31, 2009

Case Number	Criminal Law Enforcement Records System Number (CLERS)	Source	Status	Program Integrity (PI) or Employee Integrity (EI)	Savings and Recoveries ($)	Department of Justice Civil/Criminal Actions	Results
A03101		Embassy	Closed	EI			Employee reprimand
A04031		Washington	Closed	PI			Allegations disproved
A04083		Mission	Closed	PI			Contract employee termination
A04144		Washington	Closed	EI			Referred to mission
A04147		Mission	Closed	EI	11,275,000	Criminal/civil referrals (2)	Savings, DOJ declinations (2)
A05041		Mission	Closed	PI	4,000		Administrative recovery
A05042		Mission	Closed	PI	46,670		Administrative recovery
A05052		Mission	Closed	PI			Allegations disproved
A05083		IG	Closed	PI			Allegations disproved
A06002		Mission	Closed	PI			Allegations disproved
A06003		Mission	Closed	PI			Allegations disproved
L05046	LA-MA-08-0005-I	Mission	Open	PI	24,055,074	Criminal/civil referrals (2)	Indictments (8); convictions (3); *arrests (7) *Afghan Court; personnel suspensions (4); procurement suspension (1); $24,055,074 savings; contract terminated
L07023		Mission	Closed	EI			Employee Resignation
O03007		Washington	Closed	PI			Proactive
L07089	LA-MA-08-0004-I	Mission	Closed	PI	22,155,361	Criminal/civil referrals (2)	Bill of Collections: $612,870, $11,500,000, $2,000,000, $22,392, $40,053, $7,480, 046, $500,000
L07090		Mission	Closed	EI			Allegations disproved
L07093		Mission	Closed	PI			Employee termination
L08002		Mission	Closed	PI			Allegations disproved
	LA-MA-08-0097-G	Mission	Closed	EI			NA
	LA-MA-08-0106-G	Mission	Closed	PI			NA
	LA-MA-08-0107-G	Mission	Closed	PI			NA
	LA-MA-08-0159-I	Mission	Open	PI			NA
	LA-HO-08-0175-R	Washington	Closed	PI			NA
	LA-MA-08-0178-I	Mission	Open	PI			NA

USAID OIG Investigative Case Work -- Afghanistan
March 31, 2009

Case Number	Criminal Law Enforcement Records System Number (CLERS)	Source	Status	Program Integrity (PI) or Employee Integrity (EI)	Savings and Recoveries ($)	Department of Justice Civil/Criminal Actions	Results
	LA-MA-08-0179-I	Mission	Open	PI	509,554		Resignation (1) savings: $51,551, $14,533, $433, 270, $10,200
	LA-MA-09-0021-R	Mission	Closed	PI			NA
	LA-MA-08-0169-R	Mission	Closed	PI			NA
	LA-MA-09-0024-G	Mission	Closed	PI			NA
	LA-MA-09-0031-I	Mission	Open	PI			NA
	LA-H0-09-0065-I	Washington	Open	PI	29,300,000		Savings, contract terminated
	LA-H0-09-0073-I	Washington	Open	PI			Employee termination
	LA-MA-09-0078-I	Mission	Open	PI	546		Restitution; personnel suspension
					87,346,205		8 Open Cases as of 3/31/09

FY 2009 Second Quarter Activity		**May 2003—March 2009**	
Total cases opened	**3**	**Total cases opened**	**32**
Total cases closed	**1**	**Total cases closed**	**24**
Total Department of Justice referrals	**0**	**Total Department of Justice referrals**	**6**
Arrests	**0**	**Arrests**	**7**
Indictments	**0**	**Indictments**	**8**
Convictions	**0**	**Convictions**	**3**
Administrative actions (counseling, removal, reprimand, resignation, termination, suspension)	**3**	**Administrative actions**	**13**
Fraud awareness briefings	**4**	**Fraud awareness briefings**	**12**
Attendees at fraud awareness briefings	**97**	**Attendees at fraud awareness briefings**	**411**

Investigative Summaries

Case number: **LA-MA-08-0179-I**

Allegation

OIG received an allegation that USAID employees were committing fraud in connection with the purchase of supplies and services. One employee was reportedly demanding kickbacks from a vendor and conspiring with a third-country national to inflate costs for bulletproof vests and helmets and then share the profits. The allegation also claimed that two employees working for the first suspect were paying him shares of money they had received fraudulently, and one was given unfair advantage in the hiring process by being provided interview questions in advance.

Status

A USAID employee responsible for purchasing equipment and supplies for the mission in Afghanistan resigned after an investigation uncovered conflicts of interest and fraud. The employee was found to be conducting business with people to whom he was personally connected, and he produced false records from a nonexistent business as proof of various business transactions. Some transactions were cancelled as a result of the investigation, saving USAID over $500,000.

Case number: LA-MA-08-0005-I

Allegation

OIG received complaints of widespread fraud, waste, and abuse on the part of a primary USAID contractor in Iraq and Afghanistan. Among the allegations were bills of the same labor costs to multiple contracts, the inflation of rental car receipts, and kickbacks to local officials.

Status

Following an investigation, a seven-count indictment was returned on September 30, 2008, involving four individuals charged with conspiracy, major fraud, and wire fraud arising from a scheme to defraud the United States in connection with the war and reconstruction efforts in Afghanistan. The subcontractors defrauded USAID by obtaining reimbursement for inflated expenses purportedly incurred for rental vehicles, fuel, and security personnel. These false invoices inflated the amounts the contractor actually had paid for rental vehicles and fuel.

The company and the individuals charged have been suspended indefinitely from doing business with the U.S. Government, and one of the former employees of the contractor is serving a 2-year sentence for his involvement with the fraud. To date, more than $24 million has been saved or recovered in connection with this investigation.

This case was investigated jointly by USAID OIG, the Federal Bureau of Investigation, and the National Procurement Fraud Task Force.

Case number: LA-MA-08-0004-I

Allegation

OIG initiated an investigation based on an anonymous complaint that an international organization may have improperly drawn funds from a USAID agreement. The organization reportedly withdrew millions of dollars from its letter of credit after being notified that it could bill only nominal closeout costs for projects it was implementing. The projects were alleged to have been not completed as claimed and others had defects and warranty issues that the organization would not address.

Status

OIG uncovered many performance and financial control problems and potential violations of law. Relying on a USAID letter of credit, the organization under investigation had transferred funds to and from a USAID project systematically without USAID's knowledge or consent. When asked to explain the transfers, the organization refused to justify the use of the questioned funds. The investigation further cited poor design and poor performance on construction projects and false reporting on projects. Some projects were not completed, and others had defects and warranty issues, including some life-threatening oversights. Projects had numerous design errors, repairs left undone, and equipment and materials never installed that had been billed as completed. Total savings and recoveries for this investigation total more than $22 million thus far.

Case number: L07093

Allegation

OIG received allegations that a company responsible for building industrial parks in Afghanistan was undertaking unfair and illegal procedures to award generator contracts, in collusion with a USAID Foreign Service national (FSN) employee who was reportedly soliciting kickbacks in exchange for future contracts.

Status

Investigators were unable to produce sufficient evidence to substantiate the allegations; however, they did uncover other abuses that the employee had been engaging in, such as instructing friends to lie on their applications to USAID and advising them that he would obtain the questions to be asked in their interviews ahead of time. The FSN was subsequently fired.

Case number: L07023

Allegation

OIG received an allegation that a USAID employee was committing fraud by submitting vouchers and being paid for the reimbursement of medicine and medical treatment that cost less than the employee claimed. The allegation claimed that the employee had self-audited one such voucher, in violation of USAID's internal controls.

Status

The investigation substantiated the claims of the allegation, and the employee voluntarily resigned after being suspended by USAID.

Case number: AO5042

Allegation

Allegations were received that a subgrantee of a USAID prime grantee billed unallowable costs in connection with a $128 million cooperative agreement to provide basic health care services, including family planning and immunizations, throughout Afghanistan.

Status

The OIG investigation identified $80,000 in questioned costs vouchered to the grantee by its subgrantee, more than $46,000 of which was determined unallowable and inappropriately billed to USAID. As a result of the investigation, USAID issued a demand letter to the grantee to repay the funds. The grantee then issued a credit to USAID for the amount in question.

Case number: AO4147

Allegation

OIG received an allegation that a grantee, in order to win an award, had made misrepresentations in its proposal pertaining to the status of an agreement with a subgrantee.

Status

The investigation verified that the representations were false, but because there was insufficient evidence to prove intent, OIG could not secure prosecution. However, USAID terminated the cooperative agreement for material noncompliance with the terms and conditions of the award, leading to $11.2 million in savings for USAID.

USAID OIG Performance Audits and Reviews with Findings and Recommendations -- Pakistan
March 31, 2009

	No.	Report Title	Report Date	Summary of Findings		Recommendations	USAID Response
FY 2003	1	**Audit of USAID's Bureau for Asia and the Near East Monitoring of the Government of Pakistan's Compliance with the Provisions of USAID Grant No. 391-K-005 (0-000-03-001-F)**	7-Jan-03	The audit found that USAID did not effectively monitor the Government of Pakistan's compliance with certain provisions of the grant agreement, which was to be used as reimbursement of debt paid and service of debt, to the United States, World Bank, Asian Development Bank, or International Monetary Fund. USAID officials had no assurance that the grant funds were used in accordance with the terms of the grant agreement until after the Government of Pakistan had expended the funds.	1	(1) USAID's Bureau for Asia and the Near East should implement procedures to obtain third-party authorizations necessary to monitor its cash transfer grant awards to the Government of Pakistan and all other foreign government grantees.	The Bureau for Asia and the Near East agreed to include provisions in future agreements to require grantees to seek the timely submission of information from third parties that may be necessary for the Agency to monitor grant awards to the Government of Pakistan and other foreign government grantees, as appropriate to U.S. foreign policy considerations. Final action has been taken.
					2	(2) USAID's Bureau for Asia and the Near East should implement procedures to monitor its grant agreements on an ongoing basis.	The Bureau for Asia and the Near East agreed with the recommendation and stated that it would implement procedures to enforce its cash-transfer grant requirements on an ongoing basis. These procedures were issued to Bureau office directors on January 6, 2003. Final action has been taken.
					3	(3) USAID's Bureau for Asia and the Near East should identify and collect the difference between interest remitted by the Government of Pakistan and total interest earned in the Separate Dollar Account associated with USAID Grant Number 391-K-005.	The mission agreed with the recommendation and collected more than $600,000 from the Government of Pakistan. Final action has been taken.
FY 2004	2	**Risk Assessment of Major Activities Managed by USAID/Pakistan (5-391-04-001-S)**	30-Oct-03	OIG conducted a risk assessment of education and governance programs, which identified several areas where vulnerability for risk was high: Two education programs were designated as high risk because of the lack of prior experience with USAID grants and because of having numerous U.S. and Pakistani partners to implement the programs. One local governance program was deemed high risk because there were problems with the participating nongovernmental organizations and with the legislative orientation component of the program.		None.	
FY 2007	3	**Audit of Selected Activities Under USAID/Pakistan's Basic Health Program (5-391-07-005-P)**	23-May-07	Overall, the selected activities under USAID/Pakistan's Basic Health Program generally did not achieve its intended program results. Areas where it fell short were in the distribution of family planning products, the promotion of program activities, the percentage of health facilities upgraded, the numbers of healthcare providers trained, and the numbers of grants awarded.	4	(1) USAID/Pakistan should develop and implement procedures that require its cognizant technical officers (CTOs) to periodically verify that the targets of its Basic Health Program performance indicators are updated to reflect any significant program changes.	The mission agreed with the recommendation. The mission updated guidelines for CTOs and provided training and refresher courses for CTO personnel. Final action has been taken.
					5	(2) USAID/Pakistan should develop and implement procedures that require its CTOs to periodically verify the reliability of performance data submitted by implementing partners.	The mission agreed with the recommendation. The mission updated guidelines and training for CTOs in data quality assessment and improving communication of requirements with implementing partners. Final action has been taken.
					6	(3) USAID/Pakistan should conduct data quality assessments of its Basic Health Program performance indicators as required by USAID's Automated Directives System.	The mission agreed with this recommendation and initiated an external data quality assessment that was completed in September 2007. Final action has been taken.
					7	(4) USAID/Pakistan should develop and implement procedures to retain and safeguard CTO work files.	The mission agreed with this recommendation and provided additional guidance and training on safeguarding records. Final action has been taken.

USAID OIG Performance Audits and Reviews with Findings and Recommendations -- Pakistan
March 31, 2009

	No.	Report Title	Report Date	Summary of Findings		Recommendations	USAID Response
FY 2008	4	**Audit of USAID/Pakistan's Education Sector Reform Assistance Program (5-391-08-004-P)**	28-Mar-08	The audit found that USAID/Pakistan did not monitor the Education Sector Reform Assistance Program effectively, nor did it approve revisions to the program's scope and budget. OIG also found a lack of documentation of a potential conflict of interest.	8	(1) USAID/Pakistan should instruct Research Triangle Institute to provide detailed supporting evidence of how the $16 million programmed for the School Enhancement Program was used to determine whether the funds were used as intended.	The mission agreed with the recommendation and said that it would have Research Triangle Institute provide detailed supporting evidence of how the $16 million programmed for the School Enhancement Program was used. This recommendation has been open for more than 1 year.
FY 2009	5	**Audit of Critical USAID/Pakistan's Earthquake Reconstruction Activities (5-391-09-001-P)**	25-Nov-08	The audit found that construction and livelihood activities were experiencing delays, contractor performance reviews were not conducted, performance management plans were not approved, and a data quality assessment was needed.	9	(1) USAID/Pakistan's contracting office should identify and document critical contracting processes and provide training to mission personnel responsible for these processes.	The mission agreed with the recommendation. In order to address the concerns, USAID Pakistan's Office of Acquisition and Assistance, along with the Controller's Office, is in the process of designing and implementing steps and procedures that will ensure that funding information is routed to the correct disbursing office. Along with the procedures, training will be provided to the acquisitions staff and also to the technical offices to clarify roles and responsibilities. This recommendation has been open for more than 1 year.
					10	(2) USAID/Pakistan should perform a contractor evaluation of Camp Dresser and Mckee International, Inc., in accordance with agency procedures.	The mission agreed with the recommendation and will perform a contractor evaluation of Camp Dresser and Mckee International, Inc. This recommendation remains open.
					11	(3) USAID/Pakistan should modify Mission Order 203.1 to specify that CTOs are responsible for approving implementing partner and contractor performance management plans.	The mission agreed with this recommendation and will modify Mission Order 203.1 to specify that CTOs are responsible for approving implementing partner and contractor performance management plans. This recommendation remains open.
					12	(4) USAID/Pakistan should perform a data quality assessment for the mission's earthquake reconstruction activities by December 31, 2008.	The mission agreed with the recommendation and will perform a data quality assessment for its earthquake reconstruction activities. This recommendation remains open.
	5	**Performance Audits Issued**				**Total Recommendations**	**12**
						Recommendations Open	**5**
						Recommendations Open More Than 1 Year	**1**

*** Open Recommendations: 8, 9 10, 11, 12**

USAID OIG Financial Audits Issued--Pakistan
March 31, 2009

No.	Audit Title	Report Number	Report Date	Total Costs Audited	Questioned Costs	Sustained Costs	Details for Questioned Costs over $1 million
1	Financial Audit of USAID/Pakistan's **Rupee Trust Fund for Operating Expenses**, for Fiscal Years Ended September 30, 2002, 2003, and 2004	5-391-06-003-N	10-Jan-06	$432,270			
2	Financial Audit of the Program Titled "Improved Pakistani Family Planning and Reproductive Health Services," USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01016-00, Managed by the **Greenstar Social Marketing Pakistan (Guarantee) Limited (Greenstar)**, for the Period from November 7, 2003, to June 30, 2004	5-391-06-020-R	11-May-06	1,805,257	830		
3	Financial Audit of the **Rural Support Programmes Network**—USAID Grant Rewarding Innovations at the District Level, Agreement No. 391-A-00-03-01015-00, for the Nine Month Period Ended June 30, 2004	5-391-06-031-R	13-Sep-06	471,255			
4	Financial Audit of the **Rural Support Programmes Network**—USAID Grant Rewarding Innovations at the District Level, Agreement No. 391-A-00-03-01015-00, for the Period Ended June 30, 2005	5-391-06-032-R	26-Sep-06	997,500			
5	Financial Audit of the Developing Non-Bankable Territories for Financial Services Project, USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01011-00, Managed by **Khushhali Bank**, for the Period from October 1, 2003, to December 31, 2004	5-391-06-033-R	27-Sep-06	1,853,591			
6	Financial Audit of the Four Year Bachelor's Degree Program, USAID/Pakistan Grant Agreement No. 391-G-00-04-01036-00, Managed by **Forman Christian College**, Lahore, for the Period from August 23, 2004, to June 30, 2005	5-391-07-006-R	12-Jan-07	764,472			
7	Financial Audit of the Enterprise Development Facility Program, Cooperative Agreement No. 391-A-00-03-01010-00, Managed by the **Pakistan Poverty Alleviation Fund** (PPAF) for the Period from October 1, 2003, to June 30, 2005	5-391-07-007-R	12-Jan-07	3,194,633	1,999,553	1,639,230	Ineligible loans by the recipient
8	Financial Audit of the Fulbright-USAID Scholarship Program, Grant Agreement No. 391-G-00-04-01035-00, Managed by the **United States Educational Foundation in Pakistan**, for the Period from September 1, 2004, to August 31, 2005	5-391-07-010-R	22-Feb-07	234,757			

USAID OIG Financial Audits Issued--Pakistan
March 31, 2009

No.	Audit Title	Report Number	Report Date	Total Costs Audited	Questioned Costs	Sustained Costs	Details for Questioned Costs over $1 million
9	Financial Audit of the **Aga Khan University Examination Board**, USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01003-00, for the Period from July 1, 2003, to December 31, 2004	5-391-07-014-R	3-May-07	771,546			
10	Financial Audit of the Program Titled "Improved Pakistani Family Planning and Reproductive Health Services," USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01016-00, Managed by the **Greenstar Social Marketing Pakistan (Guarantee) Limited (Greenstar),** for the Period from November 7, 2003, to June 30, 2004	5-391-07-020-R	25-Jul-07	234,757	34,804		
11	Financial Audit of the Enterprise Development Facility Program, Cooperative Agreement No. 391 A-00-03-01010-00, Managed by the **Pakistan Poverty Alleviation Fund** for the Period from July 1, 2005, to June 30, 2006	5-391-07-023-R	22-Aug-07	1,160,768	951,400	921,512	
12	Financial Audit of the Four Year Bachelor's Degree Program, USAID/Pakistan Grant Agreement No. 391-G-00-04-01036-00, Managed by **Forman Christian College**, Lahore (FCC), for the Period from July 1, 2005, to June 30, 2006	5-391-07-024-R	28-Sep-09	769,134			
13	Financial Audit of the Project Titled "Technical Assistance and Training to Improve Project and Financial Management of Provincial and District Health and Population Welfare Services in Pakistan," USAID/Pakistan Limited Scope Grant Agreement No. 391-G-00-04-01020-00, Managed by the **Options Consultancy Services Limited (Options) - Technical Assistance Management Agency (TAMA)**, for the Period from January 1, 2004, to March 31, 2006	5-391-08-005-N	20-Aug-08	697,058			
14	Financial Audit of the Developing Non-Bankable Territories for Financial Services Program, USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01011-00, Managed by **Khushhali Bank**, for the Period from January 1, 2005, to December 31, 2006	5-391-08-017-R	15-Apr-08	2,662,527	82,126	66,916	
15	Financial Audit of the **Aga Khan University** Examination Board (AKU-EB), USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01003-00, for the Period from January 1, 2005, to December 31, 2005	5-391-08-027-R	2-Jul-08	902,755			

USAID OIG Financial Audits Issued--Pakistan
March 31, 2009

No.	Audit Title	Report Number	Report Date	Total Costs Audited	Questioned Costs	Sustained Costs	Details for Questioned Costs over $1 million
16	Closeout Audit of the Enterprise Development Facility Program, Cooperative Agreement No. 391 A-00-03-01010-00, Managed by the **Pakistan Poverty Alleviation Fund (PPAF)** for the Period from July 1, 2006, to September 30, 2007	5-391-08-029-R	15-Aug-08	734,597			
17	Closeout Audit of the Programs Titled "Rewarding Innovation at the District Level," USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01015-00 for the Period from July 1, 2005 to March 31, 2006, and "Establishing Tent Schools and Cash for Work Program," Grant Agreement No. 391-G-00-06-0169-00 for the Period from December 9, 2005, to June 15, 2006; Managed by **Rural Support Programmes Network (RSPN)**	5-391-08-030-R	27-Aug-08	2,847,871	222,294	222,294	
18	Financial Audit of the Program Title "Improved Pakistani Family Planning and Reproductive Health Services," USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01016-00, Managed by the **Greenstar Social Marketing Pakistan (Guarantee) Limited (Greenstar),** for the Period From July 1, 2004, to June 30, 2005	5-391-08-032-R	19-Sep-08	5,707,948			
19	Financial Audit of the Program Titled "Improved Pakistani Family Planning and Reproductive Health Services," USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01016-00, Managed by the **Greenstar Social Marketing Pakistan (Guarantee) Limited (Greenstar)**, for the Period From July 1, 2005, to June 30, 2006	5-391-08-034-R	25-Sep-08	5,399,408			
20	Financial Audit of the Program Titled "Improved Pakistani Family Planning and Reproductive Health Services," USAID/Pakistan Cooperative Agreement No. 391-A-00-03-01016-00, Managed by the **Greenstar Social Marketing Pakistan (Guarantee) Limited (Greenstar)**, for the Period From July 1, 2006, to June 30, 2007	5-391-08-035-R	26-Sep-08	4,295,177	763,449		
21	Financial Audit of the Interactive Teaching and Learning Program in Pakistan, USAID/Pakistan Cooperative Agreement No. 391-A-00-06-01075-00, Managed by the **Children's Resources International Pakistan (G) Limited (CRI Pakistan)**, for the Period from March 1, 2006, to June 30, 2007	5-391-09-006-R	15-Dec-08	1,557,736	763,449	623,291	
21	**Financial Audits Issued**			**$37,495,017**	**$4,817,905**	**$3,473,243**	
					12.85%	**9.26%**	

USAID OIG Planned Fiscal Year 2009 Performance Audits of USAID/Pakistan-Funded Activities

1. Audit of USAID/ Pakistan's Capacity-Building Development Program

USAID/Pakistan awarded Development Alternatives, Inc. (DAI), a contract to implement a capacity-building program to improve economic and social conditions in the federally administered tribal areas (FATA) of Pakistan. The contract, awarded January 1, 2008, is valued at $43 million over a 3-year period, with an initial funding of $15 million. USAID/Pakistan's overall FATA program will provide technical assistance and training to private and public organizations to support projects for which, according to the Congressional Budget Justification, USAID requested about $400 million in funding and received about $300 million in FY 2008 for rule-of-law and human rights programs worldwide. The audit will (1) determine whether USAID-financed activities for rule of law and human rights have achieved intended results and (2) assess the activities' impact.

2. Audit of USAID/Pakistan's Links to Learning: Education Support to Pakistan Program

USAID/Pakistan is investing $170 million to fundamentally reform and revitalize basic education across Pakistan. On October 19, 2007, USAID/Pakistan awarded an $89.9 million cooperative agreement to American Institutes for Research to support basic education reform at the middle and secondary school system levels in Pakistan. The estimated completion date of the agreement is October 30, 2012. The Links to Learning: Education Support to Pakistan (ED-LINKS) program seeks to improve teacher education and professional development, student learning, and the learning environment. Other goals are to improve governance and strengthen public sector capacity at the federal, provincial, and district levels to sustain quality teaching and learning.

This audit will (1) determine whether USAID/Pakistan's ED-LINKS program achieved intended results and (2) assess the program's impact.

USAID OIG Investigative Case Work--Pakistan
March 31, 2009

Case Number	Criminal Law Enforcement Records System Number (CLERS)	Source	Status	Program Integrity (PI) or Employee Integrity (EI)	Savings and Recoveries	Department of Justice Civil/Criminal Actions	Results
A05080		Mission	Closed	PI		(1)	DOJ Declination (12/6/05)
A06054		Mission	Closed	PI			Admonishment
L07058		Washington	Closed	PI			Other administrative sanctions; disqualified from future contract bid (not a debarment)
L07059		Washington	Closed	PI			Audit Recovery
	LA-MA-08-0040-I	Mission	Closed	PI			Referral M/HR
	LA-HO-09-0042-I	Washington	Open	PI			NA
	LA-MA-09-0105-P	Mission	Preliminary	EI			NA
					$0		

FY 2009 Third Quarter Activity		March 2005 - March 2009	
Total Cases Opened	**1**	**Total Cases Opened**	**7**
Total Cases Closed	**0**	**Total Cases Closed**	**5**
Total DOJ Referrals	**0**	**Total DOJ Referrals**	**1**
Arrests	**0**	**Arrests**	**0**
Indictments	**0**	**Indictments**	**0**
Convictions	**0**	**Convictions**	**0**
Administrative Actions	**0**	**Administrative Actions**	**2**
Fraud Awareness Briefings	**0**	**Fraud Awareness Briefings**	**4**
Attendees at Fraud Awareness Briefings	**0**	**Attendees at Fraud Awareness Briefings**	**78**

Title:	**Audit of USAID/Afghanistan's Higher Education Project (5-306-09-002-P)**
Date:	December 4, 2008
Implementing Partners:	Academy for Educational Development
Time period Covered by Audit:	January 2006 to June 2008
Funding Information:	As of June 30, 2008, the mission had obligated $23 million and disbursed $14 million in support of this project

Background—Summary of Findings

USAID/Afghanistan's Higher Education Project involves a 5-year agreement between USAID and the Government of Afghanistan to develop a better educated population in that country. A $38 million cooperative agreement was awarded to the Academy for Educational Development to implement the project.

Specifically, the project set out to transform instructional methods in 16 postsecondary institutions and to institutionalize structures and systems to sustain high-quality instruction and professionalism. At the end of the project in 2014, the institutions will be expected to take full responsibility for the reform systems and teacher training.

Thus far, the project has achieved some of the intended results. Training was provided in teaching methods, basic information technology skills, and graduate-level education, along with workshops and seminars on institutional and leadership development. The project initiated a master's degree program and trained several candidates in the United States. Faculty members who participated in the project's activities were exposed to new and more effective teaching methodologies in their classes, and they advanced their English-language skills. Moreover, they had greater access to training and educational materials not available in their local language.

Despite these accomplishments, the audit identified three areas that, if not addressed during the second half of the project, will threaten the sustainability of the project's results. In addition, the audit identified that the mission's technical oversight of the project has fallen short of what is required by the agreement and USAID's policies.

Recommendations—Management Decisions

The audit report made four recommendations:

1. That USAID/Afghanistan determine the key indicators to measure and report results and revise the indicators at the implementer level, the mission level, or both, to more accurately link the activity data to the mission's planned results.

The mission stated that on November 17, 2008, the cognizant technical officer (CTO) reached an agreement with the Academy for Educational Development (AED), implementer of the Higher Education Project, to jointly define critical performance indicators and to incorporate data collection directly into the acquisition mechanism. Further, the mission anticipates approving a revised monitoring and evaluation plan by March 15, 2009. This recommendation remains open.

2. That USAID/Afghanistan intervene with the Ministry of Education and Ministry of Higher Education to reach an agreement on appropriate collaborative actions to further the higher education project.

   The mission stated that initial efforts to establish cooperation between the Afghan Ministries of Education and Higher Education took place during the project sponsored Teacher Standards Conference held November 17 and 18, 2008. Representatives from both ministries attended, as well as rectors from the 16 pedagogical universities and Kabul Education University. At this conference, a memorandum of understanding was drafted among the Ministries of Education and Higher Education, the implementer, and USAID confirming the adoption of secondary and higher education standards of teacher education. This recommendation remains open pending completion of the memorandum of understanding.

3. That USAID/Afghanistan collaborate with AED and applicable Afghanistan universities to develop an exit strategy so that key services of professional development centers will continue after project completion.

   AED and USAID/Afghanistan have begun a series of meetings designed to put a mechanism in place for ensuring the sustainability of each of the 16 professional development centers. The centers are expected to be operational by January 31, 2011.

   A consortium meeting involving program partners was held from November 12 to November 13, 2008, to discuss development of a comprehensive sustainability plan. The draft exit strategy has been developed and was submitted to the mission on December 28, 2008. The target closure date of this recommendation is February 28, 2009. This recommendation remains open.

4. That USAID/Afghanistan implement appropriate procedures to strengthen (1) project monitoring, (2) review and approval of project documents, and (3) maintenance of the CTO project file for the Higher Education Project.

   The mission stated that the short-term staff assignments prevalent in Afghanistan prevent a CTO's term of more than 1 year. The mission also acknowledges that CTO turnover for the project has been unacceptably high, and it will make every effort to curtail turnover. The mission anticipates that the current CTO will remain in place until August 2009. It is expected that a longer-term CTO will alleviate the project management issues cited by the audit. Final action has been taken on this recommendation.

Title:	**USAID/Pakistan's Earthquake Reconstruction Activities (5-391-09-001-P)**
Date:	November 25, 2008
Implementing Partners:	Camp Dresser and Mckee International, Inc. Citizens Network for Foreign Affairs
Time Period Covered By Audit:	January 21, 2006, through April 30, 2008
Funding Information:	As of May 2008, USAID/Pakistan had committed $202 million to reconstruction activities, obligated $80 million, and disbursed $43 million since the program's inception.

Background—Summary of Findings

On October 8, 2005, residents of northern Pakistan were shaken by a 7.6 magnitude earthquake that claimed more than 74,000 lives, leveled 272,000 buildings (including 585 health care facilities and 15,000 educational buildings), and left more than 3.5 million people homeless. The earthquake zone is located in a mountainous region that includes parts of Pakistan's Northwest Frontier Province and Azad Jammu and Kashmir Province. The Islamic Republic of Pakistan (Pakistan) established the Earthquake Reconstruction and Rehabilitation Authority to coordinate and oversee all reconstruction activities. To help Pakistan recover and to provide immediate access to earthquake-affected areas, on January 21, 2006, the U.S. Government (acting through USAID) and the Pakistani Government formalized U.S. Government support for Pakistan's earthquake reconstruction program with the signing of a $200 million special objective grant agreement.

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

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

Recommendations—Management Decisions

The audit report made four recommendations:

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

   The mission agreed with the recommendation. To address the concerns, USAID/Pakistan's Office of Acquisition and Assistance, along with the Controller's Office, is in the process of designing and implementing steps and procedures to ensure that funding information is routed to the correct disbursing office. Along with the procedures, training will be provided to the acquisitions staff and also to the technical offices to clarify roles and responsibilities. This recommendation remains open.

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

   The mission agreed with the recommendation and will perform a contractor evaluation of Camp Dresser and Mckee International, Inc. This recommendation remains open.

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

   The mission agreed with this recommendation and will modify mission order 203.1 to specify that CTOs are responsible for approving implementing partner and contractor performance management plans. This recommendation remains open.

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

   The mission agreed with the recommendation and will perform a data quality assessment for its earthquake reconstruction activities. This recommendation remains open.

Title:	**Audit of USAID/Afghanistan's Capacity Development Program (5-306-08-012-P)**
Date:	September 30, 2008
Implementing Partner:	BearingPoint, Inc.
Time Period Covered By Audit:	February 2, 2007, to March 31, 2008
Funding Information:	As of March 31, 2008, USAID had obligated $49.6 million and disbursed $24.4 million

Background—Summary of Findings

Capacity building is needed in almost every sector in Afghanistan in order to rebuild and promote economic expansion. In February 2007, USAID/Afghanistan awarded a $218.6 million contract to BearingPoint, Inc., to implement the Capacity Development Program with an expected end date of 2012. USAID intended the program to be a broad, crosscutting capacity-building initiative to support all of the mission's objectives. The program aims to strengthen Afghan capacity-building institutions; build near-term capacity with target institutions in the public, private, and educational sectors; and develop a critical mass of Afghans trained in management and other basic skills. These goals are expected to be accomplished through a combination of training and technical assistance.

The audit found that there was a lack of evidence to demonstrate that the program was on track to achieve planned results. Specifically, the program lacked key deliverables necessary for effective implementation, monitoring, and reporting of program activities and results, such as work plans and results monitoring plans with performance indicators and targets. Given these shortcomings and the fact that the contract had been in place for just over 1 year, OIG was unable to assess the program's impact.

Moreover, the contractor and the mission spent an inordinate amount of time attempting to define the program's activities and priorities and implementing tasks that did not always appear to contribute directly to the overall program. For example, the contractor, at the direction of USAID, was paying the salaries for approximately 460 employees of Afghanistan's Ministry of Education, which would amount to $11.1 million over a 2-year period. Because the contractor did not have a detailed work plan identifying the specific activities it intended to implement for the program's participant training component, OIG questioned whether the program would achieve its intended objectives under this component, which according to the contract was to constitute almost two-thirds of the program's funding.

In addition, the audit report addresses the contractor's lack of the required approved branding implementation and marking plan. USAID policy requires that contractors develop a plan to

describe how the program will be promoted to beneficiaries and host-country citizens. The branding implementation plan requires key milestones or opportunities anticipated to generate awareness that the program, project, or activity is from the American people.

Further, contractors are to develop a marking plan to ensure that programs, projects, activities, public communications, or commodities implemented or delivered under contracts and subcontracts funded only by USAID are marked exclusively with the USAID identity. These requirements were included in the Capacity Development Program contract.

Recommendations—Management Decisions

The audit includes four recommendations:

1. That USAID direct the contractor to develop a detailed work plan to align with expected results for fiscal year 2009 and require the contractor to submit the work plan 15 days prior to the start of the fiscal year, as required by the contract.

   The mission stated that on September 1, 2008, it directed the contractor to submit the draft work plan 15 days prior to the start date of FY 2009, as required by the contract. The draft work plan for FY 2009 was submitted by the contractor on September 14, 2008. Final action has been taken.

2. That USAID direct the contractor to put in place an approved results monitoring plan to measure the progress and results of the activities detailed in the work plan addressed in the previous recommendation.

   The mission approved the performance management plan (2008–2012) on September 6, 2008, and the mission has put in place an approved results monitoring plan for FY 2009 to measure the progress. Final action has been taken.

3. That USAID reevaluate the appropriateness of funding salaries for approximately 460 of Afghanistan's Ministry of Education employees through the Capacity Development Program.

   In the short term, USAID believes that supporting these technical advisers in the Ministry of Education in combination with an intensive training component does have merit and does contribute to the core capacity-building objective of this contract. The mission and contractor are taking various steps to evaluate, implement, and improve training. Therefore, final action was achieved upon report issuance.

4. That USAID/Afghanistan take immediate action to approve and ensure implementation of a branding implementation and marking plan under its Capacity Development Program.

   The mission approved the branding implementation and marking plan under its Capacity Development Program on September 17, 2008. Therefore, this recommendation was closed upon report issuance.

Title:	**Audit of USAID/Afghanistan's Accelerating Sustainable Agriculture Program (5-306-08-009-P)**
Date:	August 8, 2008
Implementing Partner:	Chemonics International
Time Period Covered By Audit:	November 2006 to December 2007
Funding Information:	As of November 2007, the contract ceiling was increased to $102 million. As of December 31, 2007, USAID had obligated $77 million and disbursed $16 million.

Background—Summary of Findings

Afghanistan, a country that once had a strong agricultural sector, has become dependent on international food aid. To deal with ongoing political instability and economic hardship, farmers turned to the cultivation of opium poppies to provide necessary income. In an effort to respond to this agricultural crisis, USAID/Afghanistan launched its Accelerating Sustainable Agriculture Program in the northern, northwestern, and western provinces. The intent of the program is to accelerate broad-based, market-led agricultural development that is capable of responding and adapting to market forces and, in the process, provide new economic opportunities for rural Afghans.

OIG conducted an audit of USAID's efforts in August 2008. Because the program had begun on November 22, 2006, it was too early to judge whether it was succeeding in accelerating broad-based, market-led agricultural development in areas of Afghanistan where it is being implemented. However, the audit identified the following issues that have affected the mission's management of the program during the first year:

- The Mazar Foods Initiative—a key agricultural activity—experienced significant delays.
- Environmental evaluations and assessments were not conducted in accordance with regulations.
- Significant defects in constructed buildings have delayed handover to the Government of Afghanistan.
- The contractor did not comply with USAID's branding and marking requirements, did not have adequate support for reported results, did not receive prior written approval to purchase restricted commodities, did not provide performance reports that were in accordance with contract terms, and did not properly account for program income.

- The USAID mission approved an incomplete performance management plan.

Recommendations—Management Decisions

OIG issued 15 recommendations:

1. The USAID/Afghanistan CTO should prepare an implementation plan identifying the critical tasks needed to implement the Mazar Foods Initiative. This implementation plan should identify all tasks that are behind schedule and show how the mission is going to address the delay. Further, the mission should develop a process for periodically updating the implementation plan.

   The mission agreed with the recommendation. Prior to the issuance of the audit, the Mazar Foods Initiative had an implementation plan in place. The mission stated that any outstanding delays were associated with obtaining an Overseas Private Investment Corporation loan and that it would direct Chemonics to resubmit an updated implementation plan when program plans change. Final action has been taken.

2. USAID/Afghanistan should require its environmental officer to provide annual training to CTOs and require mission personnel to comply with the environmental regulations outlined in Mission Order 04-14 and USAID's Automated Directives System 204.

   The mission agreed with the recommendation and anticipated completing written procedures. This recommendation remains open.

3. USAID/Afghanistan should revise its mission order to be consistent with USAID's Automated Directives System 204 defining CTO responsibilities for monitoring compliance with environmental regulations.

   The mission anticipated completing written procedures. This recommendation remains open.

4. USAID/Afghanistan should obtain a written legal decision from its general counsel on how to proceed for completed and in-process projects in which environmental regulations were not followed.

   The mission consulted with the USAID/Afghanistan Legal Advisor, the USAID Office of the General Counsel, and the USAID Agency Environmental Coordinator. In accordance with 22 CFR 216.3(a)(7), USAID stated that it would require the contractor to conduct the environmental review of the ongoing or completed subprojects or aspects thereof, as required by the Initial Environmental Evaluation for the SOAG. USAID would also require the contractor to take any mitigating measures developed as a result of the review. Final action has been taken.

5. USAID/Afghanistan should prepare procedures requiring review of construction design plans and provide quality assurance oversight by the Office of Infrastructure, Engineering and Energy.

   The mission agrees with the recommendation and anticipates completing the written procedures. The recommendation remains open.

6. USAID/Afghanistan should require engineers from the Office of Infrastructure, Engineering and Energy to work with Chemonics to take corrective action on each of the construction defects and to require these engineers to be part of the final inspection.

   The mission concurred that a licensed professional engineer should be involved in the final inspection process for all construction projects. The CTO and engineers from the mission are working with Chemonics to correct the identified construction defects. The recommendation remains open.

7. USAID/Afghanistan should reevaluate Chemonics' March 2008 revised marking and branding plan and make a determination whether to approve any exceptions to marking requirements included in the plan.

   The mission agreed with the recommendation. A revised marking and branding plan was approved by the contracting officer, and the contract was modified on October 13, 2008. Final action has been taken.

8. USAID/Afghanistan should develop procedures requiring CTOs to verify and document, as part of their site visits, that items purchased or built with USAID funds are properly marked.

   The mission agreed with the recommendation and issued a May 12, 2008, mission order that addresses CTO certification of contractor/recipient compliance with delivery requirements under their respective awards. Marking of the items purchased or built with USAID funds is part of the delivery requirement. Final action has been taken.

9. USAID/Afghanistan's CTO should issue a technical directive, requiring Chemonics to define the roles and responsibilities of the monitoring and evaluation staff, to include a system to ensure that the program's data is accurate and easily accessible.

   The mission agreed with the recommendation and had Chemonics submit a revised performance management plan. The revision was sent to the CTO on July 17, 2008. The mission did not believe an additional technical directive was necessary, since the response to the recommendation was included in the July 17, 2008, performance management plan. Final action has been taken.

10. USAID/Afghanistan's CTO should require Chemonics to perform a data quality assessment before the issuance of the next annual report.

A data quality assessment was completed by the Alternative Development and Agriculture (ADAG) Monitoring and Evaluation Staff of the Accelerating Sustainable Agriculture Program, jointly undertaken with Chemonics. The data quality assessment checklists for the program's 21 performance indicators were approved by the mission in November 2008. The mission has determined that, in order to increase the level of monitoring and evaluation of all ADAG programs, an annual program statement will be issued. An independent third party will be made available to provide monitoring, evaluation, and DQAs for various projects, which will include random sampling for onsite, field verifications of activity data indicators, and reported outcomes.

11. USAID/Afghanistan should determine the allowability and collect as appropriate $37,573 for commodities purchased by Chemonics without prior written approval from the mission.

    The mission agreed with the recommendation. It obtained a letter from Chemonics dated May 31, 2008, stating that the contractor would credit all program income, including the questioned amount, to the contract. The mission stated that it would evaluate new invoices to ensure Chemonics' compliance. In addition, Chemonics has established a separate bank account and separate expense books to account for program income. Final action has been taken.

12. USAID/Afghanistan's CTO should issue a technical directive to require Chemonics to identify in its invoices costs associated with restricted commodities.

    The mission agreed with the recommendation. In a CTO meeting with ASAP on July 11, 2008, ASAP agreed to begin identifying restricted commodity purchases in its monthly invoices. USAID stated that it would verify compliance with the requirement in Chemonics' July 2008 invoice. Since ASAP agreed to the monthly invoice changes as recommended, the mission felt that a separate technical directive was not necessary Final action has been taken.

13. USAID/Afghanistan should direct Chemonics to reduce future billings to USAID by $129,731 for program income collected as of March 31, 2008, and comply with the terms of the contract for any income received after March 31, 2008.

    The mission agreed with the recommendation and is awaiting the contracting officer's determination. The recommendation remains open.

14. USAID/Afghanistan should develop procedures requiring the Program and Project Development Office to review performance management plans of contractors and grantees for compliance with USAID's Automated Directives System 203 prior to approval by the CTO.

    The mission agreed with the recommendation and anticipates completing written procedures. This recommendation remains open.

15. USAID/Afghanistan should determine the nature, format, and timing of the reports required to monitor contract performance effectively and align the contract reporting requirements to these expectations.

The mission agreed with the recommendation. The contracting officer and CTO have already addressed these concerns in a draft modification to the ASAP contract. Thus, a management decision was made in August 2008. Final action has been taken.

Title:	**Audit of USAID/Afghanistan's Small and Medium Enterprise Development Activity (5-306-08-006-P)**
Date:	June 23, 2008
Implementing Partner:	Development Alternatives, Inc.
Time Period Covered By Audit:	January to December 2007
Funding Information:	As of December 31, 2007, $20.4 million had been obligated and $13.2 million disbursed.

Background—Summary of Findings

USAID awarded a $36.8 million contract to Development Alternatives, Inc., to implement the Afghanistan Small and Medium Enterprise Development Activity. This project was intended to support the rapid transition of Afghanistan to a more stable and productive state by promoting sustainable economic and social development. The project had several goals: promoting a thriving licit economy led by the private sector, working with the Government of Afghanistan to develop sound economic governance, and partnering with the private sector to stimulate investment and business opportunities.

One of the problems that the audit disclosed was the unreliability of the contractor's performance data. Auditors were unable to determine whether the majority of performance indicators (11 out of 18) were showing results because of a lack of proper management controls, which in turn produced overstated project results. Moreover, the audit documented a need for a Web-based management information system and realistic project goals.

Recommendations—Management Decisions

The audit report made four recommendations:

1. That USAID require its CTO to work with the contractor to refine the project database and eliminate duplicate records, as well as to ensure that the data in the project database are reliable.

   On May 21, 2008, a mission-hired expert determined that the contractor had effectively corrected the duplication errors and developed a productive and comprehensive method of reducing duplications and identifying those that occur. Final action has been taken.

2. That USAID require the contractor to develop a plan of action to implement a Web-based information system.

The mission and contractor worked together to develop the recommended plan of action, which included training for monitoring and evaluation staff, creation of a user's manual, and planned visits to regional offices for data verification and oversight. Final action has been taken.

3. That USAID require the CTO to provide technical direction to the contractor in updating the performance management plan, redefining performance indicators and targets, and redirecting resources to areas where more of an impact can be made.

   The mission has developed the recommended plan of action to modify the contract to better align the scope of work with the current situation in Afghanistan and to develop a new performance monitoring plan. The new plan will be discussed with the Office of Program and Project Development to ensure consistent monitoring and evaluation of the activity. Final action has been taken.

4. That the CTO formally approve the revised performance management plan.

   The mission's CTO formally approved the updated performance monitoring plan, and the recommendation was closed in October 2008. Final action has been taken.

Title:	**USAID/Pakistan's Education Sector Reform Assistance Program (5-391-08-004-P)**
Date:	March 28, 2008
Implementing Partner:	Research Triangle Institute
Time Period Covered By Audit:	August 28 through September 27, 2007
Funding Information:	As of September 30, 2007, USAID/Pakistan had obligated and disbursed $83 million and $76 million, respectively, toward the activities under the ESRA Program.

Background—Summary of Findings

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

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

Although the audit could not confirm the validity of the reported achievements, auditors observed that some tasks had been completed. For example, the audit team observed that furniture, computers, books, and other teaching aids had been provided to two different ESRA-funded resource centers. The team also reviewed memorandums of understanding that supported the formation of public-private partnerships. However, these were only a handful of examples of tasks completed under the $83 million program.

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

Recommendations—Management Decisions

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

The mission agreed with the recommendation and said that it would have RTI provide detailed supporting evidence of how the $16 million programmed for the ESRA School Enhancement Program was used. This recommendation remains open.

Title:	**Audit of USAID/Afghanistan's Alternative Development Program—Southern Region (5-306-08-003-P)**
Date:	March 17, 2008
Implementing Partner:	Chemonics International, Inc.
Time Period Covered By Audit:	February 2005 to September 2007
Funding Information:	As of September 30, 2007, USAID/Afghanistan had obligated $76 million and disbursed $60 million for Alternative Development Program—South.

Background—Summary of Findings

In February 2005, USAID awarded a 4-year, $120 million contract to Chemonics International, Inc., to implement Alternative Development Program—South (ADP/S) in the Helmand, Kandahar, and Uruzgan Provinces. In May 2007, supplemental funding raised the contract ceiling to $166 million. The program has two objectives: (1) to help accelerate licit economic growth and business activity in selected provinces in which poppy cultivation is thriving and (2) to help provide an immediate alternative source of income to poor households whose livelihoods depend, directly or indirectly, on the opium economy.

The mission exceeded its planned targets for six of the indicators, partially achieved its target for eight indicators, and did not achieve its target for one indicator. The mission's efforts have had little impact on the overall U.S. strategy for reducing poppy production in Afghanistan.

The program could have been more successful had it started when originally planned. Chemonics evacuated in May 2005 because of security issues and did not return until September 2005. The mission did not approve the Chemonics work plan until February 2006, focusing on long-term planning rather than rolling out program activities. Chemonics and the mission experienced turnover in critical program positions. As a result, the program missed the opportunity to induce more Afghans not to plant poppies in the fall of 2005 by providing them with immediate alternative sources of income.

Recommendations—Management Decisions

OIG recommended that the mission develop procedures setting requirements to ensure the timely review and approval of work plans.

On March 12, 2009, a mission notice was issued, providing the necessary guidelines to ensure CTOs' adherence to annual work plan submittal and approval requirements. Final action has been taken.

Title:	**Audit of USAID/Afghanistan's Agriculture, Rural Investment and Enterprise Strengthening Program (5-306-08-001-P)**
Date:	January 22, 2008
Implementing Partners:	Academy for Educational Development et al.
Time Period Covered By Audit:	September 16, 2006, to September 30, 2007
Funding Information:	As of September 2006, the Academy for Educational Development was awarded a 3-year, $80 million cooperative agreement. As of September 30, 2007, $54 million had been obligated and $30 million had been disbursed for program activities.

Background—Summary of Findings

In September 2006, USAID awarded a 3-year contract to the Academy for Educational Development (AED) to implement the Agriculture, Rural Investment and Enterprise Strengthening (ARIES) Program. The overall purpose of the program was to provide expanded access to rural financial services, primarily in alternative development program regions' key poppy-growing provinces, and to create a strong private sector foundation to provide a spectrum of substantial financial services. USAID/Afghanistan's Alternative Development Program (ADP) was to have included activities to accelerate legitimate economic growth in key poppy-growing provinces by creating or strengthening credit and financing institutions. However, credit and financing activities were not implemented under the program because of contract restrictions, which prevented issuing grants to fund such activities.

The audit found that in its first year, the ARIES Program achieved or exceeded most of its goals and helped make a significant impact in expanding Afghanistan's licit rural economy by creating nearly 63,000 jobs. Despite these achievements, OIG found that the ARIES Program could have been more successful with implementing small and medium enterprise (SME) program loan segment activities and investment and finance cooperatives (IFCs). OIG also found several areas in which the implementation and management of the program could be improved.

Recommendations—Management Decisions

This report made six recommendations to help USAID/Afghanistan improve its oversight of the ARIES Program in the remaining 2 years of the cooperative agreement:

1. AED is required to make clear to its partners that the ARIES Program is to be implemented primarily in ADP regions and to dovetail with regional ADP priorities.

The mission informed AED that it should emphasize to its partners the importance of reports and publications that accurately reflect the priority given to ADP regions and document how they are dovetailing with the ADP as required by the cooperative agreement. Final action has been taken.

2. Work with AED to establish formal goals in its work plan for implementing ARIES activities in ADP regions.

   The ARIES second-year work plan submitted to and subsequently approved by the mission clearly describes the provinces where the program creates new financial service outlets, supports existing outlets, and disburses micro- and SME loans. All of the provinces referenced in the work plan are considered part of the ARIES target regions, as described in the cooperative agreement, and fall within the ADP priority areas. Final action has been taken.

3. Direct AED to communicate success stories related to shifting opium-poppy workers into licit livelihoods as a result of ARIES loans in ADP regions.

   The mission directed AED to submit a minimum of two articles per month to ensure effective communication of success stories. Final action has been taken.

4. Direct AED to revise its ARIES performance monitoring plan to include appropriate performance indicators and targets and provide quarterly reports of those results to USAID.

   The revised performance monitoring plan for FY 2008, which has been submitted for approval to the mission, includes specific targets in ADP regions for activities in the remaining 2 years of the cooperative agreement and will measure both micro- and SME finance activities. These results will also be submitted on a quarterly basis. Final action has been taken.

5. Direct AED to ensure that one of its partners, the World Council of Credit Unions (WOCCU), establishes and maintains appropriate systems and processes for recording, reporting, and internal monitoring of the operating activities of its IFCs as required by the ARIES work plan.

   A strategic decision was made in November 2006 to begin installing Micro Banker, an integrated accounting software program, in each IFC 6 months after the startup of operations in order to increase the efficiency and accuracy of WOCCU's monitoring and reporting as well as to more easily consolidate information across different IFCs. This strategy is based on WOCCU's previous experience in Uzbekistan, which shows that training IFC staff on a manual accounting system is a necessary prerequisite to introducing an integrated accounting software program. Final action has been taken.

6. Direct AED to ensure that WOCCU implements an integrated accounting system at each of its IFCs as required by its subagreement.

In accordance with mission suggestions, WOCCU planned to adopt the International Financial Reporting Standard for the IFCs and install Micro Banker, an integrated accounting software program, in each IFC 6 months after the startup of operations. Final action has been taken.

Title:	**Audit of Selected Follow-on Activities Under USAID/Afghanistan's Economic Program (5-306-07-009-P)**
Date:	August 31, 2007
Implementing Partner:	BearingPoint, Inc.
Time Period Covered By Audit:	September 2005 to May 2007
Funding Information:	As of May 2007, obligations and expenditures totaled $33 million and $19 million respectively for a 3-year, $46 million contract.

Background—Summary of Findings

The Economic Governance and Private Sector Strengthening Program's central goal is to assist the Government of Afghanistan (GoA) in establishing an environment that will promote rapid economic development and sustained high rates of economic growth led by the private sector. Under the contract, USAID signed six agreements with the GoA for BearingPoint, Inc., to provide technical assistance and support for capacity building to six ministries and organizations: (1) Da Afghanistan Bank; (2) the Ministry of Commerce and Industry; (3) the Ministry of Communications and Information Technology; (4) the Ministry of Finance Customs, Human Resources, and Secretariat; (5) the Ministry of Finance state-owned banks; and (6) the Office of the President/Office of the Senior Economic Adviser to the President.

USAID and the GoA agreed to work plans and activities with which BearingPoint would be engaged. Technical adviser services were intended to contribute to aspects of one or more of the following objects: (1) restructuring of the governmental ministries and organizations, (2) legal and regulatory reform, and (3) capacity building. As of May 2007, BearingPoint had 137 advisers providing assistance to the above ministries and organizations in support of the three objectives.

The audit found that some results had been achieved. This finding was based on a selected review of technical services provided by BearingPoint over a 20-month period (September 2005 to May 2007). For instance, advisers developed diagnostic reports that analyzed the deficiencies in two state-owned banks, made recommendations needed to revitalize the banks, contributed to the establishment of the Afghanistan Telecommunications Regulatory Authority, helped improve accounting functions in a bank to ensure international standards, assisted in drafting 10 commercial laws, and assisted in automating the Ministry of Finance customs functions to comply with international standards.

The audit also found instances in which results had not been achieved. BearingPoint did not assist the Ministry of Finance in promoting a modern human resources management system because the GoA did not have a counterpart with which it could work. As a result, progress had not been realized toward accomplishing agreed-upon activities established in the work plan for the Ministry of Finance, and the ministry had difficulty acquiring trained staff.

The audit also found that USAID and BearingPoint did not have agreed-upon performance indicators, contrary to USAID's written policy, which requires the establishment of set performance targets that can be achieved within a specific timeframe. There were three CTOs for the contract, and each had a different opinion as to what the indicators should be. While the contractor did provide monthly reports that described activities accomplished, there were no set indicators to report how the accomplishments compared to planned targets at any given time, thus compromising the effective management of the contract.

Recommendations—Management Decisions

Two recommendations were made by the audit:

1. That USAID/Afghanistan reevaluate the work plan for one particular project implementation letter and decide whether to allow BearingPoint to continue with the planned activities to provide a human resources adviser to the Ministry of Finance for the duration of the contract or to revise the plan.

   The mission decided to assign a human resources adviser to the Ministry of Finance, and that person started in June 2007. Final action has been taken.

2. That USAID/Afghanistan require BearingPoint to review, reassess, and update the work plans for the six project implementation letters issued under the program, and to include agreed-upon performance indicators and set targets that will be used to measure the program's intended results.

   The mission and BearingPoint developed a combined work plan for all implementation letters, which included indicators and targets. Final action has been taken.

Title:	**Audit of USAID/Afghanistan's Urban Water and Sanitation Program (5-306-07-006-P)**
Date:	June 7, 2007
Implementing Partner:	Camp Dresser and Mckee, Inc.
Time Period Covered By Audit:	September 2004 to December 2006
Funding Information:	As of December 20, 2006, USAID had obligated $37.3 million and disbursed $36.2 million.

Background—Summary of Findings

OIG conducted this audit to determine whether selected activities under USAID's Urban Water and Sanitation Program were on schedule to achieve planned results (contract deliverables). Although planned contract deliverables were generally being achieved under the mission's Afghanistan Urban Water and Sanitation Program (AUWSP), OIG concluded that the long-term program was questionable and that contract administration problems existed between the mission and Camp Dresser and Mckee, Inc. (CDM), the implementing contractor.

Under the program, CDM was contracted to design and construct or improve water distribution systems, prepare water system feasibility studies, deliver capacity-building assistance, and provide water and sanitation technical advisory services. CDM was able to achieve several of the program objectives (e.g., completing water distribution systems in Gardez, Ghazni, and Chil Duktharan and extending the water distribution system in Karte Se). However, OIG noted concerns about the sustainability of the newly constructed and extended water distribution systems that could affect the future benefits or impact of AUWSP. For example, after recognizing the need for operator training for the newly built water distribution systems, the mission did not properly assess the training provided to proposed operators or the Afghan Government's plans to ensure the financial and operational sustainability of the newly built systems.

In addition, substantive contract administration problems were identified with the implementation of program activities. First, the mission's CTO requested that CDM make unauthorized changes in its work efforts in Kandahar. Second, the mission did not require CDM to comply with all contract work requirements or to meet reporting requirements needed to assist the mission in evaluating the program. Third, the mission did not require CDM to provide it with necessary financial information to help monitor contract costs. As a result, the mission's system for controlling, projecting, and monitoring the contract costs did not provide for the necessary information to foresee the contractor's requests for $1.6 million in additional funds a month prior to the end of the contract.

Recommendations—Management Decisions

The audit report made five recommendations to help correct the identified problems:

1. That USAID/Afghanistan assess particular sites and provide any necessary training.

   The mission agreed with the recommendation. USAID/Afghanistan's monitoring contractor, International Relief & Development, Inc., conducted an assessment of the operators' training needs and provided the necessary practical and in-class training to 10 operators and 16 operator trainees of the water supply projects in Ghazni, Gardez, and Chil Dukhtaran from November 10 to 30, 2007. Final action has been taken.

2. That USAID/Afghanistan assist the relevant Government of Afghanistan ministries in determining the appropriate user fees to be charged to water system clients and how to increase usage of water system services by potential clients.

   The mission planned to have an assessment conducted and then provide technical assistance to the ministries as needed by the end of April 2008. Final action has been taken.

3. That USAID/Afghanistan require briefings for all incoming CTOs to reinforce the knowledge of applicable contractual delegated authorities and limitations for the duration of their stay in Afghanistan.

   The mission has institutionalized a practice and developed new procedures to brief all incoming cognizant technical officers. Final action has been taken.

4. That USAID/Afghanistan require that CTOs fulfill their contract administration responsibilities at least quarterly, as applicable, by confirming and documenting that contractors are complying with specific contract reporting requirements.

   The mission planned to develop a new mission order by May 2008 to provide for quarterly reporting and certifications by CTOs that applicable monitoring duties were performed. Final action has been taken.

5. That USAID/Afghanistan strengthen its system for controlling, projecting, and monitoring contract costs.

   The mission developed new procedures for controlling, projecting, and monitoring contractor costs. Final action has been taken.

Title:	**Selected Activities Under USAID/Pakistan's Basic Health Program (5-391-07-005-P)**
Date:	May 23, 2007
Implementing Partners:	Government of Pakistan Greenstar JSI Research and Training Institute, Inc.
Time Period Covered By Audit:	October 1, 2005, through September 30, 2006
Funding Information:	Total program funding for basic health activities was $168 million. The audit covered two subprograms, the Key Social Marketing Program (KSM) and the Pakistan Initiative for Mothers and Newborns Program (PAIMAN). As of September 30, 2006, USAID/Pakistan had obligated $15 million and disbursed $11 million for the KSM Program, and it had obligated $23 million and disbursed $7 million for the PAIMAN Program.

Background—Summary of Findings

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

Neither of the two programs reviewed under USAID/Pakistan's umbrella Basic Health Program achieved all their planned targets for fiscal year 2006, nor were the programs as effective as planned in delivering the intended services to the citizens of Pakistan. Activities that did not achieve targets faced difficulties that included a shortage of oral contraceptives, a program design that did not work as planned, changes in the mission's program direction, inability to procure medical equipment, and complications as a result of the October 2005 earthquake.

Additionally, the audit found that USAID/Pakistan could have better monitored the KSM and PAIMAN programs by updating performance targets, ensuring that reported performance data were accurate and reliable, and maintaining CTO work files.

Recommendations—Management Decisions

OIG made four recommendations:

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

   The mission agreed with the recommendation. The mission updated guidelines for CTOs and provided training and refresher courses for cognizant technical officer personnel. Final action has been taken.

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

   The mission agreed with the recommendation. The mission updated guidelines and training for CTOs in data quality assessment and better communication of requirements with implementing partners. Final action has been taken.

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

   The mission agreed with this recommendation, and an external data quality assessment was completed in September 2007. Final action has been taken.

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

   The mission agreed with this recommendation and provided additional guidance and training on safeguarding records. Final action has been taken.

Title:	**Audit of Critical Power Sector Activities under USAID/Afghanistan's Rehabilitation of Economic Facilities and Services (REFS) Program (5-306-07-004-P)**
Date:	May 21, 2007
Implementing Partners:	Louis Berger Group, International (LBGI)
Time Period Covered By Audit:	January to December 2006
Funding Information:	The critical power sector activities audited under REFS were estimated to cost $25 million. As of December 31, 2006, $15.6 million had been spent.

Background—Summary of Findings:

The Rehabilitation of Economic Facilities and Services (REFS) Program was one of the largest and most visible programs being implemented by USAID/Afghanistan. Its purpose was to promote economic recovery and political stability by repairing infrastructure.

Providing electrical power to Afghans was considered important to the development of Afghanistan and key to its political stability. To this end, the country's power and energy sector was targeted for rehabilitation under the REFS program. LBGI concentrated on activities that provided electrical power to Kabul and the southern provinces of Helmand and Kandahar—the agricultural breadbasket of the country. The most critical activities involved the rehabilitation of the Kajakai Dam power plant through the refurbishing of two turbines and the manufacturing and installing of a third.

The audit found that one turbine had been refurbished as planned, but work on the other two turbines was significantly behind schedule because of security problems at the dam. Although the refurbished turbine delivered 16.5 megawatts of reliable hydroelectric power, delays in the other two activities postponed the delivery of 35 megawatts of reliable hydroelectric power to about 2 million people in southern Afghanistan.

In response to the numerous attacks around the dam and the subsequent evacuation of LBGI personnel, USAID/Afghanistan, the U.S. Embassy, and LBGI took a number of actions. For example, LBGI prepared a security plan to upgrade its own security at the dam while USAID and the Embassy lobbied the International Security Assistance Force, which replaced U.S. forces in the area, to provide more military protection. In response, the International Security Assistance Force increased its presence around the Kajakai Dam. Nonetheless, LBGI had been unable to return to the dam to resume its rehabilitation work as of January 29, 2007.

Recommendations—Management Decisions

Because the mission could not control the security situation around the dam, and because its actions as of the time of the audit seemed appropriate, OIG did not make any recommendations.

Title:	**Audit of USAID/Afghanistan's Alternative Livelihoods Program—Eastern Region (5-306-07-002-P)**
Date:	February 13, 2007
Implementing Partner:	Development Alternatives, Inc.
Time Period Covered By Audit:	February 2005 to September 2006
Funding Information:	As of September 30, 2006, USAID had obligated $54 million and disbursed $24 million.

Background—Summary of Findings

In February 2005, USAID awarded a 4-year, $108 million contract to Development Alternatives, Inc. (DAI) to implement Alternative Livelihoods Program—Eastern Region (ALP/E) in the provinces of Kunar, Laghman, and Nangarhar. ALP/E's goal is to accelerate broad-based, sustainable regional economic development in ways that provide new opportunities for Afghans to seek livelihoods in the licit economy in the eastern region of Afghanistan. The program has two objectives: (1) to help accelerate licit economic growth and business activity and (2) to help provide an immediate alternative source of income to poor households whose livelihoods depend, directly or indirectly, on the opium economy.

In fiscal year 2006, ALP/E achieved significant results for 13 of 15 performance indicators used by USAID to measure whether the program was achieving planned results. Achievements that supported ALP/E's objective of accelerating licit economic growth and business activity included 27,534 hectares devoted to licit agricultural production and 98,154 farmers trained in agricultural practices. Achievements that supported ALP/E's objective of providing an immediate alternative source of income to those who depend on the opium economy included $4,209,670 to 19,698 Afghans paid through cash-for-work projects. Two performance indicators could not be evaluated because sufficient information on actual accomplishments was not available or the related program activities were not fully implemented.

Despite its achievements, ALP/E could have been more successful had the program started when originally planned and had contracting snags been quickly resolved. For example, ALP/E missed the opportunity to induce more Afghans not to plant opium poppies in the winter of 2005 because the implementing contractor did not roll out the program as quickly as had been expected. Further, ALP/E did not deliver the anticipated $1.6 million in microfinance loans intended to provide about 8,000 Afghans with alternatives to growing opium poppies because USAID had used a contracting mechanism that impaired its contractor's ability to fully implement credit and finance activities.

Recommendations—Management Decisions

The audit made four recommendations:

1. USAID should require DAI to replace the performance indicator on the number of Afghans receiving agricultural credit through ALP/E with a performance indicator that reflects the program's shift from funding microfinance loans to facilitating the issuance of such loans.

   On January 30, 2007, the mission issued a technical directive to DAI directing that the indicator "Afghans receiving credit through ALP" be removed from the performance management plan and be replaced by "Number of loan agreements facilitated." Final action has been taken.

2. USAID should update its performance target for kilometers of rural roads repaired in poppy regions to a realistic level that reflects the additional $11 million of funding for this activity.

   DAI updated its FY 2006 target for kilometers of rural roads repaired in poppy regions. Final action has been taken.

3. USAID should develop a plan of action to ensure that performance targets are updated for future significant program changes.

   On January 30, 2007, the mission issued a technical directive to DAI indicating that all required performance targets will be reviewed with the CTO on a monthly basis, with revisions made as appropriate. Final action has been taken.

4. USAID should develop mission-specific procedures requiring that site visits of program activities be documented and maintained in CTO files.

   On December 17, 2006, the mission issued Mission Notice No. 2006-106, Roles and Responsibilities of CTOs. This notice was issued (1) to require all CTOs to document and keep files of site visit reports; (2) to remind COs/agreement officers, CTOs, and the supervisors of CTOs, about the interrelated nature of CTO performance and the monitoring thereof in the context of how designated CTOs perform their CTO duties and responsibilities as stated in their CTO designation letter; and (3) to encourage joint site visits by CTOs and representatives from other offices who are involved in monitoring the performance and financial status of USAID/Afghanistan projects. Final action has been taken.

Title:	**Audit of USAID/Afghanistan's School and Clinic Reconstruction Activities (5-306-06-008-P)**
Date:	August 18, 2006
Implementing Partners:	Cooperative Housing Foundation International International Organization for Migration Louis Berger Group, Inc. Shelter for Life International United Methodist Committee on Relief United Nations Office for Project Services U.S. Army Corps of Engineers
Time Period Covered By Audit:	September 2002 to April 2006
Funding Information:	As of April 2006, the mission had recorded obligations of about $92 million and disbursements of about $81 million for program activities.

Background—Summary of Findings

USAID's school and health clinic reconstruction activities were on schedule to achieve planned results. Specifically, as of April 19, 2006, USAID and its implementing partners were on schedule to complete 705 of the 776 school and health clinic buildings (91 percent) planned to be constructed or refurbished under the Schools and Clinics Construction and Refurbishment Program. Further, 511 of the 705 buildings had already been completed and turned over to the Government of Afghanistan.

Although it was on schedule to achieve 91 percent of its planned results, USAID had taken much longer than anticipated to reach this point. Factors such as deteriorating security and weather restrictions were often responsible for the delay in completion dates and changes to the number of buildings to be reconstructed under the program. Although some factors were beyond its control, the mission contributed to delays in getting 71 buildings completed.

Recommendations—Management Decisions

Two recommendations were made by the audit:

1. USAID should make a final decision on what to do with the 13 buildings that the Louis Berger Group, Inc., did not complete and take any actions necessary to carry out its decision.

USAID/Afghanistan management concluded that security conditions still prevented reconstruction of the 13 schools and health clinics that the Louis Berger Group, Inc., (LBGI) could not complete. Consequently, the mission director signed an action memorandum formally canceling work on the 13 buildings. Final action has been taken.

2. USAID should immediately modify the scope of work in its agreement with the International Organization for Migration to add the 51 buildings not completed by Cooperative Housing Foundation International and the two buildings not completed by the United Methodist Committee on Relief.

   USAID/Afghanistan management modified its agreement with the International Organization for Migration to add the 51 buildings not completed by Cooperative Housing Foundation International and the two buildings not completed by United Methodist Committee on Relief. Final action has been taken.

Title:	**Audit of USAID/Afghanistan's Rural Expansion of Afghanistan's Community-Based Healthcare (REACH) Program (5-306-06-007-P)**
Date:	August 16, 2006
Implementing Partner:	Management Sciences for Health
Time Period Covered By Audit:	April 2003 to March 2006
Funding Information:	Estimated costs at the time of audit totaled $88 million.

Background—Summary of Findings

Afghanistan's health care system is among the worst in the developing world, and access to care is extremely limited after two decades of war and neglect. Development indicators published by the World Bank and the United Nations rank Afghanistan at the bottom of virtually every category, including nutrition; infant, child, and maternal mortality; life expectancy; and literacy. The health status of Afghans is among the worst in the world. The average life expectancy is approximately 43 years. About one out of every six Afghan children dies before the age of 5. The majority of Afghans in more than one-third of rural districts have no access to health care.

In May 2003, USAID awarded a 3-year, $100 million contract to Management Sciences for Health (MSH) to implement the REACH Program in order to improve access to basic health services for Afghans and to strengthen Afghanistan's health systems. The focus of this program is to provide access by moving health care closer to women of reproductive age and children under age 5 living in rural communities. The contract was subsequently increased to about $139 million and extended to September 30, 2006. The Regional Inspector General/Manila conducted this audit to determine whether USAID/Afghanistan's school and health clinic reconstruction activities were on schedule to achieve planned results.

The audit concluded that selected activities under USAID's REACH program achieved their planned results. Specifically, 19 (95 percent) of 20 selected activities achieved their planned outputs, and one partly achieved its planned result as of March 31, 2006. For example, the REACH program awarded $56.2 million to 28 grantees to provide basic health care to Afghans, and the grantees were providing such health care at 329 sites in 14 Afghan provinces. The program also distributed $4.7 million of essential drugs to its health care providers and trained 568 midwives to provide reproductive health care services. Additionally, the program completed some activities aimed at improving the management and leadership capacity of Afghanistan's Ministry of Public Health.

Recommendations—Management Decisions

No recommendations were made by the audit.

Title:	**Audit of USAID/Afghanistan's Reconstruction of the Kandahar–Herat Highway under the Rehabilitation of Economic Facilities and Services (REFS) Program (5-306-06-005-P)**
Date:	May 18, 2006
Implementing Partner:	Louis Berger Group, Inc. (LBGI)
Time Period Covered By Audit:	June 2004 to October 2005
Funding Information:	As of October 1, 2005, the reconstruction of the Kandahar–Herat Highway was estimated to cost $162 million.

Background—Summary of Findings

The Rehabilitation of Economic Facilities and Services (REFS) program is the largest and most visible program being implemented by USAID in Afghanistan. Its purpose is to promote economic recovery and political stability by repairing infrastructure. In September 2002, LBGI was awarded a contract to implement the program with the contract base period ending December 2005. USAID submitted a request to extend the contract to July 31, 2007, and to increase its cost to $730 million. Reconstruction of the Kandahar–Herat portion of the east–west highway is a multinational effort. The Kandahar–Herat Highway, about 557 kilometers long, was divided into five sections for reconstruction purposes. The governments of Japan and Saudi Arabia are funding the reconstruction of sections 1 and 2, respectively, which have a combined length of about 231 kilometers; and the United States, through USAID, is funding the reconstruction of sections 3, 4, and 5, which have a combined length of about 326 kilometers.

USAID's goal was to have all 326 kilometers of the highway paved with three layers of asphalt by December 31, 2005. As of the time of audit fieldwork (September 26 to October 19, 2005), reconstruction activities were on schedule to have 302 of 326 kilometers (92.6 percent) paved with three layers of asphalt. Although the remaining 24 kilometers were also to have been completed by December 31, 2005, they were not finished on time because of funding shortages, which the mission could have addressed sooner.

Recommendations—Management Decisions

OIG recommended that USAID develop and implement procedures with milestones to document, track, and promptly resolve significant issues uncovered in its own monitoring efforts that could affect the progress of its reconstruction activities. USAID implemented the recommendation, and it was closed at the time the audit report was issued.

Title:	**Audit of USAID/Afghanistan's Rebuilding Agricultural Markets Program (5-306-06-002-P)**
Date:	March 28, 2006
Implementing Partners:	Chemonics International, Inc. (Chemonics)
Time Period Covered By Audit:	July 2003 to September 2005
Funding Information:	As of December 2005, USAID had approved 51 job orders with a total value of $114 million.

Background—Summary of Findings

USAID's Rebuilding Agricultural Markets Program (RAMP) aimed to help Afghanistan rehabilitate its rural sector, focusing specifically on enhancing food security and increasing rural incomes. In July 2003, USAID awarded Chemonics a 3-year, cost-plus, fixed-fee contract for $153.4 million to implement the activities under this program. As prime contractor, Chemonics was responsible for providing effective leadership, management, and coordination of program activities, which ranged from assessments, program design and planning, procurement of services in support of the core program activities, activity monitoring, and reporting.

Of the six activities reviewed, five achieved their selected planned results and one did not. The five that achieved the planned results were the rehabilitation of irrigation canals, agricultural microloans disbursed, livestock vaccinated or treated, farmers served by extension, and women trained in poultry management as of September 30, 2005. Efforts on irrigation canals resulted in 415 kilometers rehabilitated. Additionally, more than 20,000 women were trained in poultry management, and more than 16 million livestock vaccination/treatments were performed. The one activity that did not meet the planned output was the rehabilitation of farm-to-market roads.

Recommendations—Management Decisions

The audit made three recommendations:

1. USAID should obtain updated work plans from the contractor as required by the contract.

   USAID/Afghanistan obtained an updated fiscal year 2006 work plan and an updated life-of-project work plan from the contractor implementing RAMP. Additionally, the mission had incorporated these updated plans into its RAMP contract through a contract modification. Final action has been taken.

2. USAID should determine whether the added work under the original contract should have been approved and modified within the original contract prior to implementation, in accordance with Federal Acquisition Regulation, part 43, on contract modifications. If necessary, USAID's contracting officer should modify the contract accordingly.

USAID/Afghanistan determined that, for three principal reasons, a modification to the RAMP contract was not required to approve activities subsequently added to the activities listed in the original contract. First, since RAMP implementation is accomplished through work orders, the activities that were added were also done through work orders. Second, the mission asserted that the added activities fell within or were consistent with the objectives of the RAMP contract. Third, the mission noted that updated work plans (obtained and incorporated into the RAMP contract as discussed in the proceeding paragraph) included the added activities. Final action has been taken.

3. USAID should implement an action plan to require staff to complete and issue contractor performance reports to comply with Automated Directives System 302.5.9.

USAID/Afghanistan issued Mission Notice 2006-05, which established procedures and timelines to ensure that contractor performance reports are continually updated and current. Additionally, the mission completed a performance evaluation of the RAMP contractor. Final action has been taken.

Title:	**Audit of USAID/Afghanistan's Cashiering Operations (5-306-06-001-P)**
Date:	January 10, 2006
Implementing Partners:	None
Time Period Covered By Audit:	September 26–28, 2006
Funding Information:	N/A

Background—Summary of Findings

USAID/Afghanistan managed its cashiering operations in accordance with established regulations, policies, and procedures.

Title 31 of the Code of Federal Regulations, part 208; U.S. Department of Treasury's Manual of Procedures and Instructions for Cashiers; U.S. Department of State's Foreign Affairs Handbook; and USAID-published guidance such as the Automated Directives System, chapter 630, establish the principal requirements to be followed by missions in managing their cashiering operations. These requirements address such issues as making cash payments when a country's infrastructure does not support payment by a noncash mechanism, establishing imprest funds at appropriate levels, designating cashiers, establishing roles and responsibilities for cashiers and their supervisors, and installing adequate physical security and separation of duties.

USAID/Afghanistan provided guidance to cashiers and implemented other internal controls to carry out its cashiering operations according to established requirements. For example, the mission took the following steps:

- Followed appropriate procedures in establishing its imprest fund.
- Formally designated its cashiers.
- Established authorities for cashiers commensurate with size of the imprest fund.
- Provided training to its cashiers.
- Issued its own policies and procedures to provide supplemental guidance.
- Implemented adequate segregation of duties.
- Periodically performed and documented unannounced cash counts.

- Periodically reviewed and adjusted the level of its imprest fund.

In addition to the above, USAID/Afghanistan installed physical safeguards that were commensurate with the size of its imprest fund. For example, the cashiers' office was segregated from other mission offices. Additionally, the principal and the alternate cashiers each had a U.S. Government-approved safe for storing cash, paid vouchers, checks, and other cashiering documentation. The two safes had different combinations that were appropriately safeguarded. The mission also installed a security camera to monitor the cashiers' office 24 hours a day, 7 days a week. Moreover, the mission routinely requested that the regional security officer provide armed escorts when mission cashiers went to the bank to replenish the imprest fund.

OIG performed an unannounced cash count of the imprest fund maintained by the principal and alternate cashiers. Specifically, OIG verified the accuracy of the cashiers' reconciliation statement to account for the imprest fund total of $230,587. The cash count found that the $230,587—consisting of cash and other cashiering documentation such as paid vouchers, cash advances to subcashiers, and accommodation exchange transactions—was accounted for and properly documented except for an immaterial shortage of $22. Additionally, our testing found that the size of the imprest fund was not excessive but in line with the mission's needs.

Recommendations—Management Decisions

The audit made no recommendations.

Title:	**Audit of Funds Earmarked by Congress to Provide Assistance for Displaced Persons in Afghanistan (9-306-06-004-P)**
Date:	December 21, 2005
Implementing Partners:	U.S. Army Corps of Engineers, the Government of Afghanistan, and local contractors
Time Period Covered By Audit:	Fiscal years 2004 and 2005 earmarked funds—fieldwork occurred in October 2005
Funding Information:	Earmarked funds totaled $15 million.

Background—Summary of Findings

Congress appropriated emergency supplemental funds to assist in meeting the urgent humanitarian and housing needs of displaced Afghans. The United Nations estimated that 1 million Afghans had unmet shelter and basic necessity needs for the winter of 2005–2006 and that there were more than 3 million Afghan refugees in Pakistan and more in Iran, many of whom would be forced to return to Afghanistan. It was estimated that approximately 80 percent of these returnees did not own land and would require shelter and other basic necessities.

As of September 30, 2005, only $600,000 of the $10 million appropriated for FY 2004 had been used to provide shelter materials and basic necessities for displaced persons in Kabul. Additionally, as of September 30, 2005, although Congress had been notified that the funds would be transferred to the Department of State's Bureau of Population, Refugees, and Migration, none of the $5 million appropriated for FY 2005 had been transferred or spent by the mission.

Recommendations—Management Decisions

The audit made three recommendations:

1. USAID should, for the $9.4 million obligated under the limited-scope grant agreement (and to fund specifically identified assistance activities for displaced Afghans in and around Kabul), reprogram the balance of approximately $4.97 million that was subobligated under the participating agency program agreement and subobligate the $4.4 million not yet subobligated.

   USAID deobligated all unexpended funds, totaling $4.9 million, and reprogrammed the funds to an Office of Foreign Disaster Assistance contract with CARE to provide shelter to displaced Afghans. USAID also subobligated the remaining $4.5 million into a participating agency program agreement with the Department of State's Bureau of Population, Refugees, and Migration. Final action has been taken.

2. In coordination with the Department of State's Bureau of Population, Refugees, and Migration, develop a plan to use the balance of approximately $9.37 million to meet the basic necessities of displaced Afghans in and around Kabul.

   USAID and the Department of State's Bureau of Population, Refugees, and Migration developed a plan to use the $9.4 million for shelter related needs and other emergency activities for displaced Afghans in Kabul and other provinces. Final action has been taken.

3. Inform Congress, as appropriate, of its plans to use the $5 million earmarked in FY 2005 for assistance to displaced Afghans and use these funds for this assistance, as Congress intended.

   Through a revised December 2005 report, dated May 15, 2006, USAID notified Congress of its plans to use the $5 million. Final action has been taken.

Title:	**Audit of USAID/Afghanistan's Primary Education Program (5-306-05-005-P)**
Date:	April 14, 2005
Implementing Partner:	Creative Associates International, Inc. (CAII)
Time Period Covered By Audit:	January 2004 to December 2004
Funding Information:	Estimated costs at the time of audit totaled $88 million.

Background—Summary of Findings

USAID designed the Afghanistan Primary Education Program (APEP) through a two-phase strategy. Phase 1 included reproducing and distributing 10.2 million textbooks, training 600 teachers, developing and broadcasting radio-based teacher training educational programs, and providing accelerated-learning classes to 15,706 students. Phase 2 included expanding APEP activities to 17 provinces, distributing a second round of 16.2 million textbooks, enhancing the quality of teaching by providing training to 6,800 teachers, expanding accelerated-learning classes to reach 170,000 students, and providing technical assistance to the Ministries of Education and Higher Education.

As of December 31, 2004, 3 of 10 APEP activities audited had not achieved their planned results, although significant progress was made. Specifically, both textbook distribution and grade equivalents for accelerated-learning students were delayed, and the female student enrollment target was not achieved. These activities did not achieve their planned results for a number of reasons, including a delay in receiving funding for APEP.

Recommendations—Management Decisions

Four recommendations were made:

1. Obtain from CAII a distribution plan identifying the specific dates and locations for delivering the remaining textbooks in storage to ensure that the correct quantity, grade level, and language of textbooks are distributed to schools.

   CAII sent USAID a distribution plan identifying the grade level and language of textbooks and the specific dates and locations for delivering the remaining textbooks in storage. Final action has been taken.

2. Define the method to compute grade equivalents to be achieved. If change is needed to meet the planned results, the mission should obtain a detailed action plan from CAII showing how the grade-equivalent shortfalls will be achieved.

   USAID changed the language for the planned results so that computing grade equivalents is clearly understood as grades "in process." Final action has been taken.

3. Reassess the female enrollment target to ensure that performance can be managed toward an obtainable target.

   USAID revised the female enrollment to "52.2% of girls participate in learning activities." Final action has been taken.

4. Conduct a current performance evaluation of the contractor and prepare a report documenting the results.

   The CTO completed and submitted a contractor performance report for the Afghanistan Primary Education Program on March 27, 2005. Final action has been taken.

Title: **Audit of USAID/Afghanistan's School and Clinic Reconstruction Program (5-306-05-003-P)**

Date: March 14, 2005

Implementing Partners And Estimated Costs To Complete:

Cooperative Housing Foundation International (CHF)	$11.7 million
International Organization for Migration (IOM)	18.6 million
Louis Berger Group, Inc. (LBGI)	23.8 million
Shelter for Life International (SFL)	7.6 million
United Methodist Committee on Relief (UMCOR)	4.6 million
United Nations Office for Project Services (UNOPS)	6.9 million
Total	$73.2 million

Time Period Covered By Audit: September 2002 to October 2004

Funding Information: At the time of audit, USAID had obligated $73 million for the six implementing partners.

Background—Summary of Findings

As of October 31, 2004, program activities were well behind schedule. For example, at the conclusion of audit fieldwork, only 91 of the 300 schools and clinics (30 percent) were completed. Additionally, no more than 328 of the 533 (62 percent) were anticipated to be completed by the end of the calendar year. Further, mission officials estimated that not all 533 schools and clinics would be completed until August 2005, at the earliest. Accomplishments as of October 31, 2004, were as follows:

Implementing Partner	Number of Buildings To Be Completed by 12/31/04	Number Completed at Time of Audit	Number on Schedule To Be Completed by 12/31/04	Total Completed or on Schedule	Percent Completed or on Schedule
CHF	59	3	0	3	5
IOM	215	54	64	118	55
LBGI	105	15	74	89	85
SFL	57	0	46	46	81
UMCOR	24	0	15	15	63
UNOPS	73	19	38	57	78
Total	533	91	237	328	62

Recommendations—Management Decisions

The audit made three recommendations:

1. USAID should finalize an alternative implementation plan with timeframes for the uncompleted portion of its school and clinic reconstruction program. The plan should include measures to strengthen the capabilities of the Transitional Islamic State of Afghanistan's Ministries of Education and Health to contract for and manage construction projects.

   USAID finalized an acceptable plan, and final action was completed on January 17, 2006.

2. USAID should require that all of its school and clinic implementing partners and their subcontractors use the IRD method for calculating the percentage of completion for a school or clinic.

   USAID notified implementing partners and contractors at a biweekly meeting of the requirement to use the IRD method of calculating the percentage of completion. This IRD method was used during the period July 2004 through February 2005. Subsequently, the IRD method was revised and received concurrence by the implementing partners and contractors. Final action has been taken.

3. USAID should regularly merge the percent of completion data for each school and clinic from IRD's database into its own database to use as a tool for assessing the accuracy of the percent of completion data reported by implementing partners.

   Although it was not possible to merge the two systems because of information technology security reasons, each partner and Ministry provide data biweekly to USAID that is selectively entered into the USAID master list archives for schools and clinics. Final action has been taken.

Title: **Audit of the Kabul to Kandahar Highway Reconstruction Activities Financed by USAID/Afghanistan's Rehabilitation of Economic Facilities and Services Program (5-306-04-006-P)**

Date: September 21, 2004

Implementing Partner: Louis Berger Group, Inc. (LBGI)

Time Period Covered By Audit: August 2003 to June 2004

Funding Information: At the time of audit, the reconstruction of the Kabul–Kandahar Highway was estimated to cost $269 million.

Background—Summary of Findings

The purpose of the Rehabilitation of Economic Facilities and Services (REFS) Program was to promote economic recovery and political stability by repairing infrastructure. In September 2002, LBGI was awarded a contract to implement the program, including road reconstruction and other infrastructure activities, with the contract base period ending December 2005. At the time of audit, contract modifications had increased estimated costs to $665 million. Reconstruction of the Kabul–Kandahar segment of Afghanistan's major east–west highway was the largest activity being implemented under the REFS program. The east–west highway runs approximately 1,200 kilometers from Kabul to Herat. In April 2003, the U.S. Government assumed responsibility for 389 kilometers of the Kabul–Kandahar Highway, starting 43 kilometers outside of Kabul and ending 50 kilometers before Kandahar.

OIG found that the mission (1) generally checked the timeliness of reconstruction activities but did not fully monitor the quality of the road reconstruction, in part because of security restrictions, and (2) did not verify whether the contractor's performance conformed to its contract. According to LBGI, the following outputs had been achieved as of June 22, 2004.

Reconstruction Outputs as of June 22, 2004	Planned	Completed
Paving a first layer of asphalt (Phase One)	389 km	359 km
Paving a second layer of asphalt (Phase Two)	389 km	310 km
Paving a third layer of asphalt (Phase Two)	389 km	117 km
Completing six bridges (Phase Two)	6	0

Recommendations—Management Decisions

The audit made two recommendations:

1. Develop a comprehensive monitoring plan to ensure quality, timeliness, and compliance with contract terms, including requiring the contractor to submit a comprehensive quality control and assurance program for USAID approval.

   The mission developed the recommended plan, which requires site inspection teams to be present onsite on each section of road. The teams are also tasked with monitoring the quality control program of the contractor and preparing daily and weekly reports. In addition, the mission's project manager and quality assurance manager are to make semimonthly visits to the site. Final action has been taken.

2. Perform an analysis of contractor claims to ensure that USAID does not pay for the defective roadwork.

   The mission identified deficiencies in the work of the contractor and had the contractor replace the defective work at the contractor's expense. Final action has been taken.

Title:	**Audit of the Sustainable Economic Policy and Institutional Reform Support (SEPIRS) Program at USAID/Afghanistan (5-306-04-005-P)**
Date:	August 17, 2004
Implementing Partner:	BearingPoint, Inc.
Time Period Covered By Audit:	January 2003 to April 2004
Funding Information:	As of April 30, 2004, the 3-year, $96 million contract had expenditures that totaled $28 million.

Background—Summary of Findings

In December 2002, USAID/Afghanistan awarded a contract to BearingPoint to carry out the SEPIRS Program. BearingPoint uses expatriate and local consultants to provide technical assistance to various ministries of the Transitional Afghan Authority. For example, under "fiscal reform," consultants work with the Ministry of Finance on activities such as establishing an efficient tax administration system and a budget planning and reporting system. "Banking reform" includes not only strengthening the Central Bank but also working with it on activities such as licensing and regulating banks and maintaining a stable currency. "Legal/regulatory reform" includes activities such as the drafting and passing of laws governing banking, taxation, property, and natural resources. Under "trade reform," consultants provide technical assistance to the Ministry of Commerce on activities such as entering the World Trade Organization, developing exports, and organizing women entrepreneurs.

OIG could not determine whether the SEPIRS Program was on schedule to achieve planned results because there was no current workplan for the program that contained expected accomplishments and milestones against which to measure progress. This occurred because USAID did not require the contractor implementing the SEPIRS program to prepare quarterly workplans, even though such workplans were required under the SEPIRS contract. However, OIG found that progress was being made and that USAID had monitored the program in other ways.

Recommendations—Management Decisions

One recommendation was made by the audit: USAID/Afghanistan should require BearingPoint to comply with the SEPIRS contract by submitting quarterly workplan reports to USAID that include expected accomplishments and milestones.

In July 2004, the contractor put in place a monitoring system that included updated work plans. Further, USAID/Afghanistan provided a schedule of due dates for the quarterly work plans required under the contract. In addition, USAID/Afghanistan submitted the most recent contractor work plan it had approved in July 2004, as well as other detailed supporting documentation that illustrates additional corrective actions to enforce contract requirements.

This recommendation was closed prior to the issuance of the audit report.

Title:	**Second Review of the Road Project Financed by USAID/Afghanistan's Rehabilitation of Economic Facilities and Services (REFS) Program (RIG/Manila Memorandum 04-003)**
Date:	March 31, 2004
Implementing Partner:	Louis Berger Group, Inc. (LBGI)
Time Period Covered By Audit:	Not applicable
Funding Information:	$500 million

Background—Summary of Findings

The Rehabilitation of Economic Facilities and Services (REFS) Program was intended to promote economic recovery and political stability by repairing infrastructure. In September 2002, LBGI was awarded a $143 million contract to implement the REFS program, including road reconstruction and other infrastructure activities, with the contract base period ending December 31, 2005. At the time of the audit, contract modifications had increased estimated costs to $500 million. In April 2003, the U.S. Government assumed responsibility for 389 kilometers of the road project, starting 43 kilometers outside of Kabul and ending 50 kilometers before Kandahar. After assuming responsibility for the Kabul–Kandahar segment, the U.S. Government tasked USAID with reconstructing the 389-kilometer highway. In response, LBGI developed and USAID approved a two-phased strategy.

Phase 1 of the Kabul–Kandahar Highway was to be completed by December 31, 2003. USAID reported that, for all 389 kilometers of the Kabul–Kandahar Highway, either the surface had been paved with a single layer of new asphalt up to 10 centimeters thick or existing asphalt had been repaired.

The phase 1 goal under the strategy included completing a 9-meter-wide road (including two 1-meter–wide shoulders) that had at least one layer of asphalt 10 centimeters thick on the driving surface for all 389 kilometers by December 31, 2003. Phase 2 envisioned completing the road by widening it to 12 meters (including two 2.5-meter–wide shoulders), and adding three additional layers of asphalt for a total of four layers 31 centimeters thick by October 2004. However, LBGI's implementation plan dated January 30, 2004, revised the road design of the completed road to only three layers of asphalt totaling 25 centimeters. LBGI made this change because load-bearing tests indicated that 6 centimeters of asphalt could be eliminated without compromising road durability. As a result of this change and the elimination of certain

contingency costs, the road, which was estimated in May 2003 to cost as much as $273 million, was later estimated to cost $229 million.

OIG conducted fieldwork to report on the progress of the road project during January 2004. The results are described below:

USAID/Afghanistan reported that LBGI met the phase 1 goal of paving 328 kilometers of the 389-kilometer road project with at least one layer of new asphalt and repairing the remaining 61 kilometers by December 31, 2003, as planned. However, reconstruction of six bridges along the Kabul–Kandahar Highway, also included in phase 1, was not completed by the end of December 2003 as planned. LBGI estimated at the time that the bridges were over 50 percent complete and cited security incidents and logistical problems for the delays in their completion. Although most phase 2 reconstruction was not scheduled to begin until the spring of 2004, some work was already under way. For example, timeframes for completing phase 2 had been developed, and subcontractors had begun paving a second layer of asphalt. In addition, 93 of the 389 kilometers had reportedly already been paved with a second layer of asphalt. USAID and LBGI officials stated they were on schedule to complete the Kabul–Kandahar Highway by October 2004.

Although, at the time of this review, winter weather had prevented most phase 2 operations from beginning, LBGI reported that 93 kilometers of the Kabul–Kandahar Highway had already been paved with a second layer of asphalt as of February 23, 2004. Additionally, subcontractors have been able to do some work on widening highway shoulders, building culverts, and reconstructing bridges.

Recommendations—Management Decisions

Mission officials stated that the contents of this memorandum were generally consistent with their knowledge of the project and mission files. However, they commented that the road design had not been changed to reduce the number of layers of asphalt from four to three as the OIG reports. The officials claimed that the road design still requires four layers of asphalt: two base layers, one binder course, and one wearing course. However, as noted on page 3 of this memorandum, LBGI's implementation plan dated January 30, 2004, revised the road design to delete the binder course. This reduction in the number of layers was confirmed by LBGI's project manager, who stated that the current road design calls for two base layers and one wearing course layer. Consequently, OIG did not change the number of layers in this report from three to four, as suggested by the mission, since both the January 2004 implementation plan and project manager's comments seem to support three layers. There was, however, no disagreement as to the total thickness of asphalt required. Nevertheless, OIG recommended that the mission discuss with LBGI this apparent inconsistency in the required number of layers.

Title:	**Review of the Road Project Financed by USAID/Afghanistan's Rehabilitation of Economic Facilities and Services (REFS) Program (RIG/Manila Memorandum 04-003)**
Date:	November 13, 2003
Implementing Partner:	Louis Berger Group, Inc. (LBGI)
Time Period Covered By Audit:	August and October 2003
Funding Information:	$284 million

Background—Summary of Findings

The Rehabilitation of Economic Facilities and Services (REFS) Program was intended to promote economic recovery and political stability by repairing infrastructure.

After assuming responsibility for the Kabul–Kandahar segment of the road project, the U.S. Government tasked USAID with reconstructing the 389-kilometer highway. In response, LBGI developed and USAID approved a two-phased strategy to accelerate the reconstruction. The strategy set a first-phase goal of completing a 9-meter-wide road (including two 1-meter-wide shoulders) that had at least one layer of asphalt 15 centimeters thick on the driving surface for all 389 kilometers by December 31, 2003. Because of the accelerated reconstruction schedule, the estimated cost to complete all phases of the Kabul–Kandahar Highway reconstruction had risen to nearly $284 million (including, according to the mission, $40 million for contingencies).

To report on the progress of the road project, OIG traveled to Afghanistan in August and October 2003. Officials reviewed documentation from the mission and LBGI, interviewed officials, and visited reconstruction sites. Despite the complexity of the road project, LBGI and USAID/Afghanistan had accomplished the following:

- Hired four subcontractors from India and Turkey.
- Mobilized heavy equipment, rock-crushing plants, and asphalt-mixing plants.
- Deployed security teams to patrol construction zones and camps.
- Located, imported, and processed supplies.
- Collaborated with the United Nations to expedite the clearing of mines.

Nevertheless, in September 2003, USAID officials said that asphalt-paving activities were about 4 weeks behind the schedule set in April 2003, due in part to demining security incidents. As of November 1, 2003, LBGI reports showed that 222 kilometers of road had been paved to a 10-centimeter depth. Barring unforeseen problems, USAID officials stated that they planned to have the 389 kilometers paved to this depth by the end of December 2003, excluding 68 kilometers of existing pavement that USAID in its management comment stated only needed repair.

A number of problems had delayed project progress:

- Security incidents increased.
- The area had to be demined.
- Almost none of the equipment and materials needed to construct a road were available locally.
- Some equipment and materials being brought into the country had been detained by neighboring country customs authorities.
- The onset of winter weather might affect LBGI's ability to achieve the accelerated goals.

Recommendations—Management Decisions

OIG recommended that LBGI maintain a detailed, updated implementation plan for its REFS activities. According to its contract, LBGI was to prepare an implementation plan within 30 days of arrival in Afghanistan and updated plans by the end of every January to ensure that all REFS activities—including the road project—would be completed on time and within budget. The contract required that the plan be flexible to respond to changes in the number, type, and location of REFS activities. LBGI prepared an initial plan in December 2002. However, LBGI did not update its December 2002 implementation plan to reflect changes made to the road reconstruction schedule through December 2003 or beyond.

LBGI issued an updated implementation plan for its REFS activities on January 30, 2004. Final action has been taken.

Title:	**Risk Assessment of Major Activities Managed by USAID/Pakistan (5-391-04-001-S)**
Date:	October 30, 2003
Implementing Partners:	N/A
Time Period Covered By Audit:	N/A
Funding Information:	N/A

Background—Summary of Findings

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

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

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

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

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

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

- Building a program that can be managed largely by Pakistani professionals, both with regard to its own staff as well as the staff of its partner organizations.

- Outsourcing some of its financial review and analysis functions to a local accounting firm and considering local Pakistani organizations to monitor and evaluate USAID program activities.

- Hiring experienced staff within a short period of time.

- Signing four strategic objective grant agreements, totaling $306 million, with the host government and developing multiyear strategic plans to achieve objectives.

- Planning for the implementation of new assistance programs with increased funding.

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

Recommendations—Management Decisions

OIG made no recommendations.

Title: **Risk Assessment of Major Activities Managed by USAID/Afghanistan (5-306-03-001-S)**

Date: March 11, 2003

Implementing Partner: N/A

Time Period Covered By Audit: N/A

Funding Information: N/A

Background—Summary of Findings

The Afghanistan Freedom Support Act of 2002 authorized $1.7 billion over 4 fiscal years (beginning with FY 2003) for economic, humanitarian, and development assistance to Afghanistan.

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

OIG assessed the overall risk related to USAID/Afghanistan's ability to manage assistance activities. The overriding constraint to managing assistance activities in Afghanistan was the tenuous security situation in the country. Because of security concerns, travel within and particularly outside of Kabul was heavily restricted. Most U.S. direct hires were required to live and work in the U.S. Embassy compound, and approval is required for all trips outside its walls. For trips outside of Kabul, approval was contingent upon taking along at least two vehicles and two armed U.S. military personnel. USAID/Afghanistan's own assessment identified three material weaknesses in its system of management controls, all of which are related to the country's difficult security situation:

1. Unsuitable working and living conditions.
2. Inability to readily travel to project sites.
3. Retention of personnel and delays in the assignment of personnel.

In assessing overall risk, the OIG reviewed the mission's own candid assessment of risk, which it undertook to meet the annual certification requirement of the Federal Managers' Financial Integrity Act of 1982 (FMFIA). The OIG—and the mission's own assessment—concluded that,

overall, the risks were high for program goals not being attained, noncompliance with laws and regulations, inaccurate reporting, and illegal or inappropriate use of assets or resources.

Generally, the risks associated with the three material weaknesses are amplified by (1) the magnitude of the funding being provided to Afghanistan, (2) the pressure to implement activities in extremely short timeframes, (3) the lack of stable host government institutions, and (4) the pervasiveness of corruption and lawlessness in the country—not to mention the presence in-country of some 5 to 7 million mines.

The mission reported that because of the three material weaknesses it identified, its ability to achieve objectives was significantly impaired, as well as its ability to obtain, report, and use reliable and timely information for decision making. The mission also reported that as a result of these weaknesses, statutory or regulatory requirements could be violated.

Recommendations—Management Decisions

While USAID/Afghanistan proposed a number of corrective actions for the material weaknesses it has identified, most of these proposals were not entirely within its control. Many were under the control of the U.S. Embassy in Kabul—especially those relating to working and living arrangements. However, USAID/Afghanistan was exploring the possibility of obtaining its own building and its own employee residences.

OIG agreed that each of these weaknesses presented a challenge for the mission and for the achievement of program objectives. Although the mission had proposed corrective actions for the material weaknesses it identified, most of the proposals would require the support of the U.S. Embassy in Kabul.

Title:	**USAID's Bureau for Asia and the Near East Monitoring of the Government of Pakistan's Compliance with the Provisions of USAID Grant No. 391-K-005 (0-000-03-001-F)**
Date:	January 7, 2003
Implementing Partners:	Government of Pakistan
Time Period Covered By Audit:	November 15, 2001, to June 30, 2002
Funding Information:	$600 million

Background—Summary of Findings

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

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

- USAID/ANE officials did not secure authorizations from the Government of Pakistan to have loan records released by each of the Government of Pakistan's creditors to corroborate loan payment data provided by the Government of Pakistan.

- USAID/ANE officials did not obtain timely required reports from the Government of Pakistan on the use of the separate dollar funds and the status of the Separate Dollar Account, as required by the agreement.

- USAID transferred grant funds into an interest-bearing account at the Federal Reserve Bank of New York, although article V, section 5.1 of the agreement requires grant funds to be deposited into a non-interest-bearing account. ANE also did not establish procedures to ensure that interest earned was returned to USAID.

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

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

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

Recommendations—Management Decisions

OIG made three recommendations:

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

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

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

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

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

   The mission agreed with the recommendation and collected more than $600,000 from the Government of Pakistan. Final action has been taken.